Northern Ireland Assembly

Committee for Education

OFFICIAL REPORT (Hansard)

Public Service Pensions Bill: DE Briefing

18 September 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Danny Kinahan (Deputy Chairperson)
Ms Michaela Boyle
Mr Jonathan Craig
Mr Chris Hazzard
Mr Trevor Lunn
Mr Stephen Moutray
Mr Sean Rogers
Mr Pat Sheehan

Witnesses:

Mr Ian Gallagher	Department of Education
Mr Seamus Gallagher	Department of Education
Mrs La'Verne Montgomery	Department of Education

The Deputy Chairperson: I welcome La'Verne Montgomery, director of education workforce development in the Department of Education; Ian Gallagher, head of pay, remit and pensions policy in the Department of Education; and Seamus Gallagher, from the teacher negotiating and pensions policy team. You are very welcome. You probably know what we heard last week, and we look forward to hearing from you. You have 15 minutes.

Mrs La'Verne Montgomery (Department of Education): Thank you very much, Deputy Chair, for the opportunity to brief the Committee on proposals for the reform of public sector pensions and, in particular, the current position on the teachers' pension scheme.

As you will be aware, the Department launched two recent consultations: one on actuarial valuations; and the other on workplace pension reform. Actuarial valuations is one issue that the teacher unions raised with you last week, and if you are content, I propose to deal with that today as well. If the Committee would find it useful, and if time permits, we can also update you on workplace pension reform at the end of the session.

I understand that the Finance and Personnel Committee has already provided copies of the draft Bill and other background papers that set out the rationale for change, the core provisions of the Bill, the timetable for change and the financial consequences of delay, approximately £60 million of which would fall to education. I do not propose to cover all that again. Today, I propose to concentrate on addressing the concerns raised by the teacher unions in their session last week, which you helpfully set out in your letter of 13 September.

You asked for clarification on the exclusion of local teachers' unions from the England and Wales public sector pension negotiations. A technical review group was set up in England and Wales to consider pension reforms, meetings of which were held between September and December 2011. Departmental officials attended in an observer capacity. Local teacher unions were also represented on the technical review group as observers, as were representatives of the Scottish teacher unions, the Scottish Executive Education Department and the Scottish Public Pensions Agency. As you are aware, responsibility for pension arrangements for public service employees in Northern Ireland is a devolved matter. Following the exploratory discussions, the teachers' pension scheme in England and Wales considered it appropriate to focus its discussions specifically on the England and Wales scheme and to carry out those discussions with representatives of the members of that scheme. The decision not to involve the other jurisdictions was influenced by the size of the group, which even without the observers made the practicalities of accommodating and carrying out detailed discussions quite cumbersome. It is worth noting that it was only the Irish National Teachers' Organisation (INTO) and the Ulster Teachers' Union (UTU), which do not represent members in England and Wales, that were not included in the discussions. The other four unions that represent members in the Northern Ireland teachers' pension scheme — the National Association of Schoolmasters Union of Women Teachers (NASUWT), the Association of Teachers and Lecturers (ATL), the National Association of Head Teachers (NAHT) and the University and College Union (UCU) — were all included in the discussions.

As I have already said, pensions are a devolved matter. Irrespective of what happened in England and Wales, it is still necessary to hold discussions here. To that end, a consultative group to facilitate key stakeholder discussion has been established by the Department of Finance and Personnel (DFP). The Department of Education; which retains responsibility for policy and legislation matters for the Northern Ireland teachers' pension scheme; the Department of the Environment; the Department of Health, Social Services and Public Safety; and the Department of Justice are all represented on that group. Teachers' unions are also represented on the staff side of the group, which also includes nominees from unions that represent other parts of the public sector that are affected by the proposed changes.

