



Northern Ireland
Assembly

**COMMITTEE FOR
SOCIAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**Green Paper — ‘A State Pension for the
21st Century’**

23 June 2011

NORTHERN IRELAND ASSEMBLY

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SOCIAL DEVELOPMENT

Green Paper — ‘A State Pension for the 21st Century’

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Members present for all or part of the proceedings:

Mr Mickey Brady (Deputy Chairperson)
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Mrs Pam Lewis
Mr Fra McCann

Witnesses:

Mr Sam Dempster)	Department for Social Development
Mr Gerry McCann)	
Ms Anne McCleary)	

The Deputy Chairperson:

I would like to welcome Anne, Gerry and Sam. You are becoming more familiar than some members of my family, I have to say. *[Laughter.]*

Ms Anne McCleary (Department for Social Development):

I am not sure what to say to that.

Mr Copeland:

The less said the better.

Ms McCleary:

Probably.

The Deputy Chairperson:

I advise members that the relevant briefing papers are in their information packs, and a Hansard record will be taken. If the officials would like to brief the Committee, we will maybe ask some questions afterwards.

Ms McCleary:

The Committee asked for a briefing paper on the Green Paper from the Department for Work and Pensions (DWP), which is entitled, 'A State Pension for the 21st Century'. As Mr Brady said, members have already seen the written briefing on the Green Paper, which sets out the coalition Government's proposals for pension reform. The Department for Work and Pensions issued the Green Paper for consultation on 4 April, and the Department for Social Development subsequently issued it in Northern Ireland. The consultation period ends tomorrow.

The Green Paper seeks views on three issues: options for reform of the state pension that better support saving for retirement; the most appropriate mechanism for determining future changes to state pension age; and whether a new safety net for the poorest pensioners needs to be considered.

I will start by looking at the context of this reform. The Westminster Government are considering options for delivering what they regard as a simpler and fairer state pension, one which rewards those who save for retirement but which they argue should be sustainable for future generations. For many years, concerns have been raised throughout the UK about the complexity of the current system. Many people are unsure about what their total state pension will be worth when they retire, and that makes it more difficult for them to plan and save for their retirement. On the other hand, means testing can deter people from saving because the incentives to do so are not sufficiently clear.

Inequalities remain in the system. Groups such as women still tend to have lower state

pension outcomes. Reforms introduced by the Assembly have already begun to address that by reducing the number of years needed to qualify for a full basic state pension to 30 and introducing more generous credits for carers to ensure that more people, particularly women, become entitled to a higher level of state second pension. However, affordability and sustainability are still concerns.

Life expectancy has reached its highest ever level and is projected to continue to rise. However, although people are living longer, not enough are saving for retirement. Across the UK, it is estimated that around seven million people are not saving enough for their retirement. In order to tackle under-saving, the Assembly has already passed legislation that, from 2012, will require employers to enrol eligible employees into a qualifying pension scheme and to make employer contributions on their behalf. The National Employment Savings Trust (NEST), which has been established on a UK-wide basis, will encourage and enable more people to save for their retirement.

I will return to the three specific issues, the first of which is looking at options for state pension reform. The Westminster Government believe that it is necessary to reform the state pension for future pensioners — I stress that it is for future pensioners — so that they provide a better foundation to save for retirement. They are also hoping to reduce complexity in the current system. The Green Paper therefore seeks views on two options that are designed to deliver a simple flat-rate contributory state pension that lifts the majority of future pensioners above the current level of means testing. The first option is to accelerate existing reforms so that the state pension evolves into a two-tier flat-rate structure more quickly. The alternative is to move to a single-tier flat-rate pension set at a rate that is higher than the level of the pension credit standard minimum guarantee.

The first option would accelerate the pace of existing reforms so that the state second pension would become flat rate by 2020 instead of the early 2030s. A flat-rate state second pension would give people a clearer idea of the overall state pension they would get on retirement as they would receive a set amount for each qualifying year. State pension entitlement would therefore be built up through two flat-rate tiers. Those who contract out of the state second pension would, as now, receive part of their pension from their private pension rather than from the state.

