Committee for Social Development

Report on the Pensions Bill

Together with the Minutes of Proceedings of the Committee relating to the Report and the Minutes of Evidence

Ordered by the Committee for Social Development to be printed 8 March 2012
Report: NIA 40/11-15 (Committee for Social Development)

Membership and Powers

The Committee for Social Development is a Statutory Departmental Committee established in accordance with paragraphs 8 and 9 of the Belfast Agreement, section 29 of the Northern Ireland Act 1998 and under Standing Order 48.

The Committee has power to:

- consider and advise on Departmental budgets and annual plans in the context of the overall budget allocation;
- consider relevant secondary legislation and take the Committee stage of primary legislation;
- call for persons and papers;
- initiate inquires and make reports; and
- consider and advise on any matters brought to the Committee by the Minister for Social Development.

The Committee has 11 members including a Chairperson and Deputy Chairperson and a quorum of 5.

The membership of the Committee since 23 May 2011 has been as follows:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley[1]
Ms Judith Cochrane
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Ms Pam Lewis
Mr Fra McCann
Mr David McClarty

1 With effect from 20 February 2012 Ms Paula Bradley replaced Mr Gregory Campbell

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List of Abbreviations

CPI	Consumer Price Index
DWP	Department of Work and Pensions
DSD	Department for Social Development
EEA	European Economic Area
EQIA	Equality Impact Assessment
GB	Great Britain
NEST	National Employment Savings Trust
NIPSA	Northern Ireland Public Service Alliance
PPF	Pension Protection Fund
PUCODIs	Payable Uprated Contracted-out Deduction Increments
RPI	Retail Price Index
SPA	State Pension Age
UK	United Kingdom

Executive Summary

The Bill has five Parts, 34 Clauses and 4 Schedules and makes provision for Northern Ireland corresponding to the Westminster Pensions Act 2011.

The Bill introduces proposals relating to:

- the State Pension framework, in particular bringing forward the equalisation of women's State Pension age with men by November 2018 and the increase in the State Pension to age 66 by October 2020;
- the introduction of an earnings trigger at which an employee is automatically enrolled in a workplace pension and the introduction of an optional waiting period of up to three months before the automatic enrolment duty commences;
- the use of the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) as the measure of inflation for indexation and revaluation of occupational pensions and payments from the Pension Protection Fund; and
- a number of technical amendments relating to the operation of the Pension Protection Fund and changes to the definition of Money Purchase Benefits.

The Committee held discussions on a wide range of issues relating to the Bill. The key issues about which Members expressed their concerns were:

- the impact on those women who will be delayed in receiving their State Pension as a result of bringing forward the date for the equalisation of women's State Pension age with men by November 2018;
- the proposed State Pension amount being below the stated poverty level in terms of Universal Credit;
- the increase in State Pension age not being linked to the health profile of an individual i.e. people may be living longer but not necessarily living healthier; and
- the passported Winter Fuel Payment being linked to the pensionable age.

Clause 1 – Equalisation of and increase in pensionable age for men and women

The majority of concerns that the Committee had related to Clause 1. While these concerns were generally shared by all the members a consensus could not be reached on whether to accept Clause 1 as drafted. The following question was therefore put to members:

"Question: That the Committee is content with Clause 1 as drafted."

Ayes 3; Noes 4; Abstentions; 2

The motion therefore fell.

The Committee agreed that it was content with Clauses 2 – 34 and Schedules 2 – 4 as drafted.

Schedule 1 – Equalisation of and increase in pensionable age for men and women: consequential amendments

Consequential amendments flow from the increase in State Pension age such as amendments to increase the upper age for Disability Living Allowance and Widow's Pension and the minimum age for Attendance Allowance, and State Pension Credit (Saving Credit).

The following question was put to members:

"Question: That the Committee is content with Schedule 1 as drafted."

Ayes 3; Noes 4; Abstentions; 2

The motion therefore fell.

Delegated Powers

The Committee noted and accepted the other regulation-making powers associated with the Bill.

Introduction

1. The Pensions Bill was referred to the Committee for consideration in accordance with Standing Order 33(1) on completion of the Second Stage of the Bill on 31 January 2012.

2. The Minister made the following statement under section 9 of the Northern Ireland Act 1998:

   "In my view the Pensions Bill would be within the legislative competence of the Northern Ireland Assembly"

3. The Bill contains five Parts, 34 Clauses and 4 Schedules which make provision for Northern Ireland corresponding to the Westminster Pensions Act 2011.

4. The Bill has five parts:

Part 1 State Pension (Clauses 1 to 3 and Schedules 1 to 3)

Clause 1 Equalisation of and increase in pensionable age for men and women

Clause 1 amends the rules for determining State Pension age for men and women. It accelerates equalisation of State Pension age between men and women with State Pension age for women reaching 65 from November 2018 instead of April 2020.

This Clause also brings forward the increase in State Pension age to 66 by October 2020.

Clause 2 Abolition of certain additions to the State Pension

Clause 2 amends section 132 of the Social Security Administration (Northern Ireland) Act 1992 and Schedule 5 to the Social Security Contributions and Benefits (Northern Ireland) Act 1992. These provisions abolish Payable Uprated Contracted-out Deduction Increments (PUCODIs). Any award already in payment will be unaffected. This is a simplification measure.

Clause 3 Consolidation of additional pension

Clause 3 gives effect to Schedule 3 (Consolidation of additional pension).

Part 2 Automatic Enrolment (Clauses 4 to 18)

Clause 4 Automatic re-enrolment where scheme membership interrupted

The Pensions (No.2) Act Northern Ireland 2008 introduces a duty to enroll job holders into a qualifying pension scheme. Clause 4 amends sections of this Act to clarify the duty on employers to re-enrol employees following change or closure of a scheme. This is intended to correct an unintended ambiguity in the existing law.

Clause 5 Earnings trigger for automatic enrolment and re-enrolment

Clause 5 amends section 3 and 5 of the Pensions (No.2) Act to provide that a jobholder not eligible for automatic enrolment (or re-enrolment with exceptions) unless he earns more than £7,475 per annum ("earnings trigger") but contributions continue to be due on all qualifying earnings (i.e.) £5,035 - £33,450 (even if during the automatic enrolment/re-enrolment period earnings fall below £7,475). This amount will be reviewed annually.

Clause 6 Postponement or disapplication of automatic enrolment

Clause 6 introduces an optional waiting period of up to 3 months into the automatic enrolment process. In effect these provisions allow employers to defer automatic enrolment of a worker for up to 3 months although the worker can opt into pension saving at any time during the waiting period.

Clause 7 Timing of automatic re-enrolment

Clause 7 amends section 6(1) (b) of the Pensions (No.2) Act. These provisions ensure that an employer is not required to automatically re-enrol a jobholder more than once in any period of 2 years and 9 months.

Clause 8 Review of earnings trigger and qualifying earnings band

Clause 8 amends section 14 of the Pensions (No.2) Act where the Secretary of State makes an Order to change the earnings trigger or the qualifying earnings band, the Department may make corresponding provision for Northern Ireland.

Clause 9 Rounding figures for earnings trigger and qualifying earnings band

Clause 9 inserts a new section 15A into the Pensions (No.2) Act. The provisions allow an Order to provide for rounding where earnings trigger and earnings band apply to period other than 12 months and therefore have to be proportionally increased/decreased.

Clause 10 Qualifying schemes: administration charges

Clause 10 amends section 16 of the Pensions (No.2) Act. The provisions correct an anomaly in existing legislation, where the Department has the power to cap administration charges charged by qualifying schemes in respect of active members but not deferred members of the scheme. Clause 10 allows a cap on administration charges of qualifying schemes to apply to charges made to deferred members as well as charges made to active members.

Clause 11 Test scheme standard for schemes that produce sum of money for provision of benefits

Sections 21, 22 and 23 of the Pensions (No.2) Act set out the quality requirements for defined benefits schemes used by employers to discharge their automatic enrolment duties.

At present the quality requirements which a qualifying scheme has to meet have been designed for defined benefits schemes in which the member accrues a pension rather than a sum of money. Clause 11 makes provision for defined benefits schemes which provide a sum of money to be used for purchasing an annuity from a provider or securing a pension within the scheme and introduces a regulation-making power to enable the Department to provide for the detailed requirements for a test scheme for such schemes.

Clause 12 Certification that alternative to quality requirement is satisfied

Clause 12 amends section 28 of the Pensions (No.2) Act. The provisions simplify the way an employer can certify a personal pension scheme, a personal pension scheme or money purchase elements of a hybrid scheme meets the “quality test”. They will be able to do so if the scheme meets requirements prescribed by the Department in regulations.

Clause 13 Certification for non-UK schemes

Clause 13 amends section 28 of the Pensions (No.2) Act. The provisions give employers using money purchase, personal pension schemes or the money purchase elements of hybrid schemes the option of self-certifying that their scheme meets the relevant quality requirement where the scheme has its main administration in a Member State of the EEA other than the UK.

Clause 14 Transitional period for defined benefits and hybrid schemes to be optional

Clause 14 amends section 30 of the Pensions (No.2) Act. The provisions amend existing law to allow employers to choose whether or not to use transitional arrangements designed to help employers using defined benefit or hybrid schemes to adjust gradually to additional costs of automatic enrolment.

Clause 15 Arrangements where transitional conditions cease to be satisfied

Clause 15 amends section 30 of the Pensions (No.2) Act. The provisions allow employers the option of enrolling jobholders into a personal pension scheme (in addition to the existing options of another defined benefit or hybrid or defined contribution scheme) where the transitional conditions allowing deferral of enrolment cease to apply.

Clause 16 Power of managers to modify by resolution

Clause 16 extends section 32 of the Pensions (No.2) Act. The provisions allow managers (as well as trustees) to modify existing rules of a scheme to ensure they comply with auto enrolment requirements.

Clause 17 No indemnification for civil penalties

Clause 17 extends the prohibition in Article 233 of the Pensions (Northern Ireland) Order 2005. The provisions ensure that where a trustee or manager incurs a penalty or fine they cannot pay for them out of the pension fund.

Clause 18 Power to exempt certain cross-border employment from enrolment duty

Clause 18 inserts a new Article 268A into Part 7 of the 2005 Order. The provisions provide a regulation-making power allowing the Department to provide that the employer’s automatic enrolment duties under the Pensions (No. 2) Act (Northern Ireland) 2008 do not apply in the case of employment of an individual in relation to whom the employer is a European employer as defined in the Occupational Pension Schemes (Cross-border Activities) Regulations (Northern Ireland) 2005.

Part 3 Occupational Pension Schemes (Clauses 19 to 25 and Schedule 4)

Clause 19 Indexation and Revaluation

Clause 19 amends existing law in consequence of Government's decision to move from Retail Prices Index to Consumer Prices Index as the general measure of inflation. For example, it will allow schemes to continue to use RPI if they wish, or to use CPI (or a combination of the two) depending on individual scheme rules. Ensures schemes are not required to up rate by higher of RPI or CPI.

Clause 20 Indexation requirements for cash balance benefits

Clause 20 removes requirement for cash balance benefits to be subject to Limited Price Indexation (RPI or 5% (pre 2005) RPI or 2.5% (post 2005). (Cash balance benefits are benefits which can be determined in advance and guaranteed to reach a particular minimum or increased by a notional accrual rate or interest rate. This is then used to buy annuity or provide a pension).

Clause 21 Pension Protection Fund

Clause 21 gives effect to Schedule 4 (miscellaneous amendments relating to PPF)

Clause 22 Payment of surplus to employer: transitional power to amend scheme

Clause 22 amends Article 228 of the 2005 Order. The provisions make clear that transitional power of trustees to confirm or amend scheme rules to make payments to employers does not apply to payments where the trustees can make a payment without having to satisfy the general requirements relating to any payment of a surplus to an employer. It also extends the transitional period to April 2026.

