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Alex Cunningham MP
House of Commons,
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20th

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Dear Alex

During the Committee for the Pension Schemes Bill you asked about some matters on which I am now able to provide some further information; references to Clause numbers are for the Bill as amended in Commons Committee:

The arrangements for informing members when a scheme is to be wound up and members transferred to a new scheme.

The Bill makes provision for the members to be informed when a scheme is following continuity option 1 and members are to be transferred out of the scheme. This is specifically provided for under clause 24(1)(b) – with regulation making powers within the clause in relation to the manner and timing of this notification.

There are also powers to make regulations about how continuity option 1 is to be pursued and otherwise, to give effect to it. Clause 24(5) lists what the regulations must include provision for, which includes imposing duties on employers and the trustees to inform members of any such proposal – specifically 24(5)(f).

Government will consult on these regulations. The intent is to inform the member of the proposal for the transfer and to give them the option to transfer to another scheme instead. If they do not state that they wish to make alternative arrangements within a specified time (to be consulted on) then they will be bulk transferred into the scheme chosen by the trustees. The regulations also provide for requirements that must apply to the receiving scheme in order for it to be selected by the closing scheme for the bulk transfer.

Arrangements in relation to a pause order where the Pensions Regulator makes a decision to stop payments to members.

You asked about what welfare benefits may be available to a person whose private pension income is impacted by a pause order. I can confirm that such a person would be able to submit a claim for Pension Credit or Universal Credit. Equally, a person already in receipt of Pension Credit or Universal Credit could apply for increased payments if their income were temporarily reduced.

I would like to reiterate that a pause order need not prevent payments to members or the collection of contributions. In taking a decision to include such a pause on payments and/or collection of contributions, the Pensions Regulator will weigh the impact on members of that decision against the potential harm that may be realised, if that pause order is not made. Therefore, this is a power to be used only in rare circumstances.

A pause order may last up to three months. This three month period can be extended, but only through a new order, requiring further scrutiny from the Pensions Regulator's Determinations Panel. The Pensions Regulator may lift a pause order at any time, should it no longer be needed.

Finally, you also asked if members would be informed if a pause order were made which prevented the collection of their contributions or payments being paid to them. I can confirm that existing legislation requires that the Regulator notifies any persons who are to be 'directly affected' by regulatory actions exercised through their statutory internal procedures, which are called 'standard' and 'special' procedure. A pause order will be subject to these procedures and so this requirement will apply. The Regulator will need to consider who to issue these notifications to on a case by case basis.

I hope you find this letter helpful. I have copied it to all MPs on the Committee and will place a copy in the House Library.

With best regards
Richard

Richard Harrington MP
Minister for Pensions