

EXPLANATORY MEMORANDUM TO
THE OCCUPATIONAL AND PERSONAL PENSION SCHEMES (LEVIES)
(AMENDMENT) REGULATIONS (NORTHERN IRELAND) 2012

S.R. 2012 No. 98

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 sections 170 and 177(2) of the Pension Schemes (Northern Ireland) Act 1993 and Article 103(1) and (3) of the Pensions (Northern Ireland) Order 2005 and is subject to the confirmatory procedure.

2. Purpose

- 2.1 These Regulations amend the rates at which the Pension Protection Fund's administration levy and the general levy on occupational and personal pension schemes are payable in respect of the year 2012–2013 and subsequent years.

3. Background

- 3.1 The Pensions Act 2004 set up, from 6th April 2005 and on a UK-wide basis, the Pension Protection Fund to provide compensation for members of eligible occupational pension schemes, where the sponsoring employer is insolvent and the scheme has insufficient assets to pay benefits at Fund compensation levels. The Fund is funded through an annual levy charged to all qualifying defined benefit occupational pension schemes. A separate administration levy on eligible schemes means that they, rather than the general taxpayer, fund the Board of the Pension Protection Fund's administration costs.
- 3.2 Section 170 of the Pension Schemes (Northern Ireland) Act 1993 allows for the administration costs of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman to be recovered by means of an annual general levy on occupational and personal pension schemes. The Regulator, the Advisory Service and the Ombudsman play a vital role in ensuring that scheme members' interests are safeguarded and that members have access to impartial advice.
- 3.3 The rates of the Pension Protection Fund's administration levy and the general levy are set in Regulations and corresponding Great Britain Regulations, and are reviewed annually. Both levies are payable by eligible pension schemes and the amounts payable are calculated on a sliding scale depending on the numbers of scheme members. They are collected annually by the Pensions Regulator on behalf of the Department and the Department for Work and Pensions.

- 3.4 The rates for both levies have remained unchanged since 2008-09. Following the review of the rates for 2012-13, the amount of the administration levy is reduced by at least 25% and the amount of the general levy is reduced by at least 12%. The new rates for both levies meet forecast future administration costs for the respective pension bodies.

4. Consultation

- 4.1 In accordance with Article 103(4) of the Pensions (Northern Ireland) Order 2005, the Department has consulted the Board of the Pension Protection Fund in relation to the administration levy. The Board declared itself content with the proposals for these Regulations.
- 4.2 There is no other 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 Regulations merely amend the rates of the Pension Protection Fund's administration levy and the general levy payable by pension schemes and do not represent a change in policy, 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 These Regulations do not require a Regulatory Impact Assessment as they amend an existing statutory levy regime and have only a negligible impact on costs on business, charities or voluntary bodies.

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) are not incompatible with any of the Convention rights,
 - (b) are not incompatible with Community law,
 - (c) do not discriminate against a person or class of person on the ground of religious belief or political opinion, and

(d) do 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 and Personal Pension Schemes (Levies - Amendment) Regulations 2012 (S.I. 2012/539) which come into force on 1st April 2012. 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.