Clause 23 Contribution notices and financial support directions

Clause 23 amends Articles 34, 39 and 91 of the 2005 Order. The Pensions Regulator in exercising its regulatory function may issue a financial support direction or contribution notice to a business. This experience has shown that the time period for businesses to make representations can be unduly restrictive

Clause 23 amends the statutory period to allow businesses adequate time to make representations to the Regulator.

Clause 24 Technical amendment to Schedule 4 to the Pensions Act (Northern Ireland) 2008

Clause 24 amends a consequential amendment made to Schedule 3 to the Pensions Schemes (NI) Act and contained within paragraph 59 of Schedule 4 to the Pensions Act (Northern Ireland) 2008. Clause 24 corrects an inaccurate reference.

Clause 25 Technical amendment to section 38(2) of the Pension Schemes (Northern Ireland) Act 1993

Clause 25 amends an inaccurate cross-reference in section 38(2) of the Pensions Schemes (NI) Act.

Part 4 Money Purchase Benefits (Clauses 26 to 30)

Clause 26 Definition of money purchase benefits

Clause 26 amends the Pensions Schemes (NI) Act and the Pensions (No.2) Act to amend the definition of money purchase benefit. The provisions ensure that, in order for a benefit to qualify as a money purchase benefit, the amount or rate of the benefit must be calculated only by reference to assets which must necessarily suffice to provide the benefit. If any other factor such as a guaranteed investment return or other guarantee of the amount were used to calculate the benefit, it is not a money purchase benefit.

The aim is to ensure that money purchase benefits cannot develop a funding deficit. In the case of a scheme pension in payment, the pension must be backed by an annuity contract or insurance policy to be a money purchase benefit.

Clause 26 clarifies the original policy following a judgment of the Supreme Court.

Clause 27 Transitional

Clause 27 provides a power to make transitional provision in relation to the coming into operation of the amendments in Clause 26. This includes power to modify the application of other legislation where the amended definition applies.

Clause 28 Consequential and supplementary

Clause 28 provides a power to make consequential or supplementary provision in relation to the amendments made by Clause 26. Subsection (2) amends Article 280 of the Pensions (Northern Ireland) Order 2005 to allow provisions of that Order relating to scheme funding to be modified in relation to hybrid schemes, multi-employer schemes or partnerships. For example, this would allow provision to be made for hybrid schemes which provide both money purchase and defined benefits, so that regulatory requirements could be separately applied to different parts of the scheme.

Clause 29 Power to make further provision

Clause 29 provides a power to make further amendments to the definitions of money purchase benefits in the Pension Schemes (Northern Ireland) Act 1993 and the Pensions (No. 2) Act (Northern Ireland) 2008.

Clause 30 Regulations

Clause 30 makes technical provision for regulations made under this Part, in particular it allows regulations to amend primary legislation and to have retrospective effect.

Part 5 Miscellaneous and General (Clauses 31 to 34)

Clause 31 Grants by the Department to advisory bodies etc

Clause 31 amends section 169 of the Pensions Schemes (NI) Act. The provisions enable the Department to make grants direct to advisory bodies in connection with occupational or personal pensions.

Clause 32 Service of documents and electronic working

Clause 32 introduces a ‘service rule’ covering Part 1 (Chapters 2 and 3 and section 59(1)(c)) and Part 3 (Chapter 1) of the Pensions (No.2) Act. Clause 32 applies the rules about service of documents in existing pensions law to documents relating to auto-enrolment.

Clause 33

Clause 33 empowers the Department to make a commencement order naming the day or days on which the Act will come into operation.

Clause 34

Clause 34 gives the Short Title of the Bill

Schedule 1 Equalisation of and increase in pensionable age for men and women: consequential amendments

Schedule 1 contains consequential amendments flowing from increase in State Pension age (for example, brings forward amendments to increase the upper age for Disability Living Allowance and Widow’s Pension and the minimum age for Attendance Allowance, State Pension Credit (Saving Credit).

Schedule 2 Abolition of certain additions for the state pension: consequential amendments

Schedule 2 contains consequential amendments flowing from the abolition of Payable Uprated Contracted-out Deduction Increments (PUCODIs).

Schedule 3 Consolidation of additional pension

Schedule 3 allows date of consolidation of additional pension to be set by Order. Consolidation is a simplification measure to bring together Graduated Retirement Pension, State Earnings Related Pension and State Second Pension into one single payment. Amount payable to individual should be actuarially the same.

Schedule 4 Pension Protection Fund

Schedule 4 contains miscellaneous technical amendments.

5. The Committee wrote to key stakeholders on 26 January 2012. In February 2012 advertisements were inserted in the Belfast Telegraph, News Letter and Irish News seeking written evidence of the Bill.

6. During the period covered by this report, the Committee considered the Bill and related issues at its meetings – on 9 June, 13 October and 8 December 2011; 26 January, 2, 9, 16, 23 February and 1 and 8 March 2012. The relevant extracts from the Minutes of Proceedings for these meetings are included at Appendix 1.

7. The Committee had before it the Pensions Bill (NIA 3/11-15); the Explanatory and Financial Memorandum and the Delegated Powers Memorandum that accompanied the Bill.

8. On the 2, 9 and 16 February 2012, the Committee took oral evidence from Departmental officials on the purpose and main provisions of the Bill. The Committee also took oral evidence from the Northern Ireland Public Service Alliance (NIPSA) and Access to Benefits (A2B) on 2 February 2012. This can be found in Appendix 2.

9. A total of 4 organisations responded to the request for written evidence and a copy of the submissions received by the Committee is included at Appendix 3.

10. The Department has provided several written responses to Committee requests for further information. Correspondence between the Committee and the Department can be found in Appendix 4.

Consideration of the Bill

11. On the 2, 9 and 16 February 2012, the Committee took further oral evidence from Department officials on the purpose and main provisions of the Bill – see Appendix 2. The Committee noted the following aims of the Bill:

- to bring forward the equalisation of State Pension age between men and women with women reaching State Pension age of 65 from November 2018 instead of April 2020;
- accelerates the increase in State Pension age to 66 from October 2020 instead of April 2026;
- amends the automatic enrolment provisions for workplace pension schemes; and
- amends indexation and revaluation requirements for occupational pensions.

The Committee also noted miscellaneous and technical amendments.

Evidence from Access to Benefits (A2B)

12. On the 2 February 2012, the Committee took oral evidence from A2B – see Appendix 2. A2B expressed concerns in relation to the Bill and may be summarised as follows:

- The potential increase in levels of pensioner poverty. A2B highlighted that 23% of older people in Northern Ireland are already living in poverty which is much higher than the rest of the UK. A2B was of the view that pensioner poverty will only be worsened by the changes which will inevitably find older people who cannot afford basic necessities such as food and fuel.
- The increase in the age for Winter Fuel Payment. A2B expressed concerns that this will lead to older people living in fuel poverty, which is already higher than it has ever been in Northern Ireland.
- The impact on women. A2B expressed particular concern for the women who will have to wait an extra two years for State Pension. And over 140,000 more will have to wait between one and two years longer than previously expected for State Pension. A2B welcomed the move by the Government to limit the waiting period to eighteen months.
- The impact on people with disabilities has not been fully explored. A2B did welcome the increase in qualifying age for Disability Living Allowance.

Evidence from the Northern Ireland Public Services Alliance (NIPSA)

13. On the 2 February 2012, the Committee took oral evidence from NIPSA – see Appendix 2. NIPSA concentrated particularly on the equalisation of and the increase in pensionable age for men and women and the automatic enrolment provisions for workplace pension schemes. NIPSA's concerns in relation to the Bill may be summarised as follows:

- Equalisation of pensionable age for men and women. NIPSA was of the view that men should be entitled to claim State Pension at the age of 60 rather than penalising women by bringing their entitlement age up to 65.
- Increase of State Pension age to 66 by 2020. NIPSA believes this change is unfair in terms of the impact it will have on people who were anticipating payment of their pension at age 65 or at age 66 by 2026 as this could throw their plans into jeopardy.
- Pension schemes. NIPSA expressed concerns that the changes will drive workers out of pension schemes.
- State Pension. NIPSA believes that the current State Pension is inadequate and nobody should be expected to depend on such inadequate amounts in retirement.

- NIPSA also expressed concerns that no macroeconomic assessment has been carried out to assess the impact on the labour market if people are forced to stay in work for five or six years longer.
- Move from Retail Price Index to Consumer Price Index. NIPSA believes that this is likely to be discriminatory on a geographical basis and against women as there is a greater proportion of females employed than males.
- Auto-enrolment. NIPSA fully supports auto-enrolment but does not believe that National Employment Savings Trust (NEST) is an appropriate pension scheme. NIPSA are opposed to the re-enrolment process that is provided for within the auto-enrolment provision.

Clause-by-Clause Scrutiny of Bill

14. The Committee reviewed the Clauses of the Pensions Bill on 2, 9 and 16 February 2012 – see Appendix 1; and undertook its formal Clause-by-Clause scrutiny of the Bill on 23 February 2012.

Clause 1 Equalisation of and increase in pensionable age for men and women

15. The Committee noted concerns from organisations regarding the equalisation of pensionable age for men and women in particular the impact this will have on some women. The Committee felt that it is unfair to women as the Bill does not allow those women affected enough time to plan for the changes.

16. The Committee considered evidence from organisations in the context of Winter Fuel Payment. The Committee felt that the Winter Fuel Payment which is linked to pension will potentially increase the levels of fuel poor households in Northern Ireland.

17. Some Members expressed concerns that the proposed State Pension amount is below the stated poverty level in terms of Universal Credit.

18. Some Members questioned the possibility of linking pensions with health profiles as people may be living longer but not necessarily living healthier.

19. As a consensus could not be reached on whether to accept Clause 1 as drafted, the Committee divided on the following question:

“Question: That the Committee is content with Clause 1 as drafted.”

Ayes 3: Ms Paula Bradley, Mr Sammy Douglas and Mr Alex Easton

Noes 4: Mr Mickey Brady, Mr Mark H Durkan, Mr Fra McCann and Alex Maskey

Abstentions 2: Ms Judith Cochrane, Mr Michael Copeland

The motion fell.

Clause 2 Abolition of certain additions to the State Pension

20. Question put and agreed:

“That the Committee is content with Clause 2 as drafted.”

Clause 3 Consolidation of additional pension

21. Question put and agreed:

“That the Committee is content with Clause 3 as drafted.”

Clause 4 Automatic re-enrolment where scheme membership interrupted

22. Question put and agreed:

“That the Committee is content with Clause 4 as drafted.”

Clause 5 Earnings trigger for automatic enrolment and re-enrolment

23. Question put and agreed:

"That the Committee is content with Clause 5 as drafted."

Clause 6 Postponement or disapplication of automatic enrolment

24. Question put and agreed:

"That the Committee is content with Clause 6 as drafted."

Clause 7 Timing of automatic re-enrolment

25. Question put and agreed:

"That the Committee is content with Clause 7 as drafted."

Clause 8 Review of earnings trigger and qualifying earnings band

26. Question put and agreed:

"That the Committee is content with Clause 8 as drafted."

Clause 9 Rounding figures for earnings trigger and qualifying earnings band

27. Question put and agreed:

"That the Committee is content with Clause 9 as drafted."

Clause 10 Qualifying schemes: administration charges

28. Question put and agreed:

"That the Committee is content with Clause 10 as drafted."

Clause 11 Test scheme standard for schemes that produce sum of money for provision of benefits

29. Question put and agreed:

"That the Committee is content with Clause 11 as drafted."