Although that option would make the state second pension more transparent, it arguably fails to provide absolute clarity about the amount of state pension that someone would receive when they retire.

The second option, which is the single-tier flat-rate pension, combines the basic state pension and the state second pension into a single-tier state pension. Future pensioners with at least 30 qualifying years would receive the same flat-rate pension. We currently estimate that would be around £140 a week, which would be higher than the level of support provided by pension credit. People would qualify individually, irrespective of whether they are married, divorced or widowed, reflecting the fact that most people working today can expect to build up a sufficient state pension in their own right. That would allow the rules around state pension entitlement to be simplified by removing specific provisions for bereavement, marriage or divorce. The self-employed would be able to build up entitlement for the first time. There would be a minimum level of seven years of contributions or credits in order to qualify. This option would deliver improved pensions for women, low-paid workers and the self-employed, thereby providing the basis for a fairer system. The state pension would be uprated by whichever is the highest of earnings, prices or 2.5%, which is usually referred to as the triple guarantee, so that people can be confident that their state pension will maintain its value.

The second element of the Green Paper is the state pension age mechanism. The state pension age plays an important role in ensuring that the state pension remains sustainable and affordable. As you know, the Westminster Government have already brought forward proposals to increase the state pension age to 66 by April 2020. Increases in longevity are projected to continue, and it is recognised that the state pension age must be kept under review. The Green Paper considers two options for ensuring that the state pension age reflects changes in life expectancy.

The first option is to increase the state pension age through a formula linked to life expectancy. Increases in life expectancy would continually adjust the state pension age. However, there might be difficulties in balancing the need to comply with a formula with the need to provide a reasonable period of notice for those affected by any increase.

The second option is to increase the state pension age through a periodic review. A review at

predetermined intervals would give greater certainty about when the state pension age would be considered and would enable wider factors to be taken into account, such as variations in life expectancy between different socio-economic groups, healthy life expectancy or the fiscal position. However, that would add to complexity because of the range of different, possibly conflicting, evidence to be considered.

The third issue that the Green Paper looks at is means-tested support; in other words, the new safety net. It is recognised that there will always be a need to have a safety-net benefit to help pensioners who do not have sufficient resources to meet their basic needs in retirement. Pension credit currently ensures that people have a minimum income. Additional support is provided to those with a disability, to carers and to those with mortgages. Many people on pension credit may also get additional support through housing benefit. However, because not enough people save for their retirement, pension credit has, effectively, evolved from being a safety net designed to protect the poorest pensioners to a more general top-up for basic retirement income for those who have had low and moderate incomes during their working lives.

One of the main concerns for people considering their retirement provision is whether they will be subjected to means testing. Therefore, the consultation seeks views on how means-tested support can help to ensure that it pays to save for retirement and how complexity in the current system can be reduced.

I must stress that, although this is a DWP Green Paper, it is important that people here have had an opportunity to consider and comment on the proposals. It is a DWP proposal; we do not yet know what we are doing. It is clear that, because of parity, any further reform of the state pension system that emerges from this consultation will have an impact on future pensioners in Northern Ireland.

Decisions on reform in Northern Ireland will be subject to Executive and Assembly approval, and, of course, we will fully consult the Committee. As I said, the consultation ends tomorrow. We have received a copy of a response from Advice NI, which it sent directly to DWP late yesterday afternoon. We have not yet had time to consider that response, which we will share with the Committee. Others may come in tomorrow. Officials from the Department for Work

and Pensions aim to publish a summary of its consultation responses in the near future. However, we stress again that no decisions have been taken on the way forward in GB or Northern Ireland. At this stage, it is a Green Paper.

The Deputy Chairperson:

Thanks very much for that. It is a fairly complex document. I will make a couple of comments before inviting members to ask questions.

On reading the papers, it strikes me that the objective is to deliver a simpler and fairer state pension that rewards those who do the right thing and save. The key watchword is “personal responsibility”. Steve Webb, the British Minister of State for Pensions, said that:

“It is right that people are asked to take responsibility for their retirement by saving while they are working.”

