13 February 2019

Guy Opperman MP
Parliamentary Under Secretary of State for Pensions and Financial Inclusion
Department for Work and Pensions
Caxton House

Dear Guy,

Very serious concerns about the Plumbing and Mechanical Services (UK) Industry Pension Scheme have been raised with me in my capacity as Chair of the Work and Pensions Committee, and I would be grateful if you would give this matter your attention.

As you know, the section 75 employer debt legislation currently requires participating employers that cease to participate in the Scheme after the date on which the Regulations came into force to contribute towards the buy-out shortfall in relation to employees of employers (to whom there is no connection) who ceased to participate in the Scheme before the Regulations were introduced.

The trustees have decided to wind-up the scheme. This will realise the section 75 debt for many employers involved in the scheme. Many of the employers involved are family-owned businesses with no limited liability protection and are therefore at risk of personal bankruptcy, because the law requires them to pay substantial sums to fund the pensions of employees of other firms. This surely cannot be what Parliament intended to happen when passing this legislation.

While the trustees themselves have a duty to secure the benefits for the schemes’ members, they have recognised the issues with the current system and have stated that they would like to see the section 75 employer debt legislation reformed to make it fairer to employers participating in non-associated multi-employer pension schemes like this one.

The rationale for Section 75 debt was to ensure employers cannot simply dump their pension obligations onto the PPF or onto other employers. To an extent that is exactly what has happened in this case, with the liability of those employers who left the
scheme before the section 75 legislation being transferred to those who left afterwards. With many facing potential bankruptcy, I would be grateful if you could please comment on this case and let us know as a matter of urgency what the Government now plans to do—both for these employers in particular and more widely to review this legislation, which does not seem to be working as it should be.

With best wishes and I look forward to hearing from you,

Rt Hon Frank Field MP
Chair, Work and Pensions Committee