

Legal Framework of Pension Schemes

18th May 2023
Bob Jenkinson



Agenda:

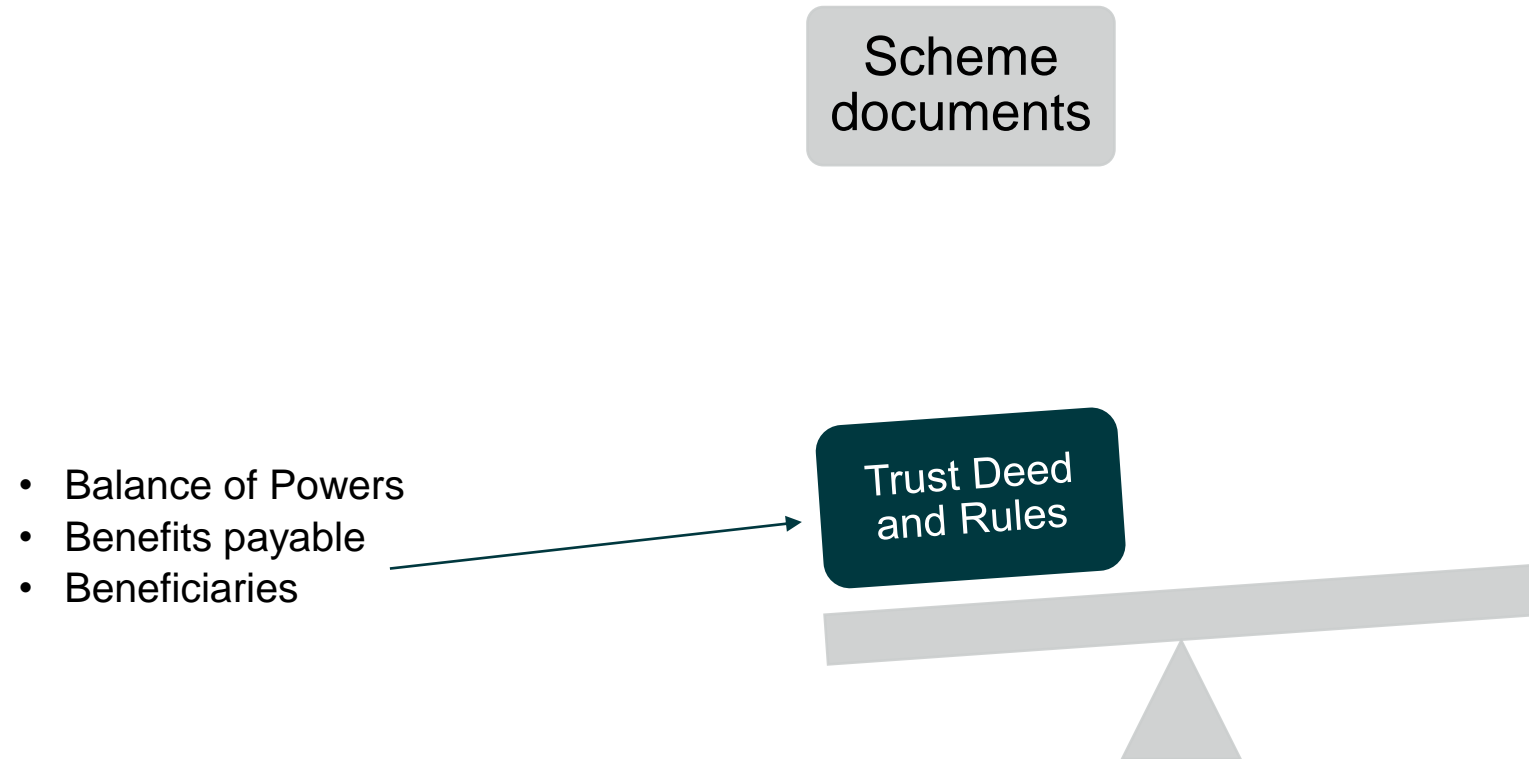
- State benefits
- Governing framework
- Lifecycle of pension schemes
- Wind-up
- The Pension Protection Fund