Clause 12 Certification that alternative to quality requirement is satisfied

30. Question put and agreed:

"That the Committee is content with Clause 12 as drafted."

Clause 13 Certification for non-UK schemes

31. Question put and agreed:

"That the Committee is content with Clause 13 as drafted."

Clause 14 Transitional period for defined benefits and hybrid schemes to be optional

32. Question put and agreed:

"That the Committee is content with Clause 14 as drafted."

Clause 15 Arrangements where transitional conditions cease to be satisfied

33. Question put and agreed:

"That the Committee is content with Clause 15 as drafted."

Clause 16 Power of managers to modify by resolution

34. Question put and agreed:

"That the Committee is content with Clause 16 as drafted."

Clause 17 No indemnification for civil penalties

35. Question put and agreed:

"That the Committee is content with Clause 17 as drafted."

Clause 18 Power to exempt certain cross-border employment from enrolment duty

36. Question put and agreed:

"That the Committee is content with Clause 18 as drafted."

Clause 19 Indexation and Revaluation

37. Question put and agreed:

"That the Committee is content with Clause 19 as drafted."

Clause 20 Indexation requirements for cash balance benefits

38. Question put and agreed:

"That the Committee is content with Clause 20 as drafted."

Clause 21 Pension Protection Fund

39. Question put and agreed:

"That the Committee is content with Clause 21 as drafted."

Clause 22 Payment of surplus to employer: transitional power to amend scheme

40. Question put and agreed:

“That the Committee is content with Clause 22 as drafted.”

Clause 23 Contribution notices and financial support directions

41. Question put and agreed:

“That the Committee is content with Clause 23 as drafted.”

Clause 24 Technical amendment to Schedule 4 to the Pensions Act (Northern Ireland) 2008

42. Question put and agreed:

“That the Committee is content with Clause 24 as drafted.”

Clause 25 Technical amendment to section 38(2) of the Pension Schemes (Northern Ireland) Act 1993

43. Question put and agreed:

“That the Committee is content with Clause 25 as drafted.”

Clause 26 Definition of money purchase benefits

44. Question put and agreed:

“That the Committee is content with Clause 26 as drafted.”

Clause 27 Transitional

45. Question put and agreed:

“That the Committee is content with Clause 27 as drafted.”

Clause 28 Consequential and supplementary

46. Question put and agreed:

“That the Committee is content with Clause 28 as drafted.”

Clause 29 Power to make further provision

47. Question put and agreed:

“That the Committee is content with Clause 29 as drafted.”

Clause 30 Regulations

48. Question put and agreed:

“That the Committee is content with Clause 30 as drafted.”

Clause 31 Grants by the Department to advisory bodies etc

49. Question put and agreed:

"That the Committee is content with Clause 31 as drafted."

Clause 32 Service of documents and electronic working

50. Question put and agreed:

"That the Committee is content with Clause 32 as drafted."

Clause 33

51. Question put and agreed:

"That the Committee is content with Clause 33 as drafted."

Clause 34

52. Question put and agreed:

"That the Committee is content with Clause 34 as drafted."

Schedule 1 - Equalisation of and increase in pensionable age for men and women: consequential amendments

53. The Committee divided on the following:

"Question: That the Committee is content with Schedule 1 as drafted."

Ayes 3: Ms Paula Bradley, Mr Sammy Douglas and Mr Alex Easton

Noes 4: Mr Mickey Brady, Mr Mark H Durkan, Mr Fra McCann and Alex Maskey

Abstentions 2: Ms Judith Cochrane, Mr Michael Copeland

The motion fell.

Schedule 2 - Abolition of certain additions for the state pension: consequential amendments

54. Question put and agreed:

"That the Committee is content with Schedule 2 as drafted."

Schedule 3 - Consolidation of additional pension

55. Question put and agreed:

"That the Committee is content with Schedule 3 as drafted."

Schedule 4 - Pension Protection Fund

56. Question put and agreed:

"That the Committee is content with Schedule 4 as drafted."

Long Title

57. Question put and agreed:

"That the Committee is content with the long title of the Bill."

Northern Ireland Assembly

Appendix 1

Minutes of Proceedings

Thursday 9 June 2011
Room 29 Parliament Buildings

Present:	Mr Alex Maskey MLA (Chairperson) Mr Mickey Brady MLA (Deputy Chairperson) Mr Gregory Campbell MLA, MP Ms Judith Cochrane MLA Mr Michael Copeland MLA Mr Sammy Douglas MLA Mr Mark H Durkan MLA Mr Alex Easton MLA Ms Pam Lewis MLA Mr David McClarty MLA
In Attendance:	Mr John Simmons (Assembly Clerk) Ms Claire McCanny (Assistant Assembly Clerk) Mr Stewart Kennedy (Clerical Supervisor) Ms Allison Ferguson (Clerical Officer)
Apologies:	Mr Fra McCann MLA

10.02am The meeting began in open session.

1. Apologies

Apologies were as indicated above.

5. Proposed Pensions Bill – Departmental Briefing

10.24am The following senior officials from the Department for Social Development joined the meeting at:

- Ms Anne McCleary - Director, Social Security Policy and Legislation;
- Mr Gerry McCann - Social Security Policy and Legislation; and
- Mr Sam Dempster – Social Security Policy and Legislation.

The officials provided a briefing on the main provisions of the Westminster Pensions Bill and the introduction of a forthcoming corresponding Pensions Bill for Northern Ireland. This was followed by a question and answer session.

The Committee expressed concerns about a proposed corresponding Pensions Bill for Northern Ireland in respect of the following:

- The impact on women of proposals to accelerate the equalisation of State Pension Age, particularly those women who are currently approaching retirement age;
- The lack of awareness about the full impact of the increase in State Pension age on the corresponding qualifying age for benefits, namely State Pension Credit and Winter Fuel Payment;
- The lack of transitional protection in place for the first tranche of women who will be affected by the increase in State Pension age; and
- The impact of the proposed legislation on small business, in particular the provision of automatic enrolment.

Agreed: The Committee agreed that it would write to the Department to seek more information on the women who will be affected by the proposed acceleration of the equalisation of State Pension age. In particular, the Committee sought information on the financial impact of the proposed legislation on the 7,000 women who will be affected and clarity on the time period that these women will have to adjust to the proposed increase in their State Pension age.

The Chairperson thanked the officials for the briefing.

10.53am The officials left the meeting.

[EXTRACT]

Thursday 13 October 2011
Room 29 Parliament Buildings

Present:	Mr Alex Maskey MLA (Chairperson) Mr Mickey Brady MLA (Deputy Chairperson) Mr Gregory Campbell MLA Ms Judith Cochrane MLA Mr Michael Copeland MLA Mr Sammy Douglas MLA Mr Mark H Durkan MLA Mr Alex Easton MLA Ms Pam Lewis MLA Mr Fra McCann MLA Mr David McClarty MLA
In Attendance:	Dr Kevin Pelan (Assembly Clerk) Ms Claire McCanny (Assistant Assembly Clerk) Mr Stewart Kennedy (Clerical Supervisor) Ms Allison Ferguson (Clerical Officer)
Apologies:	None

10.06am The meeting opened in public session.

1. **Apologies**

Apologies were as indicated above.

6. **Pensions Bill – Departmental Briefing**

10.12am The following senior officials from the Department for Social Development joined the meeting:

- Ms Anne McCleary Director, Social Security Policy and Legislation, DSD;
- Mr Gerry McCann Social Security Policy and Legislation Division; and
- Mr Seamus CassidySocial Security Policy and Legislation Division.

The officials briefed the Committee on the proposed Pensions Bill for Northern Ireland and the outcome of the consultation on the Equality Impact Assessment.

Members expressed concern in respect of the following:

- Disproportionate impact of these proposals on women;
- That the proposals in this Bill are predicated on an individual's ability to save although many people on low income do not earn enough to allow them to save for the future;
- The number of claimants who will be affected by the delayed entitlement to the Winter Fuel Payment is higher than anticipated;
- The risk that an increased number of people will die as a result of the delayed entitlement to the Winter Fuel Payment;
- Although people are living longer, they are often suffering from poor health and as a result have a much greater need for the benefits which this Bill will delay their entitlement to;
- The impact of this Bill not just on older people but on their families and those with caring responsibilities.

- That the proposed delay in state pension age will have a knock-on impact on the ability of young people to secure employment in future; and
- The difficulties that older people, particularly women, will face when trying to secure employment and need for appropriate support and training services to assist them.

Agreed: The Committee agreed to write to the Department to seek more information on:

- The groups who may be most acutely affected by this Bill in an effort to understand whether any future transitional arrangements will go far enough to limit the impact of the measures proposed under this Bill;
- The amount of money paid out on pensions in Northern Ireland; and
- How the Department will address the needs of the older members of society, particularly women, who will be affected by the proposals in the Bill. In particular, would training and support services be available to assist those affected find employment.

The Chairperson thanked the officials for the briefing.

10.56am The officials left the meeting.

10.56am Mr Michael Copeland left the meeting

10.56am Mr David McClarty joined the meeting

Agreed: Members agreed to submit a formal Committee response to the consultation to be agreed once the information requested from the Department had been received.

[EXTRACT]

Thursday 8 December 2011
Room 29, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Gregory Campbell MLA
Ms Judith Cochrane MLA
Mr Michael Copeland MLA
Mr Sammy Douglas MLA
Mr Mark H Durkan MLA
Mr Alex Easton MLA
Ms Pam Lewis MLA
Mr Fra McCann MLA
Mr David McClarty MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mr Stewart Kennedy (Clerical Supervisor)
Ms Allison Ferguson (Clerical Officer)

Apologies: None

10.02am The meeting opened in public session.

1. Apologies

Apologies were as indicated above.

10.03am Mr Mark H Durkan joined the meeting

2. Pensions Bill – Accelerated Passage

10.03am The Minister and the following Departmental officials joined the meeting:

- Anne McCleary, Social Security and Policy Legislation Division
- Gerry McCann, Social Security and Policy Legislation Division
- Seamus Cassidy, Social Security and Policy Legislation Division

10.09am Mr Gregory Campbell joined the meeting

The Minister briefed the Committee on his intention to seek accelerated passage of the Northern Ireland Pensions Bill

10.27am Ms Judith Cochrane joined the meeting

The Chairperson thanked the Minister and the officials for the briefing.

10.38am The officials left the meeting

10.42am Mr Michael Copeland left the meeting

[EXTRACT]

Thursday 26 January 2012
Room 29, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Gregory Campbell MLA
Ms Judith Cochrane MLA
Mr Michael Copeland MLA
Mr Mark H Durkan MLA
Mr Alex Easton MLA
Ms Pam Lewis MLA
Mr Fra McCann MLA
Mr David McClarty MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mr Stewart Kennedy (Assistant Assembly Clerk)
Mr Neil Sedgewick (Clerical Supervisor)
Ms Allison Ferguson (Clerical Officer)

Apologies: Mr Sammy Douglas MLA

10.05am The meeting opened in public session.

6. Pensions Bill

The following officials were in attendance:

- Mr Gerry McCann, DSD
- Mr Seamus Cassidy, DSD
- Ms Anne McCleary, DSD

The Chairperson advised Members that the Pensions Bill was introduced on Monday in the Assembly and the Second Stage is scheduled for 31 January. The Chairperson also advised Members that should the Bill pass Second Stage it will be referred to the Committee which has 30 days to consider and take evidence on the provisions of the Bill, and report to the Assembly.

Members were content with the draft signposting notice. Members were also content with a deadline of two weeks for receipt of submissions from when the signposting notice is posted.

Agreed: The Committee agreed to move to an additional meeting each Thursday afternoon over the course of the Committee Stage to deal specifically with the Pensions Bill.

