
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations implement the new authorisation and supervisory regime for collective money purchase schemes under Part 1 of the Pension Schemes Act 2021 (c. 1) (“the Act”). They also make provision for amendments to secondary legislation in relation to schemes providing collective money purchase benefits.

Part 1 of these Regulations contains introductory provisions. In particular, regulation 3 sets out when one employer is treated as connected with another employer for the purposes of Part 1 of the Act.

Part 2 of these Regulations makes provision relating to sections of qualifying schemes. In particular, regulation 4 sets out certain characteristics of qualifying benefits. If a scheme provides a combination of qualifying benefits where these characteristics are different, those benefits must be provided under different sections. Regulation 5 makes provision about where an authorisation granted in respect of an undivided collective money purchase scheme will apply to a section following the division of the scheme into sections.

Part 3 of these Regulations makes provision relating to the authorisation of a collective money purchase scheme. Regulation 6 sets out the information to be included in an application to the Pensions Regulator (“the Regulator”) for authorisation (in addition to the information specified in the Act). Regulation 6 also introduces Part 1 of Schedule 3, which sets out the information to be included in an application in relation to whether a scheme is financially sustainable.

Regulation 7 requires an application for authorisation to be accompanied by a fee payable to the Regulator, which is either a set amount or in certain circumstances an amount to be determined by the Regulator.

Regulation 8 introduces Schedule 1, which sets out the matters that the Regulator must take into account in assessing whether a person involved in a collective money purchase scheme is a fit and proper person. Regulation 8 also makes provision for this assessment in cases where a person involved in a collective money purchase scheme is a body corporate.

Regulation 9 relates to the scheme design requirement. It introduces Part 1 of Schedule 2, which sets out the matters that the Regulator must take into account in deciding whether the design of a collective money purchase scheme is sound.

Regulation 10 introduces Part 2 of Schedule 2, which sets out the information that must be contained in a viability report prepared by the trustees of a collective money purchase scheme. Regulation 10 also sets out more detail relating to the preparation of the viability report.

Regulation 11 introduces Part 3 of Schedule 2 which sets out the information that must be included in a viability certificate provided by the scheme actuary. Regulation 11 also sets out the matters the scheme actuary must have regard to when providing a viability certificate and considering whether the design of the scheme is sound.

Regulation 12 introduces Part 2 of Schedule 3, which sets out the matters that the Regulator must take into account in deciding whether it is satisfied that a collective money purchase scheme is financially sustainable, and Part 3 of Schedule 3 which sets out requirements to be met by a collective money purchase scheme in relation to its financing.

Regulation 13 introduces Schedule 4 which sets out the matters that the Regulator must take into account in deciding whether it is satisfied that a collective money purchase scheme has adequate systems and processes for communicating with members and others.

Regulation 14 introduces Schedule 5 which sets out the matters that the Regulator must take into account in deciding whether the systems and processes used in running a collective money purchase scheme are sufficient to ensure that the scheme is run effectively.

Regulation 15 contains requirements about a collective money purchase scheme's continuity strategy and sets out information that must be included in the strategy. A continuity strategy is a document setting out how the interests of members of the scheme are to be protected if a triggering event occurs in relation to the scheme. Regulation 16 contains requirements about how the continuity strategy must set out levels of administration charges that apply in relation to members of the scheme.

Part 4 of these Regulations relates to valuation and benefit adjustments. Regulation 17 sets out provisions that the rules of a collective money purchase scheme must contain relating to the determination of the value of the available assets of the scheme, the determination of the required amount and the adjustment of the rate or amount of benefits provided under the scheme. Regulation 17 also makes provision for where trustees of a collective money purchase scheme apply a multi-annual reduction to the rate or amount of benefits provided under the scheme.

Regulation 18 makes provision regarding guidance to which the scheme actuary must have regard when advising the trustees of a collective money purchase scheme.

Regulation 19 makes provision regarding actuarial valuations of the scheme including when the trustees of a collective money purchase scheme must obtain an actuarial valuation and what the valuation must contain.