State Benefits

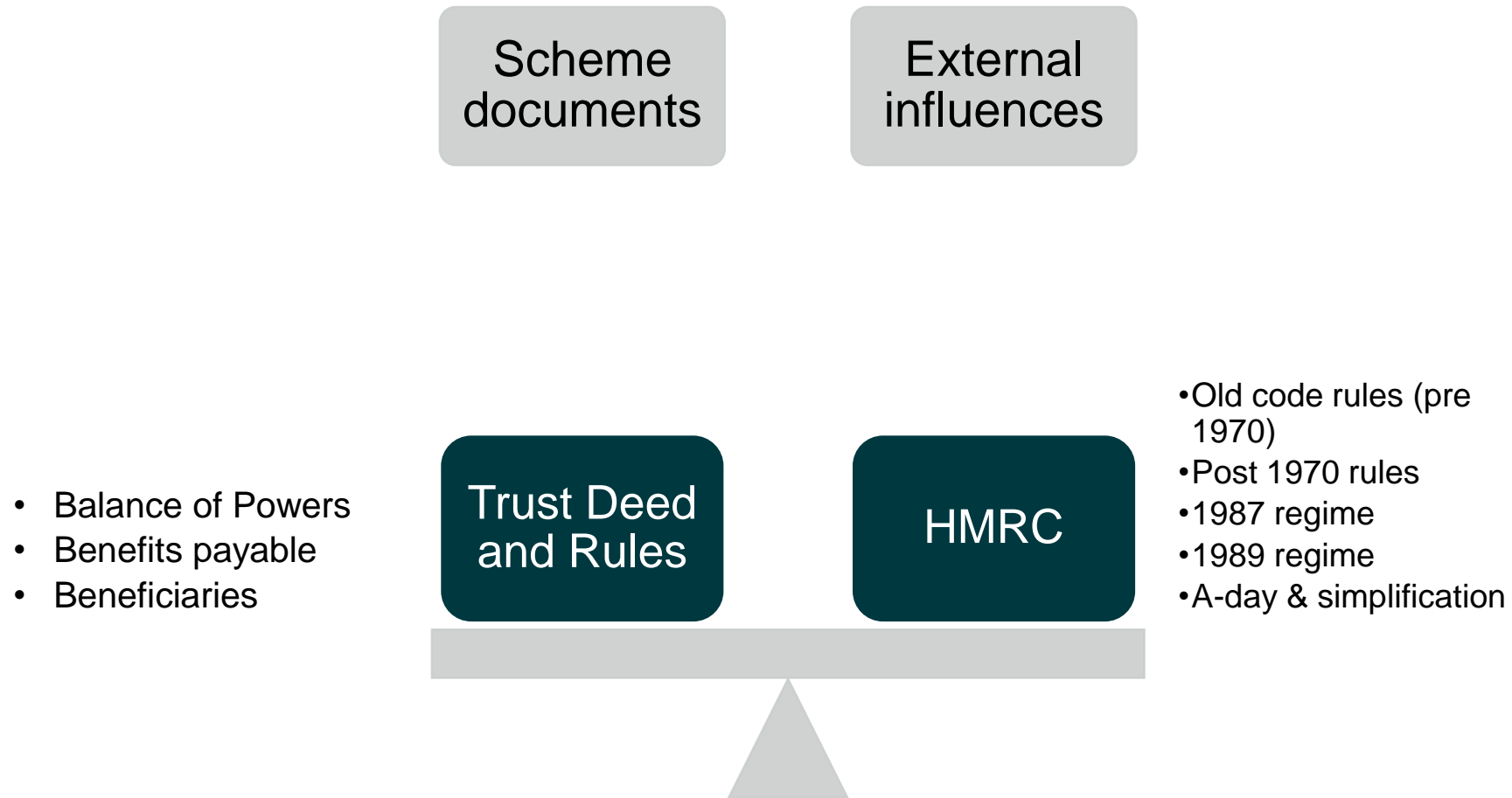
- **Old age pensions act 1908 – First state pension**
- **1942 – Beveridge Report - Social Insurance and Allied Services**
- **National Insurance Act 1946 – Basic State Pension (BSP)**
- **Earnings related top-ups**
 - National Insurance Act 1959 - Graduated Retirement Benefit (GRB)
 - Social Security Pensions Act 1975 - State Earnings-Related Pension Scheme (SERPS)
 - Child Support, Pensions and Social Security Act 2000 - State Second Pension (S2P)
- **Pensions Act 2008 – Automatic Enrolment**
- **Pensions Act 2014 – Single Tier Pension (effective April 2016)**