The Chairperson thanked the officials for their attendance

11.07am The officials left the meeting.

11.07am Mr David McClarty re-joined the meeting

[EXTRACT]

Thursday 2 February 2012
Room 29, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Michael Copeland MLA
Mr Sammy Douglas MLA
Mr Mark H Durkan MLA
Mr Alex Easton MLA
Ms Pam Lewis MLA
Mr Fra McCann MLA
Mr David McClarty MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mr Stewart Kennedy (Assistant Assembly Clerk)
Mr Neil Sedgewick (Clerical Supervisor)
Ms Allison Ferguson (Clerical Officer)

Apologies: Mr Gregory Campbell MLA
Ms Judith Cochrane MLA

13.04pm The meeting opened in public session.

11. Pensions Bill – Briefing by NIPSA

13.04pm The following representative from NIPSA joined the meeting:

- Mr Bumper Graham

Mr Graham gave oral evidence on the Pensions Bill concentrating in particular on the equalisation of and the increase in pensionable age for men and women and the automatic enrolment provisions for workplace pension schemes.

13.50pm Ms Pam Lewis left the meeting

The Chairperson thanked Mr Graham for his oral evidence.

13.52pm Mr Graham left the meeting

12. Pensions Bill – Briefing by Access to Benefits (A2B)

13.52pm The following representative from A2B joined the meeting

- Ms Zoe Anderson

13.55pm Mr Sammy Douglas joined the meeting

Ms Anderson gave oral evidence on the Pensions Bill concentrating in particular on: the impact the changes to state pension age will have on Pension Credit and Winter Fuel Payment; the substantial impact on women; and concerns that the impact on people with disabilities has not been fully explored.

The Chairperson thanked Ms Anderson for her oral evidence.

14.13pm Ms Anderson left the meeting

13. Pensions Bill – Departmental Briefing

14.15pm The following officials from the Department joined the meeting

- Ms Anne McCleary
- Mr Gerry McCann
- Mr Seamus Cassidy

The officials briefed the Committee on Part 1 of the Pensions Bill.

The Chairperson thanked the officials for their briefing

14.44pm The officials left the meeting

[EXTRACT]

Thursday 9 February 2012
Room 29, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Gregory Campbell MLA
Ms Judith Cochrane MLA
Mr Michael Copeland MLA
Mr Sammy Douglas MLA
Mr Mark H Durkan MLA
Mr Alex Easton MLA
Ms Pam Lewis MLA
Mr Fra McCann MLA
Mr David McClarty MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mr Stewart Kennedy (Assistant Assembly Clerk)
Mr Neil Sedgewick (Clerical Supervisor)
Ms Allison Ferguson (Clerical Officer)

Apologies: None

9.36am The meeting opened in public session.

1. **Apologies**

Apologies were as indicated above.

12. **Pensions Bill – Departmental Briefing**

12.05pm The following officials from the Department joined the meeting.

- Mr Gerry McCann
- Mr Seamus Cassidy
- Ms Doreen Roy

The officials briefed the Committee on Parts 2-5 of the Pensions Bill.

12.13pm Mr Mark H Durkan re-joined the meeting.

12.22pm Ms Pam Lewis re-joined the meeting.

The Chairperson thanked the officials for their briefing

12.56pm The officials left the meeting.

[EXTRACT]

Thursday 16 February 2012
Nicva Offices, Belfast

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Michael Copeland MLA
Mr Sammy Douglas MLA
Mr Mark H Durkan MLA
Mr Alex Easton MLA
Mr Fra McCann MLA
Mr David McClarty MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mr Stewart Kennedy (Assistant Assembly Clerk)
Mr Neil Sedgewick (Clerical Supervisor)
Ms Allison Ferguson (Clerical Officer)

Apologies: Ms Judith Cochrane MLA
Ms Pam Lewis MLA

11.40am The Committee adjourned.

12.09pm The meeting opened in public session.

12. Pensions Bill – Departmental Briefing

The following officials from the Department joined the meeting at 12.09pm

Mr Gerry McCann
Mr Seamus Cassidy
Ms Doreen Roy

The officials briefed the Committee on some of the issues previously raised by Members regarding the Pensions Bill.

Agreed: The Committee agreed to undertake the formal clause-by-clause scrutiny at next week's meeting if it was possible to do so.

The Chairperson thanked the officials for their briefing

12.51pm The officials left the meeting.

[EXTRACT]

Thursday 23 February 2012
Room 29, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Ms Paula Bradley
Ms Judith Cochrane MLA
Mr Michael Copeland MLA
Mr Sammy Douglas MLA
Mr Mark H Durkan MLA
Mr Alex Easton MLA
Mr Fra McCann MLA

In Attendance: Mr Hugh Farren (Assembly Clerk)
Mr Stewart Kennedy (Assistant Assembly Clerk)
Mr Neil Sedgewick (Clerical Supervisor)
Ms Allison Ferguson (Clerical Officer)
Ms Patricia Casey (Assembly Bill Clerk)

Apologies: Mr David McClarty MLA
Ms Pam Lewis MLA

9.32am The meeting began in public session.

13. Pensions Bill – Departmental Briefing

1.32pm The following officials from the Department joined the meeting.

Ms Anne McCleary
Mr Gerry McCann
Mr Seamus Cassidy
Ms Doreen Roy

The Committee noted a submission from the Women's Support Network.

Agreed: The Committee agreed to include this submission in its report.

The Committee noted correspondence from the Department detailing figures for estimated reduction in expenditure on pensioner benefits arising from the proposed changes to State Pension age.

Agreed: The Committee agreed to include this item of correspondence in its report.

The Committee noted the Examiner of Statutory Rules' scrutiny of Delegated Powers.

1.34pm Ms Patricia Casey joined the meeting.

1.39pm Ms Paula Bradley re-joined the meeting.

The Committee held discussions around some of the issues regarding the Pensions Bill. Some Members expressed their concerns regarding the following:

- Equalisation of pensionable age for men and women in particular the impact this will have on some women;
- The proposed State Pension amount being below the stated poverty level in terms of Universal Credit;
- The possibility of linking pensions with health profiles as people may be living longer but not necessarily living healthier; and

- The passported Winter Fuel Payment being linked to the pensionable age.

Clause 1 Equalisation of and increase in pensionable age for men and women

"Question: That the Committee is content with clause 1 as drafted."

As a consensus could not be reached on whether to accept clause 1 as drafted, the Committee divided on this question as follows:

Ayes; 3; Noes 4; Abstentions: 2

The motion fell.

Clause 2 Abolition of certain additions to the State Pension

Question put and agreed:

"That the Committee is content with Clause 2 as drafted."

Clause 3 Consolidation of additional pension

Question put and agreed:

"That the Committee is content with Clause 3 as drafted."

Clause 4 Automatic re-enrolment where scheme membership interrupted

Question put and agreed:

"That the Committee is content with Clause 4 as drafted."

Clause 5 Earnings trigger for automatic enrolment and re-enrolment

Question put and agreed:

"That the Committee is content with Clause 5 as drafted."

Clause 6 Postponement or disapplication of automatic enrolment

Question put and agreed:

"That the Committee is content with Clause 6 as drafted."

Clause 7 Timing of automatic re-enrolment

Question put and agreed:

"That the Committee is content with Clause 7 as drafted."

Clause 8 Review of earnings trigger and qualifying earnings band

Question put and agreed:

"That the Committee is content with Clause 8 as drafted."

Clause 9 Rounding figures for earnings trigger and qualifying earnings band

Question put and agreed:

"That the Committee is content with Clause 9 as drafted."

Clause 10 Qualifying schemes: administration charges

Question put and agreed:

"That the Committee is content with Clause 10 as drafted."

Clause 11 Test scheme standard for schemes that produce sum of money for provision of benefits

Question put and agreed:

"That the Committee is content with Clause 11 as drafted."

Clause 12 Certification that alternative to quality requirement is satisfied

Question put and agreed:

"That the Committee is content with Clause 12 as drafted."

Clause 13 Certification for non-UK schemes

Question put and agreed:

"That the Committee is content with Clause 13 as drafted."

Clause 14 Transitional period for defined benefits and hybrid schemes to be optional

Question put and agreed:

"That the Committee is content with Clause 14 as drafted."

Clause 15 Arrangements where transitional conditions cease to be satisfied

Question put and agreed:

"That the Committee is content with Clause 15 as drafted."

Clause 16 Power of managers to modify by resolution

Question put and agreed:

"That the Committee is content with Clause 16 as drafted."

Clause 17 No indemnification for civil penalties

Question put and agreed:

"That the Committee is content with Clause 17 as drafted."

Clause 18 Power to exempt certain cross-border employment from enrolment duty

Question put and agreed:

"That the Committee is content with Clause 18 as drafted."

Clause 19 Indexation and Revaluation

Question put and agreed:

"That the Committee is content with Clause 19 as drafted."

Clause 20 Indexation requirements for cash balance benefits

Question put and agreed:

"That the Committee is content with Clause 20 as drafted."

Clause 21 Pension Protection Fund

Question put and agreed:

"That the Committee is content with Clause 21 as drafted."

Clause 22 Payment of surplus to employer: transitional power to amend scheme

Question put and agreed:

"That the Committee is content with Clause 22 as drafted."

Clause 23 Contribution notices and financial support directions

Question put and agreed:

"That the Committee is content with Clause 23 as drafted."

Clause 24 Technical amendment to Schedule 4 to the Pensions Act (Northern Ireland) 2008

Question put and agreed:

"That the Committee is content with Clause 24 as drafted."

Clause 25 Technical amendment to section 38(2) of the Pension Schemes (Northern Ireland) Act 1993

Question put and agreed:

"That the Committee is content with Clause 25 as drafted."

Clause 26 Definition of money purchase benefits

Question put and agreed:

"That the Committee is content with Clause 26 as drafted."

Clause 27 Transitional

Question put and agreed:

"That the Committee is content with Clause 27 as drafted."

Clause 28 Consequential and supplementary

Question put and agreed:

"That the Committee is content with Clause 28 as drafted."

Clause 29 Power to make further provision

Question put and agreed:

"That the Committee is content with Clause 29 as drafted."

Clause 30 Regulations

Question put and agreed:

"That the Committee is content with Clause 30 as drafted."

Clause 31 Grants by the Department to advisory bodies etc

Question put and agreed:

"That the Committee is content with Clause 31 as drafted."

Clause 32 Service of documents and electronic working

Question put and agreed:

"That the Committee is content with Clause 32 as drafted."

Clause 33

Question put and agreed:

"That the Committee is content with Clause 33 as drafted."

Clause 34

Question put and agreed:

"That the Committee is content with Clause 34 as drafted."

Schedule 1 Equalisation of and increase in pensionable age for men and women: consequential amendments

The Committee divided on the following:

"Question: That the Committee is content with Schedule 1 as drafted."

Ayes; 3; Noes 4; Abstentions: 2

The motion fell.

Schedule 2 Abolition of certain additions for the state pension: consequential amendments

Question put and agreed:

"That the Committee is content with Schedule 2 as drafted."

Schedule 3 Consolidation of additional pension

Question put and agreed:

"That the Committee is content with Schedule 3 as drafted."

Schedule 4 Pension Protection Fund

Question put and agreed:

"That the Committee is content with Schedule 4 as drafted."

Long Title

Question put and agreed:

"That the Committee is content with the long title of the Bill."

The Chairperson thanked the officials for their attendance.

1.57pm The officials left the meeting.