However, for the majority of people, including the working poor, the absence of a living wage and job security means that they cannot secure the ability or right to save. Such people will never be in a position to save.

The proposals seem predicated on life expectancy. A recent report in the ‘Belfast Telegraph’ indicated that men living in Belfast city centre are likely to have 10 years less life expectancy than someone living in south Belfast. That is no reflection on south Belfast, but it highlights a fact. Women living in the city centre have six years less life expectancy than their counterparts in the south of the city. All those issues contribute.

In essence, they are saying that you have the ability to save, you should save and you have a responsibility to save. However, someone in a low-paid job, such as a youngster leaving school at 16 who, through no fault of their own, will not go on to an academic career but will instead work in Sainsbury’s or whatever, is never going to have an ability to save. Most people in my constituency, certainly in the Newry area, save in the credit union, and I am sure that that is the case in other constituencies. However, they are borrowing and paying back: it is not saving in the normal sense. That is why credit unions are so popular. I make those points about what is another Tory myth — that is just a personal observation. I know that it is a Green Paper and that there is a long way to go, but I wanted to make those points. I invite other members to ask questions.

Mr F McCann:

It is reassuring to hear that no decisions have been made yet. The consultation deadline is tomorrow, but my experience of such consultations is that the decisions have already been made. I am sure that each party will write something on it, but what impact will that have? The Committee must make it clear that this proposal does not benefit pensioners and that there will be quite a lot of losers. We need to put that marker down clearly. We live in a low-pay economy with quite high unemployment in many areas. The Deputy Chairperson is 100% right: many people will never have the opportunity to save. We spoke earlier about the increase in fuel poverty, and this will hit quite a number of people living in different degrees of poverty when they come to the age to draw down a pension.

The Deputy Chairperson:

The equalisation of the pension age is, again, predicated on a person's ability to work longer. However, you cannot legislate for health problems; the Health Committee discovered that very clearly at Altnagelvin Hospital yesterday. It is predicated on your ability to work longer and live longer, which does not necessarily follow for a lot of people because of their lifestyle and because they are in poverty. There are issues around that.

Mr Gerry McCann (Department for Social Development):

To be fair to the paper, everybody accepts that certain people will never be able to save for their retirement because of their earnings. The people who will get the most out of what is being put forward will get one ordinary pension of around £140, which is far in excess of what they can hope to get now.

Mr F McCann:

We are talking about 10 years down the line.

Mr G McCann:

That £140 is supposed to be based on today's values. As to what happens at the end of the day, I cannot give an answer.

The Deputy Chairperson:

One point remains. There has been talk of a safety net. In 1948, supplementary benefit was introduced as a safety net, and it then became a mainstream benefit. That has to be borne in mind.

Mr Durkan:

You made a point about geographical variances and life expectancy. What is the difference between here and England, Scotland and Wales? There would obviously be implications for parity.

The Deputy Chairperson:

As far as I am aware, in the south of England and the leafy suburbs of Oxford, or wherever they do pilot schemes for jobseeker's allowance, there is a much higher life expectancy. I am sorry, but I cannot get away from that.

Mr G McCann:

Life expectancy varies. In certain areas of England, the life expectancy is as bad as ours. In Scotland, certain areas are worse than ours. You have to break it down into different areas.

The Deputy Chairperson:

The north-east of England and Scotland are mentioned.

Mr G McCann:

Glasgow is a hot spot.

The Deputy Chairperson:

Apparently they eat battered Mars bars in Glasgow. That obviously does not help your life expectancy.

Mr Durkan:

The scariest thing is that the Green Paper seeks views on how to build into a future state pension system a more automatic mechanism for ensuring further revisions of life expectancy. That is

very worrying.

Mr G McCann:

Everyone accepts that we are going to live longer.

Mr Durkan:

Absolutely, but the issue is how regular those revisions will be.

