

EXPLANATORY MEMORANDUM TO
THE OCCUPATIONAL, PERSONAL AND STAKEHOLDER PENSION
SCHEMES (DISCLOSURE OF INFORMATION) (AMENDMENT)
REGULATIONS (NORTHERN IRELAND) 2010

S.R. 2010 No. 373

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department for Social Development to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2 The Statutory Rule is made under by sections 109, 177(2) to (4) and 178(1) of the Pension Schemes (Northern Ireland) Act 1993, Articles 41(1)(b) and 166(1) to (3) of the Pensions (Northern Ireland) Order 1995 and Articles 3(1)(b) and 73(4) of the Welfare Reform and Pensions (Northern Ireland) Order 1999 and is subject to the negative resolution procedure.

2. Purpose

- 2.1 These Regulations amend three sets of Regulations to make a number of technical, consequential and minor amendments in order to simplify the disclosure of information requirements which apply to occupational, personal and stakeholder pension schemes. They also make consequential revocations.

3. Background

- 3.1 The requirements for private pension schemes to provide information to members are detailed, complex and disparate. As part of the rolling deregulatory review of private pensions legislation, the requirements relating to the disclosure of information by occupational, personal and stakeholder pension schemes have been reviewed.
- 3.2 The Regulations implement some changes which simplify requirements for annual benefit statements and which facilitate the use by schemes of electronic communication methods. In particular, the changes relate to –
 - the requirement for the scheme to give access to scheme documentation and other information on request;
 - what information must be sent with a projected illustration of future benefits to members of money purchase pension schemes; and
 - the service of information (and documents) by a scheme.

3.3 For example, the amendments give schemes greater flexibility to accept information from scheme members via email, and allow scheme documentation etc. to be available for inspection via a website. The aim is to ease regulatory burdens but at the same time ensuring adequate information is available both to the scheme and to its members.

4. Consultation

4.1 There is no requirement to consult on these Regulations as they make in relation to Northern Ireland only provision corresponding to provision contained in regulations made by the Secretary of State for Work and Pensions in relation to Great Britain.

5. Equality Impact

5.1 In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on the legislative proposals for these Regulations. As the amendments are largely technical in nature, the proposals would have little implication for any of the section 75 categories. In light of this, the Department has concluded that the proposals would not have significant implications for equality of opportunity and considers that an Equality Impact Assessment is not necessary.

6. Regulatory Impact

6.1 The provisions which facilitate the use by private and public sector pension schemes of electronic communication methods could allow administrative savings of up to £27 million per annum in the long term, depending on take-up. Those savings are estimated in the Regulatory Impact Assessment attached as an annex to this Explanatory Memorandum.

7. Financial Implications

7.1 None for the Department.

8. Section 24 of the Northern Ireland Act 1998

8.1 The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied that these Regulations –

(a) is not incompatible with any of the Convention rights,

(b) is not incompatible with Community law,

(c) does not discriminate against a person or class of person on the ground of religious belief or political opinion, and

(d) does not modify an enactment in breach of section 7 of the Northern Ireland Act 1998.

9. EU Implications

9.1 Not applicable.

10. Parity or Replicatory Measure

10.1 The corresponding Great Britain Regulations are the Occupational, Personal and Stakeholder Pension Schemes (Disclosure of Information) (Amendment) Regulations 2010 (S.I. 2010/2659) which come into force on 1st December 2010. Parity of timing and substance is an integral part of the maintenance of single systems of social security, child support and pensions provided for in section 87 of the Northern Ireland Act 1998.

REGULATORY IMPACT ASSESSMENT

The costs and savings outlined in this Regulatory Impact Assessment are calculated on a United Kingdom-wide basis.

Introduction

1. This Regulatory Impact Assessment considers changes to the requirements relating to the disclosure of information by occupational, personal and stakeholder pension schemes. It assesses the impact of the Occupational, Personal and Stakeholder Pension Schemes (Disclosure of Information) (Amendment) Regulations (Northern Ireland) 2010, which give effect to the policy in this area.

Background

2. The requirements for private pension schemes to provide information to members are detailed, complex and disparate. As part of the rolling deregulatory review of private pensions legislation, the requirements relating to the disclosure of information by occupational, personal and stakeholder pension schemes have been reviewed and a number of specific changes are considered necessary or desirable.
3. The changes fall into two categories:
 - (i) amendments to facilitate the use by schemes of electronic means of communication; and
 - (ii) some changes to the legislation covering the detailed information which must be included in annual benefit statements and statutory money purchase illustrations.
4. Item (ii) - changes to annual benefit statement requirements - is intended to make statements shorter and more user-friendly for the reader. Any savings for schemes from these changes are likely to be negligible. (The use of electronic means of providing these statements is however a matter within the scope of item (i).)
5. This Regulatory Impact Assessment therefore concerns item (i) - amendments to facilitate electronic communications.