[EXTRACT]

Thursday 8 March 2012
Room 29, Parliament Buildings

Present:	Mr Alex Maskey MLA (Chairperson) Mr Mickey Brady MLA (Deputy Chairperson) Ms Judith Cochrane MLA Mr Michael Copeland MLA Mr Sammy Douglas MLA Mr Mark H Durkan MLA Mr Alex Easton MLA Ms Pam Lewis MLA Mr Fra McCann MLA Mr David McClarty MLA
In Attendance:	Dr Kevin Pelan (Assembly Clerk) Mr Stewart Kennedy (Assistant Assembly Clerk) Mr Neil Sedgewick (Clerical Supervisor) Ms Allison Ferguson (Clerical Officer)
Apologies:	Ms Paula Bradley

9.33am The meeting began in public session

11.44am Mr David McClarty left the meeting

11.59am Mr Michael Copeland left the meeting

11.59pm Mr Mickey Brady left the meeting

12.03pm Ms Pam Lewis left the meeting

Pensions Bill Report

12.14pm The Committee considered a draft Report on the Committee Stage of the Pensions Bill.

Agreed: The Committee read and agreed the Introduction to the Bill on pages 3 to 9

Agreed: The Committee read and agreed the Consideration of the Bill on pages 10 to 11

Agreed: The Committee read and agreed the Clause-by-Clause Scrutiny of the Bill on pages 12 to 17

Agreed: The Committee agreed Appendix 1

Agreed: The Committee agreed Appendix 2

Agreed: The Committee agreed Appendix 3

Agreed: The Committee agreed Appendix 4

Agreed: The Committee agreed Appendix 5

Agreed: The Committee agreed the Executive Summary of the report on page 1 to 2

Agreed: The Committee agreed that it was content for the Report to be printed as the second report of the Social Development Committee for this session of the Assembly

Agreed: The Committee agreed that the relevant extract from the draft minutes of the proceedings of 8 March 2012 be included in the Committee's Report.

[Extract]

Northern Ireland Assembly

Appendix 2

Minutes of Evidence

9 June 2011

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Gregory Campbell
Mrs Judith Cochrane
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Mrs Pam Lewis
Mr David McClarty

Witnesses:

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

1. **The Chairperson**: Anne McCleary and Gerry McCann are staying for this part of the meeting, and they have been joined by Sam Dempster. You are very welcome. I remind members that papers relating to this matter are in their folders and that the session is being reported by Hansard.

2. **Ms Anne McCleary (Department for Social Development)**: Thank you for the opportunity to brief the Committee on the main provisions of the Pensions Bill that is being considered by the House of Commons. I emphasise the fact that no decision has been taken on a corresponding Northern Ireland Bill. We are still preparing an equality impact assessment and hope to publish a consultation paper in the very near future. However, I think it fair to say that, subject to ministerial and Executive approval, it is anticipated that provisions in the Westminster Bill will be replicated in a corresponding Assembly Bill.

3. The Westminster Bill contains measures relating to the following: first, the state pension and, in particular, changes to the state pension age; secondly, automatic enrolment into workplace pensions; thirdly, indexation and revaluation of occupational pension schemes and pension compensation; fourthly, the financial assistance scheme; fifthly, the operation of the pension protection fund; and sixthly, judicial pensions.

4. I will go through the key factors, one by one. Under existing legislation, state pension age for women will equalise with that of men at 65 by April 2020. It will then increase to 66 for men and women by April 2026; go up to 67 by April 2036, and to 68 by April 2046. That is the existing state of play. The Government announced a review of the timetable and, last June, issued a call for evidence in Britain. The Department for Social Development also issued that call for evidence in Northern Ireland. We received two responses, including one from the previous Committee.

5. Issues arising from the call for evidence were addressed in the command paper 'A sustainable State Pension: when the State Pension age will increase to 66', which was published in November 2010. The Bill accelerates the equalisation timetable and the increase to 66. The increase to 66 will be brought forward to April 2020, and, as a consequence, women's state pension age will be equalised at 65 by November 2018, rather than the original timescale of April 2020. That will bring it forward by 18 months.

6. We estimate that around 7,000 women will be affected by the acceleration of the timetable. Roughly equal numbers of men and women, around 69,000 in each case, will be affected by bringing the increase to age 66 forward to 2020.

7. Increasing the state pension age will lead to corresponding increases in the minimum qualifying age for state pension credit and the winter fuel payment, which are directly linked to state pension age under existing legislation.

8. The upper age limit for receipt of working age benefits, such as jobseeker's allowance and employment and support allowance, will also increase. I apologise to the Committee for what is coming next, because it is turgid. The Bill abolishes payable uprated contracted-out deduction increments. Those are currently paid where a person postponed taking their occupational pension and earned increments on their guaranteed minimum pension. Occupational pension schemes are only required to uprate those guaranteed minimum pension increments after 1988 and up to a 3% maximum. Payable uprated contracted-out deduction increments are intended to make up the difference. However, the average payment is less than £1 a week. Believe it or not, that is a simplification measure. As I think I have said before, I take the view that if I can understand something then I hope I can explain it. Any award already in payment will not be affected, so this is basically to do with simplification. It involves, on average, payment of less than £1 a week.

9. **Mr Campbell**: I would not like to hear the complicated measure.

10. **Ms McCleary**: The next topic is automatic enrolment into workplace pensions. Millions of people across the UK are not saving for retirement. Legislation passed by the Assembly in 2008 was designed to address the issue by introducing a requirement for all employers to automatically enrol eligible employees into a workplace pension scheme. That will start in 2012 for the largest employers and will be phased in over a four-year period. An independent review was announced in June 2010 to examine the scope of the automatic enrolment policy in light of changes that had taken place, such as the economic downturn and fiscal deficit, the review of state pension age, further increases in life expectancy and the decline in private sector pension coverage.

11. The review group published its report last October. It made several recommendations designed to support the introduction of automatic enrolment by easing the burden that employers will face in complying with the legislation while maintaining the key aim of ensuring that low-to- moderate earners are able to save for their retirement. As a result, the Bill contains a number of provisions, including the introduction of an earnings trigger, at which point an employee must be automatically enrolled into a workplace pension. Mr Douglas referred to that in the preceding evidence session. The trigger will be set at the threshold at which a person begins paying income tax, which is £7,475 a year.

12. Other provisions include the introduction of an optional waiting period of up to three months before the automatic enrolment duty on employers begins and changes to the way that an employer can certify that their pension scheme meets the necessary quality test.

13. The next issue is that of occupational pension schemes and pension compensation. Under current legislation, the Secretary of State for Work and Pensions is required annually to specify by Order revaluation percentages based on the percentage increase in the general level of prices in Great Britain over an annual inflation reference period ending with the most recent September. The Department makes corresponding provisions for Northern Ireland.

14. In June 2010, the Government announced that it would in future use the consumer prices index (CPI) as a general measure of inflation for uprating social security benefits. That would include additional pension, but not the basic state pension or pension credit, and included public sector pensions. However, it was subsequently announced that CPI would also be used in the revaluation and indexation of private sector occupational pension schemes, increases to financial assistance scheme payouts and the revaluation and indexation of pension compensation. The Bill contains provisions to give effect to those changes.

15. The next issue is that of the pension protection fund. A number of technical amendments are being made to

legislation governing the operation of the pension protection fund. That fund provides pension compensation to people who were members of eligible pension schemes where the amount of pension is usually based on a person's salary at or around the date of retirement. Those schemes are usually called defined benefit schemes or final salary schemes.

16. Pension compensation is paid where the employer sponsoring an eligible defined benefit scheme has experienced a qualifying insolvency event — in other words, has gone bust — and where there are insufficient assets in the scheme for remuneration at the same level as the pension compensation. The fund is managed by the board of the pension protection fund, referred to as the board. The amendments in the Bill will reduce unnecessary bureaucracy and include provision to permit the board, when able, to determine the funding position of an eligible pension scheme without obtaining a fresh actuarial valuation. The board can decide whether to use other information. The Bill provides that a determination made by the board that an actuarial valuation is not required can be reviewed.

17. The Bill will also enable the board to issue a notice to scheme trustees and to the regulator that it is to assume responsibility for a scheme containing such information as it considers appropriate. It will remove the requirement that the period during which the board assesses whether to assume responsibility for a scheme must last for a minimum of 12 months. That will enable the board to transfer some schemes into the pension protection fund earlier.

18. Next, the Bill will provide that calculation of pension compensation paid to pension credit members includes revaluation, if revaluation would have been applied under the rules of the relevant scheme to the pension credit members' benefits. It will prescribe circumstances in which a person who is entitled to pension compensation by virtue of pension compensation sharing may choose to receive it from a date later than the normal benefit age. That is just a bit of flexibility.

19. The Bill will require certain changes to scheme rules, which will have the effect of increasing the amount of compensation to which members of the scheme are entitled to be disregarded.

20. A number of provisions in the Assembly Bill will extend to Northern Ireland.

21. **Mr G McCann (Department for Social Development)**: This is the Westminster Bill.

22. **Ms McCleary**: My apologies: a number of provisions in the Westminster Bill will extend to Northern Ireland. The Assembly has already agreed to that and passed a legislative consent motion on 21 March. I will not therefore detail those provisions, which relate to the financial assistance scheme and to judicial pensions.

23. That concludes my outline of the Bill. My colleagues and I — but probably my colleagues — will be happy to take questions.

24. **The Chairperson**: Are you saying that your colleagues may give us a more convoluted version? *[Laughter.]*

25. **Mr Brady**: Thank you for trying to explain this subject, Anne. For some of us around the table, what will happen to pensions in the 2020s and 2030s may well be academic. Unfortunately, for others that will not be the case. I want to ask about the changes as they affect women. Is it true that women are affected already this year?

26. **Ms McCleary**: I think you are probably referring to the media coverage of the last few weeks or months?

27. **Mr Brady**: No. I am referring to people who have contacted my constituency office. For example, one woman who was 60 years of age on 14 December 2010 will not receive her state pension until September 2011. Therefore, she has effectively lost nine months of her contributory pension. This has not affected men, because 65 is still the

legal retirement age for them. However, it will affect women's entitlement to winter fuel payments as their pension age increases.

28. This was not made clear under the last mandate, when we were getting some of this stuff through. It is only through the outworking that it is becoming clear that women are being particularly penalised. If you pay into a contributory system, it is not unreasonable to expect that when you reach the age at which you expect to receive your contributory benefit, you should get it. However, women are having to wait nine months. This is also affecting women's entitlement to pension credit because, again, the pension age has increased. As I have said, that seems to be most unfair, because it does not affect men. I do not think that that issue has been properly addressed.

29. **Ms McCleary**: The first thing I have to say is that it was seen to be unfair that women were able to retire earlier in the first place. It was due to the need to make things fairer that legislation in relation to pension age was made. Some people will say that this undoubtedly affects women, because they are the ones who are being moved. However, this has been known about for a while. It has only become a matter of concern recently because people were not interested in this kind of thing in the past and it is now beginning to bite, which is unfortunate.

30. **Mr Brady**: It is like many things in life. Until you become a pensioner, you are not particularly interested because it does not affect you. It is also like becoming widowed or whatever. Until it affects you, you are not necessarily aware of it.

31. **Ms McCleary**: It was not generally known that these changes would come.

32. **Mr Brady**: The difficulty is that there is no transitional protection for those people. They are losing a lot of money. I need to make that point. This change, or reform, is supposed to improve things, but many women will lose out over the next five years. No one told them that they should not have paid into the system, because this was not foreseen.

33. **Ms McCleary**: I understand. The issue is about expectations and the fact that those are no longer, apparently, being met. People did not appreciate that the change would occur and I do not blame them for that.

