Northern Ireland Assembly

Committee for Communities

OFFICIAL REPORT (Hansard)

Pension Schemes Bill Legislative Consent Motion: Department for Communities

22 April 2020

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Members present for all or part of the proceedings:
Ms Paula Bradley (Chairperson)
Ms Kellie Armstrong (Deputy Chairperson)
Mr Jonathan Buckley
Mr Mark Durkan
Ms Sinéad Ennis
Mr Fra McCann
Ms Carál Ní Chuilín

Witnesses:

Mr Gerry McCann	Department for Communities
Ms Anne McCleary	Department for Communities
Ms Doreen Roy	Department for Communities

The Chairperson (Ms P Bradley): Should members have any queries on the legislative consent motion (LCM), we have with us today Gerry McCann, Doreen Roy and Anne McCleary.

Mr Gerry McCann (Department for Communities): Yes. We have joined you finally, after some technical difficulties.

The Chairperson (Ms P Bradley): You are all very welcome. Thank you for joining us today.

The session is to remind Committee members what the legislation is about and to consider any issues that were brought up earlier. I will hand over to you. I will then go over to Committee members who have dialled in, if they have any questions. Do you want to go ahead?

Ms Anne McCleary (Department for Communities): Thank you, Chair. As you said, we briefed the Committee on the proposed LCM in some detail on 12 March. That briefing supplemented the comprehensive written briefing that we provided to the Committee on 26 February.

As we said previously, the Bill has consumer protection really at its heart. It aims to help people plan for the future and to protect people's pensions. It has enjoyed broad cross-party support in Parliament, and there has been wide support for what the Bill seeks to achieve. If it will assist the Committee, we are happy to outline briefly the Bill's main provisions.

First, the Bill makes provision for collective money purchase schemes, usually referred to as collective defined contribution (CDC) schemes, whereby contributions to a scheme are pooled and invested to deliver an aspired benefit level. That builds on and facilitates the initiative by Royal Mail and the

Communication Workers Union, which concluded that that kind of CDC scheme would offer better outcomes for the workforce than a traditional money purchase scheme.

Secondly, the Bill strengthens protections for scheme members by giving the Pensions Regulator stronger powers so that savers can be confident that their pensions are protected and that the regulator is better able to take action if pensions are put at risk. Members will be aware of several recent high-profile insolvency cases in which employers have failed to give proper weight to their responsibilities to their defined benefit pension schemes. The Bill seeks to address that in a range of ways. It does so, for example, through a requirement on those responsible for corporate transactions to set out how they will mitigate any adverse impact on the pension schemes and by enhancing the regulator's information-gathering powers and its powers to ensure that those responsible for schemes comply with pensions legislation. There will also be new sanctions on those who wilfully or recklessly harm their pension schemes, including a maximum seven-year prison sentence and a civil penalty of up to £1 million.

Thirdly, the Bill increases transparency around individuals' pension saving by producing a framework for pensions dashboards to improve information for savers so that they can prepare for retirement. Fourthly, it delivers clearer scheme funding standards in defined benefit schemes and strengthens the regulator's enforcement of the improved system. That is particularly important in a changing defined benefit landscape, with many schemes closed to new members or future accruals. The aim is to help trustees improve their scheme funding and investment decisions and to manage potential risk.

Fifthly, the Bill introduces new powers to protect pension savings to help scheme trustees ensure that transfers of pension savings are made to safe and not to fraudulent schemes. Sixthly, it ensures that the Pension Protection Fund can continue to administer compensation appropriately. Finally, it amends the definition of "administration charges" to make clear which costs are covered by the definition.

Although pensions is a devolved matter, pensions policy and legislation here, as many members will be aware, generally operates in line with corresponding pension provisions in England, Scotland and Wales. In addition, the Pensions Regulator, the Pensions Ombudsman and the Pension Protection Fund all operate UK-wide.

The NI provisions were included in the Bill in the absence of the Executive and a functioning Assembly to ensure that what is, in effect, a single pensions system can continue to function. As many schemes here are UK-wide schemes, it is highly desirable that the same regulatory framework be in place here in the same time frame as it is in Britain, in order to facilitate compliance, planning and enforcement.

