

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT OCCUPATIONAL PENSION SCHEMES
(COLLECTIVE MONEY PURCHASE SCHEMES)
REGULATIONS 2022

Monday 21 February 2022

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The Committee consisted of the following Members:

Chair: DAVID MUNDELL

† Afolami, Bim (*Hitchin and Harpenden*) (Con)
 † Bacon, Gareth (*Orpington*) (Con)
 † Carden, Dan (*Liverpool, Walton*) (Lab)
 † Clarke, Theo (*Stafford*) (Con)
 Daby, Janet (*Lewisham East*) (Lab)
 Hillier, Dame Meg (*Hackney South and Shoreditch*)
 (Lab/Co-op)
 † Holloway, Adam (*Gravesham*) (Con)
 † Johnson, Gareth (*Dartford*) (Con)
 † Jones, Mr David (*Clwyd West*) (Con)
 † Lorgan, Robert (*High Peak*) (Con)

† Latham, Mrs Pauline (*Mid Derbyshire*) (Con)
 † Lewis, Clive (*Norwich South*) (Lab)
 † Mishra, Navendu (*Stockport*) (Lab)
 † Opperman, Guy (*Parliamentary Under-Secretary of
 State for Work and Pensions*)
 † Qaisar, Ms Anum (*Airdrie and Shotts*) (SNP)
 † Rodda, Matt (*Reading East*) (Lab)
 † Spencer, Dr Ben (*Runnymede and Weybridge*) (Con)

Kevin Maddison, *Committee Clerk*

† **attended the Committee**

Second Delegated Legislation Committee

Monday 21 February 2022

[DAVID MUNDELL *in the Chair*]

Draft Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022

4.30 pm

The Chair: Before we begin, I remind Members to observe social distancing and Mr Speaker's guidance on wearing masks, except when speaking and unless exempt.

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 (Collective Money Purchase Schemes) Regulations 2022.

What an honour and privilege it is to appear under your chairmanship for the first time, Mr Mundell. I am sure there will be many more illustrious occasions, but as you know, today we are here to discuss the draft Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2022, which were laid before the House on 17 January.

These are groundbreaking and game-changing regulations that take forward the nuts and bolts of sections 1 to 102 of the Pension Schemes Act 2021, which is a transformational Act of this Parliament and one of the key changes brought forward by this Conservative Government. It is the product of many years of work by a huge number of people, from the Royal Society of Arts to Department for Work and Pensions officials, who have worked tremendously hard on it, to our dearly departed friend Jack Dromey and many others who have seen this measure as a potential third way of providing pensions on an ongoing basis.

The UK pensions market currently has a defined-benefit and a defined-contribution basis. These regulations provide a middle ground—a third way. We are providing an alternative approach, whereby member and employer contributions are pooled and then invested with a view to delivering benefits at the level to which the scheme aspires. Such schemes offer potential benefits in economies of scale and the opportunity for greater investment in higher-returning assets and better contribution schemes on a long-term basis. The Government believe that this is the right way forward for many different organisations. Self-evidently, Royal Mail and the Communication Workers Union have been at the forefront and have driven forward an agreement such that they will be the first in line to take this forward, but we believe that there is potential for other schemes—on a large or smaller basis—to embrace collective defined contributions.

It is only right that employees and employers have confidence in a CDC scheme, as it is a new type of pension scheme. The regulations, which I accept are detailed, set out requirements for the process of applying for authorisation and further detail on the criteria that such schemes need to meet in order to be authorised. The criteria include that the design of the scheme must be sound, that it must have sufficient financial resources

to operate, and that it must have the capacity to deal with particular issues that arise. Fit and proper persons are also required to take these matters forward. If the Pensions Regulator is not so satisfied, it cannot authorise the scheme. The regulations set out requirements relating to the regulator's supervisory role and, in more detail, the need for a code of practice, which is currently being consulted on by the Pensions Regulator.

There was considerable interest in these matters during the passage of the Pension Schemes Act 2021, and I am happy to answer any questions that are raised. The key point of intergenerational fairness and communication to members is addressed in the regulations and in the code of practice. I commend the regulations to the Committee.

4.33 pm

Matt Rodda (Reading East) (Lab): It is a pleasure to serve under your chairmanship, Mr Mundell. I refer colleagues to my declaration in the Register of Members' Financial Interests. I thank all those who have contributed to the development of these important regulations, including the Minister, the Department, the Royal Society of Arts, the pensions industry, employers and trade unions. I pay particular tribute to our late colleague Jack Dromey. It was through his enormous efforts that this work was developed, and he worked exceedingly closely with the Minister. I am grateful for the cross-party working on this matter; pensions are an important and long-term public policy issue, so it is right that we work on them together wherever possible.

As the official Opposition, we do not oppose these regulations, as they will begin the process of allowing some employers to take advantage of a new system that, as the Minister mentioned, has huge benefits. If we act with care and diligence, it could help employees in certain sectors to retire with more security and comfort. When done properly, CDCs offer a cost-effective way of saving for retirement by making pension saving a shared process, as we heard earlier. However, we should be prudent, and I would like to place on record a number of issues that we hope the Minister and the Department will address in the fullness of time.