With regard to engagement with the unions on the Northern Ireland teachers' pension scheme, the Department has a long-established teachers' superannuation consultative committee on which all unions representing pension members are represented along with employers. The committee met on 12 June 2012. It was agreed to establish a subgroup to examine any areas where potential scheme-specific discussions may be possible. Meetings of the subgroup were held on 21 June and 31 July 2012. After discussion, they reverted to the full committee. At the meeting on 31 July 2012, the Department circulated a paper detailing the scope of scheme-specific flexibilities. That paper was based on the key provisions of a reformed teachers' pension scheme in England and Wales. The committee met a further six times between 31 July 2012 and, most recently, 13 August 2013, and the paper detailing the scope for scheme-specific flexibilities featured on the agenda of each of those meetings. To date, however, date, the teacher side has not suggested any variations to the proposed final heads of agreement in the teachers' pension scheme for England and Wales.

At the committee meeting on 13 August 2013, officials advised the trades unions that, given the potential financial consequences of delay, it was vital that teacher-side proposals were submitted to the Department as soon as possible in order to allow sufficient time for detailed consideration of proposals and their likely cost implications. We hope that teacher side can submit any proposals in time for the October committee meeting.

I now propose to ask my colleague Ian to cover the actuarial valuations; Seamus will pick up on any remaining issues. We will be happy to answer any additional questions that you may have.

The Deputy Chairperson: Before we do that, we have one query. I am trying to explore the Minister's view of the Bill. I am thinking particularly about references that were made during Question Time to alternative proposals that the Minister put forward to the teaching unions on pensions. The Minister indicated that his proposals were rejected. Can you advise what was suggested and the impact of the Bill on the adoption of future alternative measures on teachers' pensions in Northern Ireland?

Mrs Montgomery: The proposals that the Minister referred to were in relation to additional contributions, which applied the year before last and the year that we have just come into. There are proposals for further contributions from the 2014-15 year. The Minister proposed a different approach to how those contributions would be calculated. He suggested that the additional contributions would be weighted to the higher earners. That was something that England and Wales were doing, and they were looking at anybody earning more than, I think, £36,000.

Mr Seamus Gallagher (Department of Education): Twenty-six thousand pounds.

Mrs Montgomery: The Minister proposed lifting that and, therefore, having the additional contributions weighted more to the higher earners. The unions did not engage on that suggestion. As such, the contribution changes that went in mirrored what happened in England and Wales.

The Deputy Chairperson: When you say, "did not engage", they did not reply. Is there something else going on that is encouraging them to hold their cards closer to their chest?

Mrs Montgomery: The unions fundamentally disagree with the need for additional contributions and for pension reform. Therefore, to engage may well say that they are accepting.

The Deputy Chairperson: Do you want to come in on this now, Chris, or when we are finished?

Mr Hazzard: I will wait until they are finished.

Mrs Montgomery: Ian will deal with the actuarial valuations.

Mr Ian Gallagher (Department of Education): Deputy Chair and members, the Department recently launched a consultation on actuarial valuations. In responding to union concerns, I will cover the consultation at the same time. The 2008 actuarial review of the NI teachers' pension scheme, along with similar reviews of other pension schemes, was put on hold before it was completed, while the coalition Government consulted on the most appropriate discount rate to apply in determining the full cost of the unfunded public service pension schemes.

The coalition Government subsequently announced that they would proceed with the implementation of reformed public service schemes by April 2015. The reformed schemes will include new arrangements for managing future cost pressures, including an employer cost cap. The Public Service Pensions Act 2013, which received Royal Assent on 25 April 2013, provides for those new arrangements in England, Wales and Scotland. On 8 March 2012, the NI Executive decided that the policy for pension reform would be implemented in the devolved schemes here.

For unfunded schemes, such as the Northern Ireland teachers' pension scheme, the initial level of the employer cost cap will be set with reference to 2012 actuarial valuations. Those actuarial valuations are used to measure the costs of the pension promises that are being made to the workforce and the benefits that will be paid out in future. They are complex, highly technical procedures, and the Treasury has advised authorities with responsibilities for public service pension schemes, including the Minister of Finance and Personnel on behalf of the locally devolved schemes, that there is no longer a need to spend further time or resources in conducting evaluations that some schemes have pending or in process based on the existing cap-and-share arrangements.

