EXPLANATORY MEMORANDUM TO

THE OCCUPATIONAL AND PERSONAL PENSION SCHEMES (AUTOMATIC ENROLMENT) (AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2014

S.R. 2014 No. 89

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Social Development to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.

1.2 The Statutory Rule is made under sections 16(3)(c) and 28(2)(b) of the Pensions (No. 2) Act (Northern Ireland) 2008 and is subject to the confirmatory procedure.

2. Purpose

2.1 These Regulations make further technical amendments to the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations (Northern Ireland) 2010 to allow greater flexibility for certain schemes to meet minimum revaluation requirements while ensuring that the benefits of these types of schemes remain protected. In particular they –

- ensure that average salary schemes are not prevented from being qualifying schemes if both the scheme funding and the statement of funding principles assume that revaluation will be at or above the minimum rate;

- provide that, in relation to a public service pension scheme (established under section 1 of the Public Service Pensions Act (Northern Ireland) 2014) or a new public body pension scheme (as defined in section 31(4) of that Act), the minimum rate is the relevant percentage specified in an order under section 9(2) of that Act.

2.2 These Regulations also restore the policy intention to allow all schemes, including hybrid schemes, that certify money purchase benefits under alternative requirements set out in the 2010 Regulations to phase in contributions under the transitional provisions for money purchase schemes.

3. Background

3.1 The Pensions (No. 2) Act (Northern Ireland) 2008 and corresponding provision in the Westminster Pensions Act 2008 introduced a duty on employers to enrol eligible jobholders into a qualifying workplace pension and to make minimum contributions into it. Under the legislation, employers are able to choose the qualifying workplace pension scheme they adopt to discharge this duty. A qualifying scheme is a scheme which meets specific criteria, for example, an occupational pension scheme (including the National Employment Savings Trust

(NEST) established on a UK-wide basis under the Pensions Act 2008) or a workplace personal pension scheme.

3.2 A defined benefit scheme which provides average salary benefits cannot be a qualifying scheme unless it meets minimum revaluation requirements. Revaluation can be achieved either by the scheme providing for guaranteed revaluation or providing for funded discretionary revaluation. The policy intention is to allow schemes flexibility on how they provide for revaluation while at the same time protecting members' benefits.

4. Consultation

4.1 There is no requirement to consult on these Regulations.

5. Equality Impact

5.1 Proposals for the Pensions (No. 2) Act (Northern Ireland) 2008 were subject to a full Equality Impact Assessment. In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on the legislative proposals for these Regulations. As the amendments are technical in nature, the proposals would have little implication for any of the section 75 categories. In light of this, the Department has concluded that the proposals would not have significant implications for equality of opportunity and considers that an Equality Impact Assessment is not necessary.

6. Regulatory Impact

6.1 A Regulatory Impact Assessment was carried out on the proposals for the Pensions (No. 2) Act (Northern Ireland) 2008. These Regulations do not require a Regulatory Impact Assessment as they have no, or only a negligible, impact on costs on business, charities or voluntary bodies.

7. Financial Implications

7.1 None for the Department.

8. Section 24 of the Northern Ireland Act 1998

8.1 The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied that these Regulations –

(a) are not incompatible with any of the Convention rights,

(b) are not incompatible with Community law,

(c) do not discriminate against a person or class of person on the ground of religious belief or political opinion, and

(d) do not modify an enactment in breach of section 7 of the Northern Ireland Act 1998.

9. EU Implications

9.1 Not applicable.

10. Parity or Replicatory Measure

10.1 The corresponding Great Britain Regulations are the Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment) Regulations 2014 (S.I. 2014/715) which come into force on 1st April 2014. Parity of timing and substance is an integral part of the maintenance of single systems of social security, child support and pensions provided for in section 87 of the Northern Ireland Act 1998.

10.2 The Great Britain Regulations were made on 18th March 2014. The Regulations were made as soon as possible thereafter. Owing to parity considerations the Regulations come into operation on the same date as the Great Britain Regulations, in this instance on 1st April 2014.