Mr G McCann:

The paper sets out two options. The first option is that we come up with a formula to say that, if life expectancy were to increase to 86 years of age, the state pension age would rise to a certain figure. The second option is that, at any point in time, you would look at all the circumstances. It may be slightly worrying from your point of view to say that, at a point in time, you would look at the money available and at the fiscal position. It could mean that the pension age would go up more than it would if it were simply linked to life expectancy. Those are the two options, but one is perhaps better than the other.

The Deputy Chairperson:

The people who will live longer are the people who have the ability to save because of their income, where they live and what they can afford to eat. Therefore, they will benefit.

Mr G McCann:

We all agree that the biggest link to life expectancy is what you earn. There is a link between earnings, work and health. We all accept that, and your point is absolutely right; the people who live longer are the people who have earned more throughout their lives and have a better health regime.

Ms McCleary:

It is important to remember that those factors will all be taken into account. We are not alone in having variations, even within a couple of miles in some areas of Belfast; for example, the Malone Road. Areas in GB have similar variations, so that will have to be taken into account.

Mr F McCann:

I understand that it is not within your gift to do anything. You say that those issues will be taken into account, but they will not. The people who have less than others are the ones who will be directly impacted. Whether you live in Newcastle-upon-Tyne, Belfast, Glasgow or Cardiff, those issues will not be taken into consideration. The proposals will deal with those in the South of England and places like that.

Ms McCleary:

I stress again that the basic state pension will be higher than it is currently. That is good.

Mr Durkan:

But not in real terms.

Ms McCleary:

It will go up.

The Deputy Chairperson:

The state pension here is the meanest in the developed world; 10p could be an improvement.

Mr F McCann:

Mickey made a good point there.

The Deputy Chairperson:

The state pension here and in Britain is the meanest in the developed world. With respect, even if it did go up, that does not mean that you could live on it.

Mr G McCann:

You are right about the state pension. However, the argument is that you have to look at the whole package: we have a fairly broad system of other pensions, and healthcare is available for free. You also have to look at the fact that a large number of people own their homes, so, as they age, the amount of the money that they have to spend on their houses falls, whereas in other countries, such as France, the amount of money that people spend on their rent actually goes up

as they age. I take your point about the state pension, but you have to look at the whole package.

The Deputy Chairperson:

In France, you can retire on approximately 70% of your gross salary.

Mr G McCann:

I accept that, but, again, you have to look at the whole package and at the tax regime in operation. The whole package has to be considered as one.

Mr Copeland:

In looking at the proposals, it is important to bear in mind where they were drafted, who drafted them and the reasons why they were drafted. Essentially, if we are to believe what we are told, the cost of providing pensions is more than we can currently afford. Indeed, I believe that the Civil Service pension scheme in the United Kingdom has a £1 trillion hole that is going to need to be filled by money from somewhere.

When examining what is basically a mathematical formula that was achieved and reasoned through mathematics, we must attempt to put ourselves in the minds of the people who brought it forward. I believe that it is incumbent on us to attach to the proposals the human, social conscience of the people whom we meet and deal with day and daily — the people who will be impacted most by the proposals. I am not interested in whether it is £140 or £145. I need to know, in real terms, whether this move towards alleviating the plight of the working poor who are not able to contribute throughout their lives and of those who have done OK for themselves will be just to everyone.

I am also keen to learn whether this move will result in a reduction in the cost of administration in the system. As I said earlier, the important thing in all of those cases is to get the money to where it is needed in the least expensive way possible. Unfortunately, in some cases, to save £1 in one place occasions expenditure of £20 in another place, and that is neither good economics nor good sense. My position is that, until we see the proposed legislation, we cannot speculate on what is in front of us.

Ms McCleary:

One of the key points is that the aim is to simplify the system. That should mean that it is easier and that it does not involve as much administration.

Mr Copeland:

Will simplification of the system result in the money that will be saved going to the people who need it?

Ms McCleary:

That is the aim. The aim is to simplify the system so that money can be focused on those who need it most.

