EXPLANATORY NOTES

Pensions Act 2014

Chapter 19

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These notes refer to the Pensions Act 2014 (c. 19)
which received Royal Assent on 14 May 2014

PENSIONS ACT 2014

EXPLANATORY NOTES

INTRODUCTION

1. These explanatory notes relate to the Pensions Act 2014 which received Royal Assent on 14 May 2014. They have been prepared by the Department for Work and Pensions in order to assist the reader in understanding the Act. They do not form part of the Act and have not been endorsed by Parliament.

2. The notes need to be read in conjunction with the Act. They are not, and are not meant to be, a comprehensive description of the Act. So where a section or part of a section does not seem to require explanation or comment, none is given.

BACKGROUND

3. The Pensions Act 2014 contains significant reforms to both the state pension system and bereavement benefits. It provides for a new class of voluntary National Insurance contribution, Class 3A, for existing pensioners and people due to reach pensionable age before 6 April 2016, amends the timetable for increasing pensionable age to 67 and introduces a framework for considering future increases in pensionable age. It also contains a number of measures relating to private pensions, including a power to provide for a system of automatic transfers of a person's accrued rights to benefits under a pension scheme to another scheme of which that person is an active member and powers to restrict charges and set minimum standards for pension schemes.

4. For ease of reference, please note the following abbreviations for existing pieces of legislation used in these notes:

- SSCBA 1992 – Social Security Contributions and Benefits Act 1992
- SSAA 1992 – Social Security Administration Act 1992
- PSA 1993 – Pension Schemes Act 1993
- PA 1995 – Pensions Act 1995
- SPCA 2002 – State Pension Credit Act 2002
- PA 2004 – Pensions Act 2004
- PA 2007 – Pensions Act 2007

- PA 2008 – Pensions Act 2008
- PA 2011 – Pensions Act 2011

State pension reform

5. In April 2011, the Government published a Green Paper, *A state pension for the 21st century (Cm 8053)*, which consulted on two broad options for reforming the state pension system for future pensioners. The White Paper which followed in January 2013, *The single-tier pension: a simple foundation for saving (Cm 8528)*, outlined the Government intentions for reforming the state pension. Those proposals form the basis for the measures in Part 1 of the Act.

Option to boost old retirement pensions

6. In the Autumn Statement of 5 December 2013 the Chancellor of the Exchequer announced proposals to bring forward measures for a new class of voluntary National Insurance contribution (Class 3A) which would allow pensioners to increase their additional pension. Provisions relating to the payment of Class 3A contributions and ensuing entitlement to units of additional pension are contained in Part 2 of the Act.

Pensionable age

7. The PA 1995 legislated to equalise women's pensionable age with that of men between 2010 and 2020 by gradually increasing women's pensionable age from 60 to 65

8. The PA 2007 then made provision to increase the pensionable age for all to 66 between 2024 and 2026, to 67 between 2034 and 2036 and to 68 between 2044 and 2046.

9. The PA 2011 accelerated the rate at which women's pensionable age equalised with men's, such that this process will complete in 2018. It also brought forward the period in which pensionable age would increase from 65 to 66 to between 2018 and 2020. This reflected increases in life expectancy at pensionable age since the original timetable to increase pensionable age was set in 2007. On 29 November 2011, the Chancellor of the Exchequer announced the Government's intention to legislate to bring forward the increase to 67.

10. In addition to consulting on reform of the state pension, *A state pension for the 21st century* also sought views on options for managing future increases to pensionable age in response to ongoing increases in life expectancy projections. Following this, *The single-tier pension: a simple foundation for saving,* published in January 2013, set out a proposed framework for considering future increases in pensionable age.

11. Part 3 of the Act contains provisions for these changes to pensionable age.

State pension credit

12. The abolition of the assessed income period (AIP) in state pension credit cases from April 2016 was announced in the 2013 Spending Round. Part 4 of the Act contains measures providing for the end of AIPs.

Bereavement benefits

13. A public consultation was undertaken regarding bereavement benefits with the publication of *Bereavement Benefit for the 21st Century (Cm 8221)* in December 2011. The Government published its response to the consultation in July 2012 and this outlined how the range of benefits paid on bereavement would be reformed. Those proposals form the basis for the measures in Part 5 of the Act.

Automatic transfers

14. On 15 December 2011, the Government published a consultation on options for consolidating small pension pots. It outlined high-level policy proposals in its response, published on 17 July 2012, and published further details of the proposals in *Automatic transfers: consolidating pension savings (Cm 8605)* which was published on 23 April 2013. Part 6 of the Act contains measures providing for a system of automatic transfers.

Charges and requirements in pension schemes

15. On 4 July 2013 the Government published *Quality standards in workplace defined contribution pension schemes* which sought evidence from the pensions industry on areas of governance standards that can influence the size of a person's final pension pot. On 30 October 2013, the Government then published *Better workplace pensions: a consultation on charging (Cm 8737)* which sought views on a range of measures to address pension charges in defined contribution workplace pension schemes.

16. On 27 March 2014, the Government published *Better workplace pensions: further measures for savers (Cm 8840)* which set out the Government's response to both the call for evidence and the consultation and detailed a range of measures to tackle pension charges and improve governance standards in order to protect employees in workplace defined contribution pension schemes. The paper also set out areas for further consultation in relation to transparency and governance of trust-based schemes. There is provision relating to charges and requirements in pension schemes in Part 6 of the Act.

Pensions Regulator's objective

17. On 25 January 2013, the Government published *Pensions and Growth: a call for evidence* which sought evidence on whether to introduce a new statutory objective for the Pensions Regulator. The Government's response was published on 7 May 2013. There is provision for a new objective for the Pensions Regulator in Part 6 of the Act.

SUMMARY

18. The legislation creates a new state pension for people reaching pensionable age on or after implementation on 6 April 2016. A person entitled to the full state pension will be paid a single weekly rate to be set out in regulations. This replaces the existing state pension, which has two components: a basic pension and an additional pension. The Act contains special provisions for people who have made National Insurance contributions before implementation to ensure that all their National Insurance contributions are taken into account (subject to a minimum qualifying years requirement).

19. The Act makes provision for a number of changes resulting from the introduction of the new state pension. These include the abolition of contracting-out for salary-related occupational pension schemes and the abolition of the savings credit element of state pension credit for those who reach pensionable age on or after the introduction of the new state pension.

20. The Act also makes provision for a new class of voluntary National Insurance contribution, Class 3A, to allow current pensioners and those who reach pensionable age before 6 April 2016 to increase their additional pension.

21. The Act also amends the timetable for increasing pensionable age from 66 to 67 that was originally set out in the PA 2007, bringing it forward by eight years to begin in 2026 and end in 2028.

22. The Act includes measures to introduce a framework of periodic reviews to consider whether the pensionable age should be changed. The reviews will be informed by reports from the Government Actuary's Department about life expectancy and from an appointed person or persons on wider factors. These wider factors will be specified by the Secretary of State at the time.

23. In addition, the Act contains measures to reform benefits for bereavement by introducing a new bereavement support payment. This will replace the existing range of benefits for persons whose spouse or civil partner dies on or after the date it is introduced. The new benefit will provide support for the period immediately following bereavement.

24. The Act contains provision to abolish the assessed income period (AIP) in state pension credit claims from April 2016. The removal of the AIP will apply to new customers and there is a power to apply it to existing customers with a 5-year AIP already in place at April 2016 (the latter will be gradually phased out in the first few years).

25. The Act contains a duty for the Secretary of State to provide for a system of automatic transfers of a person's accrued rights to benefits under a pension scheme, to another scheme of which that person is an active member. There is also a separate provision for the withdrawal of the existing power to make refunds of contributions ("short service refunds") to members of money purchase occupational pension schemes who terminate their membership before two years have elapsed since they joined the scheme.

26. There is provision in the Act to regulate to ban the practice of providing incentives to encourage individuals to transfer a cash equivalent value of their accrued rights from a salary-related occupational pension scheme to an alternative arrangement.

27. The Act also contains a number of measures relating to private pension legislation, including powers for the Secretary of State to restrict charges and set minimum quality standards for pension schemes and amendments to the PA 2008 relating to automatic enrolment. There are also technical amendments to the PA 1995 and the PA 2004 which are designed to improve operational processes for the Pensions Regulator.

28. Provision is also included for a new statutory objective for the Pensions Regulator which would require it to minimise any adverse impact on the sustainable growth of sponsoring employers when exercising its functions relating to scheme funding.

29. Finally the Act includes measures to introduce into the Pension Protection Fund (PPF) an increased compensation cap for those with a significant length of pensionable service.

OVERVIEW OF THE STRUCTURE OF THE ACT

30. The Act is in seven parts:

Part 1 – State pension

31. This Part of the Act contains provisions to reform the state pension system and introduce a new state pension. It replaces the current two-component system with a single-component flat-rate pension. It includes transitional provisions for:

- people who have paid, been treated as having paid or been credited with National Insurance contributions in respect of tax years before the introduction of the new state pension;
- inheriting entitlement from a late spouse or civil partner who had made National Insurance contributions in respect of tax years before the introduction of the new state pension;
- women who, before 1977, elected to pay a reduced rate of National Insurance contributions; and
- sharing certain state pension entitlement with a former spouse or civil partner upon divorce or dissolution of a civil partnership.

32. Provisions are made to allow people to postpone or suspend their entitlement to a state pension. It also contains provisions for a number of changes arising from the introduction of the new state pension, including the abolition of contracting-out for salary-related occupational pension schemes and the abolition of the savings credit element of state pension credit for those people who reach pensionable age on or after the introduction of the new state pension.

Part 2 – Option to boost old retirement pensions

33. This Part creates a new class of voluntary National Insurance contribution, Class 3A, for pensioners and people due to reach pensionable age before 6 April 2016. Payment of Class 3A contributions would entitle a person to one or more units of additional pension.

