

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT OCCUPATIONAL PENSION SCHEMES
(GOVERNANCE AND REGISTRATION)
(AMENDMENT) REGULATIONS 2022

Monday 4 July 2022

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Friday 8 July 2022

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The Committee consisted of the following Members:

Chair: SIR GRAHAM BRADY

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| † Bhatti, Saqib (<i>Meriden</i>) (Con) | † Matheson, Christian (<i>City of Chester</i>) (Lab) |
| † Cameron, Dr Lisa (<i>East Kilbride, Strathaven and Lesmahagow</i>) (SNP) | † Maynard, Paul (<i>Blackpool North and Cleveleys</i>) (Con) |
| † Cates, Miriam (<i>Penistone and Stocksbridge</i>) (Con) | † Mishra, Navendu (<i>Stockport</i>) (Lab) |
| † Crosbie, Virginia (<i>Ynys Môn</i>) (Con) | † Opperman, Guy (<i>Parliamentary Under-Secretary of State for Work and Pensions</i>) |
| † Dines, Miss Sarah (<i>Derbyshire Dales</i>) (Con) | † Rodda, Matt (<i>Reading East</i>) (Lab) |
| † Drummond, Mrs Flick (<i>Meon Valley</i>) (Con) | † Stevenson, John (<i>Carlisle</i>) (Con) |
| † Holloway, Adam (<i>Gravesham</i>) (Con) | Yasin, Mohammad (<i>Bedford</i>) (Lab) |
| † Johnson, Dame Diana (<i>Kingston upon Hull North</i>) (Lab) | Bethan Harding, <i>Committee Clerk</i> |
| Jones, Mr Kevan (<i>North Durham</i>) (Lab) | |
| † Lopresti, Jack (<i>Filton and Bradley Stoke</i>) (Con) | † attended the Committee |

Second Delegated Legislation Committee

Monday 4 July 2022

[SIR GRAHAM BRADY *in the Chair*]

Draft Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022

6 pm

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

That the Cttee has considered the draft Occupational Pension Schemes (Governance and Registration) (Amendment) Regulations 2022.

It is an honour to appear before you again, Sir Graham. The regulations continue the Government's agenda of ensuring that the best possible value is obtained from the supply side of occupational pension schemes, allowing savers to achieve the best possible outcome in retirement. They bring into law various duties on trustees in defined-benefit and defined-contribution occupational pension schemes. The duties relate to the appointment of fiduciary managers and the use and performance review of investment consultants. The regulations replace the rules that are currently enforced by the Competition and Markets Authority; compliance will now be run by the Pensions Regulator.

The regulations will require trustees of occupational pension schemes to set objectives for persons who provide them with investment consultancy services, to review those objectives at intervals of no more than three years, and to review annually the performance of providers against the objectives. Setting objectives will enable trustees to monitor the performance of their advisers and, quite simply, get better value for money in the long term. The regulations also require trustees to carry out a qualifying tender process. Additionally, through the regulations, the Government have defined "investment consultancy providers", "investment consultancy services", "fiduciary management providers", and "fiduciary management services" for the first time in pensions legislation.

We believe that the duties will encourage trustees to become more engaged with the ways in which services are bought, monitored and evaluated, and to consider more efficient consolidation options, which is also a priority for the Government. That will in turn lead to better outcomes for scheme members and employer sponsors of schemes. We believe that good investment is a key element of any well-run pension scheme. Trustees are responsible for investment governance and are accountable for any investment decisions. They also have a duty to consider proper advice and to act in the best financial interests of the beneficiaries. The regulator will take over the monitoring of compliance with the duties. I commend the regulations to the Committee.

6.2 pm

Matt Rodda (Reading East) (Lab): It is a pleasure to serve under your chairmanship, Sir Graham. I thank the Minister for outlining the regulations, and I offer

my support for and thanks to trustees, and to those who provide advice, for the important work that they do in our pensions system. The official Opposition support the measures—it is important that we collectively support and encourage people to save for their retirement—but I have a modest number of questions about matters on which I would like the Minister to go further.

First, the CMA's December 2018 investigation, which sparked this process and led to the changes, picked up on what it described as the

"low level of engagement by trustees".