In light of new arrangements for setting contribution rates, which will come into effect in 2015, there is now no need to carry out the currently suspended Northern Ireland teachers' pension scheme actuarial review or the cap-and-share processes. The Department considers that the funds and actuarial resources that would be used in conducting such processes are better served focusing on a 2012 actuarial valuation, which is needed in order to set up the new teachers' pension scheme here. The true costs of the scheme can be determined only in the full light of the reforms that are being introduced.

It is worth noting that the purpose of a valuation under scheme regulations is to set contribution rates, and the need to carry a valuation to set contributions has been negated by the decision to increase member contributions independently of that process. Valuation processes to assess scheme liabilities are ongoing and will continue to be reported and published annually in resource accounts for each scheme, although those valuations are not used for setting contribution rates. The most recent scheme accounts for the teachers' pensions scheme provide a statement of scheme liabilities for the past five years. They show that liabilities had risen from £7·38 billion in 2009 to £9·56 billion at March 2013. There remains visibility and financial control as costs that would have been shown in the suspended actuarial valuations will still show up in the actuarial valuation that will be conducted for the new scheme.

The remainder of the consultation on valuations deals with the need to remove the cap-and-share arrangements and regulations. Cap and share are the arrangements under which any increase in contributions, as determined by an actuarial valuation, are shared between employer and employee with a cap of 14% on employer contributions. The NI teachers' pension scheme was linked into cap and share through a provision in regulations that required the scheme to adopt the member contribution rate that emerged from the teachers' pension scheme actuarial valuation in England and Wales, which was completed under cap-and-share arrangements and determined in accordance with the teachers' pension scheme regulations in England and Wales with the employer meeting the balance of the total contribution rate. However, as a result of a Treasury decision to remove cap-and-share arrangements, the Department of Education amended the Teachers' Pensions Regulations 2010 to remove the existing cap-and-share provisions. That means that the regulation referred to by regulation G5 of the Teachers' Superannuation Regulations (NI) 1998 no longer exists and, as such, the regulation is redundant. Finally, there is no detriment to any member of the teachers' pension scheme as a result of the proposals on either valuations or cap and share.

We are happy to take questions on actuarial valuations, or Seamus can address some of the other issues, including further responses to the Committee questions that were raised at last week's session.

The Deputy Chairperson: Thank you. It is an immensely complicated subject. Perhaps I should test everyone on the Committee to see how many followed it. This is the key: are you saying that there is no impact on the contribution as an actuarial nicety, or are you saying that, given the first consultation on cap-and-share arrangements, the proposals will have no material impact? Do the unions agree with you?

Mrs Montgomery: The employer contributions could be impacted, not the employee contributions.

The Deputy Chairperson: So things are going smoothly. Dare I ask: are we moving towards agreement or is a big battle looming?

Mr S Gallagher: The unions want the 2008 valuation carried out. The Department's position is that the 2012 valuation will provide a more up-to-date position so that we can examine the scheme. Skipping straight to a new valuation does not lack accountability, as what has happened since the 2004 valuation will still be reported in that. In any case, the Department publishes annually a statement of scheme liabilities based on a report of the actuary, although that report does not look at members' contribution rates, which have already been determined by another policy. That is why we increased them last year, the year before and will come back to them probably later this term about further increases from April 2012. Cap and share was designed to protect the employer, not the member. There is no detriment to members because of the changes.

The Deputy Chairperson: If I remember correctly from last week, their main question was about what they are going to get when they retire. That is protected.

Mr S Gallagher: I was intending to cover that in the latter part. What they were saying is that the Bill provides not only for a defined benefits schemes but for other schemes. The Bill is basically enabling legislation, and it has to cover many scenarios, not just the scenario for education and health but for any public sector body that exists or that might come into existence in future. We assure the Committee and the teachers' unions that the Department has no intention of moving away from a defined benefits system —

The Deputy Chairperson: Good.

Mr S Gallagher: — for at least the length of the guarantee — 25 years — that the coalition Government have given.

Mr Lunn: I am as bewildered as everybody else. Is it correct that the actuarial valuation is normally or ideally carried out triennially?

Mr S Gallagher: Some of them are carried out triennially; the teachers' one was every four years.

