



Dr. Kevin Pelan (committee clerk)
Room 284 Parliament Buildings
Ballymiscaw
Stormont
Belfast
BT4 3 XX

12 January 2015

Dear Dr Pelan,

Proposed Dispensation to the Pensions Bill (NIA Bill 42/11-16)

Prospect, GMB and Unite are the three recognised trade unions at Ballylumford and Kilroot power stations, operated by AES in Northern Ireland. We are writing to you on behalf of our Members who are also members of the Ballylumford Power Pension Scheme (BPPS).

These members find that their Scheme is in the position of having purchased Annuities in 2000, guaranteeing members annual increments of RPI without any cap. However the Scheme rules mandate the scheme to pay increases specified by the Pension Increase (Review) Order Northern Ireland.

Changes to this legislation now specify CPI-based increases.

This leaves the Scheme in the potential position of having to pay CPI increments after having already purchased RPI-based annuities. This creates a perverse situation where the differential between RPI and CPI would accrue to the major Insurance Company providing the annuity and not to the benefit of the Scheme members whose future increments would be at a lower rate.

Having to provide a CPI underpin to enable the scheme to continue paying RPI-based increments is likely to be a cost that is prohibitive to the sponsoring employer.

We believe dispensations have been given under the related pension order in Great Britain allowing schemes that explicitly state RPI increases in their rules at 2011, to not have to pay a CPI underpin.

We understand that the Northern Ireland Assembly are due to debate this issue shortly. We would therefore propose a dispensation in the Pensions Bill (NIA Bill 42/11-16) such that:

A private scheme that has secured members benefits by the purchase of annuities with an annual Retail Prices Index (RPI) increment shall continue to pay RPI increments notwithstanding any requirement in its rules to pay increments stipulated in the Pensions Increase (Review) Order Northern

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Ireland. Such a scheme shall not pay Consumer Prices Index (CPI) increments nor have CPI underpin.

We would be grateful if you could include this request for consideration and debate during the Committee Stage of the process. If you require further clarification on the rationale for the request or any other matter, please do not hesitate to get in touch via one of the methods below.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C. Scoggins', is centered on a light blue rectangular background.

Clive Scoggins
Prospect Full Time Officer

Also signed on behalf of:

Peter Macklin, GMB Full Time Officer and **Joanne McWilliams**, Unite the Union Full Time Officer