



Northern Ireland
Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Regulations for the Civil Service Pension
Scheme (Northern Ireland) 2015:
Department of Finance and Personnel

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that they commented on were outside the scope of the consultation. The response document provided clarity on the key areas that were raised from the consultation exercise, and these centred on the level of protection provided to members. Some would have full protection, and some would have partial protection. The issues of employee contributions, the linking of normal pension age with state pension age, and the governance arrangements and union representation were raised. We did consider all of the responses received and concluded that the case for change still stands. We do very much also appreciate that, in rolling out this reform programme, we really need to look at how we can communicate that and communicate what it means to our members. We are working hard on that.

I move on to the next steps. We will be finalising the regulations, and they will be laid subject to negative resolution. We intend to adhere to the guidance and the 21-day rule on that. The timetable is challenging to get all of this done in time, and we expect the regulations to be laid next month. Immediately following the laying of the regulations, we will look at the options exercise for those who have tapered protection, and that will provide those members with a degree of choice as to when they move into the new scheme. Over the coming months, we will be issuing a lot more information to members on a whole range of issues. We have also done some presentations to our various employers, to the trade unions and to different groups of HR staff as well.

Rather than opening it up for questions now, I will touch on some of the other areas that I said that I would cover in this session, starting with the other schemes.

In terms of other scheme, the teachers' consultation commenced on 19 June and will close on 30 September. The response is expected to be published in October. The Education Committee will be briefed in November, and the Department plans to have its regulations laid in December or January. The devolved judicial scheme has had a three-month consultation, which closes on 25 September. It expects the response to be published in October, and its regulations are laid by affirmative resolution, so it is expected that there will be an Assembly debate on that, probably around January next year. For local government, the initial consultation on transitional provisions was completed in February 2014. It has published its response, and I understand that its Committee has been briefed. It is on track for implementation in April 2015. The police consultation was launched on 4 July and will close on 16 October, and the Committee will be briefed on that. The schedule is certainly tight, but the intention is to have the regulations laid in time. For the Fire Service, consultation on policy will commence on 6 October for eight weeks, ending in December. Again, the timescale is quite tight, and it is planned that the legislation will be laid in time before the introduction of the scheme. Health launched a three-month consultation on its proposals in August, and it will also be consulting on its regulations later this year. Again, the timescale is challenging, but their view is that they will meet it.

In summary, all of the Northern Ireland public service pension schemes are broadly on track for implementation of the reform scheme by April 2015. The Committee might also wish to note, on a separate issue, that we are working on the valuation and cost cap directions and cost cap regulations. I do not want to go into that, because time would not permit, but I just remind the Committee that that will provide a common approach for scheme valuation and cost control processes.

Finally, the last issue is the new IT system for Civil Service pensions. I just want to take the opportunity to update the Committee while I am here today. The procurement of the new integrated IT system to administer and pay pensions is now pretty much complete and we expect to award the contract, which will be going to an organisation called Capita Employee Benefits, in the coming days. The implementation phase has now commenced and we expect to have our new integrated IT system up and running on a staged basis, starting in April 2015. I am happy to take questions.

The Deputy Chairperson: Thank you very much. Have you anything to add, Margaret?

Ms Margaret Coyle (Department of Finance and Personnel): No, that is fine. Those are the main points.

The Deputy Chairperson: Grace, I think that during the Committee Stage of the Bill you said that there would be scope to vary the design of the local pension schemes without any financial implications, so long as they fell within the cost ceiling of the equivalent Whitehall schemes. Are there any examples of such variations in the schemes?

Mrs G Nesbitt: For all of the schemes?

The Deputy Chairperson: First of all in the Civil Service scheme.

Mrs G Nesbitt: No.

The Deputy Chairperson: Are there any in any of the other schemes?

Mrs G Nesbitt: The only other one, to my knowledge — my understanding is, broadly, no. I think a number of schemes did look at that but are reflecting their comparison schemes in Great Britain. The only variation, which the Committee will be aware of through the passage of the Bill, is the Fire Service.

The Deputy Chairperson: OK. So none of the schemes saw any necessity to vary them in any way to suit local needs, except the change that was made through the Assembly to the position of the firefighters.

Mrs G Nesbitt: That is my understanding. That is not to say that a number of areas were not looked at in a number of sectors and various costings made, but I think that, by and large, they have reached the conclusion that they will mirror their counterpart scheme in GB. In some instances — in fact, most of them, I think — that has been supported by the trade unions as well. I think the conclusion has been reached and, broadly speaking, all parties are agreed with the approach that has been adopted.

The Deputy Chairperson: Are there advantages to that?

Mrs G Nesbitt: I have already outlined to the Committee the advantages of following and reflecting the GB scheme in terms of joint IT systems, communications that we can avail ourselves of and mobility of public service workers across different areas. Those advantages that I have outlined at sessions before still apply.

The Deputy Chairperson: Can you tell me some more about the introduction of the schemes? Will they be introduced within the time frame necessary?