Trust-based Pension Schemes

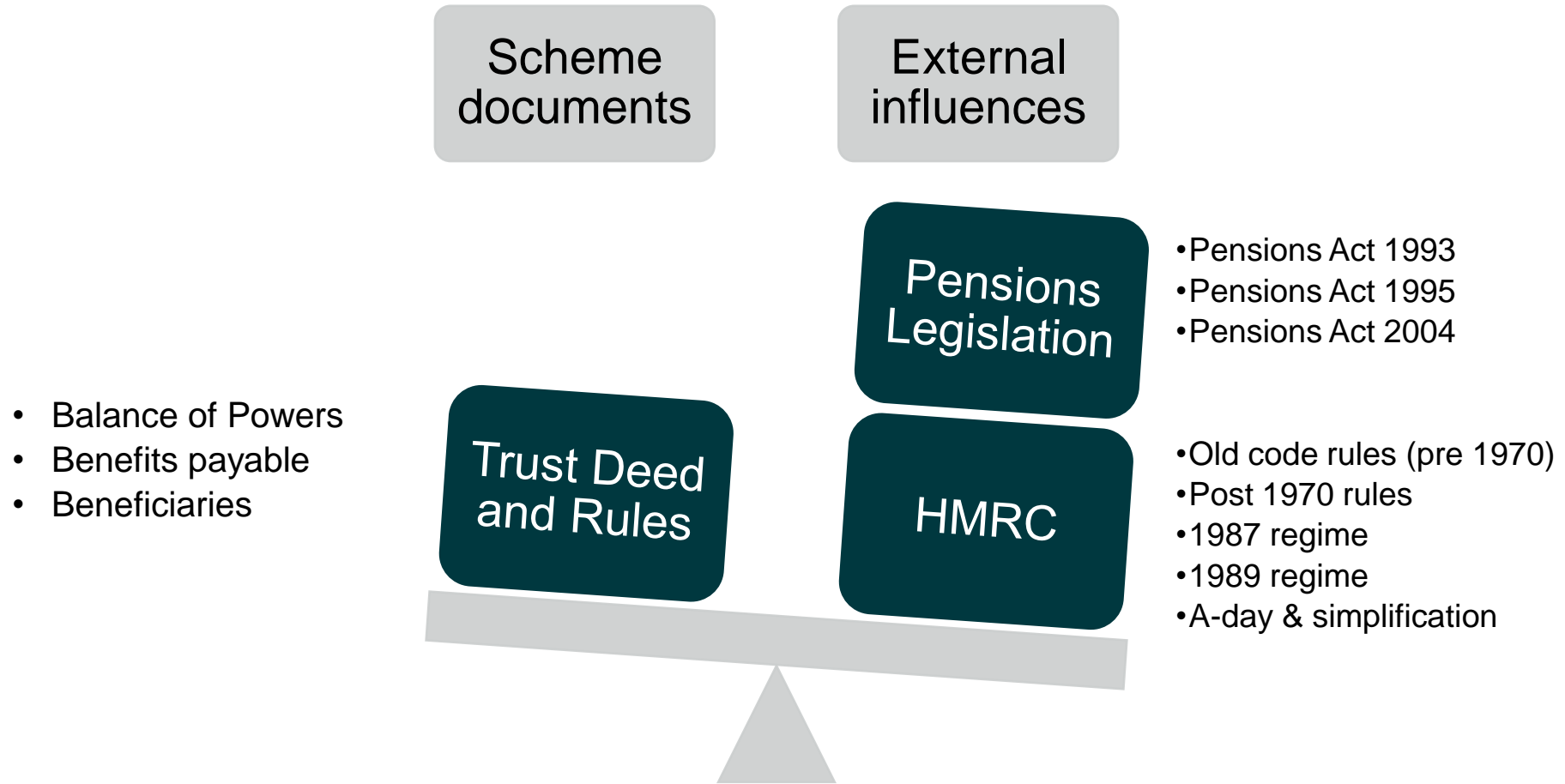
Governing framework



