



**From: The DALO**

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Date: 23 September 2024

Ms Emer Boyle  
Communities Committee Clerk  
Room 430  
Parliament Buildings  
Ballymiscaw  
Stormont  
Belfast  
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Dear Emer,

**THE PENSIONS (EXTENSION OF AUTOMATIC ENROLMENT) BILL – IMPACT ON  
EMPLOYER COSTS ASSOCIATED WITH PUBLIC SERVICE PENSION SCHEMES**

On 23 May officials appeared before the Committee to provide briefing on the Pensions (Extension of Automatic Enrolment) Bill (“the Bill”). The Bill itself once enacted will provide regulation making powers to the Department for Communities to:

- reduce the lower age limit at which otherwise eligible workers must be automatically enrolled into a pension scheme by their employers, the policy intent is to reduce the lower age limit from 22 to 18; and
- reduce or repeal the lower earnings limit of the qualifying earnings band (currently £6,240) so that contributions are calculated on more of a person’s earnings.

The Committee asked if the proposals in the Bill would have an impact on the employer costs associated with public service pension schemes. Officials explained to the Committee that the provisions in the Bill when eventually implemented by regulations were not expected to

have any significant cost impacts in terms of public service pension schemes. The Committee requested further information on this topic. Accordingly I write to provide this information.

Public service pension schemes are generally defined benefit schemes where the rules of the scheme specify the level of benefits to be paid. The most common defined benefit schemes are final salary schemes and career average schemes, in which final benefits are based on years of pensionable service, accrual rate and salary. Furthermore public sector organisations generally enrol employees into their pension scheme on entry into service regardless of age.

Defined contribution schemes where an employee's contributions together with an employer's contributions build up a pension pot that can be used to provide an income in retirement are predominantly used by the private sector, although there are a very small number in the public sector.

All schemes used in automatic enrolment must meet minimum standards set out in legislation. The standards, although different for defined benefit and defined contribution schemes, are met by demonstrating that the pension scheme offers benefits broadly equivalent to at least the 8% minimum automatic enrolment contribution level on a band of qualifying earnings set out in legislation. In general public service pension schemes operate well above the minimum contribution levels and also enrol all new entrants into their pension scheme regardless of age. Accordingly the proposals to extend automatic enrolment, once implemented, would not have any significant impact on costs associated with public service pension schemes.

Further to the above officials have liaised with each of the Executive Departments to ascertain if the proposals in the Bill would impact the public service pension schemes that they are responsible for. Departments did not identify any significant additional costs directly associated with the proposals.

The Department of Justice (DoJ) noted that one of its pension schemes which was a defined contribution scheme, would, if the proposals of the Bill were implemented, be subject to an estimated employer cost increase of approximately £26.4k per annum. DoJ stated that whilst

this was not a significant sum, it was an additional unfunded pressure on the NI Courts and Tribunals Service budget.

I trust that you find this information helpful.

Yours sincerely,

**Laura Coffey**  
**Departmental Assembly Liaison Officer**  
Private Office