Northern Ireland Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Pension Schemes Bill Legislative Consent Motion: Department of Finance and Personnel

19 November 2014

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Members present for all or part of the proceedings:
Mr Dominic Bradley (Deputy Chairperson)
Ms Michaela Boyle
Mr Leslie Cree
Mr Paul Girvan
Mr John McCallister
Mr Adrian McQuillan
Mr Máirtín Ó Muilleoir
Mr Peter Weir

Witnesses:

Mrs Grace Nesbitt	Department of Finance and Personnel
Mrs Blathnaid Smyth	Department of Finance and Personnel

The Deputy Chairperson (Mr D Bradley): Grace or Blathnaid, would you like to begin?

Mrs Grace Nesbitt (Department of Finance and Personnel): Blathnaid will provide a short overview, and we will answer questions afterwards.

Mrs Blathnaid Smyth (Department of Finance and Personnel): The Committee will be aware from correspondence and from what was said at our previous meeting, on 5 November, that the Minister will be seeking a legislative consent motion (LCM) for the Westminster Pension Schemes Bill to make provision to ban transfers from unfunded defined benefit public service pension schemes to defined contribution schemes. At the meeting on 5 November, the Committee was advised that Treasury may be seeking to incorporate into the LCM further issues from the Pension Schemes Bill. I am now in a position to provide further information on that, if the Committee permits me to do so.

As the Committee will know, the transfer ban relates only to unfunded public service pension schemes. It does not extend to funded schemes. Following responses to the consultation on freedom and choice in pensions, consideration has been given to the impact of a high volume of transfers from funded schemes to defined contribution schemes after the introduction of the flexibilities from April 2015. Although funded schemes have a fund from which liabilities can be drawn, there is a real possibility of a significant increase in the transfer traffic. That would be as a result of the introduction of the flexibilities. As a further safeguard measure to protect the public purse, HM Treasury is proposing to introduce a further amendment to the Pension Schemes Bill that will provide powers to switch on an ability to reduce the cash-equivalent transfer value (CETV) in certain circumstances. That would be only as a direct result of increased transfer volumes or a combination of other factors. There is an increased risk of taxpayer intervention to support the funded scheme or a risk that the

necessary intervention is significantly greater than it would otherwise have been. That is because there is a Government guarantee to the funded scheme. As you know, we have one funded scheme, which is the local government scheme. The policy falls within the remit of freedom and choice in pensions, so it is the Department's view that a separate LCM for that aspect is not required. Obviously, the Department accepts that the Assembly could legislate independently to introduce the provisions. However, given the lack of availability of time before the new flexibilities will be introduced, the Department is minded that the LCM is the most appropriate legislative route to implement the safeguards, which are limited in effect and serve purely as a measure to prevent public service pension schemes, scheme members and taxpayers being financially exposed.

Treasury anticipates that it will lay its relevant clauses in Westminster today, and we will share those. We have the final version of the clauses through today. We have written to our Minister to update him on the latest CETV issue. Hopefully, there will be an update out of that as well.

The Deputy Chairperson (Mr D Bradley): Michaela made the point earlier, which was raised by the Irish Congress of Trade Unions (ICTU), about why this is not being applied to all public sector schemes.

Mrs G Nesbitt: It is applied to all unfunded public sector schemes. It is not applied to funded schemes, because they operate on a different basis. They are entirely different from unfunded schemes.

Ms Boyle: What is the rationale behind it?

Mrs Smyth: There is a fund from which the CETV can be transferred, but there is not with an unfunded scheme. That is why the additional safeguard is being brought about. Should there be a run on the scheme, the value can be reduced. That would make it less attractive for people to want to transfer their money out. Therefore, this can be switched on. It would be a ministerial decision. The reduced value can be switched on and switched off again, if it is found that it is no longer required.

The Deputy Chairperson (Mr D Bradley): What is the up-to-date time frame? When do you envisage the memorandum being laid and the Committee's 15-day period for scrutiny commencing?

Mrs Smyth: The Committee's 15 days will commence at the laying of the memorandum. As I said, the Treasury has advised that it hopes to lay its clauses today. If that is the case, we will be in a position to lay the memorandum in the next day or so.

The Deputy Chairperson (Mr D Bradley): The next day or so.

Mrs Smyth: We have the memorandum prepared and are just waiting for the final clauses.

The Deputy Chairperson (Mr D Bradley): One that you have prepared before.

Mrs Smyth: Yes. We are always prepared.

The Deputy Chairperson (Mr D Bradley): Are there any further questions?

Ms Boyle: I got clarity on the unfunded scheme. Thank you.

The Deputy Chairperson (Mr D Bradley): Thank you very much, Blathnaid and Grace.