Department
for Work &
Pensions

GUY OPPERMAN MP
Minister for Pensions

Rt Hon Stephen Timms MP
Chair, Work and Pensions Committee
House of Commons
London
SW1A 0AA

11 November 2020

Dear Stephen,

I write to provide further detail on a number of matters you raised during the Committee Stage of the Pension Schemes Bill, on 3 and 5 November.

I hope this letter will provide clarity and assurances on the steps being taken by the Department to safeguard pension savings against scams, encourage good value investment choices, and a forward look on our proposals for Statement of Investment Principles (SIP) disclosures.

FCA registered schemes

In relation to clause 125, you raised concerns about pensions transfers. In particular, you asked if we can ensure conditions are applied where risks are identified, and the best way to determine what is a safe destination.

The powers in clause 125 can be used to set conditions relating to transfers to schemes operated by firms authorised and registered by the Financial Conduct Authority (FCA) as well as other schemes, authorised and regulated by the Pension Regulator (tPR). It provides powers to make regulations to prescribe that an organisation involved in a transfer must have a required FCA permission (or be exempt), as this is an objective standard that trustees can assess is or is not met. It also allows options to set other conditions in respect of specific FCA registered schemes. Therefore, it is not necessarily the case that there would be a single approach to all FCA registered schemes.

My officials are working closely with industry representatives, including the Pension Scams Industry Group (PSIG), regulators, and the Money and Pensions Service (MaPS) to assess how best to determine circumstances in which different conditions for transfers might apply. We will consult on regulations made using powers set out in clause 125 to determine the details of exactly how these conditions will be applied. I would welcome the Work and Pensions Select Committee's input on this going forward as I made clear at Second Reading and Committee stage.

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Investment pathways

The FCA's Retirement Outcomes Review highlighted market failures in relation to how individuals were informed about their pension savings, including non-advised income drawdown. The FCA has already published a policy statement in relation to its proposals for improving saver outcomes by requiring all firms to offer 'investment pathways'. The statement was published in July 2019 and remains relevant:

https://www.fca.org.uk/publications/policy-statements/ps19-21-retirement-outcomes-review-feedback-cp19-5

The DWP has sought to apply the same principles of support and information where individuals enter into income drawdown offered by occupational schemes. Earlier this year, we carried out a series of round tables with industry and consumer protection groups, to understand how similar requirements to the FCA investment pathways may affect trust based occupational pension schemes. The FCA also released an update in April 2020, advising that the implementation of the investment pathways for contract schemes would begin on 1 February 2021.

Consultation on SIP disclosure

In August, the Government consulted on proposals to require that trustees notify tPR of the host website for their SIP in their annual scheme return (required under section 64 of the Pensions Act 2004). We intend to issue a response to this consultation at the same time as consulting on draft regulations early next year.

Our proposals would mean that from 1 October 2021 trustees are required to supply the web address of their most recently published SIP to tPR in all future scheme returns. We would expect tPR to publish a directory when they receive schemes' returns and we have undertaken early discussions with tPR, pending the outcome of the consultation.

With best wishes,

Guy Opperman MP
Minister for Pensions and Financial Inclusion