34. **Mr Brady**: The argument is that things may well improve in the future, but people could lose a year's contributory pension. It is not non-contributory. People can work on after they reach pension age, although they may pay more tax when they hit that ceiling. However, they are still losing out, which is the reality. This is not something that women would have been aware of before they reached the age of 60, and it will come as a bit of a shock to them.

35. That is only one example. I have dealt with a number of cases in which this has happened, and I presume that it will continue to happen. I think that the Department needs to have a better explanation for people. It is OK to say that this is part of a reform. However, the financial implications need to be explained to people, and, in the case I referred to, that explanation was not given. The woman in question was simply told that that was the case; and, having reached pension age, she could not understand why she was not receiving a pension. The issue needs to be addressed.

36. **Mr Campbell**: My question is on the same point. You said that around 7,000 women will be affected by the changeover. You are certainly right about the publicity that the change has generated: there was quite a lot of activity in Westminster about it, including a special debate a couple of weeks ago in which I participated.

37. You are quite clear about the fact that 7,000 women will be affected, but will you clarify the extent to which they will be impacted? I believe that it will be for a finite period of time, but will you clarify precisely how long it will be? What sum

of money are you talking about, and for how long will people be affected?

38. **Mr Sam Dempster (Department for Social Development)**: I do not have figures for the money involved. However, just over 5,000 women will have their pension age delayed by up to a year, and for between 1,600 and 1,700 it will be delayed by up to 16 months. From those figures, I suppose we could work out the amount of money and let you know.

39. **Mr Campbell**: Are those two figures added together to get the total number of women?

40. **Mr Dempster**: Yes, approximately 7,000 women will be affected, of which 5,000 will have their pensions delayed by up to one year, and approximately 1,700 will have their pensions delayed by more than a year.

41. **Mr Campbell**: How long do they have in which to prepare for that unexpected change? Will it be about six years?

42. **Mr Dempster**: Under existing legislation, many of those women would have expected to reach the pension age at 65: the change will delay that. From speaking to the Department for Work and Pensions (DWP), we understand that, in the autumn, it will begin to notify people who will be affected.

43. **Mr Campbell**: When will it take effect for most of them? People obviously know their expected retirement date, and most, if they are planning ahead, will try to plan for that. How long will they have until they reach that unexpected delay of either a year or 16 months?

44. **Mr G McCann**: For the first tranche of women affected, it will be about five years. After that it will increase.

45. **Mr Campbell**: How many of the 7,000 are included in that first tranche? Is the number significant, or is it all of them?

46. **Mr G McCann**: I am not sure that we have an exact figure for that. As I explained, the state pension age will go up on a scale, and it will change each month over the period of two years. I cannot tell you exactly how many people will fall into the first month, the second month or the third month. We do have a rough figure.

47. **Mr Dempster**: I am sure that we could probably work out the figures.

48. **Mr Campbell**: That would be good. This is a Westminster issue that will come to us. It will be a difficult battle to fight, but battle lines are being drawn. Most people are looking to the longer-term and saying that there will be good news for pensioners 20 or 30 years down the line, which is good news for those who will be retiring then. However, for others, particularly women, who will retire in the next five, six or seven years, there is a period of time during which they will be disadvantaged. They did not take account of the change two or three years ago because they did not expect it. Five or six years is not a lot of time to prepare for a de minimis position that they cannot have been expected to clarify or prepare for a couple of years ago. That is a battle for elsewhere, but it is something that we need to be aware of.

49. **Mr G McCann**: What you are saying is absolutely correct. However, it is fair to say that we all know this is happening because it is simply one of the ways to cut the deficit. I do not think that there is any other way to argue it. That is what it is about. So, we cannot help you out from that point of view because it is not really our policy.

50. **Mr Dempster**: We agree that communication is an important issue, and we are talking to DWP about that at the minute.

51. **The Chairperson**: It is also being presented as equalising the age of retirement.

52. **Mr G McCann**: That is being done now under the Pensions (Northern Ireland) Order 1995, which, to my shame, I worked on. Therefore, the changes that Mr Brady referred to have been around since 1995.

53. **Mr Copeland**: I want to go back to the lady that Mickey referred to. She retired but has to wait for nine months before

she is entitled to her pension. When her pension entitlement kicks in nine months after she was anticipating that it would have, will her entitlement be based on a 100% contributions rate or will she be nine months short in terms of contributions?

54. **Ms McCleary**: No. It will not affect her contributions-wise. As much as anything else, the legislation reduces the amount of contributions that you have to make to be entitled to a full state pension.

55. **Mr G McCann**: The changes that were made by the 2008 Act bring down the number of years that are needed to get a full pension. Previously, a man had to work for 44 years to get a full pension and a woman had to work for 39 years.

56. **Mr Copeland**: Was having to work for those periods of time the same as making contributions — *[Inaudible.]*

57. **Mr G McCann**: The Assembly cut that down to 30 years for both men and women. Under the changes, more women now get a full pension, and they would not have got it in the past but for the fact that the Assembly passed that Act.

58. **Mr Dempster**: Furthermore, previously, you had to pay one year's contributions in order to access the scheme, whereas now women can build up entitlement to pension based on credits only, for instance, if they have taken time off to care for children or a sick relative. That is also an improvement for women.

59. **Mr Copeland**: "Credits only" is when a contribution is made or assumed to have been made on their behalf.

60. **Mr Dempster**: Yes.

61. **Mrs Cochrane**: We asked about the figures and were talking about 7,000 women being affected. Am I right in thinking that the equalisation timetable given in annex 1 in the report is in respect of the women who will be affected and will be notified soon?

62. **Mr Dempster**: That relates to women who are affected by the acceleration to 65.

63. **Mrs Cochrane**: It would be useful if figures could be given under each line to show how many women are affected and by how much money. When people come and ask us about it, we would then be able to communicate it better.

64. **Mr G McCann**: Yes. I am sure that we can look to see whether we can break that down. The money lost relates to the amount that they would get as a full state pension and that depends on the person. If someone worked for 30 years or cared for someone for 30 years, they would get a full pension, but, if they had not, they would not be entitled to a full pension. Therefore, I am not sure that we can give you that exact detail because it will vary from person to person.

65. **Mr Dempster**: We might be able to provide illustrative figures based on someone experiencing a delay of, say, eight months, 12 months or 14 months.

66. **Mr G McCann**: We will see what we can do with the stats that we have available.

67. **Mrs Cochrane**: Thank you.

68. **Mr Douglas**: I have a couple of points on automatic enrolment. You might be able to give a black and white answer to my first question. Your briefing paper talks about the age requirement being 22. Might there be any grounds for age discrimination? As we get older, we all realise the importance of pensions. I did not realise the importance of pensions in my earlier days. My children are in their early 20s, and I have been talking to them about the importance of getting a pension from the early days. Is there a possibility of some age discrimination?

69. **Mr G McCann**: We mention age 22 as the age at which an employer has to automatically enrol eligible workers. If someone under that age wants to opt in, they can.

70. **Mr Douglas**: If I read the paper correctly, my concern is that the proposal will add at least 3% to employers' contributions. Given that the economic climate does not look too good for the next number of years, that will put major pressure on small businesses.

71. **Ms McCleary**: That is why the change was made so that automatic enrolment is only for people who earn over £7,475, which you referred to. That recognises the fact that it could be awkward and bureaucratic for very small employers.

72. **Mr G McCann**: The other point is that that rate is to be phased in. The employer does not have to pay 3% from day one. Those rates are being phased in until 2017. It starts at a fairly low rate and ratchets up over time. The whole point of that is because of the point that you make. It is so that a small employer does not suddenly get hit with an extra bill from day one. It is to be phased in.

73. **Mr Brady**: I assume that the figure of £7,475 is based on the lower earnings limit.

74. **Mr G McCann**: No, it is based on the rate at which you start to pay tax.

75. **Mr Brady**: So, you do not have to pay tax or National Insurance if you earn less than that a year.

76. **Mr G McCann**: Yes, that has changed recently.

77. **Mr Brady**: It used to be around £97 a week. On Sammy's point, is the qualifying age of 22 based on a different minimum wage being paid to people who are under 21?

78. **Mr G McCann**: No, it is the rate at which you pay tax. I do not think that there is a link between it and the minimum wage. As far as I know, it is part of the new taxation system, which is aimed to help people who do not earn that much.

79. **Mr Dempster**: Essentially, it is to make it a bit easier for employers. They will start to calculate tax at that threshold, and that is also where the earnings trigger will kick in.

80. **Mr Brady**: The point about the 3% payment is very important, because a lot of small employers will simply not be able to afford it.

81. **Mr G McCann**: As I said, that is why it is to be phased in up to 2017. We are aware that it could hit jobs, so we are trying to phase it in gently.

82. **The Chairperson**: Anne, Gerry and Sam, thank you for your time and effort. It is a complex issue, so thank you for your attempts to simplify it.

13 October 2011

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Gregory Campbell
Mrs Judith Cochrane
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Ms Pam Lewis
Mr Fra McCann
Mr David McClarty

Witnesses:

Mr Seamus Cassidy Mr Gerry McCann Ms Anne McCleary	*Department for Social Development*

83. **The Chairperson**: Anne McCleary, Gerry McCann and Seamus Cassidy from the Department for Social Development are here to brief us on the proposed Pensions Bill and the outcome of the equality impact assessment (EQIA). I formally welcome you all to the meeting. Please give your briefing.

84. **Ms Anne McCleary (Department for Social Development)**: Thank you very much for the opportunity to brief you on the proposed Northern Ireland Pensions Bill and the associated equality impact assessment.

85. Members may recall that we provided a briefing on the corresponding Westminster Bill on 9 June. The Committee sought clarification on several issues, and the Department responded on 23 June. Members will therefore be familiar with the high-level proposals. The Westminster Bill is expected to receive Royal Assent in late October. Subject to ministerial and Executive approval, it is anticipated that the Assembly Bill will be introduced shortly after that. A number of provisions of the Westminster Bill will not be replicated here because they extend directly to Northern Ireland. Those provisions relate to the financial assistance scheme and judicial pensions. The Executive and the Committee endorsed the proposal for a legislative consent motion in respect of those specific measures at a meeting on 10 March, and the Assembly approved that motion on 21 March. It is anticipated that the Northern Ireland Bill will contain measures relating to the state pension, automatic enrolment into workplace pensions, indexation and re-evaluation of occupational pension schemes and pension compensation and, fourthly, the operation of the pension protection fund.

86. If the Committee wishes, I can reprise what I said in June and detail the provisions of the Bill. However, many of the proposals are minor and technical. Therefore, with the Committee's agreement, I propose to focus on the issues that most concerned members at the June meeting, namely changes to the state pension age and automatic enrolment. Is the Committee content for me to do that?

87. **The Chairperson**: Are members content with that?

Members indicated assent.

88. **The Chairperson**: Thank you, Anne.

89. **Ms McCleary**: Thank you. First, I will address the state pension age. Under existing legislation, the state pension age for women will equalise with men at 65 years by April 2020 and then increase, for both men and women, to 66 years by April 2026, to 67 by April 2036, and to 68 by April 2046. Official projections of average life expectancy have been revised upwards since those changes were legislated for. Projections made in 2008 by the Office for National Statistics indicate that men and women reaching the age of 66 in 2026 are expected to live, on average, 1·5 years

longer than was projected when the current timetable was set. That is good news for us all.

90. The Westminster Government announced a review and, in June 2010, issued the paper 'When Should the State Pension Age Increase to 66? — A call for Evidence' in Britain. The Department issued it here. We received two responses, including one from the previous Committee. The Government's response was published in November 2010 in the command paper, 'A Sustainable State Pension — When the State Pension Age Will Increase to 66'.