Mr Lunn: However, the scheme valuation is an annual one with actuarial input.

Mr S Gallagher: A report of the actuary is produced annually for the scheme accounts; it sets out the scheme liabilities and notional assets.

Mr Lunn: Would the annual scheme valuation highlight the need for a contribution change, or would you need a full actuarial three or four-yearly valuation?

Mr S Gallagher: The annual valuation does not set out what member or employer contributions would be; it simply sets out what the liabilities are.

Mr Lunn: That is what I mean: it would highlight sufficiently the potential need for a change up or down in contributions.

Mr S Gallagher: As Ian said, it has reported an increase in liabilities over the past five years from —

Mrs Montgomery: From £7·38 billion at 31 March 2009 to £9·56 billion at 31 March 2013. That is an increase of more than £2 billion.

Mr Lunn: You have already done this, but sometimes it takes two goes: will you explain the cap-and-share arrangement? Is that a potential cap on the employer contribution and the employees' contribution, or either, or both?

Mr S Gallagher: Only on the employers' contribution.

Mr Lunn: Therefore the employee is left — dare I use the word? — defenceless.

Mr S Gallagher: They would have been under cap-and-share arrangements. Had contributions been forced up, it would have come back to employees picking up the cost or discussion with the unions about changes to the scheme. However, it did not come into effect because the coalition changed their mind; they now say that they will value the new schemes from 2015 on.

The Deputy Chairperson: Before they go, I welcome Sam Gardiner's guests. Sorry to interrupt.

Mr Lunn: From 2015 onwards, if there is an identified deficit in the scheme, it will hit the employee, not the employer. Is that correct?

Mr S Gallagher: The scheme assumes that employee contributions for teachers will be an average of 9·6%, which is the position as a result of the separate increases that were applied last year and the year before and the final 20% that will apply in April coming. It is setting a cost cap within which the scheme will operate and from where employers' contributions will come. It is expected that that will show enough flexibility — a couple of per cent either way — so that it will not be breached over the next 25 years before they go back and look at it.

Mr Lunn: You talk about an overall cost cap. Is that the employer and the employees' contributions aggregated into a contribution cap?

Mr S Gallagher: It will set a maximum amount, but we do not know what that will be yet; we do not know what employers will contribute. The default position set out in the Bill is that, if that is exceeded and employees do not want to pay any more, the accrual rate would change. So, the rate at which pension is accrued would change from one fifty-seventh to one fifty-eighth, one fifty-ninth or whatever it takes to balance the liabilities.

Mr Lunn: I am trying to reorganise my thoughts. I will ask you a few more questions in a minute.

Mr S Gallagher: Rather than having the automatic default position of employees' contribution going up, the benefits would change.

Mr Lunn: We had this conversation the last time you were here, Seamus. Do you think that the teachers' scheme, as it stands or goes forward, stands up in comparison with the other public service or Civil Service schemes?

Mr S Gallagher: Yes, except, of course, those for the police and the Fire and Rescue Service. We provided you with some kind of comparison last time around.

Mr Lunn: You did. I am not sure whether it was the Civil Service or the public service scheme that appeared to have slightly better benefits and slightly lower employee contributions.

Mr S Gallagher: The Civil Service scheme has slightly lower employee contributions, mainly because civil servants have been lower paid than teachers, and this was seen as a kind of compensation. Historically, as part of the pay package, they contributed less to their pension scheme. The benefits are pretty comparable.

Mr Lunn: Do you think that you will still be able to defend that comparison under the new arrangements?

Mr S Gallagher: Yes.

Mr Hazzard: This point is about the section 75 issues raised by the Bill and the fact that there has not been an equality impact assessment. I am wondering what the Department is doing to look at the issue.

Mr S Gallagher: DFP has ownership and responsibility for implementing the changes. It undertook an equality screening exercise on the proposed Bill and screened out the need for a full equality impact assessment. It identified minor impacts in the areas of age and gender but concluded that the impacts can be shown to be mitigated, on age, by the transitional arrangements and, on gender, by factors external to the policy, which are due to the fact that the make-up of the public service workforce is primarily female. In effect, the policy did not impact any worse on a male than a female; it just happened to impact on more of them. However, that assessment did not consider any matters that vary between the schemes and addressed only the core provisions, so we will undertake further analysis of equality when we come to implement the scheme regulations. We are committed to taking equality implications into account in developing those proposals, and we will undertake further assessment at scheme regulation point.

