

31 August 2021

**The Occupational Pension Schemes
(Collective Money Purchase Schemes)
Regulations 2021**

The Department for Work & Pensions





Pensions Management Institute

Moving pensions forward

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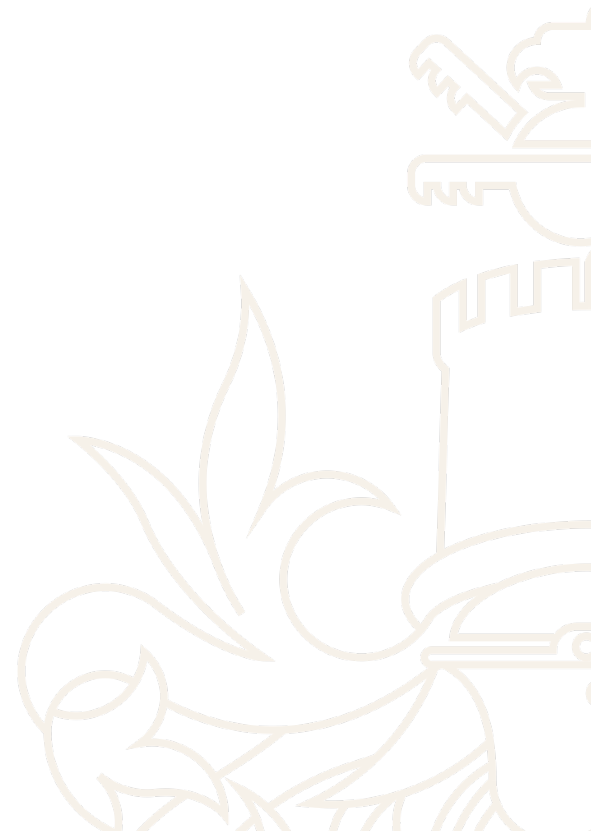
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Response from the Pensions Management Institute to DWP consultation: ‘The Occupational Pension Schemes (Collective Money Purchase Schemes) Regulations 2021’

Introduction

PMI is the professional body which supports and develops those who work in the pensions industry. PMI offers a range of qualifications designed to meet the requirements of those who manage workplace pension schemes or who provide professional services to them. Our members (currently some 7,000) include pensions managers, lawyers, actuaries, consultants, administrators and others. Their experience is therefore wide ranging and has contributed to the thinking expressed in this response. Due to the wide range of professional disciplines represented, our members represent a cross-section of the pensions industry as a whole.

PMI is focused on supporting its members to enable them to perform their jobs to the highest professional standards, and thereby benefit members of retirement benefit arrangements for which they are responsible.



1. Do the draft regulations make it clear to employers whether they are considered to be connected for the purpose of the legislation?

We are satisfied that the draft regulations are clear as to whether participating employers are deemed to be connected.



2. Are there any other characteristics that should be added to those that are already listed at regulation 4(1)?

We do not believe that any additional characteristics are required.



3. Do you agree with the proposed fee structure, taking into account schemes containing multiple CMP sections?

We agree that a flat fee structure would be appropriate. However, we believe that a maximum level of between £50,000 and £120,000 seems somewhat high.



4. Are there any significant practical barriers to schemes meeting these requirements?

The obvious comparison here is the authorisation process for Master Trusts. This has not to date identified any unreasonable barriers to entry and - for the initial cohort of employers permitted to establish CMP – schemes – we do not see any unreasonable barriers. However, this topic may need to be revisited were CMP to be expanded into areas other than single trust arrangements.

5. Do the proposed gateway and ongoing tests provide a sensible measure of whether a scheme's design is sound, at initial application and going forward?

We are satisfied that the suggested gateway and ongoing tests are appropriate. However, we believe that future CMP schemes are unlikely to mimic closely the design of the Royal Mail scheme and it is important that the schemes be sufficiently flexible to cope with such variations.

6. What back-stop should be provided in regulations which would require a CMP scheme to wind up rather than close to further accruals? What might constitute suitable evidence to support this decision?

We suggest that a scheme which is unlikely to be able to pay more than (say) 90% of members' target benefits and is also unlikely to achieve a better outcome within a prescribed threshold should be wound up.

7. Do you think the regulations cover the appropriate matters that must be taken into account?

We are satisfied that that the appropriate matters are suitably addressed.



8. What are the financial costs required to set up the necessary systems and processes required to meet the communications criterion? Please outline any one-off and ongoing costs. This may include set up of IT platforms, data management or postal costs.

We are satisfied that Schedule 5 of Regulation 13 identifies the principal communication requirements for any proposed CMP scheme. Essentially, the costs will be comparable to those currently borne by any large Defined Benefit occupational scheme. Curiously, however, one cost which is not explicitly addressed is compliance with the requirements of the Pensions Dashboard. These costs would have to be factored into the costs of establishing any CMP scheme and would inevitably be significant.

9. Considering the draft regulations and criteria for authorisation, could you estimate the costs of preparing the information required for authorisation? Please outline the extent and cost of external contractors where they may be required. This may include the cost of setting up IT platforms and infrastructure, actuarial support or additional staffing required to support the creation of scheme design and the planning of financial sustainability or triggering events. Please outline if there would there be any significant differences between DB and DC schemes.

Estimating these costs is extremely difficult. Perhaps a useful guide here would be the costs incurred through the establishment of NEST.

10. Are the regulations clear about how valuation and benefit adjustment is to take place?

We are satisfied that the regulations are sufficiently clear.

11. Do you think that the events listed in draft regulation 23 will provide the information the Regulator needs or are there other events that should be added?

We are satisfied that the list of events as set out in Regulation 23 is sufficiently comprehensive.

12. Do you think that draft regulation 29 and schedule 6 meets the policy intent of providing a clear framework in which CMP schemes can be wound up and the interests of members protected?

We are satisfied that draft regulation 29 and schedule 6 adequately meets the policy intent.

13. What are the potential ongoing financial costs associated with ensuring the scheme continues to meet the ongoing supervision requirements? This may include the cost of ongoing actuarial support, communication costs and IT platforms.

With one significant exception, the ongoing costs for a closed CMP scheme would be comparable to those of a closed DB scheme of similar size. Whilst the scheme sponsor would not be liable for any further contributions (unlike a DB scheme), there would be continued expenses arising from actuarial advice, legal advice, administrative costs and member communications.

14. What steps do you intend to carry out in order to monitor equality impacts on members over time?

N/A

15. Do you agree with the amendments made to the Disclosure Regulations for CMP schemes?

We agree that the proposed changes would be appropriate.

16. Are there any other areas within the Disclosure Regulations that you feel should be amended to take account of the unique collective design of CMP schemes?

We do not believe any further amendments would be required.

17. Do you agree with the new publication requirements for CMP schemes?

We agree that the publication requirements as set out are appropriate.

18. Outside of the statutory communications outlined in the draft regulations, are there any regular communications you expect to send out to members? Please consider deferred members and those in decumulation in your response.

N/A

19. Do you think the changes we are making to the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (see provisions in Annex A) will implement the charge cap in CMP schemes and protect members in the way we intend?

We are satisfied that the proposed changes would appropriately implement the charge cap for CMP scheme members.

20. Are there any other amendments to existing legislation we should consider?

At this stage, we do not believe that any additional legislative changes will be necessary.