

# **PENSIONS ACT 2008**

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## **EXPLANATORY NOTES**

### **SUMMARY**

7. This Act introduces two key requirements for employers:
  - To automatically enrol eligible jobholders who are not in a qualifying pension scheme into an automatic enrolment scheme. Jobholders will be enrolled by their employers from the first day they become eligible but retain the right to opt out of the scheme from this point. Employers may choose the pension scheme they provide, which must meet certain criteria. The Act gives the Secretary of State powers to establish a pension scheme in which employers can choose to participate. This scheme will be run by an independent trustee body.
  - To maintain the jobholder's membership of a qualifying scheme, including making relevant contributions, so long as the jobholder chooses to be part of it.
8. The Act also requires employers to give the Pensions Regulator information about how they will meet their obligations. The Pensions Regulator will be able to use this information to assess compliance with the duties set out in this Act. The Pensions Regulator will be given powers to enforce these duties and the Act sets out sanctions, including criminal penalties, for failure to comply.
9. Provisions in the Act extend the functions of the Personal Accounts Delivery Authority, established in the PA 2007, enhancing its powers from advising on to overseeing the establishment of the infrastructure and processes relating to any scheme created under this Act. In carrying out these functions, the Authority will be required to have regard to a number of guiding principles set out in this Act.
10. Further reforms to the state pension system are contained in this Act. Due to previous changes in legislation, additional State Pension has been accrued on several different bases over previous years. People therefore retire with a number of different entitlements to additional State Pension, some of which are not calculable ahead of state pension age. The Act will consolidate those entitlements into a simple cash valuation.
11. The Act also removes, in most cases, the requirement for people aged 75 or over claiming state pension credit to provide information and evidence on their retirement provision at the end of their assessed income period (usually five years).
12. The Act makes a number of changes relating to the operation of the Pension Protection Fund (PPF) and the Pensions Regulator, including enabling Pension Protection Fund compensation to be shared on divorce or dissolution of a marriage or civil partnership as well as enabling individuals in the PPF with a terminal illness to commute their pension entitlement into a lump sum. It also provides for changes to the operation of the Financial Assistance Scheme.
13. The Act contains amendments to existing private pension legislation – some of which are based on recommendations made by the Deregulatory Review of Private Pensions (see [http://www.dwp.gov.uk/pensionsreform/deregulatory\\_-\\_review.asp](http://www.dwp.gov.uk/pensionsreform/deregulatory_-_review.asp)).

*These notes refer to the Pensions Act 2008 (c.30)  
which received Royal Assent on 26 November 2008*

14. The Act makes changes to the national insurance system and contains a number of measures to bring the existing body of pensions-related legislation up to date. For example, it will update provisions on re-marriage and war pensions in the PA 1995 to include civil partnerships.
15. Finally, the Act allows data to be shared between the Department for Work and Pensions and energy suppliers to enable the energy suppliers to provide targeted assistance to individuals receiving state pension credit.