Part 3 – Pensionable age

34. This Part contains two measures relating to pensionable age. The first amends the PA 1995 to begin the increase of pensionable age from 66 to 67 eight years earlier. The increase will begin in 2026 and end in 2028.

35. The second measure provides for periodic reviews of pensionable age and for these reviews to be informed by reports in relation to life expectancy from the Government Actuary's Department, and from an appointed person or persons on other relevant factors specified by the Secretary of State at the time.

Part 4 – State pension credit

36. This Part contains two measures relating to the assessed income period (AIP) in state pension credit claims. The AIP is a feature of state pension credit that removes the requirement for certain individuals to notify the Department for Work and Pensions of changes to their retirement provision (broadly defined as capital, annuities and non-state pensions) for a defined period, for the purposes of assessing their entitlement to state pension credit.

37. The first measure provides for the phasing out of the AIP in state pension credit cases from April 2016.

38. The second measure repeals existing legislation in the PA 2008 to ensure that indefinite AIPs set before 6 April 2014 will continue beyond that date.

Part 5 – Bereavement support payment

39. This Part of the Act contains provisions to reform bereavement benefits and introduce a new bereavement support payment.

Part 6 – Private pensions

40. This Part contains a number of measures related to private pension legislation, including:

- a power to provide for a system of automatic transfers of a person's accrued rights to benefits under a pension scheme, to another scheme of which that person is an active member;

- a provision for regulations to be made banning the practice of providing incentives which encourage individuals to transfer a cash equivalent value of their accrued rights from a salary-related occupational scheme to an alternative arrangement;

- the removal of the existing power to make refunds of contributions ("short service refunds") to members of money purchase occupational pension schemes who terminate their membership before two years have elapsed since they joined the scheme;

- a provision for regulations to be made to restrict charges in and impose governance and administration requirements on schemes specified in regulations;

- a provision for regulations and Financial Conduct Authority rules to be made requiring the disclosure and publication of information relating to transaction costs for money purchase pension schemes;

- amendments to the PA 2008 relating to automatic enrolment, including a power to specify certain groups that employers will not be required to enrol or re-enrol;

- amendments to the PSA 1993 regarding the payment of a limited amount of unpaid pension contributions from the National Insurance Fund where an employer becomes insolvent so that all those who may become members of a pension scheme as a result of the workplace pension reforms are entitled to this protection;

- a power to require pension levies to be paid in respect of past periods;

- various technical amendments to the PA 1995 and the PA 2004 designed to improve operational processes for the Pensions Regulator;

- an amendment to companies legislation to make it clear that the body preparing guidance in relation to pensions illustrations may benefit from the exemption from liability for damages;

- a new objective for the Pensions Regulator to minimise any adverse impact on the sustainable growth of an employer when exercising its functions under Part 3 of the PA 2004; and

- an increase to the Pension Protection Fund compensation cap to reflect long service.

Part 7 – Final provisions

41. These sections relate to the power to make consequential amendments, general provision in respect of regulations and orders under the Act, the Territorial Extent of the Act, the commencement of provisions in the Act and the short title of the Act.

TERRITORIAL EXTENT

42. The Act extends to England and Wales and to Scotland. The subject matter of the majority of the measures in the Act is transferred in respect of Northern Ireland and, as such, is the responsibility of the Northern Ireland Assembly. Accordingly, the Act only extends to Northern Ireland for the purposes of amendments to legislation extending to Northern Ireland and legislation with UK-wide extent and, with one exception, any such amendments do not deal with transferred matters.

43. The exception is in respect of the reference to Northern Ireland legislation in section 47.

COMMENTARY ON SECTIONS

PART 1 – STATE PENSION

Section 1: State pension
Section 2: Entitlement to state pension at full or reduced rate
Section 3: Full and reduced rates of state pension

44. These sections create a new benefit – referred to in the Act as “state pension”.

45. Although the term “state pension” has been commonly used to refer to Category A to Category D contributory and non-contributory pensions paid since the 1970s (and now payable under the SSCBA 1992), in legislation these are referred to as “retirement pensions”. For ease of reference this commentary therefore refers to the new benefit as the “new state pension” and the current retirement pension as the “old retirement pension”.

46. Those reaching pensionable age on or after the start date for the new state pension will not be eligible for the old retirement pension. This start date is to be 6 April 2016. The old retirement pension arrangements will continue for people who reach pensionable age before 6 April 2016.

47. The full rate of the new state pension which will be applicable for the first year will be set by regulations prior to the start date of the new state pension. Thereafter, it will be up-rated each year (see paragraph 49). The basic conditions of entitlement for the new state pension at the full rate will be:

- that the person has attained pensionable age; and
- that the person has 35 or more ‘qualifying years’ of National Insurance contributions.

48. Where an individual has fewer than 35 qualifying years, his or her entitlement will be pro-rated and each qualifying year of National Insurance contributions will entitle him or her to one 35th of the full rate (section 3).

49. However, section 2 also sets out that entitlement will be subject to a minimum number of qualifying years, which will be specified in regulations but will be no more than ten years.

50. The provision for the new state pension to be up-rated (annual increases to the pension in payment) reflects that for old basic pension: the Secretary of State must increase the benefit by a percentage not less than the percentage annual increase in the general level of earnings (Schedule 12, paragraph 19).

51. These sections apply to people who do not have any qualifying years for tax years before the new state pension start date.

52. Transitional arrangements apply to those who have qualifying years for tax years before 6 April 2016 and who attain pensionable age after that date – see commentary on sections 4 and 5.

Section 4: Entitlement to state pension at transitional rate
Section 5: Transitional rate of state pension
Section 6: Recalculation and backdating of transitional rate in special cases
Schedule 1: Transitional rate of state pension: calculating the amount
Schedule 2: Transitional rate of state pension: up-rating

53. These sections and accompanying schedules make transitional provision for new state pension entitlement for those who reach pensionable age on or after the date the new state pension is introduced and who have qualifying years attributable to tax years prior to introduction.

54. The provision is transitional because at some point in the future people will only have qualifying years attributable to the period after the new state pension is introduced and their entitlement will be calculated under the rules set out in sections 1 to 3. The persons unaffected by the transitional provision will be those who:

- are under the age of 16 when the new state pension is introduced, so they will not have yet entered the National Insurance scheme;

- arrive in the UK for the first time after the new state pension is introduced; or

- for some reason have not paid, or received credit, into the National Insurance scheme or have not made enough contributions to achieve a 'qualifying year' before the new state pension is introduced.

55. The calculation of the rate of state pension for people who have qualifying years attributable to tax years prior to introduction (called "transitional rate" here) is set out in section 5 and Schedule 1. The calculation takes into account the National Insurance history of the person before the new state pension is introduced when determining any future pension entitlement.

56. Under existing legislation a person may become entitled to different components of the old retirement pension depending on when and at what level contributions have been made. Provided that sufficient contributions are made at the lower earnings limit for National Insurance in a tax year, that year will be a qualifying year for basic pension purposes. Earnings-related contributions made between 1961 and 1975 provide entitlement to graduated retirement benefit. Since 1978 contributions that are made on earnings above the annual lower earnings limit in a tax year are relevant for entitlement to the additional pension.

57. The first step in the calculation of the transitional rate involves working out a person's entitlement under the old retirement pension rules. This is done as if he or she had reached pensionable age on the day the new state pension is introduced and as if the new state pension had not been introduced. This provides a snapshot in time of any basic pension, additional pension and graduated retirement benefit to which he or she would have been entitled.

58. The second step involves working out entitlement under the new state pension rules had they applied before the start date. This valuation is based on ‘pre-commencement’ qualifying years, i.e. any years that would have been qualifying years before the start date of the new state pension. This includes pre-1978 reckonable years, as defined in the relevant transitional regulations *(section 4(4)(b))*. Where a person has 35 or more pre-commencement qualifying years at the start date of the new state pension the valuation would be based on the maximum state pension amount payable at that date. Otherwise it would be based on a reduced rate matching the number of pre-commencement qualifying years accrued at that date.

59. In both of the calculations set out in paragraphs 56 and 57 an amount to reflect contracting out under the old retirement pension rules is deducted. This covers contracting out on a salary-related and money-purchase basis, including appropriate personal pension schemes and mixed benefit contracting-out schemes (that is, schemes which are contracted out on both a salary-related and money-purchase basis). However, where a premium to re-instate a person’s state pension is paid after the introduction of the new state pension, the premium is, for the purpose of calculating the transitional rate of pension, treated as having been paid before the introduction of the new state pension. The payment of a premium is mandatory where a person has less than two years pensionable service and under the rules of the scheme is not entitled to a contracted-out pension (section 6).

60. The third step requires a comparison of the two calculations with the more beneficial used as the starting basis of a person’s transitional rate (their foundation amount). This foundation amount may exceed the full rate of the new state pension. This will be the case where the person, but for the introduction of the new state pension, would have been entitled to a significant amount of additional pension.

61. If at the start date the person has a foundation amount lower than the full rate of the new state pension, he or she can continue to add qualifying years to his or her entitlement – even if he or she already had 35 or more qualifying years before the start date – up to a maximum number that would provide entitlement to the full rate of the new state pension.

62. A minimum number of qualifying years will also apply to the transitional rate. This number will be specified in regulations, and will not be more than ten years.

63. Schedule 1 also provides for the revaluation of the foundation amount prior to pensionable age. The value of the foundation amount up to the full rate of the new state pension is to be revalued by earnings or higher (as with the new state pension rate – see paragraph 49). Any excess over that rate will be revalued in line with the annual increase in the general level of prices.

64. Schedule 2 provides for the up-rating of the transitional rate (annual increases to the pension in payment). The value of the transitional rate up to the full rate of the new state pension is to be up-rated by earnings or higher. Any excess will be up-rated in line with the annual increase in the general level of prices.

