



**Northern Ireland  
Assembly**

**Committee for Social Development  
Alex Maskey MLA  
Chairperson**

19 January 2015

To all MLAs

**Legislative Consent Motion  
Westminster Pension Schemes Bill**

- The Minister for Social Development has tabled the following Legislative Consent Motion for debate in the Assembly on Monday 26 January 2015:

*“That this Assembly endorses the principle of the extension to Northern Ireland of the provisions of the Pension Schemes Bill dealing with independent advice, drawdown, conversion of benefits and lump sums, rights to transfer benefits and the Financial Assistance Scheme as contained in clauses 51 to 53 and 60 to 64 of, and Schedules 2 and 4 to, the Bill as brought from the House of Commons to the Lords.”*

- The Committee agreed to prepare a short Report to be sent to all MLAs in advance of the debate. This Report, agreed by the Committee at its meeting of 15 January 2015, is attached and includes a summary of the Committee’s consideration of the Legislative Consent Motion, correspondence from DSD and the relevant Hansard minutes of evidence.

Yours sincerely,

*Alex Maskey*

Alex Maskey MLA  
Chairperson  
Committee for Social Development

# **Report on the Legislative Consent Motion associated with the Westminster Pension Schemes Bill**

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## **MEMBERSHIP AND POWERS**

The Committee for Social Development is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of the Belfast Agreement, section 29 of the Northern Ireland Act 1998 and under Standing Order 48.

The Committee has power to:

- consider and advise on Departmental budgets and annual plans in the context of the overall budget allocation;
- consider relevant secondary legislation and take the Committee stage of primary legislation;
- call for persons and papers;
- initiate inquiries and make reports; and
- consider and advise on any matters brought to the Committee by the Minister for Social Development.

The Committee has 11 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 23 May 2011 has been as follows:

Mr Alex Maskey (Chairperson)

Mr Mickey Brady (Deputy Chairperson)

Mr Jim Allister

Ms Paula Bradley

Mr Gregory Campbell

Mr Maurice Devenney

Mr Michael Copeland

Mr Stewart Dickson

Ms Dolores Kelly

Mr Fra McCann

Mr Sammy Wilson

## Background

1. On 19 December 2014, the Department for Social Development wrote to the Committee to advise that the Westminster Pension Schemes Bill was introduced in the House of Commons on 26 June 2014 and the House of Lords on 26 November 2014. As the Bill contains provisions dealing with certain devolved matters, some of these matters are the subject of a Legislative Consent Motion.
2. The Westminster Pension Schemes Bill has two main aims:
  - to facilitate a wider range of pension types to help people build up a good pension; and
  - to ensure pensions law is compatible with the greater freedom and choice on how money purchase pension pots can be used as announced by the Chancellor in the 2014 budget.
3. The Bill contains provisions to:
  - establish a new legislative framework for private pensions defining them on the basis of the promise they offer to members during the accumulation phase about their retirement benefits;
  - facilitate greater flexibility in accessing benefits; and
  - help people make informed decisions about what to do with their scheme benefits.

The latest version of the Bill can be found at:

<http://services.parliament.uk/bills/2014-15/pensionschemes.html>

## Purpose of the Legislative Consent Motion

4. In the 2014 Budget, the Chancellor announced tax changes to private pensions, giving savers greater flexibility in how they access their money purchase pension pots. Many of the Budget reforms introducing the new flexibilities require substantive changes to tax legislation and are set out in the Taxation of Pensions Bill currently before Parliament.
5. The Pension Schemes Bill contains a number of measures to ensure that the tax change flexibilities are reflected in pension law and to ensure appropriate safeguards are in place.
6. The private pensions provisions which deal with transferred matters, primarily relate to provision necessary to ensure that pensions law is compatible with the tax changes coming into operation in April 2015.
7. The Department is seeking to bring forward a Legislative Consent Motion in relation to provisions relating to:
  - independent financial advice for those transferring out of defined benefit schemes;
  - sums and assets that may be designated as available for drawdown, the conversion of certain benefits for drawdown and the calculation of lump sums;
  - restrictions on the conversion of benefits while schemes are winding up and the payment of lump sums while schemes are in the assessment phase for access to the Pension Protection Fund; and
  - changes to transfer rules for pension scheme members to facilitate the new flexibilities.
8. In relation to independent advice, trustees or managers will be required to check that a member of a defined benefits scheme has received appropriate independent financial advice before converting safeguarded rights into flexible benefits or transferring them to a scheme which provides flexible benefits.
9. Provisions relating to drawdown provide the following:
  - that the designation of funds for a drawdown pension are limited to funds held to provide money purchase benefits;
  - conditions to be applied on the conversion of cash balance benefits to money purchase benefits; and
  - the calculation of lump sums from accrued rights to a cash balance benefit
10. The provisions to restrict the conversion of benefits during winding up are aimed to ensure that the new flexibilities cannot be used to gain a higher pay-out leaving other scheme members potentially worse off.
11. The provisions to amend transfer rules, for example, ensure that members can transfer separate categories of accrued benefits where they have two or more categories of benefits within the same scheme.

12. Lastly, the proposed provisions amend legislation relating to the Financial Assistance Scheme, which operates on a UK-wide basis, to provide help to members of underfunded pension schemes whose employer was insolvent prior to the establishment of the Pension Protection Fund. The reference to “money purchase scheme” is replaced with a reference to “a scheme under which all the benefits that may be provided are money purchase benefits”.
13. The Department has advised that it has carried out an equality screening exercise on the proposals outlined in the Legislative Consent Motion and the Department is satisfied that the proposed amendments have no significant implications for equality of opportunity.
14. The Legislative Consent Motion Memorandum was laid before the Northern Ireland Assembly on 6 January.

### **Committee Consideration**

15. On 8 January 2014, the Committee took evidence from Departmental officials on the proposed Legislative Consent Motion. Briefing papers from the Department can be found in the appendices below.
16. The Department explained that the Legislative Consent Motion is seeking the Assembly’s approval for provisions of the Westminster Pension Schemes Bill to extend directly to Northern Ireland.
17. The Committee recognised that the Assembly’s consent is required before the Westminster Bill has reached the Third Reading in the House of Lords, which is now expected in early February 2015.
18. The Committee acknowledged that the provisions come into effect from the 6 April 2015 to coincide with the tax changes and it noted that most of the provisions are highly technical.
19. The Committee welcomed the changes to legislation in so far as the people who will benefit from the changes will have access to informed decisions regarding their private pensions.
20. However, the Committee expressed concern that the number of people who will actually be able to afford to save during their working life are likely to be in the minority and therefore not benefit from this legislation.
21. On 8 January 2015 the Committee for Social Development agreed that it would support the draft motion:

***“That this Assembly endorses the principle of the extension to Northern Ireland of the provisions of the Pension Schemes Bill dealing with independent advice, drawdown, conversion of benefits and lump sums, rights to transfer benefits and the Financial Assistance Scheme as contained in clauses 51 to 53 and 60 to 64 of, and Schedules 2 and 4 to, the Bill as brought from the House of Commons to the Lords.”***