

**EXPLANATORY MEMORANDUM TO**  
**THE OCCUPATIONAL AND PERSONAL PENSION SCHEMES**  
**(AUTOMATIC ENROLMENT) (AMENDMENT) REGULATIONS**  
**(NORTHERN IRELAND) 2013**

**S.R. 2013 No. 221**

**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 17(1)(c) and 113(2) of the Pensions (No. 2) Act (Northern Ireland) 2008 and is subject to the confirmatory procedure.

**2. Purpose**

- 2.1 These Regulations amend the Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations (Northern Ireland) 2010 to, in effect, ban certain consultancy charges in automatic enrolment schemes.

**3. Background**

- 3.1 The Pensions (No. 2) Act (Northern Ireland) 2008 and corresponding provision in the Westminster Pensions Act 2008 introduced a duty on employers to enrol eligible jobholders into a qualifying workplace pension and to make minimum contributions into it. Under the legislation, employers are able to choose the qualifying workplace pension scheme they adopt to discharge this duty. A qualifying scheme is a scheme which meets specific criteria, for example, an occupational pension scheme or a workplace personal pension scheme.
- 3.2 To ensure that scheme members are adequately protected, it was recognised from the outset that administration charges etc. should be both appropriate and as low as possible. The intention is to protect consumers by tackling high and inappropriate pension charges.
- 3.3 A recent review of consultancy charges by the Department for Work and Pensions concluded that existing measures to prevent advisers deducting high charges from members' pension pots were inadequate. The issue with consultancy charges in particular is that they may be used for purposes which do not benefit all of the scheme members who are required to pay them. It is recognised that many consultancy charges are characterised by high up-front contribution charges. These have the potential to seriously affect an individual's pension savings, particularly if they move jobs frequently, and to undermine confidence in the workplace pension reforms and pensions more generally.

- 3.4 The Regulations introduce a further condition that any part of a scheme that provides money purchase benefits must meet to be an automatic enrolment scheme. In effect, the Regulations ban certain consultancy charges in automatic enrolment schemes. This is not meant to impinge on the normal day-to-day running of pension schemes and trustees etc. can continue to pay for important services for the efficient running of schemes.

#### **4. Consultation**

- 4.1 There is no requirement to consult on these Regulations.

#### **5. Equality Impact**

- 5.1 Proposals for the Pensions (No. 2) Act (Northern Ireland) 2008 were subject to a full Equality Impact Assessment. 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 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 Regulations do not require a Regulatory Impact Assessment as they have no direct 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 (Automatic Enrolment) (Amendment) Regulations 2013 which come into force on 14th September 2013. 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.
- 10.2 The Great Britain Regulations were made on 13th September 2013. The Regulations were made on the same day. Owing to parity considerations the Regulations come into operation on the same date as the Great Britain Regulations, in this instance 14th September 2013.