Section 7: Survivor's pension based on inheritance of additional old state pension
Schedule 3: Survivor's pension under section 7: inherited amount
Schedule 4: Survivor's pension under section 7: up-rating

65. Under the old retirement pension rules, a person who is, or who has been, married or in a civil partnership may be entitled to a pension based on the National Insurance record of their spouse or civil partner (usually by way of a "Category B" pension). This will not be the case for those reaching pensionable age after the start date of the new state pension.

66. There are two exceptions: one set out in this section and one set out in sections 11 and 12 – see paragraphs 76 to 80 below.

67. Section 7 and Schedules 3 and 4 provide that a person who reaches pensionable age on or after the new state pension start date will be entitled to an amount based on the additional pension that his or her late spouse or civil partner was or would have been entitled to under the old retirement pension rules. Schedule 3 provides for the conditions of entitlement to this inherited state pension.

68. The amount that the survivor will be entitled to depends on whether his or her spouse or civil partner reached pensionable age, or died under pensionable age, before or after the new state pension start date.

69. In all cases, entitlement to an inherited amount under Schedule 3 will be conditional on the marriage or civil partnership existing before the new state pension is introduced. A person who becomes entitled to an inherited amount on or after reaching pensionable age will not lose it if he or she subsequently remarries or forms a civil partnership. However, as that marriage or civil partnership will have taken place after the new state pension is introduced, if the new spouse or civil partner dies, the existing inherited amount will not be replaced with an inherited amount from the most recent spouse or civil partner, even if it would have been a higher amount.

70. Where the late spouse or civil partner reached pensionable age or died before the new state pension is introduced, the survivor could be entitled to an inherited amount based on the amount of additional pension that person would have been entitled to under the Category B old retirement pension rules.

71. Where the late spouse or civil partner reached pensionable age or died under pensionable age on or after the date the new state pension is introduced, the survivor could be entitled to an inherited amount of half of the amount by which the late spouse's or civil partner's transitional rate of state pension exceeds the full state pension rate.

72. Under the old retirement pension rules, a person bereaved under pensionable age is entitled to a Category B pension if they were previously entitled to bereavement allowance or widowed parent's allowance. This Act replaces the existing range of bereavement benefits with a bereavement support payment (see 'Part 5 – Bereavement support payment'). The Category B retirement pension rules are therefore modified to enable a person who is bereaved while under pensionable age on or after the date the new payment is introduced and whose spouse or civil partner reached pensionable age before the new state pension is introduced to inherit additional pension if he or she qualified for bereavement support payment and satisfied the other rules for entitlement.

73. Schedule 4 provides for the up-rating (annual increases) of inherited amounts. The basic principle is that, as with the transitional rate, the survivor's pension (including inherited amount) up to the full rate of the new state pension should be up-rated by reference to earnings and any excess by prices.

Section 8: Choice of lump sum or survivor's pension under section 9 in certain cases
Section 9: Survivor's pension based on inheritance of deferred old state pension
Section 10: Inheritance of graduated retirement benefit
Schedule 5: Survivor's pension under section 9: inherited deferral amount

74. Under the old retirement pension rules, individuals can choose not to claim their state pension at pensionable age and, as a consequence, will qualify for either an increase to their weekly pension (known as increments) or for a lump-sum payment from the point they claim (subject to some conditions). This is known as deferral.

75. These sections and schedule relate to the inheritance of deferred state pensions and deferral awards under the old retirement pension rules (see paragraphs 92 - 94 below for an explanation of how deferral will work under the new state pension rules). Where a late spouse or civil partner reached pensionable age before the start date of the new state pension and deferred their state pension, the survivor can inherit the deceased's deferred pension (regardless of whether they reach pensionable age before or after the start date of the new state pension) as under the old retirement pension rules. Regulations may also provide for the inheritance of deferred graduated retirement benefit. It is not, however, possible for a person who reaches pensionable age on or after the start date of the new state pension to pass on deferral increments to his or her spouse or civil partner.

76. However, unlike the inheritance arrangements under the old retirement pension rules, the provisions in Schedule 5 mean that, for an individual who reaches pensionable age on or after the start date of the new state pension, it will no longer be possible to inherit increments that were accrued by his or her late spouse or civil partner's former spouse or civil partner, except for any increments that the individual's deceased spouse built up on any increments that he or she inherited. For example, B (who reached pensionable age before the start date) is deferring his pension (which includes increments accrued by his late wife, A) and is now married to his second wife, C (who reached pensionable age after the start date). B dies and C inherits increments from him that are paid with her pension. C cannot inherit increments from B that were originally accrued by A's period of deferral. C will however be able to inherit the increments that B may have built up on any increments that he inherited from A.

Section 11: Reduced rate elections: effect on section 4 pensions
Section 12: Reduced rate elections: pension for women with no section 4 pension
Schedule 6: Reduced rate elections: effect on rate of section 4 pension
Schedule 7: Reduced rate elections: basic amount of state pension under section 12

77. Until 1977, married women and widows in employment could opt out of any future entitlement to a retirement pension in their own right by paying National Insurance at a reduced rate. Women who were self-employed could choose not to pay the flat-rate self-employed stamp. This was referred to as a "reduced-rate election". Women who took a reduced-rate election gained entitlement to a retirement pension by relying on their spouse's National Insurance record.

78. For those reaching pensionable age on or after the start of the new state pension, the Act removes the option for an individual to rely on his or her spouse's or civil partner's National Insurance record (other than the provision for surviving spouses and civil partners to inherit pension, as described above) but does set out alternative arrangements for certain women who made reduced-rate elections.

79. These arrangements will apply if a reduced-rate election had still been in force at the start of the final 35 tax years before the tax year in which the woman reached pensionable age.

80. Where a woman meets the 35 year condition and has some qualifying years attributable to the period before the new state pension is introduced, section 11 and Schedule 6 provide for the state pension to be calculated in an alternative way if this is more beneficial than the transitional rate of pension she would otherwise be entitled to. This alternative calculation provides a transitional rate of state pension at least equivalent to the combination of any additional pension based on her own National Insurance record and the equivalent of the old basic pension. This will be either the rate applicable for a spouse or civil partner (currently approximately 60 per cent of the full rate basic pension) payable when both she and her husband or civil partner have reached pensionable age, or the equivalent of the full basic pension if she is widowed or divorced. As a simplification measure, the full standard rates will be used so the amounts will not be dependent on the spouse's or civil partner's National Insurance record.

81. Section 12 and Schedule 7 make comparable provision for a woman with no qualifying years for the period before the new state pension is introduced. In these circumstances, the state pension would comprise an amount equivalent to the appropriate standard rate of the old basic pension for a married person, widow or divorcee, or civil partner, surviving civil partner, or person whose civil partnership has been dissolved.

Section 13: Shared state pension on divorce etc
Section 14: Pension sharing: reduction in the sharer's section 4 pension
Section 15: Pension sharing: amendments
Schedule 8: Pension sharing: appropriate weekly rate under section 13
Schedule 9: Pension sharing: up-rating state pension under section 13
Schedule 10: Pension sharing: appropriate weekly reduction under section 14
Schedule 11: Pension sharing: amendments

82. Since December 2000, financial settlements on divorce have been able to provide for one party to a divorce to split his or her current or prospective entitlement to old additional pension with his or her former spouse. The rules on pension sharing have applied to civil partners since December 2005.

83. Where a pension sharing order is made, a court will order a percentage split or an amount to be transferred. The apportioned benefits are known as "pension debits" and "pension credits", created under the Welfare Reform and Pensions Act 1999. The former spouse or civil partner ("the transferor") will have his or her prospective additional pension entitlement reduced by the value of a pension debit and the beneficiary ("the transferee") will gain entitlement to a pension credit that is equal to the amount of the debit. Pension sharing can be applied to current or prospective entitlement to additional pension or to shared additional pension from a previous divorce.

84. The Act does not affect the validity of a pension sharing order made before the Act comes into force against a person who reaches pensionable age on or after the date the new state pension is introduced.

85. Although the new state pension will not comprise any additional pension, the Act does allow for pension sharing of the new state pension in certain limited cases.

86. It will still be possible in the future to make a pension sharing order against a person who has a transitional rate state pension under section 4 that exceeds the full rate of the new state pension. But the pension sharing order can only relate to the amount of that excess.

87. If a pension sharing order has been made against someone who reaches pensionable age on or after the start date of the new state pension, the rate of his or her state pension under section 4 may be reduced (see section 14).

88. A person who reaches pensionable age on or after the start date of the new state pension may also benefit from a pension sharing order made before the start date of the new state pension, or made against a person who reaches pensionable age before the start of the new state pension. In this case the person will be entitled to a state pension under section 13 based on the pension sharing credit. This will be paid in addition to any state pension the person is entitled to, based on his or her own National Insurance record. Calculating entitlement in this way means that a person is able to benefit from qualifying years obtained under the new state pension rules notwithstanding the award of a pension credit.

89. Schedule 8 sets out the rules for calculating the appropriate weekly rate where a pension sharing order has been made.

90. Schedule 9 provides for increases of shared state pension (pension credit) once payment has started, as follows:

- if a person's total state pension including the pension credit is equal to or less than the full rate of the new state pension the amount of the pension credit will be uprated in line with earnings in the same way as the full rate of state pension is uprated (see paragraph 49);

- if a person's state pension is less than the full rate of the new state pension but exceeds the full rate when the pension credit is taken into consideration, the amount of the pension credit up to the full rate of state pension will be increased in line with earnings (in the same way as the full rate of state pension is uprated), and the excess of the pension credit above the full rate will be increased in line with prices (in the same way as the excess of any transitional rate of pension under section 4 is uprated - see paragraph 63); or

- if a person's state pension alone is equal to or higher than the full rate of the new state pension, then any pension credit will be increased in line with prices (in the same way as the excess of any transitional rate of pension under section 4 is uprated).