The Secretary of State for Work and Pensions asked the Minister to agree that the NI provisions remain in the Bill and to agree to bring forward the necessary legislative consent motion. The Northern Ireland provisions mirror those made for Britain elsewhere in the Bill. Importantly, under the Bill, the power to make subordinate legislation and to commence provisions relating to devolved matters will vest in the Department for Communities. It is important to remember that this is not being done exclusively by Westminster. Likewise, the powers of control over the subordinate legislation will vest in the Assembly.

The Bill ensures that the pensions system is fit for the future, by strengthening it and by introducing important safeguards and deterrents against those who might seek to avoid their responsibilities.

If the Northern Ireland provisions are omitted from the Westminster Bill, it will be necessary to bring forward a further Assembly Bill to ensure that the pensions system continues to function and that scheme members here are not put at a disadvantage compared with people in Britain. Although it is difficult to be definitive, given the Westminster Bill's size and complexity, it is unlikely that it will complete its passage much before the summer recess. The Westminster Bill will be subject to amendment as it makes its way through Parliament. We would not normally seek to introduce a Bill in this area until the Westminster Bill was in its final form. That means that it is unlikely that a further Assembly Bill could be introduced before September 2020, at the earliest. At best, such an Assembly Bill would be unlikely to complete its passage before spring 2021, assuming that a slot could be obtained in the legislative programme. Based on our experience of previous Bills in this area, our working assumption is that such a Bill would fully mirror the provisions in the current Westminster Bill.

Including NI provisions in the Westminster Bill allows what are important provisions to be enacted in Britain and here at the same time. That gives legal certainty for schemes and employers and allows

preparatory work on, for example, the introduction of the collective money purchase benefits and pensions dashboards to proceed in tandem in Britain and NI.

The legislative consent process has been used in this area on a number of previous occasions, most recently for the provisions in the Pension Schemes Act 2015. The intention is that a further legislative consent motion may be sought if there are further amendments made to the Bill. We will brief the Committee on any such amendments.

That is as much as we want to say at this stage, but we are happy to answer any questions that members have and to clarify any issues.

The Chairperson (Ms P Bradley): Thank you, Anne, for refreshing our memory. I have no questions at this stage. I will go to the phones first and start in reverse order, with Carál first. Carál do you have any questions or comments?

Ms Ní Chuilín: No, none at all. Thank you, Anne.

Ms McCleary: Thank you.

The Chairperson (Ms P Bradley): Fra, have you any questions or comments?

Mr F McCann: No, Chair.

The Chairperson (Ms P Bradley): Grand. Sinéad?

Ms Ennis: No. Thank you, Chair, and thank you, Anne.

The Chairperson (Ms P Bradley): Mark, what about you?

Mr Durkan: Thank you, Paula, and thanks to the officials for the briefing and for some clarification that they provided. We obviously want citizens here to enjoy the benefits and protections that they do elsewhere. I had been hesitant, and I know that others were too, about going down the LCM route, particularly when we are dealing with issues here that are devolved, but I do not think that we can afford to delay the protections for people. We do not want people here to miss out on entitlements, but we have had negative experiences with LCMs in the past. I want to get the assurance that, if we sign up to and agree the LCM, the goalposts are not going to be moved again and again. I take on board what Anne said about any further amendments to the legislation coming back to us.

Ms McCleary: They will come back to you, yes.

The Chairperson (Ms P Bradley): OK. Jonathan, do you have any comments or questions?

Mr Buckley: I have no comments, Chair. Thank you very much, Anne.

The Chairperson (Ms P Bradley): Do any members in the Senate Chamber wish to make any comments or ask questions?

Ms Armstrong: I was just going to say that, like Mark, I am a bit reluctant to allow Westminster to do something without the Assembly having a say. I am very aware that the world that we are in now may significantly change after Brexit and whatever is going to come down the road. We will consider the Bill again if there are any future changes made to it, however, and that protection satisfies me.

The Chairperson (Ms P Bradley): OK. Thank you Anne, Gerry and Doreen for your briefing.