Mr Hazzard: Will that involve screening?

Mr S Gallagher: Initially, we will screen, and then we will determine whether a full impact assessment is required.

The Deputy Chairperson: Seamus, do you want to go into more detail on the Bill and what is coming?

Mr S Gallagher: I think we touched on a couple of points that I was going to cover, one of which was equality, because you specifically asked about that.

You also asked for clarification on transitional protection. The transitional protection will be for 10 years from 1 April 2012. The rationale for transitional protection is to allow the people nearest retirement to have time to adapt. The consideration is that the time for adapting started when people became aware of the changes, not when those changes were implemented. So, the 10 years will run from 1 April 2012 and not from the point of implementation. There is further transitional protection for a further three and a half years, but that is tapered, so the younger you are, the less it is.

The Deputy Chairperson: Can they still debate that?

Mr S Gallagher: Well, it would be built into the scheme reference that we are basing our costs against that it would be 10 years from April 2012. Were there to be any changes to that there would be a subsequent cost and one of the other benefits would have to change.

Mrs Montgomery: Effectively, we are then talking about anyone aged forty six and a half.

Mr S Gallagher: Yes, there is tapered protection from forty six and a half to anyone who was 50 in April 2012, and full protection for anybody who is over 50, which we reckon would probably equate to around one third of current members who would not be impacted at all.

Mr Rogers: The important thing for teachers is whether, when they retire, their pension will be as good then as it is now, or whatever. Will you explain more about how the career-average revaluated earnings, using that method, will not negatively impact on what teachers get in their pension?

Mr S Gallagher: Career average will negatively impact on some people — ie high fliers and high earners — but it will not necessarily impact negatively on the normal classroom teacher who is not making progress in terms of promotions and stuff. It was seen by the Independent Public Services Commission, which reported on it, as a fairer way, given that high-fliers were perhaps gaining up to three times as much for every pound that they contributed into the pension scheme as the normal, average, run-of-the-mill member. So, it will benefit some people; it will not benefit those near the top of the scale, but it is seen as a fairer method.

Mr Rogers: Have you any idea of the percentage of teachers that it will impact negatively on?

Mr S Gallagher: I do not.

Mrs Montgomery: Effectively, in the main, a classroom teacher will reach the top of their scale after 12 years; so it would not impact, in the main, on classroom teachers: is that correct, Seamus? It is potentially those who are in leadership and who have gone into leadership earlier who would be affected; they would have benefited from the current scheme.

Mr S Gallagher: To some extent, this is designed to protect the scheme from salary increases right at the end of the career. I am not saying that it is not a money-saving exercise, because the whole pension reform is about saving money; but this is seen as a fairer method of doing it. You will find that low earners come more from the female side of the house, across the public sector, than high earners do, and to some extent this is seen as balancing inequalities.

Mr Rogers: Is it not true that the majority of teachers would move off that and have some motion through the number of years in their teaching career, so that this might impact negatively on quite a considerable number of teachers?

Mr S Gallagher: The way that it will work is that what you earn in a year will be sliced off and then be increased by inflation. For teachers it is proposed that it will be CPI plus 1·6% from that point until the point in which it actually goes into payment. It does disadvantage people who move up the scale quickly at the end of their career. It does not really impact that much on those who have a normal, steady career path. It may well be that some of those would gain.

Mr Rogers: It would be useful to see data on different teachers, different categories and what the impact would be.

Mrs Montgomery: Certainly, we can provide that to the Committee.

Mr Lunn: Just on what you have been discussing — if this did not have any impact, you would not need to do it. I accept what you say, Seamus, that in a lot of cases it will not make much difference, but in all cases it will make some difference, and in some cases it will make quite a dramatic difference. However, this is intended as part of the overall package to tidy up the scheme and keep it financially viable without the need for injections of cash and all the rest of it, so I can understand that. Most final salary schemes have now become career average schemes. It is the trend, and I am not saying that teachers or anyone else should be immune from it, but it has a difference.