Mr G McCann:

It is fair to point out that most of the interest groups — I am sure that Mr Brady knows this — have been asking for one higher-level state pension for years. One of our problems — again, I am sure that Mr Brady has been mentioning this for years — is that we cannot get everybody to claim their pension credit. We know that a rump of people would never claim it because they feel as though they would be begging and because they would not like to be asked to give their means. However, one of the advantages of what we are saying here is that the new pension will be set at a rate higher than the state pension credit, so people will not have to give details of their affairs to the state. To be fair to the people in Britain who drafted this, they are only doing what the interest groups have been asking for for years.

Mr Copeland:

Is there any indication of the savings to be evidenced from this procedure? That must be in the numbers somewhere.

Mr G McCann:

The starting point is that the overall costs shall be such that the new system will be cost-neutral.

Mr Copeland:

So, in other words, the cost of saving the administration side is reinvested in the —

Mr G McCann:

No; the benefit cost terms are to be cost-neutral, which means that a large number of people will gain, especially those at the bottom end of the scale. However, it also means that people at the top end of the scale lose — those who had jobs that paid well and who may have hoped to get more out of the old system had it carried on. There will be winners and losers under any of the options if they are to be cost-neutral.

Mr Copeland:

Is there a figure for how much the administration savings are? Is there a simplification of the cost? That must be a driver for part of the research.

Mr G McCann:

At this stage, I am not aware of what the administration savings are, but, again, I stress that the paper we are here to brief you on is from Britain.

Mr Copeland:

I understand that.

Mr G McCann:

We are therefore not necessarily privy to everything underpinning their thinking.

Mr Copeland:

Is it possible to ask that question and get the information?

Mr G McCann:

We can certainly ask.

Mr Sam Dempster (Department for Social Development):

The intention is, I think, that DWP will produce an impact assessment that will include the costed savings. It will be published later in the year, but it has not been done as yet.

Mr Copeland:

So the information should be available?

Mr Dempster:

It will be made available.

Mr G McCann:

Once they come up with the option, they will do the detailed work.

Mr Copeland:

I have to confess that my interest in this subject grows the closer I get to 65 years old.

Mr G McCann:

It is the same for us all.

I have pointed out the good aspects from the point of view of various groups, but one of the downsides is that this matter will affect only those who happen to hit state pension age at a certain point in time. Existing pensioners will not be caught by this.

The Deputy Chairperson:

We have all of this to look forward to; is that what you are saying? Some of us sooner than others, it has to be said.

Mr Dempster:

The flip side is that, if we go for the single-tier option, self-employed people will, for the first time, be covered by this pension. At the minute, they are not covered. There are winners and losers.

Mr G McCann:

At the moment, the pension of self-employed people is the basic state pension only. They do not have any access to any of the extra pensions, such as the state second pension.

Mr Copeland:

You mentioned self-employed people and the fact that people who are slightly better off may not benefit as much as before. Is there any direct impact on people in private pension schemes?

Mr G McCann:

The £140 will not be paid to everybody. If you have a private pension, it will be taken into account, as it is at the moment for the state second pension. It is not taken account of in full, but a certain portion of it is. For example, we are all members of a public sector pension scheme, so we would not get the full £140, although there is no explanation in the paper as to how that would be cut exactly.

Mr Copeland:

But you do not have to discriminate against people who have played the game properly right the way through.

Ms McCleary:

That is always the fundamental issue: do you encourage people to save while protecting others who do not have the ability to save? You always have that conflict.

Mr Copeland:

Take the case of a married couple, one of whom has had a good job and a private pension. That person may get £140 or slightly less, but, if their husband or wife is not in the same situation, would they have the full entitlement?

Mr G McCann:

Yes, as long as they had their 30 years.

Mr Dempster:

It is an individual entitlement.

The Deputy Chairperson:

I want to clarify something about public pensions; for example, Civil Service pensions. At the

moment, an occupational pension will impact on employment and support allowance (ESA) or contributory ESA and the old incapacity benefit. A pensioner can take pensioned work and have a smaller occupational pension and then hit the tax ceiling. That is how the system works at the moment. Presumably public pensions will be taken into account in the formula.

