
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations are made principally under sections 1 to 8 of the Welfare Reform and Pensions Act 1999 (“the Act”), and other provisions listed in Schedule 1 to the Regulations, to make provision in connection with stakeholder pension schemes introduced by Part I of that Act. Apart from Part IV (which provides for the obligations of employers), the Regulations come into force on 1st October 2000.

Part I of the Regulations is concerned with citation, commencement and interpretation, and Part II with the conditions applying to stakeholder pension schemes. Regulation 2 provides for the establishment as a stakeholder pension scheme of a pension scheme which is not established under a trust. Regulations 3, 4 and 5 specify the requirements with which the instruments establishing a stakeholder pension scheme must comply, especially as respects their provision about membership of the scheme, its assets and the transfer of members' rights on winding-up. Regulation 3 applies in the case of all such schemes, regulation 4 in the case of schemes established under a trust, and regulation 5 in the case of schemes not established under a trust. Regulations 6 and 7 are concerned with the manner in which the rights of members under a stakeholder pension scheme are to be discharged when the scheme winds up.

Regulations 8 to 12, 15, 16, 18 and 19 provide for the requirements which must be complied with by a pension scheme as a condition of its being a stakeholder pension scheme, and are concerned in particular with such matters as the investment of funds, (regulations 8–10 and 15), reporting obligations, including declarations to be made by trustees and managers, and statements by auditors and accountants, in connection with the scheme (regulations 11 and 12), the provision by schemes of services apart from the management of funds (regulation 16), the provision of information to members (regulation 18) and the obligations of trustees (regulation 19).

Regulations 13 and 14 provide for the circumstances in which payments and credits to the scheme, returns on investments and members' rights under the scheme may be used for purposes other than the provision of benefits for members, and in particular for defraying administrative expenses, charges, etc. Regulation 17 makes provision for the minimum level of contributions to stakeholder pension schemes and the circumstances in which trustees or managers may refuse contributions.

Part III of the Regulations is concerned with the registration of stakeholder pension schemes, especially as respects the persons who may apply for registration of schemes not established under trusts, and access to the register (regulations 20 and 21).

Part IV of the Regulations, which comes into force on 8th October 2001, makes provision in connection with the duty of employers to facilitate access to stakeholder pension schemes, and in particular for the circumstances in which employers are exempt from those requirements (regulation 22), for the deduction of contributions to such schemes from employees' remuneration (regulation 24) and for the disclosure of information to employees about such schemes (regulation 25).

Part V of the Regulations makes textual amendments in Regulations made under the Pension Schemes Act 1993 and the Pensions Act 1995 in consequence of the introduction of stakeholder pension schemes, and applies to those schemes which are not occupational pension schemes the provisions of Regulations specified in Schedule 2 as if they were occupational pension schemes.

An assessment of the cost to business of the introduction of stakeholder pension schemes under Part I of the Act and these Regulations is detailed in a Regulatory Impact Assessment, a copy of which

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has been placed in the libraries of both Houses of Parliament. Copies of the Assessment are available from the Department of Social Security, Regulatory Impact Unit, Third Floor, The Adelphi, 1–11 John Adam Street, London WC2N 6HT.