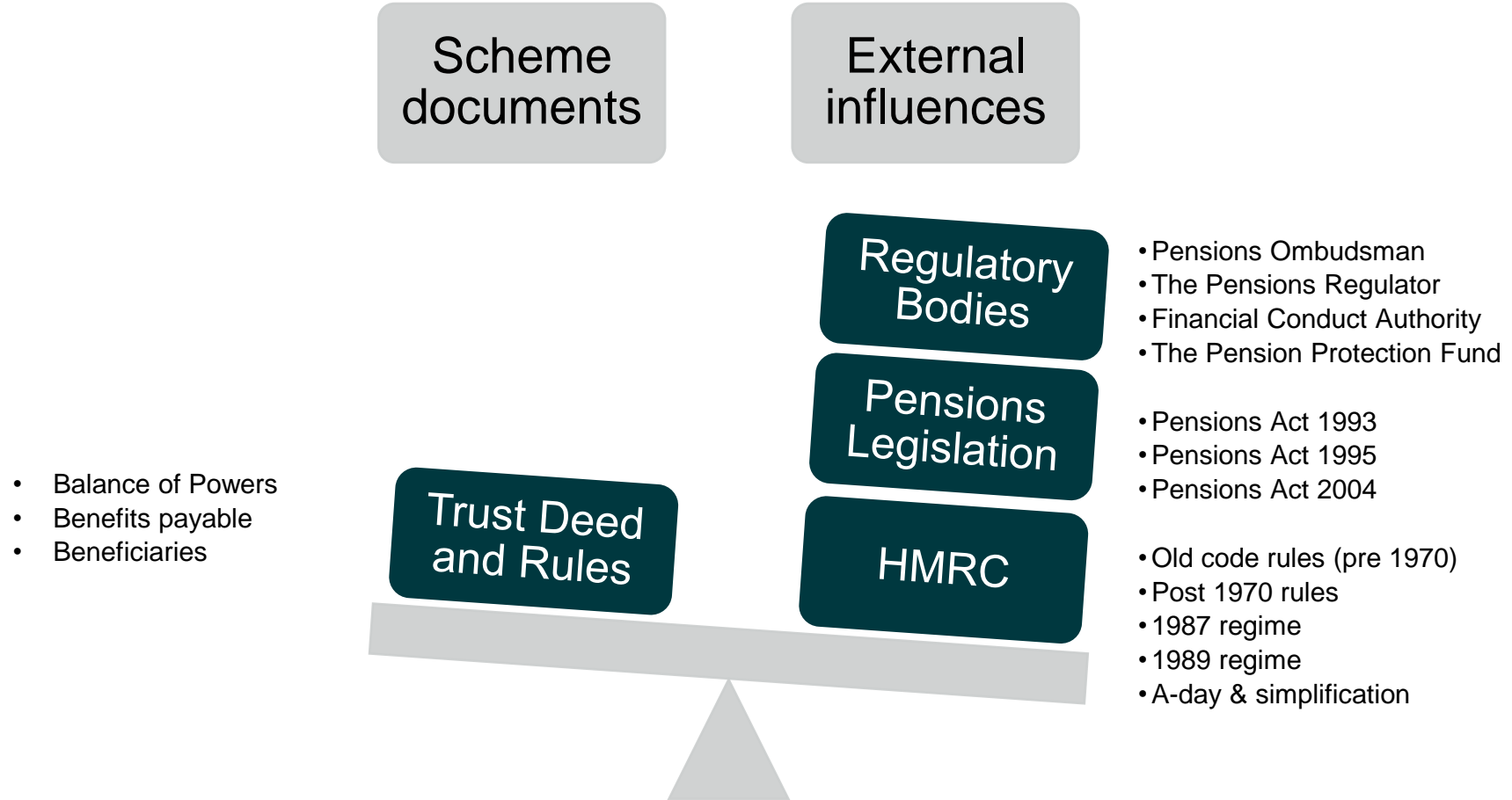
Governing Framework



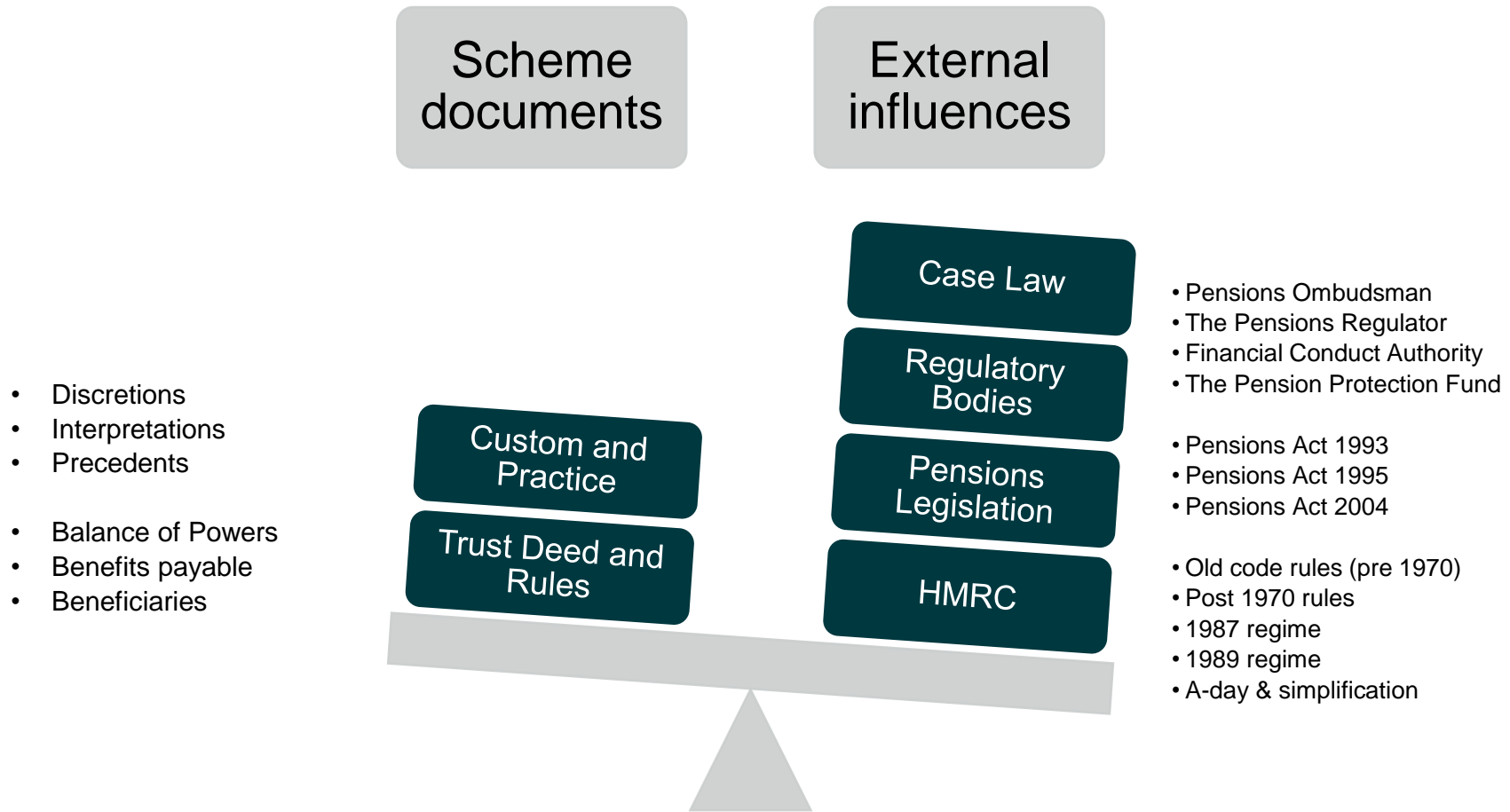
Governing Framework



