

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT OCCUPATIONAL PENSION SCHEMES
(ADMINISTRATION, INVESTMENT, CHARGES
AND GOVERNANCE) (AMENDMENT)
REGULATIONS 2021

Tuesday 7 September 2021

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Saturday 11 September 2021

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The Committee consisted of the following Members:

Chair: †CHRISTINA REES

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| † Baker, Duncan (<i>North Norfolk</i>) (Con) | † Mak, Alan (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Buchan, Felicity (<i>Kensington</i>) (Con) | † Opperman, Guy (<i>Parliamentary Under-Secretary of State for Work and Pensions</i>) |
| Butler, Dawn (<i>Brent Central</i>) (Lab) | † Osborne, Kate (<i>Jarrow</i>) (Lab) |
| † Clarkson, Chris (<i>Heywood and Middleton</i>) (Con) | † Rodda, Matt (<i>Reading East</i>) (Lab) |
| † Coyle, Neil (<i>Bermondsey and Old Southwark</i>) (Lab) | † Stephens, Chris (<i>Glasgow South West</i>) (SNP) |
| † Drummond, Mrs Flick (<i>Meon Valley</i>) (Con) | † Tami, Mark (<i>Alyn and Deeside</i>) (Lab) |
| † Everitt, Ben (<i>Milton Keynes North</i>) (Con) | |
| † Griffiths, Kate (<i>Burton</i>) (Con) | |
| † Hillier, Dame Meg (<i>Hackney South and Shoreditch</i>) (Lab/Co-op) | Chloe Freeman, <i>Committee Clerk</i> |
| † Howell, Paul (<i>Sedgefield</i>) (Con) | |
| † Jupp, Simon (<i>East Devon</i>) (Con) | † attended the Committee |

Second Delegated Legislation Committee

Tuesday 7 September 2021

[CHRISTINA REES *in the Chair*]

Draft Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021

2.30 pm

The Chair: Before we begin, may I encourage Members to wear masks when they are not speaking? That is in line with current Government guidance and that of the House of Commons Commission. Please give each other and members of staff space when seated and when entering and leaving the room. Members should send their speaking notes by email to Hansardnotes@parliament.uk.

The Parliamentary Under-Secretary of State for Work and Pensions (Guy Opperman): I beg to move,

That the Committee has considered the draft Occupational Pension Schemes (Administration, Investment, Charges and Governance) (Amendment) Regulations 2021.

Thank you, Ms Rees, for your chairmanship.

The regulations continue the Government's reform of the defined contribution automatic enrolment pension schemes. Thanks to automatic enrolment formulated under the Labour Government, brought forward under the coalition and very much expanded under this Government, 10 million-plus of our citizens are now saving 8% in occupational pensions. That is something of which we should all be very proud and it affects each and everyone's constituency; there are over 10,000 members in pretty much every constituency up and down the country, sometimes many more than that, who are now paying into an automatic enrolled pension.

The regulations ensure that the best interests of those savers are driving the administration, governance and investment strategies of those schemes. We are introducing a new value-for-members assessment that will ensure that members of smaller schemes are not suffering from poorly governed, underperforming schemes. The regulations also require the trustees of certain occupational DC schemes to publish information on the performance of their investments for the first time and we will ensure that the competition on overall member value replaces a narrow focus on cost. By allowing occupational DC schemes to smooth performance fees within the charge cap, it will make it easier for trustees to pay higher fees but only where they have evidence that that will produce greater returns to members.

The Government are genuinely committed to building on the success of automatic enrolment with a consolidated, innovative, member-focused market for saving in occupational DC schemes. I commend the regulations to the Committee.

2.32 pm

Matt Rodda (Reading East) (Lab): We are told that this instrument seeks to increase the requirements placed on trustees of occupational defined benefit schemes in order to require trustees of some schemes to disclose investment returns and demonstrate value for members. It also aims to increase flexibility by altering the rules on the charge cap and other technical changes.

As my colleagues in the other place set out yesterday, we understand that the proposed changes are designed to enable and encourage DC schemes to invest in a broader range of assets, including private equity and venture capital, the theory being that that will benefit the British economy and indeed the interest of pension scheme members. I am told, however, that the Government have been lobbied heavily by the private equity sector on this matter. Given the pressure on time, and the issues being discussed in the Chamber, I ask the Minister whether I may write to him to explore some of the more detailed issues within the regulations.

Guy Opperman: I would be happy to write to the hon. Gentleman in full detail in response to any and every question that he wishes to raise.

Matt Rodda: Thank you.

2.34 pm

Chris Stephens (Glasgow South West) (SNP): I know that we want to be quick, but I have a couple of general comments and questions. As someone with a trade union background who has been on a picket line and taken industrial action to preserve occupational pension schemes, it is a topic close to my heart. I know that the Minister appreciates that and the work of those of us who serve on the Work and Pensions Committee on that issue, and indeed the impact of the Carillion inquiry, which raised key questions about pensions.

The proposed regulations are fair, but the Minister will recognise the ongoing issues associated with smaller pension pots, which can become uneconomic for both the providers and the members. Just how is he going to ensure that members' interests in those smaller schemes are protected? Is he looking to enhance the auto-enrolments? There are still too many people excluded. How will the Government also ensure that there is not a sizeable gender pay gap? Will he also consider lowering the age of the threshold for ongoing auto-enrolment membership?

2.35 pm

Dame Meg Hillier (Hackney South and Shoreditch) (Lab/Co-op): I should declare my interests as a trustee of the parliamentary contributory pension fund.

The regulations raise the issue of the fees for small pension funds. To echo the comments of the hon. Member for Glasgow South West, although the auto-enrolment scheme was a great leap forward in enrolling people in jobs that never had pensions before, many people will jump from small pension scheme to small pension scheme, with small pots in those different schemes. Some of those schemes will survive and some will wither away over time. Does the Minister have any plans to look at the fees for the auto-enrolment scheme, and in particular the gender equality issues that affect that? Is he looking to transfer transparency from the proposed scheme to other schemes?

2.36 pm

Guy Opperman: I can briefly answer both points. To take the 2017 automatic enrolment review, which is starting from the first pound and obviously extending automatic enrolment, it is absolutely the Government's intention to achieve that by the mid-2020s. It is obviously a process that needs to be gone through with the Leader of the House and with the Prime Minister. It is slightly above my pay grade as to when that comes in, but it is definitely the intention, and we have gone on record to say that it will be in place by the mid-2020s.

In respect of consolidation and small pots, the hon. Member for Glasgow South West will be aware from his work on the Select Committee that we are doing a lot of work on de minimis small pots to ensure that they are

not swallowed up by the charges. We are bringing forward legislation to address the issue faced by people with multiple small pots that are eaten away by charges. We are consulting on how to legislate, engaging with industry, the Pensions and Lifetime Savings Association and other organisations to achieve that. The findings of the 2017 review will make a great difference in terms of the gender pay gap and the extent to which there is a pensions disparity. I am happy to write to both hon. Members in more detail to set out things so that they have a full version from me.

Question put and agreed to.

2.37 pm

Committee rose.

