

The Pension Schemes Bill – Legislative Consent Motion

Written evidence for the Committee for Communities
October 2025

Introduction

- The ABI welcomes the opportunity to provide written evidence to Northern Ireland’s Committee for Communities on aspects of the Pension Schemes Bill, and we look forward to engaging with the Assembly as the Legislative Consent Memorandum (LCM) progresses. We will also be happy to share further evidence as the other Defined Contribution (DC) and Defined Benefit (DB) provisions of the Bill are scrutinised by the Committee via a future Northern Ireland Executive Bill.
- We agree with the Department for Communities that provisions equivalent to the measures proposed in the UK Bill are in place in Northern Ireland at the same time as in Great Britain to ensure parity across the UK is maintained and to avoid any adverse effects for pension savers in Northern Ireland. It therefore makes sense for the Department to seek the Assembly’s consent on the measures identified at this time.
- The provisions considered under the Pension Schemes Bill are wide-ranging and require scrutiny. Taken together, these proposals are set to usher in the biggest pension reforms since auto-enrolment and pension freedoms. We broadly welcome these proposals and want to ensure that they put the long-term interests of savers first and boost economic growth, including in Northern Ireland.
- We are supportive of the proposals for contractual override, but are asking for additional clarification and scrutiny from the UK Government on aspects of the provisions. To ensure these reforms are implemented as effectively and efficiently as possible, **contractual overrides will need to happen before the other provisions outlined in the Bill**. This is so that contract-based providers can move customers to better value arrangements, as trust-based providers can currently do, **ahead of the Value for Money framework and authorisation of small pot consolidators coming into place**. Similarly, the [announced ministerial market review on fragmentation](#) must only commence once providers have had sufficient time to implement all these changes.

Priorities for the Pension Schemes Bill

Contractual override

- We welcome the legislation to enable bulk transfers or fund switches for members of contract-based schemes when it is in their interests, with no worse outcome for other scheme members.
- These provisions are essential to delivering the Value for Money (VfM), scale, and small pot reforms. It is therefore **imperative that this is put in place ahead of the VfM framework** being implemented, so that funds can be merged ahead of the first year of VfM assessments. The UK Government’s proposed timetable risks not providing enough time to allow for this. Contractual override should also be in place before the UK Ministerial review into market fragmentation.
- Within the context of support for the contractual override provisions the following changes would increase the uptake of contractual override while still protecting the interests of members:

- The scope of the contractual override provisions should be widened to include individual pension schemes as soon as possible. Saver disengagement is not confined to group pension schemes (to which the contractual override provisions are currently limited).
 - The proposed "better outcome" requirement for regulated schemes will constrain the use of the contractual override. It is also inconsistent with the framework for trust-based schemes, where the requirement is for "no worse an outcome". The same test should apply for contractual override particularly where the transfer is to a scheme which meets proposed quality conditions such as the scale test or green rated for value for money.
 - A provider's conclusion as to the "best interests" test should be deemed to have been reasonably reached, if the provider has followed due process and the relevant change has been independently certified.
 - The bar for the best interests test may be too high for internal changes. This could prevent providers from making changes which would benefit savers.
 - Allowance should be made for practical challenges in communicating with affected savers; inadvertent omissions should not invalidate an otherwise valid change.
 - There should be a facility for a provider to use the contractual override in relation to multiple schemes together, on a project or framework basis, so that the override does not have to be used separately for each scheme.
- We have submitted additional evidence on specific clauses to the UK Government which we can share with the Committee.
 - In addition to these proposals, it is not clear how the contractual override provisions will interact with other regulatory requirements (e.g. Consumer Duty). As the Financial Conduct Authority (FCA) develops rules on this, it must remain proportionate.