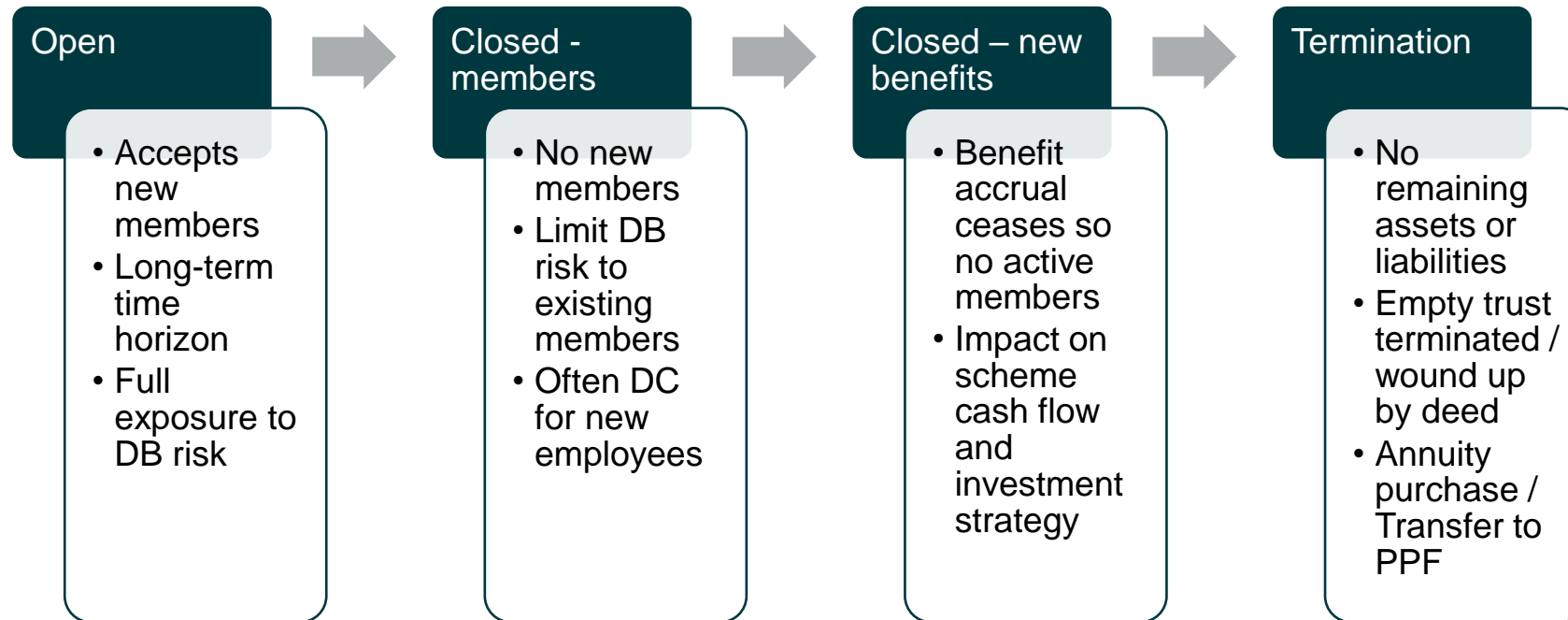
Governing Framework



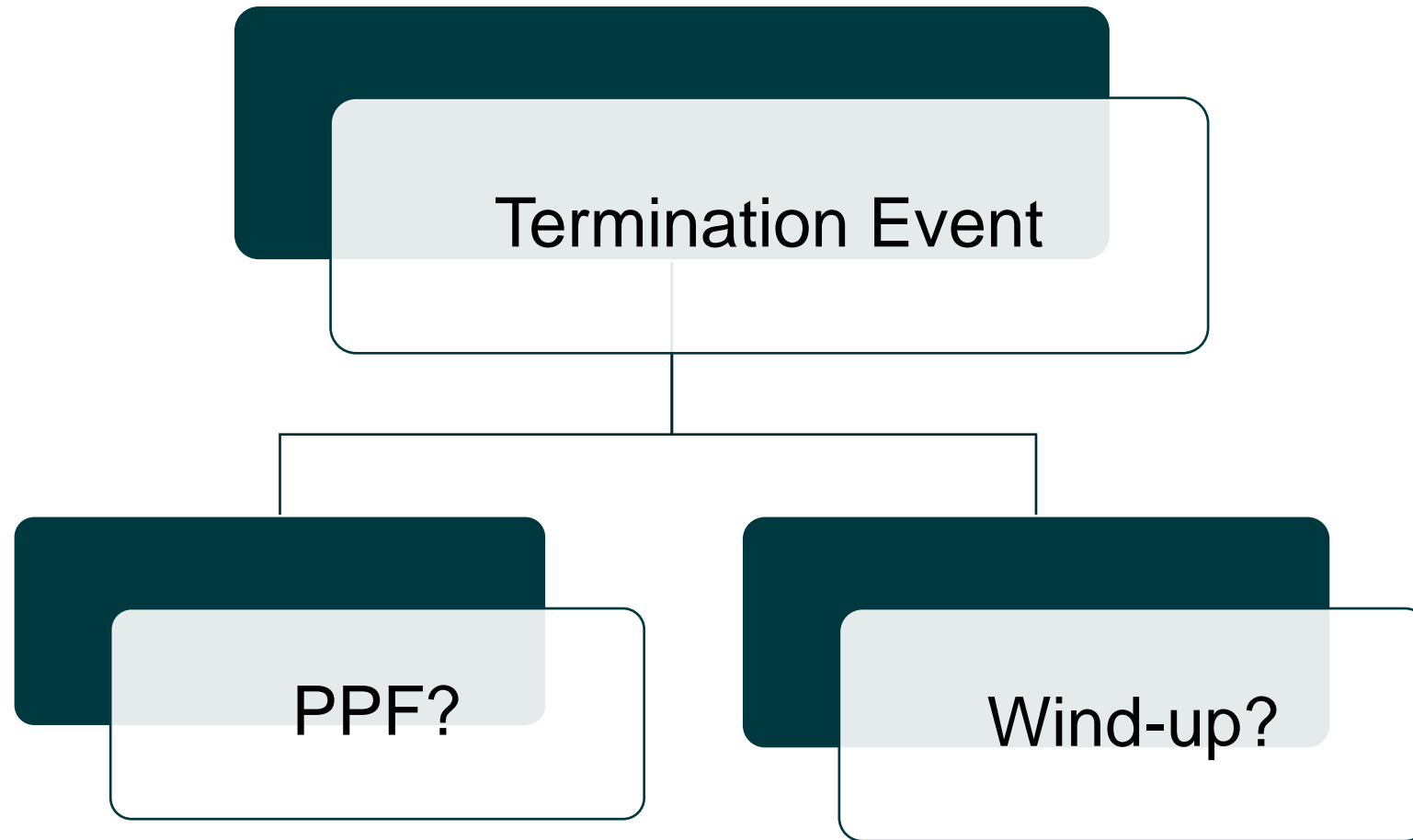
Governing Framework



Pension Scheme Life Cycle



Termination – PPF or Wind-up?



Termination – PPF or Wind-up?

Transfer to PPF if:

- Insolvent employer
and
- Deficit on PPF (s143) basis *and*
- Other PPF criteria satisfied

