

Pensions Bulletin

Fact Sheet 3

Spring 2008 Issue 1

Pensions Bill 2007

- 1.1 The Pensions Bill 2007 is currently making its way through Parliament and will become the Pensions Act 2008 later in the year. In addition to the development of Personal Accounts, other key themes of the Bill include the simplification of state pensions and deregulation to assist employers who sponsor good pension schemes.
- 1.2 In total, the Bill has five parts and a brief description of each is set out below.
- **Part 1** sets out the new duties on employers to automatically enrol eligible “jobholders” into automatic enrolment schemes (Personal Accounts or another qualifying scheme) and to contribute to those arrangements.
 - **Part 2** contains measures to simplify and amend existing private and state pensions legislation. Part 2 reduces burdens by simplifying the treatment of contracted-out rights for the purposes of pension sharing on divorce and by establishing new rules for the revaluation of accrued rights.
 - **Part 3** establishes arrangements for compensation paid by the Pension Protection Fund (PPF) to be shared on divorce or dissolution of a marriage or civil partnership. It also makes changes to the compensation provisions of the PPF, to improve the Fund’s operation.
 - **Part 4** contains a variety of measures to adjust existing pensions legislation. This includes changes to the treatment of pension sharing orders in the Court of Session in Scotland.
 - **Part 5** provides, inter alia, for the new Bill to be brought into force by statutory instrument.
- 1.3 Details regarding Personal Accounts (Part 1 of the Bill) can be found in a separate fact sheet, available via The Pensions Trust’s website.
- 1.4 Further details regarding Parts 2 to 5 can be found below.

2 Abolition of safeguarded rights

- 2.1 Where, on divorce or dissolution of a civil partnership, a member’s pensions rights are shared, and those rights include contracted-out rights, the law as it stands treats the contracted-out rights in a different way from the other shared rights. They are known as “safeguarded rights” and are subject to various restrictions.
- 2.2 The Pensions Bill abolishes these restrictions; once these provisions are brought into force, shared rights that derive from contracted-out rights will be treated in the same way as other shared rights.



3 Revaluation of accrued benefits

- 3.1 The Bill amends the method of revaluing the accrued pension benefits of deferred members in final salary pension schemes.
- 3.2 The overall effect of the amendments is to provide that accrued benefit attributable to pensionable service on or after the commencement day is to be revalued by the rate of inflation over the relevant revaluation period, capped at 2.5% per annum (and not, as now, 5%).

4 State Pension Reform

- 4.1 The Bill includes provision for further simplification to the additional State Pension by consolidating the rights people have built up under Graduated Retirement Benefit, SERPS and State Second Pensions into a single cash sum.

5 Pension Protection Fund

- 5.1 The Bill amends arrangements applying to pension compensation payable by the Pension Protection Fund (PPF). It enables compensation to be shared on divorce or dissolution of a marriage or civil partnership. At the moment PPF compensation cannot be shared.

Further updates on the progress of the Pensions Bill 2007 will be included in future issues of the Pensions Bulletin and also via supplementary, more detailed, fact sheets.

While every effort has been made to ensure the accuracy of the information contained in this fact sheet, it should not be treated or relied upon as a statement of law. Readers should contact their regular Account Manager at The Pensions Trust in relation to their own circumstances and/or refer to the original source material as appropriate.

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