Regulation 20 sets out the information that must be included in a report given by the trustees of a collective money purchase scheme to the Regulator if a benefit adjustment is not made in accordance with the most recent actuarial valuation or does not take effect in accordance with scheme rules.

Regulation 21 makes provision regarding what must be included in a direction issued by the Regulator under section 23 of the Act (powers of the Pensions Regulator).

Part 5 of these Regulations makes provision about the ongoing supervision by the Regulator of a collective money purchase scheme. Regulation 22 sets out the information which the Regulator may require to be included in the supervisory return (a document which the Regulator may require schemes to submit to it).

Regulation 23 lists the significant events in relation to the scheme, which are events which must be notified to the Regulator by persons specified in the Act. Regulation 23 also sets out further information that must be provided to the Regulator by a person who is required to give notice of a significant event.

Regulation 24 makes provision about risk notices including what must be contained in a risk notice. Risk notices are notices given by the Regulator to the trustees of a collective money purchase scheme under section 29 of the Act (risk notices).

Part 6 of these Regulations makes provision about triggering events and continuity options. Regulation 25 sets out the matters which must be notified by a trustee to employers and relevant former employers if a triggering event occurs in relation to a collective money purchase scheme; and when notifications under section 33 of the Act (notification of triggering events) must be given.

Regulation 26 sets out when an implementation strategy must be submitted to the Regulator for approval. An implementation strategy is a document setting out how the interests of members of a collective money purchase scheme are to be protected following the occurrence of a triggering event.

Regulation 27 sets out the information to be included in an implementation strategy about levels of administration charges in relation to members of the scheme. Regulation 28 sets out other information that an implementation strategy must contain.

Regulation 29 introduces Schedule 6 which sets out the procedure to be followed when a triggering event has occurred and the trustees of a collective money purchase scheme are required, or decide, to pursue continuity option 1 (under which the scheme's liabilities to each beneficiary are discharged

by transfer out of the scheme, or securing the payment of benefits by some other means, and the scheme is wound up).

Regulation 30 applies where a triggering event has occurred and the trustees of a collective money purchase scheme are pursuing continuity option 2 (resolving triggering event). It prescribes the deadline for a scheme's trustees to notify the Regulator when they believe that a triggering event has been resolved.

Regulation 31 applies where a triggering event has occurred and the trustees of a collective money purchase scheme are pursuing continuity option 3 (conversion to closed scheme). It prescribes the deadline for a scheme's trustees to notify the Regulator when they consider that preparations for the conversion of the scheme into a closed scheme are complete.

Regulation 32 prescribes the deadline for a scheme's trustees to submit their first periodic report to the Regulator during a triggering event period, and specifies the information which reports must contain in addition to that required by the Act.

Regulation 33 modifies section 99 of the Pension Schemes Act 1993 (c. 48) (trustees' duties) as it applies to a collective money purchase scheme in respect of which the Regulator has made a pause order under section 44 of the Act (pause orders).

Regulation 34 sets out the administration charges that are not included in the prohibition on increasing charges during a triggering event period for a collective money purchase scheme in section 45 of the Act (prohibition on increasing charges etc during triggering event period). It also applies the provisions of section 45 of the Act to certain receiving schemes.

Part 7 of these Regulations makes provision for amendments to secondary legislation in relation to schemes providing collective money purchase benefits. In particular, regulation 35 introduces Schedule 7 which contains amendments to the Occupational Pension Schemes (Scheme Administration) Regulations 1996 (S.I. 1996/1715), the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010 (S.I. 2010/772) and the Occupational Pension Schemes (Charges and Governance) Regulations 2015 (S.I. 2015/879) in relation to collective money purchase schemes.

An impact assessment of the effect that this instrument will have on the costs of business is published with the Explanatory Memorandum alongside this instrument on the UK legislation website www.legislation.gov.uk. A hard copy of the impact assessment may be obtained from the Department for Work and Pensions, Caxton House, Tothill Street, London SW1H 9NA.