EXPLANATORY MEMORANDUM TO

THE PENSION PROTECTION FUND AND OCCUPATIONAL PENSION SCHEMES (LEVY CEILING AND COMPENSATION CAP) ORDER (NORTHERN IRELAND) 2020

S.R. 2020 No. 28

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 Articles 161 and 287(3) of, and paragraphs 26A(7) and 27 of Schedule 6 to, the Pensions (Northern Ireland) Order 2005 and is subject to the negative resolution procedure.

2. Purpose

2.1 This Order specifies the Pension Protection Fund levy ceiling and the standard amount of the compensation cap for the financial year beginning on 1st April 2020.

3. Background

3.1 The Pensions Act 2004 set up the Pension Protection Fund, on a UK-wide basis, to provide compensation for members of eligible occupational pension schemes, where the sponsoring employer is insolvent and the scheme has insufficient assets to pay benefits at Fund compensation levels. The compensation is funded through annual pension protection levies imposed by the Fund and charged to all qualifying defined benefit occupational pension schemes. The levy ceiling is a control mechanism which ensures the amount raised through the pension protection levies by the Fund does not exceed a prescribed maximum. The standard amount of the compensation cap is one of a number of measures which help to control the Fund expenditure to enable it to remain sustainable and solvent.

3.2 The amounts of the levy ceiling and the compensation cap are normally increased in April of each year in line with the general level of earnings since the end of the period of their last review.

3.3 Whenever the Secretary of State for Work and Pensions makes a levy ceiling and compensation cap order under the Pensions Act 2004, the Department is empowered to make a corresponding order. The Department has no power to set different amounts for Northern Ireland.

3.4 This year's order sets the amount of the levy ceiling for the 2020-2021 year at £1,099,445,505 and the standard amount of the compensation cap for the 2020-2021 year at £41,461·07.

4. Consultation

4.1 There is no requirement to consult on this Order.

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 this Order and, as they merely discharge the Department's statutory duty to increase the amount of the levy ceiling and the standard amount of the compensation cap, 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 This Order does not require a Regulatory Impact Assessment as it amends the existing regulatory regime by a pre-determined formula and has 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 this Order –

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

(b) is not incompatible with Community law,

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

(d) does 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 Great Britain Order is the Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2020 (S.I. 2020/101) which was made on 30th January 2020 and comes into force on 12th March 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.