91. In light of increasing life expectancies and an ageing population, the Government concluded that the current timetable is unsustainable. The proposed Bill implements a revised timetable providing for women's state pension age to equalise with men's by November 2018 rather than April 2020. Secondly, the increase to age 66 is to be brought forward to April 2020. The effects of those proposals were addressed in the EQIA, which was published for consultation between 3 August and 30 September this year.

92. We estimate that equalising the state pension age by November 2018 could affect around 7,000 women who were born between 6 April 1953 and 5 December 1953. Approximately 70,000 women and 69,000 men born between 6 December 1953 and 5 April 1960 could be affected by bringing forward the increase to age 66. Overall, around 146,000 people could experience a delay in reaching state pension age. That is made up of 131,000 who will experience a delay of up to a year — 62,000 women and 69,000 men. Also, 15,000 women would experience a delay of between one and two years. Approximately 800 of them, born between 6 March 1954 and 5 April 1954, would experience a delay of two years.

93. Assuming full entitlement, the amount of basic state pension for a period of up to a year could amount to between £102 and £5,312 at current rates. For a period of one to two years, the amount would range between £5,312 and £10,624. However, it is important to note that working-age benefits will remain in payment until revised state pension ages are reached, so although the state pension will not be payable, the full range of working-age benefits will still be available for those who cannot work or are in financial need. For those with less than full entitlement to the state pension, the amount payable by way of working-age benefits could be higher than the amount payable in state pension. Appendix 2 to my letter of 23 June sets out some illustrative examples of the impact in particular cases.

94. When we last spoke, it was clear that members of the Committee had concerns about the impact of the changes on women. Minister McCausland also has concerns. Indeed, the Minister wrote to Iain Duncan Smith on 24 June to urge the Westminster Government to consider measures to alleviate the impact of the proposals. Both Steve Webb, the Pensions Minister, and Iain Duncan Smith have indicated that transitional arrangements for women most affected would be considered. The Prime Minister stated yesterday that:

"we will be making an announcement shortly."

95. I should also say that we do not know what that announcement will be.

96. **Mr F McCann**: I will not hold my breath.

97. **Ms McCleary**: The Report Stage is scheduled for 18 October, and the position should be clear by then.

98. I will now move on to the effect on other benefits. The proposed changes would lead to corresponding increases in the minimum qualifying age for state pension credit and the winter fuel payment. The upper age limit for receipt of working-age benefits, such as jobseeker's allowance and employment and support allowance, would also increase.

99. As for the effect on state pension credit, based on the proportion of the population over the age of 60 and receiving pension credit during the four years 2007-2010, we estimate

that around 43,000 people could be affected by an increase of up to two years in their qualifying age for pension credit. Those changes are likely to have a greater impact on people in lower income groups, including those receiving working-age benefits.

100. Then we have the effect on winter fuel payment. We estimate that, of those born between 5 April 1953 and 5 April 1960, approximately 14,000 would experience no change at all. That is equally split between men and women. Some 121,000 people could qualify for a winter fuel payment one year later than under current rules. That is made up of 61,000 women and 60,000 men. Some 18,000 people could qualify for a winter fuel payment two years later. That is made up of equal numbers of men and women.

101. Members should, however, bear in mind that, when one member of a couple has reached the qualifying age, households would still receive the full award. That is because of the way in which winter fuel payments are awarded. As you probably know, it is £200 for a qualifying person who lives alone or is the only qualifying person in the household, or, where there are two qualifying people living together, they each get £100, so effectively it is the same amount of money, but is split between them when there are two qualifying people living together.

102. I will move on to automatic enrolment in workplace pension schemes. Millions of people across the UK are simply not saving for retirement. Legislation passed by the Assembly in 2008 is designed to address that by introducing a requirement for all employers to automatically enrol eligible employees into a workplace pension scheme, starting in 2012 for the largest employers and phasing in over a four-year period. An independent review was announced in June 2010 to examine the scope of the automatic enrolment policy. A number of recommendations were made to ease the burden that employers will face in complying with the legislation, while maintaining the key aim of ensuring that low to moderate earners are able to save for retirement.

103. As a result, the Bill will introduce, first, an earnings trigger at which an employee must be automatically enrolled into a workplace pension. That is set at the threshold at which a person begins paying income tax, which is currently around £7,475 a year. Secondly, there will be an optional waiting period of up to three months before the automatic enrolment duty for employers begins. Thirdly, there are changes to the way in which an employer can certify that their pension scheme meets the necessary quality test. Some of those measures may lead to a reduction in the number of people automatically enrolled into a workplace pension scheme. However, those affected will be able to opt into the automatic enrolment process if they wish.

104. I will move on to the equality impact assessment consultation. In assessing the impacts of the proposals for the purposes of section 75 of the Northern Ireland Act 1998, the Department concluded that there may be differential impact in respect of age, gender, religious belief or political opinion, racial group and disability. As I said earlier, an equality impact assessment was published for consultation between 3 August and 30 September. We received responses from Age NI, A2B, Disability Action and the Northern Ireland Public Service Alliance. Copies were sent to the Committee on 10 October.

105. As might be expected, respondents expressed concern about the impact of the proposed changes to the state pension age and, in particular, the impact on women. Concern was also expressed about the changes happening over a relatively short timescale, in retirement planning terms. On the other hand, the extension of the qualifying age for disability living allowance (DLA) was welcomed. The Department will reply to those respondents shortly.

106. That concludes my presentation but we are happy to take any questions.

107. **The Chairperson**: OK, Anne. Thank you very much for that.

108. **Mr Brady**: Thanks very much for the presentation. There seem to be a lot of numbers. This process has already started. I have already spoken to women who would have normally qualified last December for a pension and did not get it until September of this year. It is a contributory benefit: this is money that people paid in as they were working. They paid in, so, reasonably, would expect to get it back.

109. On the EQIA, people are looking at the fact that it has been brought forward because some of the responses said that women should not be affected until 2020. However, that has already been brought forward. Was that an arbitrary decision?

110. **Ms McCleary**: As far as I know, it was a decision following the White Paper that was put out after that consultation. I am not sure whether Gerry can shed more light on that.

111. **Mr Gerry McCann (Department for Social Development)**: Really, all that they did was to look at all the various figures that were stacking up with regard to the overall debt. We have to realise that that is part of the equation. It is not purely or simply down to the fact the population is getting older. That is just part of the overall issue.

112. **Mr Brady**: The reason people cannot save for their future is because they do not earn enough. It is as simple as that, and no provision was made to encourage them or enhance their ability to do that. The other way to look at it if you are really cynical is that the winter fuel payment will not be a big issue because if they keep cutting it the way they have, by the time 2018 kicks in there will probably be no winter fuel payment. It has already been cut this year, will probably be cut next year, and that will continue. That may not be as big an issue as people think, although that is only a personal observation. However, it seems that the numbers who will be affected will probably be higher than anticipated.

113. **Mr G McCann**: All we are saying is that is what we found out when we did all our sums and stats, and drilled down into the situation. All we are doing is telling you the facts.

114. **Mr Brady**: But it is very clear that there is a disproportionate effect on women, and that has already started to kick in.

115. **Ms McCleary**: The bringing forward from 2020 to 2018 does that; yes. Women are the group that are affected by that.

116. **Mr Brady**: And particularly where pension credits are involved because the whole idea of pension credits is to supplement low income. That will be affected, in some cases for up to two years and in a lot of cases for at least one year. You spoke about amounts between £102 and £5,000. Even the mid-scale of that is a fair amount of money.

117. **Ms McCleary**: We understand, as I said, that there is to be a statement about transitional protection. We do not know what that will be.

118. **Mr Brady**: Should we wait with bated breath?

119. **Ms McCleary**: I could not possibly comment. I do not know.

120. **Mr Brady**: The other issue for people in dire straits is that crisis loans, for example, are going down the Swanee with the social fund.

121. **Ms McCleary**: It is changing, we think. We do not know.

122. **Mr Brady**: I am fairly sure from what we heard last week.

123. **Mr Campbell**: Thanks for the presentation. There is quite a range of statistics and, as you say, things should perhaps be clearer next week when the statement appears. Obviously, some people will be unaffected. It appears that others will be on the margins of being negatively affected. Until we know the transition arrangements, it appears that a group of

people will be significantly badly affected by the announcement.What I would like to get — we cannot get it today, because obviously we have to wait for the statement — within 10 days to a fortnight is to be able drill down to see the gender and the age profile and the numbers of those who will be most acutely affected by this change. I imagine that it will be people on lower salaries, but I want to see what the transitional arrangements will do for them, see the scale of the problem and see what can be done to address it. That is the key thing for me. A range of numbers were fired at us there, and we need to drill down to see what impact there is and how many people will be disproportionately affected by this. We cannot do that for another week or 10 days.

124. **The Chairperson**: Anne, are you happy that that information can be distilled after the statement?

125. **Ms McCleary**: We will do our best.

126. **Mr G McCann**: In the past, we gave you the figures for the women who will be hardest hit. I cannot remember those figures off the top of my head, but I think that it was about 7,000.

127. **Ms McCleary**: It was 6,800.

128. **Mr G McCann**: That is a figure for those women who will be hardest hit because of their age, and so forth.

129. **Mr Campbell**: It is the transitional arrangements that we need to know about.

130. **Mr G McCann**: Until we know exactly what those arrangements will be it is very hard for us to gauge the impact. However, as soon as we have that information, we will look at doing some work to tell you what it will actually mean for the punters.

131. **Mr F McCann**: I was going to touch on something that Gregory raised. A lot of this is a bit frustrating, because it near enough seems to be a fait accompli. Legislation is passed, it comes here and we can debate it, but we have little impact on it. We are talking about transitional periods, and it is like the discretionary periods that we discussed last week. They sound good when people say it, but they do not really mean that much when they come into effect and people are still affected by them.

132. Serious concerns have been raised over the past number of years, especially since we have got statistics about the number of people, especially elderly people, who die during severe cold spells. What we are doing now is talking about legislation that puts it back. I am concerned about the number of people who will die in the year when this comes in. Was that taken into consideration when people sat down and drew up this legislation? It will be like a death sentence for many people.

133. **Mr G McCann**: It was taken into consideration. We all live in society, we all have mothers and fathers and we are all aware of the issues, such as fuel bills, that people are talking about. At the end of the day, you know and we know that we cannot change very much of this. In the past, we have highlighted the issue of how the benefit system is funded. We have spoken about that on many occasions and about the issue of parity. We do not have much scope to change any of this.

134. **Mr F McCann**: I understand that, and that goes back to my point about it being a fait accompli. The difficulty that I have is that the legislation that is coming through will end up giving the nod to what is, in actual fact, a death sentence for many people.

135. **Ms McCleary**: Perhaps these issues need to be raised at Executive level and alternative ways looked at for particular issues. However, that will need prioritisation and decisions at Executive level as to what money there is and how it can be spent. There are issues about housing, winter periods and so on that need to be looked at from that perspective.

136. **Mr F McCann**: On another point, Mickey is right about savings and low earners. Many low earners can barely feed their

families and themselves, yet they are being asked to save.

137. **Ms McCleary**: Yes. The timing of this is not helpful.

138. **Mr G McCann**: On the issue of how much people can save, that is why —

139. **Mr F McCann**: They cannot even get bank accounts.

140. **Mr G McCann**: You will not be enrolled until you are earning at least £7,475. We understand that there are people who, when they sit down at the end of the month and look at their bills and their outgoings, will not be able to save. We are not saying that everyone should be saving and that they have to save.

141. **Ms McCleary**: This is about assisting those who can save a little and encouraging them to do it; it is not about forcing them to do it.

142. **The Chairperson**: A moment ago you said that this would need to go — well, you did not say "need to go" but be considered by the Executive. I do not want to put words in your mouth again. That was in the context of it being possible. I do not want to leave anyone with a mistaken impression.