91. Schedule 10 explains how a person's appropriate weekly deduction is calculated if a sharing order has been issued.

92. Schedule 11 amends existing legislation to take into account the introduction of the sharing of the new state pension. Among other things, it makes provision for those reaching pensionable age before the start of the new state pension to receive shared additional pension in relation to an order made against someone who reaches pensionable age on or after the start of the new state pension.

Section 16: Pensioner's option to suspend state pension
Section 17: Effect of pensioner postponing or suspending state pension
Section 18: Section 17 supplementary: calculating weeks, overseas residents, etc

93. Sections 16 to 18 provide for arrangements to defer the payment of a new state pension.

94. Under the old retirement pension rules, individuals can choose not to claim their pension at pensionable age or to give up their pension for a period of time after they have started to receive it. As a consequence, they will qualify for either an increase to their weekly pension (known as increments) or for a lump-sum payment from the point they claim (subject to some conditions). This is known as deferral.

95. The basic principle of deferral is being retained for the new state pension, but only the ability to accrue a weekly increase. Those who reach pensionable age on or after the start date of the new state pension will not be able to accrue a lump-sum. The accrual rate of the weekly increase will be set out in regulations (see *section 17(4)*). Regulations may modify the amount of the increment in relation to overseas residents who are deferring their pension (see *section 18(3)*). There will be no inheritance of a weekly increase accrued by the deferral of a new state pension.

Section 19: Prisoners
Section 20: Overseas residents

96. These sections provide regulation-making powers to set out the arrangements for prisoners and overseas residents in respect of the new state pension.

97. For prisoners, regulations may provide that a person is not to be paid a state pension whilst they are imprisoned, detained in legal custody or unlawfully at large. This is the same as under the rules for the old retirement pension.

98. For overseas residents, regulations may provide that such a person is not entitled to up-rating. This will enable similar provision to be made as under the old retirement pension rules. Regulations under this section will be made taking into account provision under relevant treaties, such as those in respect of the European Union, and bi-lateral treaties providing for reciprocity in social security matters and which cover up-rating.

Section 23: Amendments
Schedule 12: State pension: amendments

99. Schedule 12 provides for a number of amendments to other legislation relating to the introduction of the new state pension.

100. Schedule 12, Part 1 contains amendments that are related to the new state pension. For example, Schedule 12, paragraphs 17 to 22 amend the general revaluation and up-rating provisions in the SSAA 1992.

101. Part 2 contains amendments to do with the old retirement pension.

102. The amendments limit the old retirement pension to those reaching pensionable age before 6 April 2016.

103. The amendments also provide that where such a person is entitled to an old retirement pension based on the contributions of a spouse or civil partner who reaches pensionable age on or after the start of the new state pension, that retirement pension will be based only on contributions the spouse or civil partner made for the period before the new state pension was introduced.

104. Part 2 also removes several aspects of the old retirement pension for those reaching pensionable age after the start date of the new state pension:

- Category C pension. This category of pension was introduced by the National Insurance (Old Persons' and Widows' Pensions and Attendance Allowance) Act 1970 to provide non-means tested pensions to those who had reached pensionable age before the National Insurance scheme started in 1948 and had not been insured under the pre-1948 provisions. Provision is removed for anyone reaching pensionable age on or after the new state pension start date. The only people who could now be entitled to a Category C pension are widows of individuals who reached pensionable age before 5th July 1948.

- Category D pension. Category D non-contributory pensions for those aged 80 and over were introduced by the National Insurance Act 1971 to help a number of elderly people without access to a pension. Changes made to the old retirement pension since then (largely the reduction of the number of qualifying years needed for a pension and changes to National Insurance credits) mean that the number of recipients is declining and expected to decline further. Provision remains for those reaching pensionable age before the new state pension start date but is not replicated for those reaching pensionable age thereafter.

- The age addition. The age addition to contributory and non-contributory retirement pensions is paid to people aged eighty or over. It was introduced in 1971 but has never been increased from 25 pence. Provision remains for those reaching pensionable age before the new state pension start date but is not replicated for those reaching pensionable age thereafter.

105. Part 3 of Schedule 12 provides that the savings credit element of state pension credit is only payable (from the savings credit qualifying age) to those who have reached pensionable age before the start date of the new state pension.

106. An individual who does not meet these criteria could still qualify if he or she is a member of a mixed age couple where the other member reached pensionable age before the start date of the new state pension. However, a power is given to the Secretary of State to specify the circumstances in which entitlement is restricted for these mixed age couples. For clarity, an example is given of how the power might be used in regulations.

107. Part 4 contains miscellaneous amendments regarding the introduction of the new state pension. These include repealing provisions in the PA 2008 for consolidating the additional pension which are not required as a result of the introduction of the new state pension.

Section 24: Abolition of contracting-out for salary related schemes etc
Schedule 13: Abolition of contracting-out for salary related schemes
Schedule 14: Power to amend schemes to reflect abolition of contracting-out

108. Since 1961 sponsoring employers of salary-related occupational pension schemes have been allowed to contract their employees out of the additional pension on the condition that they would provide an occupational pension meeting certain statutory requirements (these have changed over the years).

109. In return for the employer providing a pension meeting the statutory minimum, both the employer and employee pay reduced rates of National Insurance (employer contributions are currently reduced by 3.4 per cent and employee contributions by 1.4 per cent).

110. In 1988 it became possible for employers to contract out their employees into a defined contribution occupational pension scheme, and for individuals to contract out into a personal pension scheme. However, the PA 2007 abolished these options from 6 April 2012.

111. Introduction of the new state pension will abolish the additional pension for those reaching pensionable age after the start date. Section 24 and Schedules 13 and 14 make provision for the ending of the option for sponsoring employers of salary-related occupational pension schemes to contract their employees out of the additional pension. This option will end on the start date of the new state pension.

112. As well as removing redundant provisions, the amendments to the PSA 1993 and other pensions legislation in section 24 and Schedules 13 and 14 are intended to serve two main purposes.

113. Firstly, to ensure that all contracted-out rights accrued by employees through salary-related contracted-out schemes before the abolition of contracting-out are fully protected. To protect accrued rights, Schedule 13, paragraph 13 inserts new section 12E into the PSA 1993. Section 12E requires former salary-related contracted-out schemes to meet the requirements in the PSA 1993 in relation to Guaranteed Minimum Pensions. Section 12E deems scheme rules to comply with all the requirements, overriding the rules if necessary. Schedule 13, paragraphs 16 and 38 amend sections 16 and 87 of the PSA 1993 (the revaluation requirements for Guaranteed Minimum Pensions for early leavers and the anti-franking rules) so that abolition of contracting-out does not trigger either of these requirements. This will ensure that someone who stays in a scheme at abolition will not be treated as having left simply because contracting-out has ended. Schedule 13, paragraph 17 amends section 17 of the PSA 1993 to reflect the end of the old retirement pension so that inherited Guaranteed Minimum Pensions will be payable in the same circumstances as now.

114. Secondly, to enable sponsoring employers of contracted-out schemes to change the rules of their pension schemes (where they are prevented from doing so) to adjust members' future pension accruals or pension contributions to take into account the loss of the employer's rebated National Insurance contributions. *Section 24(2)* and Schedule 14 provide a power for sponsoring employers to amend their scheme rules in order to offset the increase

in their National Insurance contributions - by reducing scheme benefits for future accruals or increasing member contributions. Following the end of contracting-out, employers and members of contracted-out salary-related schemes will have an increase in National Insurance contributions. They will pay the same rate of National Insurance as other employers and employees. This power will be available for five years (*section 24(8)*). The power cannot be used to change the rules of public service pension schemes or other types of scheme (which may be prescribed in regulations under *section 24(4)(b)*). The power can also not be used to make changes in respect of scheme members who are 'protected persons'. In certain formerly nationalised industries (rail, including Transport for London, electricity, coal and nuclear waste and decommissioning) legislation was made at the time of privatisation which prevents changes to the pension schemes in relation to some employees. Regulations under *section 24(5)* must define what is meant by a 'protected person'.

PART 2 – OPTION TO BOOST OLD RETIREMENT PENSIONS

Section 25: Option to boost old retirement pensions
Schedule 15: Option to boost old retirement pensions

115. A person can pay voluntary Class 3 National Insurance contributions to fill gaps in their contribution record and provide entitlement to basic pension.

116. Section 25 and Schedule 15 of this Act provide for a new class of voluntary National Insurance contribution, Class 3A, for current pensioners and people who reach pensionable age before 6 April 2016. Class 3A contributions will be available alongside Class 3 contributions and will provide entitlement to additional pension.

117. To be eligible to pay Class 3A contributions people will need to meet two simple conditions, namely, that they have reached or are due to reach pensionable age before 6 April 2016 (the start date for the new state pension provided for by Part 1 of this Act) and that they are or will be entitled to some form of pension under the old retirement pension rules (see new section 14A(2) and paragraph 4 of Schedule 15).

118. A person paying Class 3A contributions will obtain units of additional pension entitling them to an amount of additional pension, subject to an overall maximum number of units that is to be set in regulations by the Treasury. Regulations under the provisions inserted into the SSCBA 1992 by Schedule 15 will further define the scope of the measure in terms of the period during which people will be able to pay Class 3A contributions, the price of Class 3A contributions and the circumstances under which refunds will be made.

119. The price of Class 3A contributions will be set in regulations and in setting the price the Treasury will consult with the Government Actuary or the Deputy Government Actuary. A proportion of the revenue collected through Class 3A contributions will go towards funding the National Health Service consistent with the rules that apply to Class 3 contributions (see paragraph 13 of Schedule 15).