Mr G McCann:

Yes. Again, we have not been able to drill down into that level of detail, but I expect that to be the case. I go back to Mr Copeland's point about whether we take into account private pensions. For years, they were part funded by the state in that you do not pay tax on the money that you are putting into your scheme. Also, the rate of national insurance contributions (NICS) is lower both for the employee and the employer. It is only taking account of the fact that the state has already funded that in part.

Mr Douglas:

I apologise: I had to go out, so I may have missed this bit, but, hopefully, I will not repeat an earlier question.

Recently, in the Committee for Employment and Learning and the Chamber, we debated the European directive on agency workers. It was quite clear from those debates that there is very little input that we can have without it costing Northern Ireland a lot of money. In relation to this Green Paper, one of the Committee papers states that:

“this may be the only opportunity that the Committee has to influence future pension reform in Great Britain and Northern Ireland.”

My question to Anne is: how much influence do we really have?

Ms McCleary:

We constantly engage with DWP colleagues and make the case, when appropriate, that Northern Ireland has different circumstances. With a paper such as this, we usually put out a Northern Ireland front piece with the GB consultation explaining that, although it is a GB consultation, the proposals may impact on Northern Ireland and, therefore, we invite views that we will pass on to DWP. We do our best to raise issues, and there have been occasions when that has led to changes being made.

Mr Douglas:

If we recommend an option and there is a regional variation, could that actually cost us in Northern Ireland?

Mr G McCann:

The answer is yes, if you are referring to us wishing to change something that we do not like.

Mr Douglas:

Yes; that is what I am saying.

Mr G McCann:

If any changes that we make involve extra expenditure, we would have to fund those ourselves from the Northern Ireland block grant.

The other point is about whether what we say to Britain actually changes anything. It does sometimes, when we are able to work things out at the margins. However, at the end of the day, we have to realise that Northern Ireland has about 248,000 state pensioners, whereas GB has 14 million or 15 million. Therefore, even if we raise a Northern Ireland issue and say that we want a change because it affects people here, the response will be that it affects only about 200,000 people compared to a whole caseload of 14 million or 15 million people. That is one problem that we have in trying to have an influence.

Mr Easton:

I am not saying that we would want to do this, but will we have the option of staying the way we are?

Ms McCleary:

If we chose that option, we would have to fund it.

Mr Dempster:

Computer systems would have to be changed to support the change, because we use DWP computer systems.

Mr Easton:

I am not advocating that we stay the way we are.

Mr G McCann:

Currently, although we pay for that computer system, it is only a very small amount. If we wanted to hold on to any of the systems to carry on with our existing arrangements, we would have to pay for the whole system run. The cost could run into millions of pounds a year, which we would have to find in addition to money for any of the other extra costs. Running two different systems would also cause problems for people who move from NI to England and people who have lived in England all their lives and then come to Northern Ireland. At the moment, if you move here having lived in England, Scotland and Wales, everything that you have done counts for the purposes of National Insurance contributions etc.

The Deputy Chairperson:

I thought for a moment that Alex was suggesting breaching parity, but then he took a step back.

[Laughter.]

Mr Copeland:

I picked up on one thing that you said. I do not often apologise for asking a question, but you will forgive my relative naivety as regards the structures. You said at one stage that you do your best to put forward views that represent how these things will affect Northern Ireland. What is the mechanism for that? Are the views that are put forward arrived at by a process? Is there political oversight of those views, or are they just opinions?

Ms McCleary:

First, officials at various levels in the Department are constantly speaking to their counterparts in DWP about what is going on, what their plans are and what the rationale behind various things would be. There is an information flow backwards and forwards about what they are planning to do and what they are thinking about. There is, obviously, a political element to it, because we need to take our Minister's mind on what he or she believes is the right way to make progress. We also have the Committee process, whereby we come and brief you, as we have done today, on

what the GB proposals are as outlined in the Green Paper. We will look at the Committee's views and feed those back to the Minister, who may well come and talk to the Committee about them.

