Queen’s Speech 2014

Summary

The Queen’s Speech 2014 set out the government’s proposed legislative programme for the year in the run up to the next General Election – covering 11 new pieces of legislation. Ministers are calling this a “pro-work, pro-business and pro-aspiration” programme. Key areas of reform include pensions, criminal justice, corruption in politics, and energy.

Of greatest interest to financial services are the two pensions bills:

- **Pensions Tax Bill**: will implement the changes to pensions saving announced in the Budget.
- **Private Pensions Bill**: paves the way for “defined ambition” collective pension schemes.

Further information can be accessed via: [https://www.gov.uk/government/topical-events/queens-speech-2014](https://www.gov.uk/government/topical-events/queens-speech-2014)

General overview

The lead up to the 2014 Queen’s Speech has been dominated by claims that the Coalition Government has run out of steam and is running a ‘zombie’ administration. With the date of the next General Election already known, the Government has the time to pursue a full legislative programme – and the very knowledge of an upcoming election and the dynamic of a coalition administration has meant trading to ensure that both the Conservatives and Liberal Democrats are seen to have their own ‘wins’. Other commentators have made the point that the economic recovery is not reliant on legislation and that the economy should be the main focus for the Government.

The Queen’s Speech announced 11 new pieces of legislation and three draft Bills – unsurprisingly the smallest programme since the run-up to the last General Election. Moves to reform pensions, criminal justice, corruption in politics, and energy provide the Government with ammunition to counter the accusation of being bereft of ideas. In addition, several pieces have been carried over from the previous session, including the Consumer Rights Bill.

Though the list of Bills is unlikely to set the voting public’s pulses racing, there is enough in there of significant interest for financial services. The Pensions Tax Bill and Private Pensions Bill look to revolutionise retirement saving and funding – implementing the measures outlined in this year’s Budget (in particular around annuities and the tax environment) and allowing for the new ‘collective defined contribution’ schemes. Both pieces of legislation will be watched closely by the financial world.
Proposed legislation – Bills of interest

Pensions Tax Bill
The Pensions Tax Bill will implement the changes to pensions saving and retirement funding announced by the Chancellor in this year’s Budget – providing people with greater freedom and choice over how to access their defined contribution pension savings.

The main elements of the Bill are:

• introducing a new tax framework that removes restrictions to the way individuals can access their defined contribution pension savings, and allows them to access their savings subject to their marginal tax rate

• removing the previous restrictions the government placed on how people are able to access their money, and give individuals the freedom and choice to access their pension as they see fit

• introducing anti-avoidance provisions, to prevent individuals taking advantage of the new flexible arrangements for tax avoidance purposes

The CII’s briefing on the Chancellor’s pensions reforms is available by following the link: http://bit.ly/OUypiy

Private Pensions Bill
The Private Pensions Bill seeks to allow for innovation in the private pensions market by giving greater control to employees. It will provide wider choice, with the introduction of “Defined Ambition” pensions that encourage greater risk sharing between parties and allowing savers to have greater certainty about their retirement savings. This is based on the current Dutch pensions model.

The Bill seeks to:

• make provisions for a new legislative framework in relation to the different categories of pension schemes. It would establish three mutually exclusive definitions for scheme type based on degrees of certainty in the benefits that schemes offer to members

• define schemes in terms of the type of ‘pensions promise' they offer to the individual as they are paying in. A scheme would be categorised as a Defined Benefit (DB) scheme, a Defined Ambition (shared risk pension scheme) or a Defined Contribution (DC) scheme, corresponding to the different types of promise – full promise about retirement income, a promise on part of the pot or income or offering no promise at all

Collective benefits: The Bill looks to enable ‘Collective schemes' that pool risk between members and potentially allow for greater stability around pension outcomes. It would also contain a number of measures relating to the valuation and reporting requirements for collective schemes.

Rationale: Defined Contribution pensions - where individual scheme members bear the risks of longevity, inflation and investment returns - currently dominate the UK pensions market. Defined Benefit pensions - where the employer bears the risks by promising a pension usually related to salary - are in decline. Defined Contribution pensions can be the right product for many savers, but outcomes will be less certain and more volatile than those with Defined Benefit Pensions.