120. In line with existing rules on additional pension, the additional pension obtained through the payment of Class 3A contributions can be deferred, inherited by a surviving spouse or shared with a former spouse or civil partner upon divorce or dissolution of the civil partnership and will be subject to annual uprating by prices. There are rules that restrict

entitlement in cases where a person is entitled to more than one category of pension under the old retirement pension rules e.g. category A and B. Under the old retirement pension rules a person with simultaneous pension entitlements, for example as a result of bereavement, is prevented from receiving multiple payments. Paragraph 9 of Schedule 15 inserts new sections 61ZA to 61ZC into the SSCBA 1992 that disapply the bar on simultaneous entitlements where this arises solely as a result of entitlement gained from the payment of Class 3A contributions or inheritance of additional pension derived from Class 3A contributions. Similarly, paragraph 8 of the Schedule exempts inherited amounts of additional pension obtained through the payment of Class 3A contributions from the rules that cap additional pension when contribution records are combined following bereavement. In this way the surviving spouse will still inherit that part of the late spouse's additional pension attributable to payment of Class 3A contributions.

121. National Insurance contributions are an excepted matter for Northern Ireland. Part 2 of Schedule 15 therefore makes corresponding amendments in respect of the payment of Class 3A voluntary National Insurance contributions to the relevant National Insurance legislation for Northern Ireland. However, social security is a transferred matter in respect of Northern Ireland. As such the legislation for the provisions relating to the payment of additional pension entitlement that would arise as a result of payment of Class 3A contributions is not included in this Act as it is the responsibility of the Northern Ireland Assembly.

PART 3 – PENSIONABLE AGE

Section 26: Increase in pensionable age to 67

122. Part 1 of Schedule 4 to the PA 1995 stipulates pensionable age for men and women. As amended by the PA 2007 this provides for the increase in pensionable age to 67 to take place between 6 April 2034 and 5 April 2036. This section amends these rules to bring forward the increase in pensionable age to 67 to take place between 6 April 2026 and 5 March 2028.

123. Under the timetable set by the PA 2011, those born on or after 6 October 1954 but before 6 April 1968 will reach pensionable age on their 66th birthday. Under the revised timetable set by this section, those born between 6 April 1960 and 5 March 1961 will have a pensionable age of between 66 years and 1 month and 66 years and 11 months. Those born on or after 6 March 1961 but before 6 April 1977 will reach pensionable age on their 67th birthday.

124. The table in *section 26(3)* sets out how pensionable age will increase from 66 to 67. Individuals in each one month birth cohort affected by the transitional arrangements will reach pensionable age when they reach age 66 and the specified number of months. For example:

- an individual born on 15 April 1960 reaches pensionable age when they reach age 66 and one month on 15 May 2026;
- an individual born on 10 September 1960 reaches pensionable age when they reach age 66 and 6 months on 10 March 2027; and

- an individual born on 22 January 1961 reaches pensionable age when they reach age 66 and 10 months on 22 November 2027.

125. There are three instances during the transition period where an individual may be born in a calendar month which has more days than the relevant month in which he or she would reach pensionable age. Section 26(3) provides when those individuals will reach pensionable age. For example an individual born on 31 July 1960 cannot reach pensionable age of 66 and 4 months on 31 November 2026 because November only has 30 days. He or she will therefore be treated as reaching pensionable age on 30 November 2026.

Section 27: Periodic review of rules about pensionable age

126. This section makes provision for a periodic review by the Secretary of State of the pensionable age in light of changes in life expectancy and other relevant factors. It also requires the Secretary of State to prepare and publish a report in relation to the review. The first report must be published before 7 May 2017. This is two years after the polling day for the next parliamentary general election as provided under the Fixed-term Parliaments Act 2011. Future reports must then be published within six years of the previous report. The Government has announced that it intends to consider whether the rules relating to pensionable age are appropriate every five years (once every parliament). However, the reference to six years allows some flexibility around the report's publication date.

127. To inform the review, the Secretary of State must commission the Government Actuary or Deputy Government Actuary to prepare a report on whether the rules on pensionable age mean that, on average, a person who reaches pensionable age within a specified period can be expected to spend a specified proportion of his or her adult life in retirement (with the proportion of a person's adult life spent in retirement being the proportion of his or her adult life spent after reaching pensionable age). If the rules on pensionable age mean that this is not the case, the report will suggest how the rules might be changed to attain the result. The Secretary of State will specify both the age at which adult life is to be taken as beginning and the proportion of adult life in retirement when commissioning the report from the Government Actuary or Deputy Government Actuary.

128. In addition to the report from the Government Actuary or Deputy Government Actuary, the Secretary of State must also appoint a panel of one or more persons to consider factors relevant to the pensionable age. The panel must prepare a report for the Secretary of State. When appointing the panel, the Secretary of State will specify the relevant factors.

129. The Secretary of State will consider both of these reports when reviewing whether pensionable age should change. If any change to pensionable age is decided upon the Government would introduce primary legislation to this end.

PART 4 – STATE PENSION CREDIT

Section 28: State pension credit: phasing out assessed income periods

130. Section 28 provides for the assessed income period (AIP) in state pension credit claims to be phased out from 2016. The AIP is a feature of state pension credit that removes the requirement for certain individuals to notify the Department for Work and Pensions of changes to retirement provision (broadly defined as capital, annuities and non-state pensions)

for a defined period, for the purposes of assessing their entitlement to state pension credit. From 2016, any change in retirement provision must be reported when it occurs, triggering an immediate review and change of the benefit award where appropriate. The removal of the AIP will apply to new customers and there is a power to apply it to those existing customers with a 5-year AIP already in place at April 2016 (the latter will be gradually phased out in the first few years). Indefinite AIPs already in place on 6 April 2016 will remain in place until they end under existing rules.

131. *Subsection (1)* limits the application of the legislation on AIPs to decisions that take effect before 6 April 2016. This effectively means that, from 6 April 2016, no new AIPs will be set. It also means, however, that AIPs set before 6 April 2016 will remain valid beyond that date, until such time as they end through being phased out or under existing rules.

132. *Subsection (3)* is intended to make it clear that regulations under *section 9(5)* of the SPCA 2002 may be made for the purpose of phasing out, on or after 6 April 2016, any remaining AIP that is 5 years or shorter in length. Section 9(5) could therefore be used to provide for those AIPs to be ended via reviews carried out on a phased schedule.

Section 29: Preserving indefinite status of certain assessed income periods

133. *Section 9(6)* of the SPCA 2002 was inserted by *section 105(4)* of the PA 2008 to ensure that certain AIPs were extended indefinitely. This was a transitional provision and was thought to be necessary only until 6 April 2014. It is therefore repealed from that date by *section 105(6)* of the PA 2008. The repeal leaves some doubt about whether existing AIPs under section 9(6) of the SPCA 2002 will remain in place after 6 April 2014. Section 29 of the Act is intended to remove the doubt by ensuring that existing indefinite AIPs governed by section 9(6) of the SPCA 2002 remain in place on or after that date.

134. Section 29 was drafted so that it would work whether or not the section comes into force before, on or after 6 April 2014.

PART 5 – BEREAVEMENT SUPPORT PAYMENT

Section 30: Bereavement support payment
Section 31: Bereavement support payment: contribution condition and amendments
Section 32: Bereavement support payment: prisoners
Schedule 16: Bereavement support payment: amendments

135. These sections describe the entitlement criteria and supporting contribution condition for the bereavement support payment, which will replace the existing range of bereavement benefits for persons whose spouse or civil partner dies on or after the date it is introduced.

136. A person will be entitled to bereavement support payment if he or she is: under pensionable age at the time of his or her spouse or civil partner's death; is ordinarily resident in Great Britain or other territory specified in regulations; and the contribution condition is met.

137. In order to meet the contribution condition the deceased spouse or civil partner must have paid Class 1 or 2 National Insurance contributions at or greater than 25 times the lower earnings limit (as defined in the SSCBA 1992) for any one tax year prior to his or her death.

138. The contribution condition will be considered to have been met if the deceased spouse or civil partner died as a result of an industrial injury or accident, as provided for by the industrial injuries benefit legislation in the SSCBA 1992.

139. The amount of the benefit and period the payments will cover will be prescribed in regulations. Regulations may also allow different rates of payments over different periods. If a person is pregnant or entitled to child benefit, then regulations may provide for him or her to receive a higher rate of payment or a longer payment period.

140. Bereavement support payment will not be payable to anyone over pensionable age; if a person is entitled to bereavement support payment when he or she reaches pensionable age his or her entitlement will cease and he or she will not receive any further payments.

141. Regulations may disqualify prisoners from receiving bereavement support payment. This is the same as under the current bereavement benefit scheme.

142. Schedule 16 details the relevant consequential amendments to existing legislation to reflect the introduction of bereavement support payment.

PART 6 – PRIVATE PENSIONS

Section 33: Automatic transfer of pension benefits etc
Schedule 17: Automatic transfer of pension benefits etc

143. Section 33 introduces Schedule 17 which contains a duty for the Secretary of State to make regulations to establish a system of automatic transfers of pension benefits.

144. Paragraph 1 of Schedule 17 outlines this system, setting out that the regulations must provide that where an active member of an ‘automatic transfer scheme’ has ‘transferable benefits’ in another pension scheme (the ‘transferable benefits scheme’), then the automatic transfer process set out in the Schedule must be followed.

145. The transfer will be from a money purchase scheme or a pension scheme of a prescribed description (sub-paragraph (5)) that the member is no longer contributing to (sub-paragraph (4)(c)), into another money purchase scheme or a pension scheme of a prescribed description (sub-paragraph (2)) of which the individual is an active member. This will only apply if certain criteria are met including that the benefits to be transferred have been accruing since a certain date (sub-paragraph (4)(e)) and are worth less than a prescribed amount (sub-paragraph (4)(f)).

146. The Government has stated its intention that this amount will initially be £10,000. The Schedule provides that the regulations will require the Secretary of State to review the prescribed amount at least every 5 years (paragraph 13), taking certain factors into account when conducting the review.