Electronic communications – the policy

6. Existing regulations include provisions for schemes to send documents by post. The provisions include a deeming provision such that the trustees of a scheme can be sure they have satisfied their responsibility to provide deferred or pensioner members with required information if they have sent the relevant information to them by post to their last known address.
7. The amending regulations facilitate schemes' use of electronic means of providing information, in the interests both of achieving efficiency savings and of enabling more flexible and effective access to information by members.
8. The amending regulations substitute new provisions for those covering the issue of documents by post. They allow a scheme to satisfy the relevant disclosure requirements by providing information either using postal or electronic means. As long as the information has been sent to the last known postal or electronic address, the scheme's trustees or managers will have met the legislative requirements. Electronic communications may take the form of a notification (eg by email or text message) that information is available for the member on a website to which he has been granted secure access.
9. The amending regulations contain certain safeguards. These are that:
 - (i) a member may opt out of electronic communications, in which case the scheme must provide information in hard copy format;
 - (ii) existing members who do not already receive information by electronic means must be given advance warning that future communications will be in this format unless they opt out;
 - (iii) schemes must have regard to the needs of disabled persons when designing electronic communications; and
 - (iv) information provided electronically must be in a format which is capable of being stored or printed.

Electronic communications - the basis of the estimated savings figure of up to £27m pa

10. The available data on current pension schemes' information delivery is very limited. Due to the scope of the information required, a number of assumptions have been made in reaching the estimated benefit of this measure.
11. The estimate is based on a £1 per item cost of information delivery, which relates to a pension scheme member receiving their annual communication in a single package. This value is an estimated average administration cost (ie paper-based cost) per individual member of a scheme per annum and is based on estimated average postal and stationery prices.

12. It assumes that, generally, one paper-based service is delivered to an individual scheme member each year. Examples of such communications include:
 - an annual benefit statement or statutory money purchase illustration;
 - information for new members or retiring members;
 - an annual scheme funding report (defined benefit schemes only);
 - ad hoc communications requested by members such as cash equivalent transfer values and valuations of pensions on divorce.
13. In cases where individuals would receive more than one piece of information in a year, it is assumed that schemes send all the information in a single communication, in order to keep costs low. The only exception to this is in the case of ad hoc communications, where an adjustment has been made to reflect the fact that these are ad hoc and will possibly require additional communications.
14. The estimated savings are generated simply by multiplying the per member communication cost (assumed to be £1) by the number of members who would receive a communication. Affected members cover active, deferred and pensioner members in both the public and private sectors. There are currently around 400,000 people joining private sector occupational schemes each year and 900,000 people retiring from such schemes. Both these groups of people will need to receive communications at the point of joining the scheme or retiring, as applicable. In addition, there are currently 12.9 million members of private sector defined benefit schemes, each of whom must receive an annual scheme funding report, and 1.9 million members of private sector defined contribution schemes who must all receive annual benefit statements and statutory money purchase illustrations as appropriate. In the public sector, 8.3 million members are assumed to be covered by the disclosure regulations. Some members may receive more than one communication in a year.
15. In the absence of any data on the number of schemes already using electronic communications, it has been assumed that all schemes (public and private sector) will make the move from paper-based communications to electronic communications, with the figures showing estimated overall total benefits. In fact, some schemes may already be making use of electronic communications and some may choose not to switch to electronic communications at all. Hence, the overall figures will represent an upper-bound estimate of the savings to be made.
16. The savings from moving to electronic communications continue indefinitely and have not been presented in present value terms over a set-time period. This would provide a misleading interpretation of the benefits of the policy since it implies that they would be time-limited. Specifying an annual savings figure represents a more accurate interpretation of the benefits of the move to electronic communications.

IMPACT TESTS

Competition

17. There are no implications for competition policy.

Small firms

18. There are no special impacts on small firms.

Legal aid

19. There are no implications for legal aid.

Sustainable development, carbon assessment, other environmental impact

20. There will be a negligible benefit from schemes printing less hard copy information, which is likely to be offset by a negligible disbenefit in members printing their own copies.

Health

21. There are no implications for health.

Human rights


22. There are no implications for human rights.

Rural proofing

23. There are no implications for policy on rural issues.

I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed for the Department for Social Development



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10 November 2010

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