The Government believes this Bill is needed to encourage new ‘Defined Ambition’ pensions, in the middle space between Defined Contribution and Defined Benefit pensions that share more of the risk between parties.
The Budget: The Budget announced new flexibilities for members of Defined Contribution schemes. To help people make decisions that best suit their needs everyone with DC pensions will be offered free and impartial guidance via a guidance guarantee, on the range of options available to them at retirement. This Bill will legislate so that all individuals with a Defined Contribution pension in the UK approaching retirement will be offered guidance.

Depending on the outcome of the HM Treasury Freedom and Choice in pensions consultation, the Bill would allow the Department for Work and Pensions (DWP) to either bring forward legislation to implement a ban on all transfers out of private sector DB schemes or not.

It would also allow us to bring forward legislation to ban transfers out of unfunded public sector DB schemes as announced in the Budget.

Other Bills of interest

Social Action, Responsibility and Heroism Bill (England and Wales)

The Social Action, Responsibility and Heroism Bill could be of interest to insurers in respect of changes relating to liability. It provides new legal defences for people who are sued after intervening in emergencies or acting to protect the safety of others. When considering negligence and breach of duty cases, courts will have to consider the "wider context" of defendants' actions, including whether they behaved responsibly and "for the benefit of society" or had taken "heroic action" to help people in danger with no regard to their own safety.

Draft Riot (Damages) Act Bill

This draft piece of legislation looks to reform the Riot (Damages) Act by changing the way compensation is paid to individuals and businesses that experience loss or damage to property during riots. This includes the establishment of a Riot Claims Bureau.

Bills of interest carried over from the last session

Consumer Rights Bill

The Consumer Rights Bill sets out a framework that consolidates in one place key consumer rights covering contracts for goods, services, digital content and the law relating to unfair terms in consumer contracts.

http://services.parliament.uk/bills/2014-15/consumerrights.html

Deregulation Bill

A bill to make provision for the reduction of burdens resulting from legislation for businesses or other organisations or for individuals; make provision for the repeal of legislation which no longer has practical use; make provision about the exercise of regulatory functions. It also includes changes to apprenticeships.

http://services.parliament.uk/bills/2014-15/deregulation.html

Finance (No. 2) Bill

This Bill follows this year’s Budget, amending the law relating to the National Debt and the Public Revenue, and making further provision in connection with pensions and finance.

http://services.parliament.uk/bills/2014-15/financeno2.html
Appendix A

Full list of legislation proposed by the Queen’s Speech

The following 11 Bills have been announced:

The **Small Business, Enterprise and Employment Bill** will support small businesses, set deregulation targets and introduce a new statutory code and an adjudicator for public house tenants.

The **National Insurance Contributions Bill** will simplify the collection of class 2 national insurance contributions.

The **Infrastructure Bill** will bolster investment in infrastructure and reform planning law. It will also enhance energy security in the UK by opening up access to shale and geothermal sites.

The **Pension Tax Bill** will give individuals greater discretion over the use of their retirement funds.

The **Private Pensions Bill** will give employees greater control over their pension funds.

The **Childcare Payments Bill** will help working families with childcare costs.

The **Modern Slavery Bill** will strengthen the powers to prevent slavery and human trafficking and support for victims of such crimes.

The **Social Action, Responsibility and Heroism Bill** will ensure courts consider the context of a person’s actions if they have acted heroically or for the benefit of others.

The **Service Complaints Bill** will improve the complaints system in armed forces by creating an ombudsman.

The **Serious Crime Bill** will tackle child neglect, organise crime and strengthen powers to seize the proceeds of crime.

The **Recall of MPs Bill** will allow voters to trigger a by-election when an MP is found of serious wrong doing.

There are also three new draft Bills:

The **Draft Governance of National Parks (England) and the Broads Bill** will provide for direct elections to the National Park authorities in England.

The **Draft Riots (Damages) Act Bill** will reform the way compensation is paid to individuals and companies.

The **Draft Protection of Charities Bill** will protect charities from abuse by people in England and Wales.

*CII Group Policy & Public Affairs*

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