147. In addition, Schedule 17 sets out that regulations will provide that trustees or managers of ‘automatic transfer schemes’ must find out whether members have transferable benefits in other schemes (paragraph 2). The regulations must make provision about disclosure of information and they may, in particular, permit or require a person to disclose

information to another person to help that other person comply with their duties, which will include providing information on an individual's transferable benefits to any central database (paragraph 9(1) and (2)).

148. The regulations must also provide that a prescribed person must give information to the member (paragraph 5) and must provide that the member has a right to opt out of the automatic transfer (paragraph 4) unless there is a requirement for consent by the member before the transfer is made. The information provided to members will include details about the automatic transfer, their right to opt out, or need for consent (as applicable), and may contain other information, for example about the pension scheme.

149. Where 'transferable benefits' are identified and the individual has not opted out, or has provided consent (whichever is applicable), the trustees or managers must notify the 'transferable benefits scheme' (paragraph 3), the 'transferable benefits scheme' must then transfer those benefits (paragraph 6) and the 'automatic transfer scheme' must give the member rights equivalent to those benefits (paragraph 7). Other functions may be required of the trustees or managers of either scheme (paragraph 12), for example to acknowledge the transfer.

150. Further to these core features, Schedule 17 sets out a number of areas that regulations may cover. For example, regulations may be made to:

- provide for the manner in which cash equivalents are to be calculated and verified by the 'transferable benefits scheme' (paragraph 8);
- allow for the enforcement of the automatic transfer duties by the Pensions Regulator, including the imposition of compliance notices and penalties for non-compliance (paragraph 10) and record keeping requirements (paragraph 11);
- require the Secretary of State or the Pensions Regulator to establish and operate a database containing information relating to people who have or have had 'transferable benefits' (paragraph 9(3)); or
- allow certain provisions within the regulations to override scheme rules (Part 3 paragraph 17). For example, if scheme rules prevented an 'automatic transfer scheme' from accepting a transfer.

151. Part 2 provides that regulations may be made to consolidate multiple pots belonging to one member in the same scheme, providing for an asset transfer if necessary, for example where an individual has two employments over their working life and the employers both use the same multi-employer scheme (Part 2, paragraph 14).

Section 34: Power to prohibit offer of incentives to transfer pension rights
Section 35: Expiry of power in Section 34

152. Section 34 allows the Secretary of State to make regulations to prohibit a person from offering a financial or similar incentive to another person with the intention of inducing a member of a salary-related occupational pension scheme to transfer their rights out of that pension scheme into another pension scheme or arrangement. Regulations may provide that the prohibition applies to the offer of an incentive by the person who will provide the

incentive, or by another person, for example, an agent. It also provides for penalties to be introduced if the prohibition is contravened.

153. Section 35 provides that section 34 will be repealed seven years after the section has come into force if the powers granted have not been exercised.

Section 36: Short service benefit for scheme member with money purchase benefits

154. This section provides that where all of the benefits to be provided by a scheme are money purchase benefits, there will be an entitlement to a 'short service benefit' immediately after a member has completed thirty days' qualifying membership of the scheme (*section 36(1), (2) and (3)*).

155. The effect of the section is that, in such cases, the ability to make a refund of contributions ("short service refund") to members who give up their membership within two years, but after 30 days, will no longer be available under section 101AB of the PSA 1993, because the member will have accrued rights to benefit under the scheme. Such a person will however still have the right to ask the occupational pension scheme to transfer the value of his pension to another pension provider under Chapter 4 of Part 4 of that Act.

156. This will only apply to those who first become active members of a scheme after this section comes into force, and those members who re-joined the scheme after that date having had a previous period of pensionable service under the scheme and who received a contribution refund or a cash transfer sum (section 36(3)).

Section 37: Automatic re-enrolment: exceptions where automatic enrolment deferred

157. Employers must automatically enrol workers who satisfy age and earnings criteria into a qualifying workplace pension scheme. However, they are allowed to postpone automatic enrolment by up to three months.

158. Where an employer has an open defined benefit or hybrid scheme which they intend to use for automatic enrolment, they may instead, and subject to certain conditions, defer automatic enrolment for jobholders who satisfy those conditions until the end of a transitional period in September 2017. At the end of that transitional period the individual must be automatically enrolled, provided that he or she satisfies the age and earnings conditions. However, an employer deferring automatic enrolment until the end of the transitional period may use the waiting period afterwards if they choose, which would postpone auto-enrolment by up to a further three months.

159. Automatic enrolment by the employer is compulsory: pension saving by the worker is not. An individual who decides not to continue saving into the scheme they have been automatically enrolled into may opt out within a specified window. This window is one month from the later of the date that the individual becomes an active member of the scheme and the date he or she is given the enrolment information by the employer. If, however, he or she continues to save into the scheme but subsequently decides to withdraw, he or she may cancel his or her active membership at any time.

160. The employer must carry out an automatic re-enrolment exercise approximately every three years to re-enrol those who opted out or cancelled their membership. The cyclical automatic re-enrolment dates are employer specific. Deferral dates and immediate re-enrolment dates are specific to the worker.

161. Under the PA 2008, the employer's re-enrolment duty could result in the permitted deferral or postponement period being curtailed as an employer's cyclical re-enrolment date could fall within a period where an individual's automatic enrolment date has legitimately been deferred or postponed. Section 37 removes the duty of the employer to automatically re-enrol an eligible individual if automatic enrolment has been postponed for a period of up to three months (*section 37(2)*) or deferred to the end of the transitional period in the case of a defined benefit or hybrid scheme (*section 37(3)*).

Section 38: Automatic enrolment: powers to create general exceptions

162. Under sections 3, 5, 7 and 9 of the PA 2008, employers are obliged to automatically enrol (and re-enrol) workers who satisfy age and earnings criteria into a qualifying workplace pension scheme and make joining arrangements for workers who opt in or apply to join a pension arrangement.

163. Automatic enrolment and pension saving is not always appropriate. It may impose nugatory work on the employer and in some circumstances could cause an individual to incur a financial penalty.

164. There are some limited exceptions to the enrolment duty but there is no general power to exclude prescribed types of workers, or workers in prescribed circumstances from the scope of automatic enrolment. However, a prescribed exclusion may carry an increased employer monitoring burden. This section inserts a new section in to the PA 2008 to provide a general power to create exceptions to the employer duties which includes the power to prescribe that a duty is turned into a power. Where such a power was conferred on an employer, it would mean that in prescribed circumstances an employer need not automatically enrol a worker but may choose to do so. The section subsumes the existing power to exclude in *section 5(4)* of the PA 2008 and section 292A of the PA 2004 (both of which are repealed) and amends section 10 of the PA 2008 to allow automatic enrolment information to be more appropriately targeted.

165. The power is restricted so that regulations made under this section could not provide for an employer to be excluded from the automatic enrolment duty on the basis of their size (*Subsection (2)* of new section 87A).

166. The section also includes a power to re-instate the automatic enrolment duty if the circumstances that triggered the exclusion change.

Section 39: Alternative quality requirements for UK defined benefits schemes

167. To be a qualifying defined benefits scheme capable of being used under automatic enrolment, a pension scheme must either be contracted-out of the state second pension or meet the 'test scheme standard' in relation to all jobholders concerned. The test scheme is a hypothetical scheme used as a benchmark against which a scheme can be measured. To meet the test scheme standard the scheme must provide benefits to members which are broadly equivalent to, or better than, those which would be provided under a test scheme.

168. Section 39 provides a power to prescribe alternative quality requirements for defined benefits schemes. It amends the PA 2008 to enable the Secretary of State by regulations to prescribe that a defined benefits scheme satisfies the quality requirements in one of three ways, as set out in new *section 23A (1)(a), (b) and (c):*

- subsection (1)(a) provides for an alternative defined benefits quality requirement to be satisfied in relation to a jobholder if the scheme in question is of a prescribed description and satisfies the money purchase quality requirement in relation to that jobholder, i.e. the scheme provides a total contribution of 8 per cent of qualifying earnings with at least 3 per cent contributed by the employer;

- subsections (1)(b) and (1)(c) provide for alternative defined benefits quality requirements to be satisfied if the cost to the scheme of funding the future accrual of active members' benefits is at least a prescribed rate. The rate is to be expressed as a prescribed percentage of members' relevant earnings over a relevant period either on an aggregate (scheme) level or at an individual level for at least 90 per cent of the relevant members.

169. *Subsection (3)* of new section 23A provides that the prescribed percentage in both of the cost of future accruals tests in (1)(b) and (c) must be at least 8 per cent, in line with the minimum level for total contributions into a qualifying money purchase scheme.

170. *Subsection (7)* of new section 23A provides for any regulations made under section 23A(1) to be reviewed on an ongoing basis to check that the Government's policy intentions are being achieved. The first review will be in 2017, with subsequent reviews being no more than three years after the previous review.

171. The PA 2008 provides transitional arrangements for the implementation of automatic enrolment. These transitional arrangements differ depending on whether a jobholder is enrolled into a money purchase pension scheme or a defined benefit pension scheme. In the case of the latter, the transitional arrangements allow the employer to defer automatic enrolment until the end of the transitional period. *Sections 39(5) to 39(8)* provide that where a defined benefit pension scheme or hybrid pension scheme (a pension scheme which offers both money purchase and defined benefit pensions under a single scheme) is a qualifying scheme by virtue of satisfying the alternative quality requirement at section 23A(1)(a) then the employer can not defer automatic enrolment. Instead the transitional arrangements in respect of money purchase pension schemes apply.

Section 40: Automatic enrolment: transitional period for hybrid schemes

172. On 19 December 2012 the Government announced its intention to introduce retrospective legislation to clarify the law which sets out transitional arrangements for implementing automatic enrolment into workplace pension arrangements.