Mrs G Nesbitt: Yes. As I said in summary, the updates that I have from all of the schemes are that they are on track. The timescale is challenging. There is obviously an imperative to get them in on time, otherwise we will face the penalty — which I will not revisit — from HM Treasury of over £300 million if we delay past the April 2015 deadline. So there is an imperative to do that, which officials and Ministers are aware of.

The Deputy Chairperson: OK, thank you very much.

Mr McQuillan: Grace, can you tell me why the consultations are carried out over the summer months? Are we not leaving ourselves open to criticism from the trade unions by doing it then and only having it for six weeks, when some of the other pensions have been going for eight weeks and twelve weeks? Can we not have it all uniform in some way?

Mrs G Nesbitt: It is up to each scheme to look at it. To stick with the Civil Service scheme, Mr McQuillan, I have a forum called the pensions forum in which we meet all of the trade unions relevant to the Civil Service scheme. There are a number of different unions there, both industrial and non-industrial, such as the Prison Officers' Association. They were content with our approach to the consultation. I think that was because we had done quite a detailed consultation on the policies and principles underpinning the reform. They were very familiar with that and were quite content with the period and timing of the consultation.

Mr McQuillan: What about individual members? Did you get any feedback from them on the consultation?

Mrs G Nesbitt: No.

Mr McQuillan: No. They were seen to be happy enough.

Mrs G Nesbitt: It was not raised as an issue.

Mr McQuillan: I just envisage that, sometime down the road, somebody is going to say that you consulted over the summer and all the rest of it.

Mrs G Nesbitt: I think the fact that the unions agreed to it is quite a powerful defence.

Ms Coyle: We are not unique in that. The other schemes were consulting more on the policy as opposed to the specific regulations, and they have even had shortened consultations on the regulations of something like two to three weeks. So it was mainly the policy that they wanted to consult on, and we had the detailed policy consultation for 12 weeks last year.

Mr McQuillan: I hope it does not come back to bite us later on. Can you remind me again what "tapered participation" means?

Ms Coyle: If you are within the 10-year period from your normal retirement age at 1 April 2015, you are fortunate enough to stay in the scheme that you are in. Grace and I will make no comment on that, but we have smiles on our faces. The tapered group would be, however, if you are within 13.5 years. So from age 46 and a half onwards, you could be in the tapered group if you are in the classic premium scheme, and, from age 51 and a half, you are in the tapered group if you are in the Nuvos scheme. So you will eventually — and we have to make this clear — move into the new scheme, but this is allowing for a certain period when you can retain the scheme that you are in and the retirement age that that is applicable to. So it is beneficial to certain people if they are considering retiring in the near future, before their tapered end date. They could retire prior to having to make a compulsory move to the new scheme.

Our intention is to send out a lot of communication on this before we start the options exercise. People should be making an informed choice in deciding that they will either move into the scheme on 1 April 2015 or wait until their tapered end date and then look at the different reasons and their own circumstances. They will get benefit statements in relation to moving on 1 April 2015 and on their tapered end date, and what their benefits would actually be. They will also be supplied with a modeller to kick in specific dates when they think they might want to move, which will show what implications that would have for their pension and lump sum. Hopefully, the information will be out there for them to make an informed decision.

Mrs G Nesbitt: We are planning and endeavouring to give people three months for that exercise, so they will have a good period to think about it, and for some people, it might be to their advantage because there is a better accrual rate in the new scheme, which means that it is not as easy as saying that they will just stick with the old scheme for as long as they can. We will set that out clearly, on an individual basis, to everyone in that category.

Mr McQuillan: Good idea.

The Deputy Chairperson: Before we go any further, I better declare an interest as a member of the upper tapering group in the teachers' scheme.

Mr Cree: Do you have 10 years to go?

The Deputy Chairperson: I do not think I need to comment any further than that. *[Laughter.]*

Mr Cree: You have pretty well answered my question. People will get the detail of their accrued benefits and the details of the new scheme. So one actually is, if you like, frozen and passed on as a package. Is that right?

Mrs G Nesbitt: Yes.

Mr Cree: It does not have any direct implication on the new scheme?

Ms Coyle: It will not. They will actually see what they have accrued to date before they move into the new scheme. Equally, the modeller will be able to project what their benefits will be in the new scheme. So they will get all that information.

Mr Cree: All the information on all of that.

Ms Coyle: Yes. Prior to making their decision.

Mr Cree: This is by negative resolution in the House, so it is only a formality.

Ms Coyle: It is negative resolution.

Mr Cree: So it should be ready to go live on 1 April.

Mrs G Nesbitt: Yes. Just one other point for clarity: we have been talking about those with tapered protection, but for other folk who have neither full nor tapered protection, their accrued pension to date will also be kept for them, and that was one of the key things in Hutton as well. So, in a sense, those people who are below age 46 and a half at April 2015 will, in effect, have two pensions. When they retire, they will have their current pension and they will have their new pension. The benefits that they have they will keep.

Mr Cree: Can I opt for that? Would that be OK?

Mrs G Nesbitt: I might have to check your birth certificate. *[Laughter.]*

The Deputy Chairperson: OK, members. Thank you very much, Grace and Margaret. I do not suppose that we will hear from you again on this issue, but we will, no doubt, on other issues.