EXPLANATORY MEMORANDUM TO

THE OCCUPATIONAL AND PERSONAL PENSION SCHEMES (GENERAL LEVY) (AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2020

S.R. 2020 No. 30

1. Introduction

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

1.2 The Statutory Rule is made under sections 170 and 177(2) of the Pension Schemes (Northern Ireland) Act 1993 and is subject to the negative resolution procedure before the Assembly.

2. Purpose

2.1 These Regulations give effect to new rates that will be used to calculate the general levy payable by occupational pension schemes and personal pension schemes.

3. Background

3.1 Section 170 of the Pension Schemes (Northern Ireland) Act 1993 allows for the administration costs of the Pensions Regulator and the Pensions Ombudsman, and in part the Money and Pensions Service to be recovered by means of an annual general levy on occupational and personal pension schemes. The Regulator, the Ombudsman and the Money and Pensions Service play a vital role in ensuring that scheme members' interests are safeguarded and that members have access to impartial advice.

3.2 The general levy is payable by eligible pension schemes and the amount payable is calculated on a sliding scale depending on the numbers of scheme members. It is collected annually by the Pensions Regulator on behalf of the Department and the Department for Work and Pensions. It recovers the core running costs of the Pensions Regulator, the Pensions Ombudsman and, for example, the pensions guidance function of the Money and Pensions Service. The general levy rates were last increased in 2008-2009. The rates were then reduced by 13% in 2012-2013 and have remained at the same level for most pension schemes since then.

3.3 The general levy rates have not been increased in line with movements in inflation but are reviewed annually to ensure that an appropriate amount is being raised by the levy to meet the costs that are being incurred. The most recent review found that the levy is in deficit. The levy rates have not kept up with inflation and there has been growth in the levy-funded bodies due to significant changes in the pensions industry and regulatory

landscape. A change to the levy rates is needed to begin to recover the accruing deficit and meet forecasted expenditure of the above bodies.

3.4 These Regulations help to achieve this by introducing new interim higher general levy rates for pension schemes, whilst consideration is given to whether a different levy structure is needed. To ensure that mitigating action commences as soon as possible, they increase the levy rates by 10% for schemes with 12 members or more, from 1st April 2020.

4. Consultation

4.1 There is no requirement to consult on these Regulations. They make in relation to Northern Ireland only provision corresponding to provision contained in regulations made by the Secretary of State for Work and Pensions in relation to Great Britain.

5. Equality Impact

5.1 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 and, as they merely amend the rate of the general levy payable by pension schemes and do not represent a change in policy, has concluded that they do not have significant implications for equality of opportunity. In light of this, the Department considers that an Equality Impact Assessment is not necessary.

6. Regulatory Impact

6.1 These Regulations do not require a Regulatory Impact Assessment as they amend an existing statutory levy regime and the increase is merely designed to ensure that the levy better reflects the costs incurred.

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 (General Levy) (Amendment) Regulations 2020 (S.I. 2020/195) which were made on 27th February 2020 and come into force on 1st April 2020. Parity of timing and substance is an integral part of the maintenance of single systems of social security, child support and pensions in line with section 87 of the Northern Ireland Act 1998.