First, it is important to make the intentions of the CDC process as clear as possible. Colleagues will know that, in the pensions world, uncertainty can be compounded over time and lead to costs or unnecessary risk. That will mean ensuring that the further regulations that the Government hope to bring through in March are watertight.

Secondly—I believe the Minister may wish to respond on this point—some experts have raised concerns with me about the use of master trusts as a model or template for CDCs, when they might not be appropriate in all circumstances. Some of the tests to measure a scheme's viability, for example, might not apply in the same way. While this is a deeply technical issue, it is important to get it right, so I am sure the Minister may have more to say, or will wish to write to me about this matter in more detail.

Thirdly, I hope the Minister will provide assurances today that there will be enough time and opportunity for experts, stakeholders, politicians and the Department to review CDCs as they develop and to tackle any issues with what are significant changes.

Finally, I thank everybody concerned in the process once again, because this is an important step forward, as the Minister mentioned. There is an element of consensus about this, and I hope that these changes provide worthwhile opportunities for pension savers and pensions in the future.

4.37 pm

Ms Anum Qaisar (Airdrie and Shotts) (SNP): It is a pleasure to serve under your chairmanship, Mr Mundell.

While we in the SNP welcome the creation of CDC schemes, consumer protection will be key. Far too many will not benefit from these measures if they do not qualify for automatic enrolment. We need strong consumer protection to ensure that people are getting the most out of their savings. The SNP supports the creation of CDC schemes and recognises their benefits. We are also clear that members' best interests must be placed at the very heart of the process. While CDC schemes are welcome, they cannot be seen as the right solution for everybody. It is important that people are given access to as much impartial information about their pensions as possible, to give them the confidence to make informed decisions about their savings. Far too many are still excluded from automatic enrolment and occupational pension schemes, and this is doing nothing to alleviate the sizeable gender pension gap.

To conclude, we in the SNP demand that the UK Government lower the age threshold for auto-enrolment from 22 to 16 and remove the lower limit of the qualifying earnings band, so that contributions are payable from the first pound earned.

4.38 pm

Guy Opperman: I thank colleagues for their responses and their support for these regulations. This is very much an iterative process, so I accept the point about needing to review CDCs. I am often criticised on the one hand for not bringing this forward quickly enough and on the other for going too slowly. In this case, I think the Government are doing the perfect thing of trying to navigate a course that progresses the main form of CDCs. We will move to multi-employer CDCs in the latter part of this year, going into next year, and will move at a sufficient pace that we feel is appropriate. There will definitely be an opportunity to respond to these regulations and the draft code, which I strongly urge colleagues and the industry to read.

We are inventing a brand-new way of providing pensions that is genuinely of assistance to businesses, big employers and, crucially, employees—it is very much supported by unions, for example, and gives unions a real role in supporting businesses and employees—but it will also work for multi-employer schemes on an ongoing basis.

We used master trusts as a broad base of what we were trying to do, and while that has always been the case, there is no question whatever but that this is

different from master trusts. I am happy to write to the hon. Member for Reading East with a bit more detail on that, but this is certainly not a like-for-like model in any way whatever.

The hon. Member for Airdrie and Shotts rightly raised consumer protection, which is a challenge that I accept entirely. We have made great efforts to ensure proper communications. I have met repeatedly with Royal Mail and the CWU, for example, and there is no question in my mind but that Royal Mail employees, who are heavily unionised, are the most informed about this potential pension change of any employees up and down the country, because the engagement around Royal Mail post offices and postal centres around the country has been outstanding. I have been everywhere, from Norwich sorting office to Barrhead, all over the country, to meet with people, talk with them and see the work being done. However, I accept that this is an ongoing challenge.

Automatic enrolment, a wonderful Conservative/coalition Government invention that we very much continue to laud and applaud, is a transformation that has benefited 10.5 million people across all our constituencies. The hon. Lady rightly raised the 2017 review of automatic enrolment review; the Government will bring that in in the fullness of time. I also make the simple point that automatic enrolment is there to expand and enhance access to savings to so many people. Among young people and women, for example, less than 40% had an occupational pension; the figure is now well above 80%. That is a transformation since 2012, with a total of 10.5 million people benefiting.

Matt Rodda: Perhaps the Minister would also like to thank the previous Labour Government for its work on auto-enrolment, as it was an idea developed by Gordon Brown originally and implemented, as he said, by later Governments.

Guy Opperman: There is no question but that this idea started with the Turner commission and the Brown-Blair Government—not a Government, I feel, that is very supported by the present Labour party—but we are very much behind this innovative change, and obviously we welcome all converts to innovative pension change. I totally accept that this is a 20-year policy. It has a stage to go, which we will be responsible for, but it is also, like so many things in pensions policy, something that transcends parties and Governments, because we make policy for 30 to 40 years, and this a good example of that.

Question put and agreed to.

4.42 pm

Committee rose.