Mr G McCann:

There is one further very important point, which is that we will also look at anything that comes in from the advice sector here, for example, or from other consultees. We look at what they have said and drill down into those points to determine whether a problem exists. We put all that together and make our final view known to England.

Mr Copeland:

Would your final view be reflected by the Minister?

Ms McCleary:

It would have to be.

Mr G McCann:

At the end of the day, any issue of policy is one for Ministers; it is not —

Ms McCleary:

It is not officials who decide on it.

Mr Copeland:

Forgive me for my naivety, but I am curious about the consultation process, which finishes tomorrow. I presume that all the parties and interested groups would have been consulted previously and would have responded or not, as the case may be, to the consultation process. Have all the available views been taken into account?

Mr G McCann:

Not yet, because the process has not ended yet.

Mr Dempster:

They have been sought.

The Deputy Chairperson:

Can we anticipate another few visits to Lord Freud? I was just thinking that, if Michael has another quiet night in his area, he could spend a few hours doing the consultation.

Ms McCleary:

I was just about to mention that. We may well be speaking to Lord Freud about it.

Mr F McCann:

That gives us hope.

Mr G McCann:

The one thing we can say without doubt is that the Minister will be seeking to have an influence. It is not just a matter of us accepting views from Britain without having an input.

The Deputy Chairperson:

I hope that you have more success than the previous Minister did.

Mr G McCann:

I could not possibly comment.

The Deputy Chairperson:

I know; I am sorry about that. If there are no other questions, I would like to thank Sam, Anne and Gerry for coming. I have absolutely no doubt that we will be seeing you again.

The next thing is to ask whether we wish to submit a response to the consultation as a Committee.

Mr Copeland:

Between now and tomorrow?

The Deputy Chairperson:

A lot of points have been covered today. Perhaps we could have a synopsis of those. Is that possible?

The Committee Clerk:

It is possible. The Hansard record has been taken, and we can pick up the points that have been made and circulate a draft. There are more general points. There is another approach, which is to go through those options and take the Committee's mind on them. They have been summarised by the officials. Alternatively, we can pick up the general points that members made during the question-and-answer session.

Mr Copeland:

That is part of what I was driving at. The consultation was with individual groups and parties, and, although we are all members of different parties, the Committee operates outside the party remit. A discussion has taken place this morning in which there was an exchange of views between different parties and in which a consensus has been arrived at. That consensus may be different from the views of all or any of our individual parties. So, it is important, which is why I asked about the consultation finishing tomorrow. It is difficult, in some respects, to form a proper view 24 hours before something has to be submitted.

The Deputy Chairperson:

Maybe rather than take a view, we could reflect the discussion. Sammy made the point about what influence we as a Committee can have on this. However, we can have no influence unless we put something forward. It is just to get people's views on that. It does not have to be a thesis; it just needs to be something that covers the essential points.

Mr F McCann:

There were a number of valuable inputs and opinions. I understand the difficulty that Michael may have within his own party, but I would like to think that the policy of our party —

Mr Copeland:

I have always had difficulties with parties everywhere. *[Laughter.]*

The Deputy Chairperson:

I am sure that that point has been recorded, Fra. However, the fact that Michael's erstwhile comrades may have made these decisions, or may be in the process of making them, is another story completely.

Mr Copeland:

I appreciate the word "erstwhile".

The Deputy Chairperson:

Yes; I thought I would slip that in. Do people feel that it is necessary and beneficial to do something?

The Committee Clerk:

We can go through those.

The Deputy Chairperson:

Obviously, there are a number of options. We have option 1 and option 2. Do members have any views on either option? Option 1 is for reforming the state pension through acceleration of existing reforms so that the state pension evolves into a two-tier flat-rate structure more quickly. Option 2 is for a more radical reform of the state pension into a single-tier flat-rate pension set above the level of the pension credit standard minimum income guarantee.

Mr Copeland:

I preferred option 2.