Can I move on to something else, Chairman?

The Deputy Chairperson: Yes, go ahead.

Mr Lunn: There are various calculations about how this will affect a 30 year old, a 50 year old and a 60 year old; but for teachers who are already contributing, the benefits accrued to date will not be affected by this in any way: is that right?

Mr S Gallagher: That is right.

Mr Lunn: I am just putting on the record now the fact that the benefits have been accrued on the assumption that any adjustments in the future will be on the basis of the retail prices index (RPI) rather than the consumer prices index (CPI). Does that still apply?

Mr S Gallagher: I do not think that benefits have been accrued on that basis. The Government have already moved from RPI to CPI since 2010, so any future pension increases would probably be done on the basis of CPI.

Mr Lunn: I am thinking of another scheme that I have been made aware of, let us put it that way, in which the pension provided on the basis that contributions made to date, before the change from RPI to CPI will, eventually, be paid on the basis of RPI adjustments.

Mr S Gallagher: I am not aware of that. If you give me more information, we can look into that scheme.

Mr Lunn: I will talk to you afterwards.

The overall thrust of this, and I am not saying that we in Northern Ireland could do anything about it, is that it used to be the case that adjustments to pension schemes were made gradually. I would not say that they were barely noticeable, but they were not dramatic. I know that the world is changing and that people are living longer, and the fact that people being in payment for much longer is what is at the back of all this, but that has also been a gradual thing. Suddenly, we have a situation where, and this is fairly typical, employee contributions are being increased dramatically, in historical terms, and employer contributions appear to be being capped. The only basis, if the scheme does not cover itself actuarily, will be that either employee contributions will go up again or benefits will be reduced. It is all quite dramatic. Do market forces not come into play in the scheme's performance?

Mr S Gallagher: There is no actual pot of money, so market forces do not really come into effect.

Mr Lunn: There is no pot of money?

Mr S Gallagher: No, it is an unfunded scheme; simply, the Government guarantee to pay out the benefits that members have accrued. At the minute, the amount of benefits being paid out is exceeding the contributions coming in, by £163 million in the most recent year.

Mr Lunn: This is not familiar to us; it is completely unfunded, there is no pot of money and there is no money going into investment in the normal way. To put it another way, the Government can effectively red the scheme any time they like.

Mr S Gallagher: The Government guarantee the payments that are made out of it. It is much the same way as they guarantee social security payments. They do not invest the money; they take the contributions and they guarantee to pay out the benefits.

Mr Lunn: They accept and retain the money, but they do not have to ring-fence it.

Mr S Gallagher: No, they do not ring-fence it.

Mr Lunn: OK. Fair enough. That is interesting.

The Deputy Chairperson: Thank you, you have cleared up some things for all of us.

Can I ask you to comment on one or two things that arose from our meeting with the Teachers' Council last week? They raised two points; that normal pension age is 65 not 68 and that there will be a revised role for the pensions board and the scheme advisory board.

Mr S Gallagher: It is set out in the Bill that pension age would increase to state pension age in line with the scheduled increases for state pension age. We are not here to defend the coalition Government's policy on pension age. However, the rationale, which is set out in Hutton's report, is that life expectancy has increased and that, by moving the pension age, people would spend the same portion of their life in retirement as they currently do.

The Deputy Chairperson: The same proportion.

Mr S Gallagher: Yes. It is roughly a third.

The Deputy Chairperson: Is it also the case that the Bill would allow the Department a lot of discretion to alter the Northern Ireland teachers' pension scheme to a defined contribution scheme?

Mr S Gallagher: As I said, we have no intention of moving away from defined contributions. The legislation is an enabling power and it should provide for as many scenarios as possible. It does not set out the specifics of how each scheme would operate. The proposals are that the teachers' scheme will stay as a defined benefit scheme. Members will know what they will get out of the scheme at the point that they are putting contributions in.

