

LEGISLATIVE CONSENT MEMORANDUM

PUBLIC SERVICE PENSIONS BILL – CLAUSES RELATING TO RESTRICTIONS TO BE APPLIED TO NEW SCHEMES

Legislative Consent Motion

1. “To propose that the National Assembly for Wales, in accordance with Standing Order 29.6, agrees that provisions of the Public Service Pensions Bill as introduced into the House of Commons on 13 September 2012 relating to the restrictions to be applied to new pension schemes for public bodies, in so far as they fall within the legislative competence of the National Assembly for Wales, should be considered by the UK Parliament.”

Background

2. The Legislative Consent Motion at paragraph 1 above has been tabled by Jane Hutt AM, Minister for Finance and Leader of the House, under Standing Order 29.6 of the Standing Orders (SO) of the National Assembly for Wales (the National Assembly). This Legislative Consent Memorandum is laid under SO29.2. SO 29 prescribes that a Legislative Consent Motion must be tabled, and a Legislative Consent Memorandum laid, before the National Assembly if a UK Parliamentary Bill makes provision in relation to Wales for a purpose that falls within the legislative competence of the National Assembly.

3. The Public Service Pensions Bill (the Bill) was introduced into Parliament on 13 September 2012. The Bill can be found at <http://services.parliament.uk/bills/2012-13/publicservicepensions/documents.html>

Summary of the Bill and its Policy Objectives

4. The Bill sets out the new arrangements for the creation of schemes for the payment of pensions and other benefits. It provides powers to Ministers to create such schemes according to a common framework of requirements. The Bill also provides powers to HM Treasury to set specific technical details of certain requirements and gives powers to The Pensions Regulator to operate a system of independent oversight over the operation of these schemes.

5. It is intended that the powers in the Bill will supersede powers, including those contained in the following legislation, to create schemes for the payment of pensions and other benefits:

- Superannuation Act 1972 , for civil servants, people employed in local government service, teachers and persons engaged in health services;
- Fire and Rescue Services Act 2004 ;
- Armed Forces (Pensions and Compensation) Act 2004 ;
- Police Pensions Act 1976 ;

- Judicial Pensions and Retirement Act 1993 ; and
- Superannuation (Northern Ireland) Order 1972 .

6. The Bill protects the benefits already earned by members of existing public service pension schemes and allows continued membership of those schemes for certain categories of person who are closest to retirement.

7. The stated aims of the Bill are to:

- Ensure a good level of retirement income for public service workers, with a reasonable degree of certainty;
- Be affordable and sustainable – with cost risk managed and shared effectively;
- Provide a fair balance of cost and benefits between public service workers and other taxpayers;
- Protect those closest to retirement;
- Have a clear legal framework and governance structure – and be widely understood by workers;
- Stand the test of time – have no more reform for at least 25 years.

8. More specifically, the Bill will:

- Allow for the creation of new Career Average pension schemes
- Ensure new schemes have Normal Pension Ages linked to the State Pension Age for all but the armed forces, police and fire service;
- Provide for a cap on the taxpayer's liability;
- Include transitional protection for those less than ten years from their Normal Pension Age on 1 April 2012;
- Introduce a very high barrier to changes to specific elements of these pension designs;
- Ensure that all new pension schemes have a Board and a regulator so their members can have confidence that they are being run effectively.

Provisions in the Bill for which consent is sought

9. The National Assembly for Wales has competence in relation to pension schemes for Assembly Members, Welsh Ministers and members of local authorities. Clause 27 of the Bill does two things -

- (a) it imposes constraints on the design of new pension schemes that may be created under the power in clause 28(4) for those bodies and offices whose pension schemes are closed by clause 28(2) and whose members cannot join one of the schemes established under clause 1; and

(b) it also governs the design of pension schemes that are set up in the future or established under future legislation for public bodies (unless future legislation makes specific, different provision).

10. It is the latter provision which impacts on areas within the Assembly's legislative competence for this reason. Should the Assembly wish to create specific new pension schemes for Assembly Members or local government councillors, after the Bill has been enacted and this clause comes into force, those new schemes would be caught by the provisions relating to the creation of new public body pensions in clause 27

11. The Bill extends to England, Wales, Scotland and Northern Ireland. Wales, Scotland and Northern Ireland are being asked for consent in relation to provisions within the Bill to make new schemes for pensions and other benefits where there is devolved competence.

12. Although the Bill impacts on the Assembly's competence to create new pension schemes for Assembly Members or local government councillors it does not impact on the current or future use of the existing National Assembly for Wales Members' Pension Scheme or existing arrangement for Welsh local councillors which are provided for by Local Government Pension Schemes already covered within the Bill.

Advantages of utilising this Bill

13. It is the Welsh Government's view that it is fair and appropriate for the legislation on pension reforms to apply to all public bodies in Wales. It will ensure there will be a consistent approach to pension arrangement across Wales that aligns with wider changes across the UK public sector.

14. Dealing with this legislation in a UK Bill represents the most appropriate legislative vehicle to ensure a consistent approach for (a) the revision of certain existing schemes and (b) the creation of new pension schemes according to a common framework of requirements.

Financial Implications

15. There are no financial implications associated with this Bill. Under the Bill, Wales will contribute towards new pension schemes delivering a projected 10% saving in the longer term; generating UK wide savings of around £65bn by 2061/62. In addition the total UK wide pension reform package (which includes the switch in indexation from RPI to CPI and increased employee contributions) will deliver more than £430bn savings, in current GDP terms, over the next 50 years.

Jane Hutt AM
Minister for Finance and Leader of the House
September 2012