The Committee Clerk:

That is the £140 option.

The Deputy Chairperson:

Members do not have to state at this point whether they prefer one option or the other. We are just registering concerns about the consultation.

Mr Easton:

As long as we are not saying that it is the view of the Committee but rather are just pointing out our concerns, I am happy enough.

The Deputy Chairperson:

I think that it is highlighting issues that were raised by all members.

The Committee Clerk:

It can read, "Some members of the Committee raised concerns" or "a member" or whatever.

The Deputy Chairperson:

It is all right, Alex, we are not going to mention parity, I promise. I think it is a question of reflecting the diverse views that were put forward today by others. However, there was general consensus. Option 2 would deliver improved pensions for low-paid workers, women and the self-employed. It would provide the basis for a fairer system, so maybe option 2, if it were to be looked at in more detail, would be the better option.

Mr Copeland:

With respect, that was my choice. I also had concerns about option 1, in that people may not have absolute clarity about the amount of state pension they would receive when they retire. Planning is required when approaching pension age. Accurate information is fundamental to planning, and there is an admission that option 1 will not do that. However, option 2 does not seem to say that it will. So, there is an inbuilt conflict there.

The Deputy Chairperson:

That can be reflected in the report.

Mr Copeland:

We have another two options to consider.

The Deputy Chairperson:

Yes; transitional arrangements will be put in place to manage the switch to a single-tier pension. There was also the issue of how means-tested support could help to ensure that it pays to save for retirement and help to reduce complexities in the current system. There is also the development of a state pension age mechanism. Option 1 would increase the state pension age through a formula linked to life expectancy. The life expectancy issue has been raised in terms of where you live and how much you can afford.

Mr Copeland:

There are also issues about how long it takes to establish a trend of life expectancy. The census is done every 10 years. By the time they get to that, half the people who are entitled may be dead anyway. That is not a particularly accurate driver. I think a review gives certainty, so, again, I am keener on option 2.

The Deputy Chairperson:

The other issue was the development of a state pension age mechanism, which was option 2: increasing the state pension age through a review at predetermined intervals. Do members have any views on that?

Mr Copeland:

Provided that the intervals are less than the time it would have taken to predict it through increased life expectancy.

The Deputy Chairperson:

If a draft response is done, I think that that can be —

The Committee Clerk:

It can reflect that, yes.

The Deputy Chairperson:

Can that be circulated to people later in the day? Is that possible?

The Committee Clerk:

The idea is to circulate that letter today or tomorrow morning for clearance on Monday.

Mr Copeland:

I will lie awake in anticipation.

The Deputy Chairperson:

You will probably be awake anyhow.

A number of organisations have already put forward responses, including Advice NI. Maybe we could ask the Department for those responses and circulate them. I think that that was asked for earlier.

The Committee Clerk:

We can e-mail that round or send a hard copy.

The Deputy Chairperson:

So, are members happy enough with that at the moment? It is a complex area, and there may be more clarification when some of the consultation responses become available.

The Committee Clerk:

As I indicated, the timescale on this is 12.00 noon Monday. We will need clearance from all members. We will circulate the paper.

Mr Easton:

Option 2 seems the best, but it is the way in which we word this. How can you say it without saying that it is the consensus of the Committee? I need the right form of words here. Can we say that we were pushed into it, that option 2 seems the best way forward but that is not the consensus of the Committee as such? Do you know what I am trying to say?

The Deputy Chairperson:

Yes, it seems to be a better option. The lesser of two evils may be putting it too strongly, but I take your point.

Mr Copeland:

The least objectionable choice.

The Deputy Chairperson:

It has to be said that, of the ones that are in front of us, it is the better option. Whether it is an acceptable option in the long run is a different story, because that depends on how it works out eventually and how it impacts on people. At the moment, we are speculating. We need to be clear that option 2 deals with reforming the state pension rather than the state pension age. You have a while to go yet, Alex.

Mr Easton:

I do not know. I have a lucrative caravan business.

The Deputy Chairperson:

Again, we will talk about that later.