You mentioned scheme governance. The unions asked for the Bill to be specific on how the management board and scheme advisory board would be made up. Again, it is the same thing: it is enabling legislation. The detailed discussions as to how those are made up — a pensions board, which would deal with overseeing the administration of the scheme, and a scheme advisory board, which effectively would adopt the same policy advice role as the current consultative committee — would be worked out at scheme level and probably should not be specified in the Bill.

The Deputy Chairperson: It leaves flexibility.

Mr S Gallagher: Yes. It is about flexibility.

Mr Lunn: I am sorry if this sounds naive; I do not mind sounding stupid, sometimes. If there is no pot of money being held for the benefit of the scheme, who actually pays the employer contribution? Do not just say the employer.

Mr S Gallagher: The employer pays the employer contributions.

Mr Lunn: Who is the employer?

Mr S Gallagher: Education and library boards, voluntary grammar schools, further education colleges.

Mr Lunn: That is what I mean. It is physically paid over to the Treasury.

Mr S Gallagher: Yes. In the most recent year, benefits going out exceeded the pile of money coming in by £163 million. That has increased, year on year, over the past number of years.

The Deputy Chairperson: What are the projections for the future? We have got to change things, otherwise, presumably, it will just get worse and worse.

Mrs Montgomery: I do not know whether the 2012 valuation would give us that.

Mr S Gallagher: We are hoping to complete a 2012 valuation, which would give us more indication of how the scheme would look taking account of the changes.

Mrs Montgomery: In 2011-12, it was exceeded by £133 million. In 2012-13, it was exceeded by £163 million. That is the difference in a year.

The Deputy Chairperson: That is why unions could be worried. If the gap is getting bigger and bigger, then, in the future, people would likely be asked to pay more.

Mr S Gallagher: The coalition Government have given a guarantee of no further changes for 25 years.

Mr Lunn: Is that no further changes to employee contributions?

Mr S Gallagher: The make-up of the pension schemes.

The Deputy Chairperson: Assuming that you get the same Government.

Mr S Gallagher: I think that the guarantee is binding on any Government that come in.

The Deputy Chairperson: According to my notes, there was only one response to the second consultation following proposals that the Department consulted on in February about the bar on retired teachers re-entering the Northern Ireland teachers' pension scheme to be removed. There are a whole lot of different points.

Mr S Gallagher: Yes, Ian is going to cover that.

Mr I Gallagher: On workplace reform, officials were here at the session on 6 March. We were discussing year 2 increases to member contribution rates. At that stage, the Department was part way through a policy consultation on those proposals. At that stage, the Department intended to run a short, four-week consultation on the draft regulations at the same time as the policy consultation. However, the draft regulations proved to be more complex than anticipated, and we are now only getting round to consulting on the draft regulations. However, with regard to the initial policy consultation, there was just the one response from the Ulster colleges union, which was broadly supportive of the proposed changes.

The teachers' pension scheme here more than meets the minimum standards of a qualifying pension scheme, and auto-enrolment for full- and part-time staff has been a feature of the scheme since 2007. The vast majority of teachers will be unaffected by workforce pension reform and the changes proposed. However, retired teachers are currently barred from rejoining the teachers' pension scheme when they are re-employed as substitute teachers. The Department is proposing to amend the teachers' superannuation regulations to allow retired teachers to re-join the teachers' pension scheme.

A number of other minor amendments to the regulations are needed to comply with overriding legislation. Those amendments will ensure that teachers who are currently eligible to be part of the teachers' pension scheme, but who have opted out of it, will be given the opportunity to review that decision and revisit any decision to opt out every three years. They also provide that individuals who have more than one job may make different opt-out decisions for each job and will allow for membership of the scheme by 16- and 17-year-olds. Those amendments are not contentious and are relatively simple to make.

The Deputy Chairperson: Is that why we only got one response? Are people happy with it? Is that what we are seeing?

Mrs Montgomery: That was the initial policy consultation, so we are still engaged in the wider consultation.

The Deputy Chairperson: There are no questions from members. La'Verne, Ian, Seamus, thank you very much, and thank you for your patience with us trying to get our heads around this.