

# Consultation response

**Ref: 3609(S)**

## DWP and PADA consultation: Pensions - Consultation on draft scheme order and rules

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The Pensions Act 2008 requires employers to automatically enrol eligible jobholders into a qualifying pension scheme, with a minimum employer contribution. Individuals who decide that they do not want to participate in pension saving have the right to opt out. Employers will be able to choose to enrol eligible employees into either a qualifying workplace pension or into the new personal accounts scheme, which will be established as an occupational pension scheme.

This joint consultation by the Department for Work and Pensions (DWP) and the Personal Accounts Delivery Authority (PADA) seeks views on the draft secondary legislation that will establish the personal accounts scheme, and the non-statutory scheme rules.

## Key points and recommendations

1. We strongly support most of the proposals relating to the members' panel, and in particular the 'general power' to advise the trustee, the involvement of the panel in the selection process for members of the trustee corporation, and the panel duty to report on the extent to which the trustee considers the members' interests. However, we recommend that:
  - The panel is formally required to comment on the extent to which diversity among members and future members has been respected
  - The panel's independence is bolstered by being able to control and pay for its own arrangements to consult the membership
  - The panel is free to appoint its own Chair, or that an independent appointment committee is convened
  - The panel can co-opt external experts onto working groups and share key information with them
  - The panel has access to key data
  - The panel should include some representative bodies, subject to a formal appointment process.
2. We recommend that the trustee is explicitly permitted to promote awareness of the scheme, and that it should receive a certain amount of public funding to ensure that it fulfils its public service obligation without incurring extra costs for the membership as a whole.
3. The trustee should be able to claim from non-compliant employers any excess costs incurred because of non-compliance, and should be able to refer employers to The Pensions Regulator if there is either a single flagrant breach of requirements or a persistent pattern of less serious breaches.

4. We do not believe that the scheme should be able to set a level of minimum contributions for workers without qualifying earnings.
5. The trustee should be pragmatic in disclosing deductions from contributions, but if it decides that full transparency is not feasible it should be required to consult the representative panels and to make full information publicly available.
6. We do not support the proposal that, if a member dies before drawing benefits and without having nominated a death beneficiary, the benefits should always be payable directly to the member's estate. This may result in hardship for common law partners who might reasonably expect to benefit.
7. We support proposals to allow the trustee flexibility in operating the scheme.