173. The transitional provisions differ depending on whether the jobholder is enrolled into a money purchase pension arrangement or is offered membership of a defined benefit pension arrangement. If the former is the case, then both employer and employee minimum contributions are phased in over a transitional period. If the latter, the employer can defer automatic enrolment until the end of a transitional period.

174. Section 30 of the PA 2008 (as originally enacted), provided that where a pension scheme offered both money purchase and defined benefit pensions under a single scheme (known as a hybrid scheme) an employer could postpone automatic enrolment for a jobholder who was eligible only to accrue money purchase benefits under a hybrid scheme.

175. Section 40(1) to (5) amends section 30 of the PA 2008 to make it clear that postponement under section 30 of the PA 2008 only applies where a defined benefit pension is offered to a jobholder (whether offered under a hybrid scheme or a defined benefit scheme). The single exception to this is where the defined benefit or hybrid scheme providing the pension is only a qualifying scheme by virtue of satisfying the alternative quality requirement provided by section 23A(1)(a) of the PA 2008 (as introduced by section 39 of this Act).

176. Employers offering money purchase benefits under a hybrid scheme will still be able to use the transitional arrangements under section 29 of the PA 2008, which permit a gradual phasing in of the contribution requirements over a transitional period.

177. The legislation has retrospective effect. Section 40(6) and (7) provides that any employer who has deferred automatic enrolment under section 30 of the PA 2008 for a jobholder who is entitled only to membership of a money purchase arrangement under a hybrid scheme will need to automatically enrol that jobholder. They will also need to backdate employer contributions to 19 December 2012 (or their staging date if that is later). The jobholder will be able to choose whether they wish to pay their own contributions for the same period.

Section 41: Penalty notices under sections 40 and 41 of the Pensions Act 2008 etc

178. Under the PA 2008, the Pensions Regulator has the power to issue a penalty notice for failure to comply with information notices (which are issued when the Pensions Regulator requires specific information).

179. This section amends the PA 2008 to make it explicit that this power to issue penalty notices can only be used for non-compliance with information notices issued in relation to the Regulator's compliance function concerning employer duties, as set out in Part 1 of the PA 2008, and not in connection with the Regulator's general compliance functions set out in the PA 2004.

180. In exercising its power to issue information notices under section 72 of the PA 2004, the Regulator can ask for an explanation of the relevant information or require the recipient to explain in person at the Regulator's offices. This power was previously available for information notices issued relating only to some of the Regulator's new employer compliance functions. Section 41 extends this to include all of the Regulator's employer compliance functions as set out in Part 1 of the PA 2008.

Section 42: Unpaid scheme contributions

181. In the event that an employer becomes insolvent, the PSA 1993 enables scheme trustees or managers to claim an amount of any unpaid pension contributions from the Secretary of State, payable out of the National Insurance Fund. The contributions comprise those due from the employer either on his or her own account to fund benefits for, or in

respect of, one or more employees, or on behalf of an employee, if a contribution has been deducted from wages.

182. This section amends the definitions in the PSA 1993, and the references to employees in the PSA 1993, to include workers and agency workers and so extend to them this protection for relevant scheme contributions to be paid from the National Insurance Fund in the event of an employer becoming insolvent.

Section 43: Power to restrict charges or impose requirements in relation to schemes
Schedule 18: Power to restrict charges or impose requirements in relation to schemes

183. Section 43 and Schedule 18 allow the Secretary of State to make regulations to restrict charges or impose requirements on certain pension schemes. Schedule 18 allows for the making of regulations which set limits on or prohibit particular types of administration charges, or set requirements relating to the administration or governance of the scheme.

184. The regulations will apply to pension schemes of a type specified in the regulations. Different provision could be made for different types of scheme. For example, different charges may be allowed depending on the type or use of scheme. The regulations could also allow for the inclusion of schemes that are closed to new members or to new accruals.

185. The provision allows the regulations to say that a scheme which does not comply cannot be a qualifying scheme for automatic enrolment purposes. Provisions about standards that must be complied with in order for a scheme to be used as a qualifying scheme will continue to be enforced via the employer compliance regime under the PA 2008.

186. Schedule 18 also allows regulations to cover the enforcement of the quality standards by the Pensions Regulator (paragraph 3), including the imposition of compliance notices and penalties for non-compliance. As with other civil penalties, it will be a criminal offence to pay these penalties from scheme funds (paragraph 10). The compliance regime may also include the Financial Conduct Authority regulating compliance in contract-based schemes under the powers in the Financial Services and Markets Act 2000. The Schedule also provides that the regulations may allow certain provisions of the regulations to override scheme rules (paragraph 6). For example, if scheme rules currently prescribe a type or level of charge which is prohibited.

Section 44: Disclosure of information about transaction costs to members etc

187. Section 44 places duties on the Secretary of State (in relation to occupational pension schemes) and the Financial Conduct Authority (‘FCA’) (in relation to personal pension schemes) to make regulations that require the disclosure of certain information about the transaction costs incurred by money purchase pension schemes. In addition, duties are imposed in a similar way to require information on transaction costs and administrative charges to be published. The duties in relation to occupational pension schemes are set out in amendments to section 113 of the PSA 1993 and require the Secretary of State to consult the FCA and the Treasury before making regulations. The FCA duties are provided through the insertion of a new section 137FA into the Financial Services and Markets Act 2000. They require the FCA to consult the Secretary of State and the Treasury before publishing draft rules and to take account of any regulations made under the section 113 duties.

Section 45: Power to require pension levies to be paid in respect of past periods

188. The Pension Protection Fund (PPF) pays compensation to members of pension schemes where the employer becomes insolvent leaving the scheme under-funded. There are two levies which eligible schemes must pay: the risk-based pension protection levy, which goes towards PPF compensation, and the administration levy, which goes towards the PPF's running costs. A limited number of schemes have the benefit of a Crown guarantee, meaning that if a scheme has an insolvent employer and becomes under-funded the Government will meet the liabilities of the scheme or the employer in respect of the whole or part of the scheme.

189. On 11 February 2009 the European Commission ruled that the BT Pension Scheme's exemption from payment of the levies to the PPF, arising from the Crown guarantee, constituted unlawful State aid and must stop. Following this, in 2010 regulations were laid to ensure future compliance in payment of these two levies.

190. This section provides for regulations to be made allowing the sections of the PA 2004 relevant to payment of pension levies and associated regulations to have effect as if the Regulations made in 2010 had always had effect. Regulations made under the section will allow the Government to recover payment of levies due in respect of the tax years 2005/06 to 2009/10. This will apply to those schemes covered by a Crown guarantee where an exemption from payment of the levies would give rise to incompatible State aid.

Section 46: Prohibition and suspension orders: directors of corporate trustees
Schedule 19: Prohibition orders: consequential amendments

191. The Pensions Regulator has the power to suspend and prohibit trustees from acting as trustees in the future if they are not deemed to be a fit and proper person to be a trustee of a scheme. Previously, if a prohibited trustee was found to be or became the director of a company which acted as a trustee of a scheme (a corporate trustee) there was no restriction on the ability of that company to operate as a corporate trustee.

192. This section inserts a new section into the PA 1995 to forbid a company from being a trustee if one or more of its directors have been prohibited by the Regulator. If the director(s) who has/have been prohibited subsequently leave(s) the board of the company, the prohibition will be immediately lifted. In addition, the company is allowed to apply to the Regulator for the prohibition to be waived.

193. The Regulator has the power to suspend a trustee "pending consideration being given to the institution of proceedings against him for an offence involving dishonesty or deception" (section 4(1)(aa) of the PA 1995).

194. *Section 45(3) to (5)* allows the Pensions Regulator to suspend a corporate trustee where it or one of its directors could be suspended under section 4(1)(aa).

Section 47: Preparation of guidance for pensions illustrations

195. Occupational, personal and stakeholder pension schemes are required by regulations to provide a Statutory Money Purchase Illustration (SMPI) to members on an annual basis.

196. In producing the SMPI, relevant pension schemes must comply with guidance currently contained in the "AS TM1: Statutory Money Purchase Illustrations", issued at present by the Financial Reporting Council Ltd (FRC).

197. Section 18 of the Companies (Audit, Investigations and Community Enterprise) Act 2004 exempts a body given a grant by the Secretary of State from liability in damages that arise from certain activities. These activities are set out in section 16(2) of that Act.

198. The measure amends the Companies (Audit, Investigations and Community Enterprise) Act 2004 to provide that a relevant body shall be exempt from liability for damages arising from the production of a statutory money purchase illustration based on the relevant body's technical memorandum.

Section 48: Pensions Regulator's objectives

199. This section sets out an additional objective for the Pensions Regulator to minimise any adverse impact on the sustainable growth of an employer when exercising its functions under Part 3 of PA 2004 (scheme funding) only. This objective is in addition to the Regulator's existing five objectives, set out in section 5(1) of the PA 2004.

Section 49: Maximum period between scheme returns to be 5 years for micro schemes

200. All occupational pension schemes are required to complete a scheme return at least once every three years. This is sent to the Pensions Regulator and provides up to date information about the scheme.

201. The section allows the Pensions Regulator to increase the maximum period between scheme returns to five years for micro schemes (i.e. those that have between two and four members).

Section 50: Pension Protection Fund: increased compensation cap for long service
Schedule 20: Pension Protection Fund: increased compensation cap for long service

202. The Pension Protection Fund (PPF) pays compensation to members of eligible, occupational pension schemes where the employer becomes insolvent, leaving the scheme under funded. Anyone under the scheme's normal pensionable age when the employer becomes insolvent is paid compensation based on 90 per cent of their expected scheme pension subject to a maximum cap - 'the compensation cap'.

203. Section 50 and Schedule 20 provide for a revised compensation cap dependent on a person's age and length of pensionable service when the person first becomes entitled to compensation.