It noted that a further reason was

"a lack of clear and comparable information to assess value for money".

Will the Minister set out how he intends to increase engagement? I appreciate that the regulations go some way towards that, but I would like further reassurance from him. Furthermore, can he assure us that he will monitor the situation and make sure that the rules are working as intended? As I said, it is important that we protect the pensions system and encourage saving.

I understand that the recent pandemic has, sadly, had an impact on all Departments, including the Department for Work and Pensions, but there is clearly a growing trend of pensions legislation and pledges by Ministers being delivered later than originally intended. Will the Minister reassure the Committee that he is on top of the situation and is working closely with his Department to ensure that there is no slippage in other, similar measures? I look forward to his response.

6.4 pm

Dr Lisa Cameron (East Kilbride, Strathaven and Lesmahagow) (SNP): It is a pleasure to serve under your chairmanship, Sir Graham. I thank the Minister and the shadow Minister. The Committee will know that this is not my usual remit, which is traditionally mental health, but I have stepped in to support the SNP Treasury spokesperson—although I am sure that many people's mental health is affected by bad pension advice.

I am happy to support and encourage the improved trustee engagement and transparency in governance that these important regulations will allow. It is helpful that trustees of in-scope occupational pension schemes will set objectives for investment consultants and carry out a tender process in certain circumstances before appointing the fiduciary manager.

The regulations will also enable the Pensions Regulator to oversee the remedies that apply to such trustees and to ensure compliance. I am aware that questions were raised on that very issue by the Work and Pensions Committee in 2019, and, as has been mentioned, in the 2018 CMA investigation. I am glad that those matters are being addressed—for which I thank the Minister—and that we can work collectively to ensure the best outcomes for pensioners and those across the United Kingdom who contribute to pensions.

6.6 pm

Guy Opperman: I thank colleagues for their speeches and support. I will not necessarily respond to any of the hon. Lady's comments, because she supports the regulations and I entirely accept that the Work and Pensions Committee

did look at the matter. We think that we have acted having done all the due consultation required by the Government.

I think it a good thing that the monitoring of compliance is being passed from the CMA to the Pensions Regulator. I meet the TPR regularly—indeed, I met its chair, Sarah Smart, only today. That will bring monitoring much more within the ambit of the DWP. We have an independent regulator for a reason, but it is important that the Government, through a Work and Pensions Minister, hold it to account. That is why I think monitoring will be way better.

I refute the idea of slippage entirely. Everything that the Government do is perfect, as we know, and we are moving forward at a serene pace. I am certain that these things are all going in a perfect way. The serious point is about levels of engagement by trustees, which are not good enough at present. We are doing a huge amount on this, including these regulations and the enhanced chair's statement, for example. The hon. Gentleman follows my every pronouncement with great glee, so he will be aware that on 1 November, we will do a detailed value-for-money assessment consultation, which will genuinely bring together a host of different obligations on trustees to ensure that they evaluate outcomes for members in a way that, at present, is not done to the degree that I and the Government would like. That is what we are trying to achieve.

There are other bits and bobs. I am sure that the hon. Gentleman engaged in Pension Credit Awareness Day on 15 June, and he will be aware that the pension

engagement season starts in September and October. Their aim is to get trustees much more behind engagement with members, but that is a constant struggle.

Matt Rodda: Can the Minister offer some additional assurances on the question of small pension funds? The scale of such funds can cause particular difficulties for trustees.

Guy Opperman: The hon. Gentleman is aware of all the consultations that we have done, so he will know that following the regulations that we passed previously, smaller pension funds—those of up to £100 million—are now judged on value-for-money outcomes. My strong view is that there should unquestionably be greater consolidation. It is only through size that we can get greater expertise, greater monitoring of performance and greater response to members. That is a work in progress.

We are dramatically reducing the number of pension schemes through more and more consolidation. I encourage trustees to consider it, particularly if they are in any doubt about whether they are getting value for money for their members. We are asking the Pensions Regulator to apply that pressure to trustees to ensure that members ultimately get better outcomes, which is what we all want. That is dependent on trustees performing their job, but that is difficult in small schemes, which is why we are encouraging them to merge, to put it bluntly.

Question put and agreed to.

6.9 pm

Committee rose.

