

LEGISLATIVE CONSENT MEMORANDUM

THE PENSION SCHEMES BILL

Draft Legislative Consent Motion

1. The draft motion, which will be tabled by the Minister for Communities, is:

“That this Assembly agrees, in line with section 87 of the Northern Ireland Act 1998, to the principle of the extension to Northern Ireland of the provisions of the Pension Schemes Bill relating to clause 109, Pre-97 Indexation and clause 116(4) and (5), Funding of the Board of the Pension Protection Fund, which were introduced by way of Government amendment on 03 December 2025.”

Background

2. This memorandum has been laid before the Assembly by the Minister for Communities under Standing Order 42A(9). The Pension Schemes Bill (the Bill) was introduced in the House of Commons on 05 June 2025. The Pre-97 Indexation and Funding of the Board of the Pension Protection Fund provisions were added to the Bill via Government amendments at Report Stage in the House of Commons. The latest version of the Bill can be found at:

<https://bills.parliament.uk/bills/3982>

3. On 18 November 2025, the NI Assembly gave consent for five provisions (Terminal Illness, Alienation or Forfeiture of Occupational Pension, Validity of Certain Alterations to Salary-Related Contracted-Out Pension Schemes, Pensions Dashboard, Contractual Override) of the Bill to be extended to Northern Ireland.

Summary of the relevant parts of the Bill and its policy objectives

Pre-97 Indexation

4. Introduced by way of government amendment, Pre-97 Indexation seeks to implement reforms to the Pension Protection Fund (PPF) rules on indexation in the Pension Schemes Bill, to provide that compensation from the PPF on pensions built up before 6 April 1997 will now be linked to CPI-inflation (capped

at 2.5%), and apply prospectively for members whose former schemes provided for these increases.

5. This step change going forward will make a meaningful difference, boosting annual incomes to members of the PPF and FAS schemes.
6. These Indexation changes are set to be implemented from January 2027.

Funding of the Board of the Pension Protection Fund

7. This clause, which was introduced by way of government amendment, enables administrative expenses of the Board of the Pension Protection Fund to be paid out of the Pension Protection Fund, and removes the existing administration levy mechanism.
8. This measure is set to be operational immediately after the GB Bill attains Royal Assent, which is anticipated to be Spring 2026.

Provisions which deal with a Devolution Matter

9. The provisions which deal with a transferred matter relate to Pre-97 Indexation and Funding of the Board of the Pension Protection Fund of the Pension Schemes Bill.

Pre-97 Indexation

10. Clause 109(1) amends Schedule 6 to the Pensions (Northern Ireland) Order 2005 (pension compensation provisions) in accordance with subsections (2) and (3).
11. Subsections (2) and (3) amend paragraphs 28 and 29 of Schedule 6 to the Pensions (Northern Ireland) Order 2005 in the same way clause 108 amends paragraphs 28 and 29 of Schedule 7 to the Pensions Act 2004, which provides for annual increases in periodic compensation payable to members of the Pension Protection Fund in sub-paragraph (3)(b) of paragraphs 3, 5, 8, 11, 15 and 22 to be increased. This clause makes consequential amendments to paragraph 28 to enable periodic compensation payments based on pre-1997 service to be increased.
12. Clause 109(4) amends Schedule 4 to the Pensions (No. 2) Act (Northern Ireland) 2008 in accordance with subsections (5) and (6).

13. Subsections (5) and (6) set out the Rules for Compensation Increases for Transferees and provide the PPF Board with the powers to adjust percentage rates of increases.

Funding of the Board of the Pension Protection Fund

14. Clause 116(4) amends the Pensions Act 2004 to allow Payment Protection Fund (PPF) Board administrative costs to be paid out of the Pension Protection Fund.
15. Clause 116(5) amends the Pensions Act 2004 to allow Fraud Compensation Fund (FCF) administrative costs to be paid out of the Fraud Compensation Fund.

Reasons for making the Provisions

Pre-97 Indexation

16. This measure will introduce reforms to the Pension Protection Fund (PPF) rules on indexation in the Pension Schemes Bill.
17. The measure will ensure that compensation from the PPF on pensions built up before 6 April 1997 will now be linked to CPI-inflation (capped at 2.5%) and apply prospectively for members whose former schemes provided for these increases.
18. Going forward this will make a meaningful difference, boosting incomes to members of the PPF.
19. The first updated payments are to be in place from January 2027.

Funding of the Board of the Pension Protection Fund

20. The Legislative Consent Motion covers only subsections (4) and (5), which allow for the administrative expenses of the Pension Protection Fund (PPF) and the Fraud Compensation Fund (FCF) to be met by the reserves within the PPF and FCF.
21. There is now sufficient funding in the PPF and FCF reserves to meet the cost of administration, and transparency can be achieved through PPF's corporate strategies and annual report and accounts.

22. Meeting administration costs through existing alternative funding routes will simplify the pensions levy landscape, something which the pensions industry has been calling for.

Reasons for utilising the Bill rather than an Act of the Assembly

23. Although pensions are a devolved matter, there is, in effect, a single system of pensions in Northern Ireland and Great Britain, including many pension schemes which operate across the jurisdictions.
24. The timeline for progressing the Westminster Bill presents several challenges for introducing corresponding measures through an Executive Bill. A parity Executive Bill would not normally be introduced to the Assembly until there is no further opportunity for amendments to the corresponding Westminster Bill. This means that it would be difficult for an Executive Bill to complete its passage through the Assembly and meet the same operational date as the Westminster Bill.
25. If equivalent provisions are not in place in Northern Ireland at the same time as in Great Britain, this could have adverse effects on the citizens here.
26. If it is not agreed that provisions in the Bill extend here, it would be necessary to have those included in a separate Assembly Bill to ensure that parity between the jurisdictions is maintained. However, this would mean that people in Northern Ireland would not benefit from these beneficial changes at the same time as those in Great Britain and this could have adverse effects on citizens here.
27. The intention is that the Westminster Bill will achieve Royal Assent by Spring 2026. It would, therefore, be beneficial timewise to agree that the relevant provisions in the Bill extend to Northern Ireland.

Consultation

28. DWP, alongside HM Treasury, conducted a consultation on the UK Government's pension investment review proposals. The consultation ran from 14 November 2024 to 16 January 2025.
29. Building on feedback from the consultation process, the government was able to finalise its policy position and responses are being utilised to guide the legislative reforms in the Westminster Bill.

Human Rights and Equality

30. An equality screening exercise has been conducted, and the Department is satisfied that the proposed amendments have no significant implications for equality of opportunity. The proposed changes are largely beneficial for scheme members.

Financial Implications

31. No costs to the public purse are expected.

Summary of Regulatory Impact

32. A Regulatory Impact Assessment is not required for the Bill as it has no direct impact on business, charities or voluntary bodies.

Engagement to date with the Committee for Communities

33. Briefing is being shared with the Committee for Communities.

Conclusion

34. The view of the Minister for Communities is that, in the interests of good government, the provisions of the Bill dealing with devolution matters should remain in the Bill.

Department for Communities

Date: 19 January 2026