

## Written evidence submitted by Brian May (PSB47)

### Pension Schemes Bill: Call for Evidence

#### Part 1, Chapter 2, Section 9(2), insertion of new section 37 (2B) into the Pensions Act 1995

#### COMMENT ON THE GOVERNMENT'S UNDERSTANDING OF THE TRUSTEE'S ROLE IN RELATION TO PENSION BENEFIT DESIGN AND THE NEGOTIATION OF DISCRETIONARY AUGMENTATIONS

1. I disagree with the Minister for Pensions that *together* employers and trustees determine pension benefit design; my experience suggests otherwise.
2. Employers independently establish pension schemes to meet their business objectives. Trustees are appointed separately, to oversee the administration of the scheme's benefits in accordance with trust law and regulatory guidance. Typically, employers also retain authority over discretionary benefit enhancements, with trustees not participating in these decisions.
3. The Bill gives trustees powers to release surplus funds that mostly benefit employers, without guaranteeing equivalence for scheme members.
4. Employers may not agree with trustees on how surplus should benefit members. Strengthening discretionary augmentation provisions will help protect members from further disadvantage.

#### PROPOSAL

5. Renumbering subsections "2B (b), (c)" and (d) as "2B (c), (d) and (e)".
6. **Insert new subsection 2B(b):**  
  
**"making provision for funds equal to the proposed surplus payment for the augmentation of pensions accrued before 6 April 1997 above the statutory minimum, except:**
  - **where scheme rules ensure annual indexation at the lesser of Consumer Prices Index and 5%, no provision shall be made;**
  - **where augmentation is limited by pre-6 April 2006 Inland Revenue maximums, the provision shall be proportionally reduced."**

#### JUSTIFICATION

7. The Pensions Regulator has reported 23% of Defined Benefit Schemes (17% by membership) have no indexation applied to pensions accrued before 6 April 1997 above the statutory minimum ("pre-97").
8. Pre-97 Indexation is provided mostly under scheme rules or otherwise by discretionary augmentations. The frequency and size of discretionary awards has decreased significantly (or ceased) over the past c20 years, especially among larger schemes backed by employers with US parent companies.

9. When scheme rules do not provide for indexation, failing to implement or maintain discretionary increases breaks the trust members place in a Defined Benefit Scheme to preserve the real value of their benefits.

10. The cumulative increases in the Consumer Prices Index (“CPI”) over 5, 15, and 25 year periods leading up to 2025 with the respective reductions in a pre-97 pension in real terms, are as follows:

	2020 - 2025	2010 - 2025	2000 - 2025
<b>Increase in CPI</b>	<b>28%</b>	<b>55%</b>	<b>91%</b>
<b>Reduction in pre-97 pension in real terms with no indexation</b>	<b>22%</b>	<b>36%</b>	<b>48%</b>

(Under the Pensions Act 1995, as a minimum, pensions accrued post 5 April 1997 will have indexation applied to the corresponding part of the total pension.)

11. **The proposal will ensure:**

- pre-97 indexation deficiencies are not unduly subordinated to the benefit of surplus payments to employers;
- trustees, particularly those nominated by members, are free from undue influence or pressure to prioritise employer and shareholder interests over pension scheme members; and
- no compulsory retrospection; on each occasion, augmentations will be facilitated by a one-time share of surplus funds arising unexpectedly.

Brian May

Retired, former Head, Pensions & Benefits, Pfizer Ltd (1980 – 2005) and Trustee Chair, Pfizer Group Pension Scheme (2013 – 2019)

*28 August 2025*