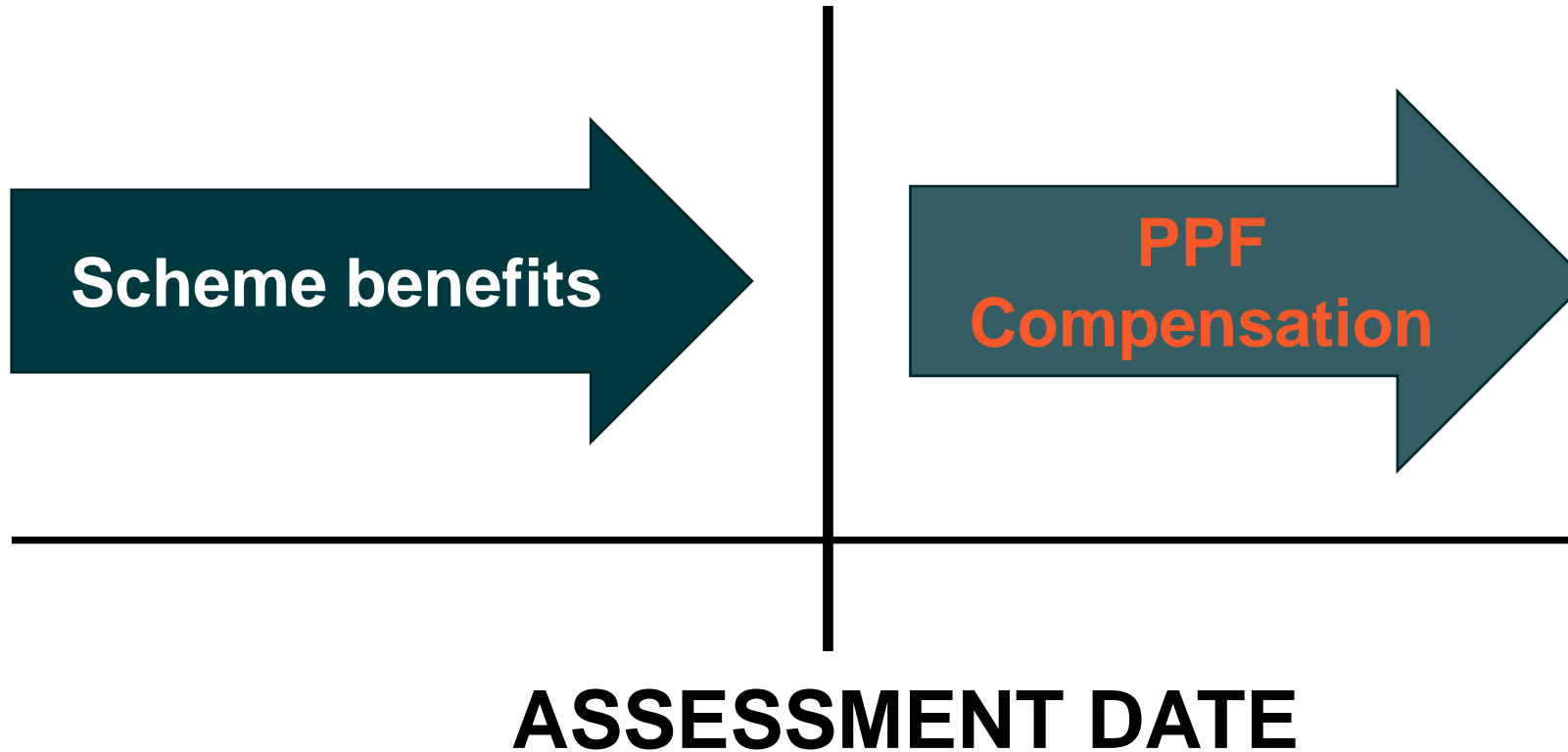
Wind-up if:

- Solvent employer
or
- Surplus on PPF basis
or
- Ineligible for PPF

PPF Assessment Period

- **Minimum 1 year, target less than 2 years**
- **Admissible Rules**
- **Trustees' duties continue**
 - Member identification
 - Liability determination
 - Data cleansing
 - Member communication
- **PPF acts as Creditor (e.g. debt recovery)**

PPF Compensation



PPF Compensation

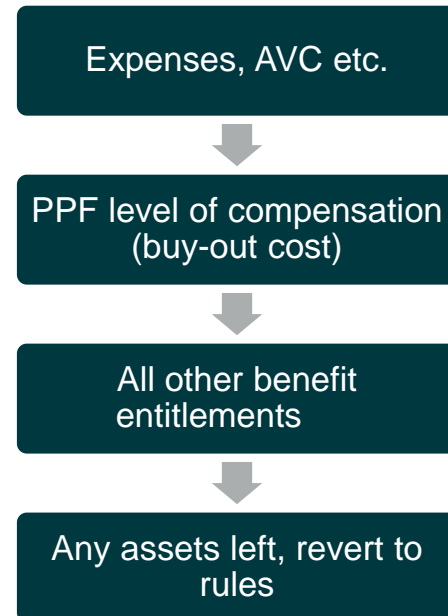
- **100% of scheme benefit if over NRA**
- **90% of scheme benefit if below NRA**
 - Subject to a monetary cap of £36,018 (2019/20), with long service adjustment
- **Pre-NRA revaluation**
 - RPI / CPI (max 5% / 2.5% pa)
- **Post-NRA increases**
 - CPI (max 2.5%) for post 97 benefits only
- **50% spouses' pensions (post commutation)**
 - *Can be significantly lower than scheme benefits*

Wind-up (outside PPF)

- **Trustees' duties continue**
 - Member identification
 - Liability determination
 - Data cleansing
 - Member communication
- **Trustees act as Creditor, e.g. Debt on Employer**
- **Section 75 Debt = shortfall on buy-out basis**

Note that the above actions largely completed if been through PPF Assessment Period

- **Priority order of securing benefits**
 - Overriding legislation first, then scheme rules
- **Statutory Priority Order (changed over time, but since 2005):**



Questions?



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