Retrospective Actuarial Confirmation of Benefit Changes (Virgin Media)

- We welcome the UK Government's [intention](#) to bring forward legislation to appropriately address the implications of the Virgin Media case. This case called into question the validity of past alterations to some Defined Benefit pension schemes. Some schemes faced potential remediation if they could not prove – potentially many years later – that they had the prior actuarial confirmation to make these alterations. This legislation will allow retrospective validation of such alterations where certain conditions are met.
- The ABI's interest in this case is particularly driven by the rapidly growing market for pension risk transfer, where an insurer takes on the liabilities of an employer's defined benefit pension scheme through a 'buyout', and commits to pay those pensions for the rest of scheme members' lives. Insurers are well placed to do this, as they are highly capitalised, well regulated, with a core function of managing longevity risks and investment risks, and invest for the long-term in ways that benefit society and the economy.
- Good quality data and scheme records are important to the buyout process and provide certainty for all parties. This legislation to confirm that schemes will not face future action, if they can validate past alterations, provides the certainty for defined benefit schemes to proceed to buyout if they wish to do so; and confirmation that it also applies to schemes that have wound up provides certainty to insurers that have taken on those promises to pay scheme members' pensions for the rest of their lives.

Pension Ombudsman

- We agree with the provisions in the Bill referring to The Pensions Ombudsman as a competent court. We would like to see greater coordination between the Financial Ombudsman Service and The Pensions Ombudsman, as their jurisdictions overlap while their legal basis and compensation payable are very different. However, that is beyond the scope of the UK Bill and this LCM.

Terminal illness

- We note that the Assembly approved the previous measure relating to payment of a lump sum at an earlier stage in the event of a terminal illness diagnosis. We support the change in definition to a life expectancy of 12 months or fewer as proposed in the Bill. This is only in relation to payments from the Pension Protection Fund and brings it into line with other pensions legislation. Beyond the scope of the Bill, there is scope for greater information-sharing between government departments, with the customer's consent, so that evidence can be submitted and payments made more quickly.

Pensions Dashboards

- The Pensions Dashboards service being developed by the UK Government's Money and Pensions Service is part of a revolutionary change in how savers can engage and interact with their pensions. Pensions dashboards will enable people to see their pensions together in a place of their choice 24/7. They will help savers understand the income they can expect to receive in retirement and consider what steps they can take to maximise their savings for later life.
- The ABI and our members companies have been pioneers of the Pensions Dashboards project since the conceptual stage. That has included supporting the development of a UK Government white paper and the delivery of a pilot on behalf of HM Treasury.
- We welcome the measures in the Bill to enable the display of pensions information from the PPF and its predecessor, the Financial Assistance Scheme, on the Money and Pensions Service pensions dashboard and private dashboards when they follow. Tens of millions of pension records are now connected to the dashboard service. All schemes in scope of dashboards will be connected by 31 October 2026. User testing with real data has already begun and will ramp up, with full public availability at a date to be set by the Secretary of State, with 6 months' notice.

About us

The ABI is the voice of the UK's world-leading insurance and long-term savings industry, which is the largest sector in Europe and the third largest in the world. We represent more than 300 firms within our membership, including most household names and specialist providers, providing peace of mind to customers across the UK.

We are a purpose-led organisation: Together, driving change to protect and build a thriving society. On behalf of our members, we work closely with the UK's governments, HM Treasury, regulators, consumer organisations and NGOs, to help ensure that our industry is trusted by customers, is invested in people and planet, and can drive growth and innovation through an effective market.

A productive and inclusive sector, our industry supports towns and cities across the United Kingdom in building a balanced and innovative economy, employing over 300,000 individuals in high-skilled, lifelong careers, two-thirds of whom are outside of London. Our members manage

investments of £1.4 trillion, contribute £18.5 billion in taxes to the Government and support communities and businesses across the UK.

In Northern Ireland, the insurance and long-term savings industry supports 5,000 full time equivalent jobs generating £255 million for the Northern Irish economy in Gross Value Added. Belfast and Londonderry are major centres of employment for our member companies, including AIG, Allianz, Aviva, AXA, NFU Mutual, QBE, RSA and Zurich.