204. Paragraphs 1 to 3 of Schedule 20 amend Schedule 7 to the PA 2004 to insert new paragraph 26A which gives the meaning of the revised compensation cap. The standard amount, calculated in the same way as the current compensation cap amount, will apply for anyone with pensionable service of less than 21 years. For anyone with 21 years or more pensionable service, the cap will be increased by 3 per cent of the standard amount for each full year over 20 years, to a maximum of double the standard amount.

205. Paragraphs 4 to 6 and 13 make consequential amendments to the PA 2004.

206. Paragraphs 8 to 12 of Schedule 20 make transitional provision for members who are entitled to PPF compensation when the long service compensation cap is introduced. Under paragraph 8(2) the PPF will be required to recalculate the 'protected pension rate' as if the long service compensation cap had been in force when the member first became entitled to compensation. The 'protected pension rate' is the protected pension rate or protected notional pension on which the amount of compensation payable depends and the PPF must, therefore, redetermine the compensation and change the payment. This applies to both members of the original scheme and any of their survivors and dependants who are in receipt of compensation when the long service cap legislation comes into force.

207. Any indexation that had been awarded before the legislation comes into force will be maintained by adding the amount of that indexation on to the revised compensation amount (paragraph 8(5) of the Schedule).

208. All other elements used in calculating the compensation payable will be unaffected by this change:

a) where a person commuted part of their original compensation as a lump sum, the commuted amount will be deducted as part of the redetermination;
b) where a person had their compensation actuarially reduced because they took their compensation early, the same reduction will be applied in the redetermination;
c) where a person had been awarded a postponement addition, that addition will not be recalculated or increased.

209. With one exception, there will be no backdating. Any increase will be effective only from the date the legislation is commenced. Members who are continuing to postpone payment of their compensation at that time will have the increase applied when they take their postponed compensation.

210. Paragraph 12 deals with those who received a terminal illness lump sum in the year prior to the long service compensation cap legislation being commenced and makes an exception in backdating any increase due to the revised compensation cap. Where the recipient is still alive when the legislation is commenced, the lump sum will be re-calculated as if the long service cap legislation had been in force at the date of entitlement and arrears paid.

211. Paragraphs 14 to 17 make transitional provision for schemes undergoing assessment for entry to the PPF or winding up on the date the long service compensation cap comes into force.

212. An eligible pension scheme with an insolvent employer enters an "assessment period" during which the PPF determines whether the scheme will enter the PPF. Part of the assessment process involves the scheme assets being compared against the scheme's 'protected liabilities' - the cost of providing annuities to cover the compensation that the PPF would pay if the scheme did enter the PPF. Paragraph 14(2) provides that, for schemes in the assessment period when the long service compensation cap legislation comes into force, the valuation of its protected liabilities should be completed on the basis that the long service cap has not been introduced.

213. A scheme can apply for the decision on whether or not they enter the PPF to be reconsidered. Where a scheme enters the assessment period before the long service compensation cap legislation is commenced and subsequently asks for such a reconsideration, paragraph 14(2) provides that this consideration should be done on the basis that the long service compensation cap has not been introduced.

214. During an assessment period the scheme trustees continue to pay scheme pensions as they fall due, but the payments must be reduced as necessary so as not to exceed the level of compensation the PPF would pay should the scheme enter the PPF. Paragraph 14(3) requires scheme trustees to increase pension payments during the assessment period to reflect the introduction of the long service compensation cap, where appropriate.

215. Paragraph 15 provides for how the long service compensation cap applies where a scheme began wind up, or is treated as having begun wind up, before the long service compensation cap legislation comes into force. This could be where a scheme begins to wind up without having been through a PPF assessment period, or where a scheme has been in the assessment period and left it without transferring to the PPF. Schemes winding up are required to allocate assets in accordance with the statutory priority order in Section 73 of the PA 1995. They are also required under section 73A of that Act to restrict payments of pension to the amounts which the scheme will be able to satisfy on wind up.

216. In general the priority order requires the asset allocation to begin with covering the compensation that would have been paid had the scheme entered the PPF. Paragraph 15(2) provides that where a scheme began wind up before the long service compensation cap is introduced it should continue to allocate assets and restrict pension payments on the basis the long service compensation cap had not been introduced. Paragraph 15(4) clarifies that if a scheme is winding up and also in a PPF assessment period, pension payments should be increased to reflect the introduction of the long service compensation cap.

217. Paragraphs 18 and 19 deal with the definition of terms used in the schedule.

218. Paragraphs 20 to 22 clarify that transitional provision can be made under section 56(8) of the Act, particularly in relation to pension compensation sharing and cases where a member has multiple benefits.

Section 51: Pension Protection Fund: compensation cap to apply separately to certain benefits

219. Section 51 amends paragraph 26 of Schedule 7 to the PA2004.

220. Where a person is entitled to compensation under the PPF due to entitlement to two or more scheme benefits, paragraph 26 of Schedule 7 (as originally drafted) provided for those benefits to be added together for the purposes of applying the compensation cap in all circumstances. However, the policy intention is, and has always been, that for the purposes of applying the compensation cap, such benefits should only be added together where they are either all attributable to the person's pensionable service or all attributable to a pension credit arising from a divorce or dissolution settlement. The PPF have been calculating compensation on the basis of the policy intent. This means that individuals with benefits derived from different sources, for instance one benefit arising from a pension credit and

another from their own service in the scheme, have their compensation calculated separately for each and the compensation cap applied separately to each.

221. This section amends paragraph 26 of Schedule 7 to the PA 2004 so that the legislation supports the policy and the current practice. The amendments to paragraph 26 are retrospective by virtue of *subsection (7)* to cover payments which may already have been made. *Subsection (8)* allows for the secondary legislation, which modifies how the compensation cap applies when tranches of compensation become payable at different dates, to be amended with retrospective affect to give effect to this change to paragraph 26.

Section 52: Public service pension schemes: transitional arrangements

222. Section 51 amends the Public Service Pensions Act 2013 to enable members of the smaller public body schemes transferring into one of the eight larger new public service pension schemes to be subject to the same transitional protection, ensuring that those less than ten years from their normal pension age will not be affected by the Government's public service pension reform programme. This avoids the need to keep these members in their old smaller schemes.

PART 7 – FINAL PROVISIONS

Section 55: Extent

223. The Act extends to England and Wales and to Scotland. The subject matter of the majority of the measures in the Act is transferred in respect of Northern Ireland and, as such, is the responsibility of the Northern Ireland Assembly. Accordingly, the Act only extends to Northern Ireland for the purposes of amendments to legislation extending to Northern Ireland and legislation with UK-wide extent and, with one exception, any such amendments do not deal with transferred matters.

224. The exception is in respect of the reference to Northern Ireland legislation in section 47.

COMMENCEMENT DATES

225. The provisions set out in Part 1 of the Act come into force on 6 April 2016, although some or all the provisions may be commenced earlier by means of an order. This will enable those sections which provide regulation-making powers to be commenced in advance of the implementation of the new state pension so appropriate regulations can be made. Provision is also made to allow the Secretary of State to make an order to amend the date that Part 1 is to come into force and to make corresponding amendments to Part 1 of the Act and any other enactment amended by it.

226. The provisions in section 29 (State pension credit: preserving indefinite status of certain existing assessed income periods), section 51 (Pension Protection Fund: compensation cap to apply separately to certain benefits) and Part 7 (Final provisions) came into force on the day the Act received Royal Assent.

227. The provisions in Part 3 (Pensionable age), sections 34 and 35 (Power to prohibit offer of incentives to transfer pension rights), section 41 (Penalty notices under sections 40 and 41 of the Pensions Act 2008), section 47 (Preparation of guidance for pensions illustrations), section 48 (Pensions Regulator's objectives) and paragraph 30(2) of Schedule 13 (removing the duty for the Secretary of State to review and publish a report on the need for an alteration to rebate rates as these will be irrelevant following the abolition of contracting-out) will commence two months after Royal Assent.

228. The remainder of the Act will be brought into force by means of commencement orders made by the Secretary of State or the Treasury. An order may appoint different days for different purposes or make transitional provision and savings.

HANSARD REFERENCES

229. The following table sets out the dates and Hansard references for each stage of the Act's passage through Parliament.

Stage	Date	Hansard reference
House of Commons		
Introduction	9 May 2013	Vol. 563 Col. 165
Second Reading	17 June 2013	Vol. 564 Col. 647 - 725
Committee	25 June 2013 27 June 2013 2 July 2013 4 July 2013 9 July 2013 11 July 2013	Public Bill Committee Pensions Bill
Report	29 October 2013	Vol. 569 Col. 766 - 866
Third Reading	29 October 2013	Vol. 569 Col. 866 – 873

Stage	Date	Hansard reference
House of Lords		
Introduction	30 October 2013	Vol. 748 Col. 1584
Second Reading	3 December 2013	Vol. 750 Col. 139 – 194
Committee	16 December 2013 18 December 2013 8 January 2014 13 January 2014 15 January 2014 20 January 2014	Vol. 750 Col. GC197 – GC254 Vol. 750 Col. GC305 – GC370 Vol. 750 Col. GC371 – GC436 Vol. 751 Col. GC1 – GC52 Vol. 751 Col. GC115 – GC176 Vol. 751 Col. GC259 – GC318
Report	24 February 2014 26 February 2014	Vol. 752 Col. 0710 – 751; Col. 764 – 781; Col. 797 – 820 Vol. 752 Col. 930 – 988
Third Reading	12 March 2014	Vol. 752 Col. 1762 – 1781
Ping Pong		
Commons Consideration of Lords Amendments	17 March 2014	Vol. 577 Col. 560 – 596
Lords Consideration of Commons Reason	8 April 2014	Vol. 753 Col. 1247 – 1258
Royal Assent	14 May 2014	Commons: Vol. 580 Col. 859 Lords: Vol. 753 Col. 1920

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