143. **Ms McCleary**: Yes, exactly.

144. **The Chairperson**: Therefore, if the Executive or any other Minister decides to do something, on their head be it, so to speak. The difference would have to be made up financially.

145. **Mr Brady**: I want to make a point on the back of what Fra was saying. Much has been made of people living longer, and this seems to have been predicated on that notion. I sit on the Health Committee, and we have got statistics that show that people are living longer, but they are not living more healthily. Drug regimes mean that they can live longer — all the more reason for them to have proper income, heat and food. This will militate against that. I want to make that point, because there is a notion that you can work on because you are living longer. However, you may not live more healthily. You might live until you are 90, but your quality of life could be quite bad for the last 20 years. That has not been factored in.

146. **Mr G McCann**: We are very aware of that issue. You have to take that into account, but you still have to look at the number of people who are in work as opposed to the number of people who are out of work and on benefits. As we move forward, if we do not do something on the state pension age, how will we end up funding that? The working population is getting smaller, and the number of people who are on benefits is getting bigger.

147. **Mr Brady**: We were talking about the unemployment figure yesterday; we are talking about nearly 61,000 people. If you or I went out and questioned any of them, we would find that very few of them would not be in work, given the choice. The jobs are simply not there.

148. **Mr G McCann**: We accept that people want to work.

149. **Mr Brady**: That is not going to improve in the next couple of years.

150. **Mr G McCann**: Our whole aim is to assist people into work. We are all on the same page.

151. **Mr Brady**: No one is disagreeing with the ethic of getting people into work, but where is the work?

152. **Mr G McCann**: Exactly. However, when it comes to overall policy planning, we have to look ahead.

153. **The Chairperson**: We are moving into an area that is not your responsibility, even though it is an important issue.

154. **Mr Douglas**: I had two questions, but Gregory has asked about drilling down on the numbers. The Bill will have an adverse impact on older members of society and on the most vulnerable. Fra made a point about fuel poverty. We have talked about that in the Assembly, and I think, Anne, you talked about raising it at the Executive. How is the Department going to address the needs of older members of society? It is not just a matter of raising the issue in the

Assembly or the Executive. Do you have any proposals?

155. **Ms McCleary**: Quite simply, at this stage, no. I would have to go back and see whether any work is being done. I know that there was talk about an older persons' commissioner and all sorts of things like that. I am not quite sure where responsibility for elderly people lies. I know that responsibility for young people lies with the Office of the First Minister and deputy First Minister. I simply do not know — I would be speculating, but I will go back and check.

156. **Mr G McCann**: Having said that, part of what we are doing in our plans for the future is to get people to save for their retirement. Obviously, that is not going to help people in the next couple of years, but the aim over time is to ensure that people will have saved since they were fairly young so that they have a fair-sized pot of money once they reach pensionable age. That is one of the things that we are trying to do to assist older people.

157. **Mr Copeland**: I apologise if this seems a bit convoluted. As I understand it, the proposed Northern Ireland Bill will largely mirror the Westminster legislation, except for financial services and official pensions.

158. **Ms McCleary**: Those provisions extend to Northern Ireland.

159. **Mr Copeland**: I understand that. Is it the case that, if the results when the Bill goes through here are not pretty much the same as they are in Westminster, parity will come back into it? If we have a section 75 requirement that varies from parity, which are pre-eminent: the requirements of section 75 or those to fulfil parity?

160. **Mr G McCann**: Under the section 75 provisions, all you have to do is to look at what the impacts are.

161. **Mr Copeland**: But you are not bound by the findings?

162. **Mr G McCann**: No. You then have to look at the overall policy to see why it is being made. It is a balancing act between the two. Our answer is that I do not think that either of them takes priority, as such. You have to look at and weigh up both of them.

163. **Mr Copeland**: So section 75 gives you the benefit of knowing who you are harming?

164. **Mr G McCann**: It means that, when you are looking at and developing your policy, you are informed by the work that you have carried out. It does bring us back to the word "parity", which you used. If we do not have the money to pay for the thing, what do we do? It brings us back to where you started with your question.

165. **The Chairperson**: I think that your key point is that parity is about outcome as well. We are not opening a debate on parity this morning. If you say, for example, in this case, that there may well be a greater negative impact on the Protestant community, because of its demographic and age profile, what consideration is given to that outcome? Do you accept that it is an outcome, but do nothing about it?

166. **Mr G McCann**: In terms of that one issue which you are using to illustrate your point? OK, it does have a greater impact on members of the Protestant community. However, that impact is purely an issue of chance; it is a fact that there happen to be more of them. It is not as though we are setting out to target any sector of the population. We are not saying, "We are aiming to affect the Protestant community here". It is just purely by chance. It is a fact that there happen to be more Protestants in that age cohort.

167. **The Chairperson**: I am just making a point, and I think that members should just take note of it and think about it. The issue is about outcomes and about how these things impact on communities. On other issues, some of these things will impact more adversely on young people, women, people from the nationalist and republican community, or ethnic minorities. The whole purpose of section 75 and such

legislation is to make sure that people are treated equally. I am just making that point so that members can bear it in mind when they are talking about such matters in the longer run. It is about equality and parity of outcome. I think that we need to look at that. We are not going to tackle the issue today, but I am just using it to illustrate my point, because you highlighted it in the impact assessment.

168. **Mr G McCann**: I will just say one more thing. It would be very hard to have different ages for different groupings when dealing with issues such as the state pension age. In fact, it would be virtually impossible to get round that problem.

169. **Mr Easton**: All these pension changes are obviously happening because there is a big black hole.

170. **Ms McCleary**: There is a black hole, and more and more people need money out of that black hole.

171. **Mr Easton**: In terms of an amount of money for that big black hole, there are obviously rough guidelines and ideas for the whole of the UK. If we were crazy enough to start interfering and go our own way, as some members have maybe advocated in different ideas on parity, what would that cost us? If we decided to do stuff on our own on pensions, would it cost some absolutely huge, ridiculous sum that we just could not afford?

172. **Mr Seamus Cassidy (Department for Social Development)**: It is reckoned that changing the timetable for the state pension age to 66 in England will result in net total gains to government, in income tax and national insurance, of about £8 billion. That is for the period 2016-26. We reckon that that would amount to £0·16 billion in Northern Ireland for the same period.

173. **Ms McCleary**: That is just for the change. I was not sure whether you were thinking about the figures involved in our paying for the entire pension.

174. **Mr G McCann**: Of all the benefits, the state pension is the biggest one. It is one that costs us the most money. I do not have the figure with me, but I can get that for the Committee if it wishes.

175. **Mr Easton**: Can you get us the figure of how much we pay for our pensions in Northern Ireland? If we went our own way, that would be how much we would have to stump up, plus the extra to make up for all the —

176. **Mr G McCann**: It could be; it would depend on what exactly we were thinking of doing, and you would have to negotiate —

177. **Mr Easton**: Are we talking billions?

178. **Mr G McCann**: I think it is about £23 million that we pay out in pensions every week. I stress that that figure is from the back of my memory, and I would have to check it, so there is a real caveat with that.

179. **Mr Easton**: There is no way that we could find £23 million a week; let us be honest.

180. **Mr F McCann**: It does not mean that we have to run over it, you know.

181. **Mr Easton**: It is not about that, it is about being sensible.

182. **Mr F McCann**: We are talking about people's lives here.

183. **Mr Easton**: Where are we going to get £23 million a week? Where are we going to cut? It is just crazy.

184. **The Chairperson**: I suggest that, as we deal with these ongoing matters, it is important to bring figures if we can get them, because, whatever people's view on the arguments, it is important to try and cost these measures if we can. It would be helpful for people to be able to say that, if we were to diverge from this or to adopt that, it would cost x number of pounds. I think that information is important.

185. **Mr Durkan**: A lot of points that I would have raised have been raised, but there was one concerning availability of service or support to older people, first to find employment and secondly

to retain it. There may be some unscrupulous employers out there who now see that they will have to keep staff on for longer, which could have a particularly adverse effect on women again, should they be let go for whatever reason as they are approaching what they presumed was their retirement age. It is going to be increasingly difficult for them to find employment, especially when unemployment is so high and it would often be more affordable for employers to take on someone younger.

186. **Ms McCleary**: Any discrimination against people already in work based on age would be illegal in any event. Also, we have removed the compulsory retirement age; that is gone, so they cannot be forced to leave work, in the same way that none of us can be forced to leave work. Again, the same provisions in relation to discrimination apply to those who are applying for jobs. It used to be the case years ago that you could have said that, ideally, candidates should be under or in excess of a particular age. You cannot do that now. The discrimination laws are there to help; I am not going to claim that they are the answer to all known ills, but they are there.

187. **Mr Durkan**: As regards support and training or retraining —

188. **Ms McCleary**: The work that is carried out in the Department for Employment and Learning is available to them, and that will hopefully help. I do not want to get into the thorny issue of welfare reform, and so on, but an awful lot of that is aimed at helping people into work through a variety of means such as retraining and all kinds of other things that will help people to find positions. There are of course some companies that specialise in taking on older workers because they have the skills and the expertise.

189. **Mr Brady**: Gerry made a point about equality impact assessments and there is an outcome, but it is down to chance. It sounds a bit like Mystic Meg is involved in social security policy. The point of having an outcome is presumably to get something constructive out of it. If it is chance, it is chance. We cannot choose our gender or our date of birth. Perhaps it should be put under the gambling legislation; that might be more relevant.

190. **Mr G McCann**: My point was that it happens to affect age cohorts. Therefore, if you look at each of the age cohorts inside that, it is bound to have a greater or lesser degree depending as to how that breaks down. The point is that the whole policy has been designed because of other issues. It is not intended to tackle anybody on the grounds of their beliefs —

191. **Mr Brady**: Yes, but if you work out a policy, presumably you have a start, a middle and an end. You must have some idea who it will impact on at the start. What we are saying here — and Sammy has made the point — is that it has an impact on older, vulnerable people. The point was made about people living longer, and we have already addressed that. However, as Sammy says, the people most affected are those who can least afford to be most affected. With their incomes, they cannot save. They will be left with very little income. Winter fuel payments will probably be reduced and reduced, and there is no proper fuel poverty strategy. There is no solution at this point. We have spoken about social tariffs and other things, but nothing has been done. Ultimately, we are saying that it is going to happen, but we are not doing that much about it.

192. **Ms McCleary**: The winter fuel payments have not actually gone down this year. The amount of money that people get in their hand has been reduced, but what has happened is simply that the payments have not been increased. There is no proposal to reduce them. They will remain at their current level.

193. **Mr Brady**: With respect, the prices of oil and gas have increased, so it is not a logical argument.

194. **Ms McCleary**: I appreciate and understand that, and I do not say that it is an ideal situation. I am just saying

that winter fuel payments have not been reduced; they have just not been increased again.

195. **The Chairperson**: Their net value has reduced.

196. **Ms McCleary**: Yes.

197. **Mr McClarty**: Is there a false economy here? You encourage people to work longer by increasing the pension age. Those people block young people at the other end of the age range who want to get into jobs, and so the young people become a burden on the taxpayer.

198. **Ms McCleary**: There are fewer of them. The whole difficulty behind this is that we have an increased number of people at the upper age range and fewer at the lower end of the scale. Those factors were taken account of. I understand the point you make, but this is the way it is going.

199. **Mr Copeland**: The point has been covered, but I just want to clarify something. Although we accept that this will largely affect elderly people, if elderly people find themselves disadvantaged and there is nothing else in the state system to come to their support, they will turn to members of their own families, who may themselves be subject to generational deprivation. Therefore, that will affect not only the elderly but those related to them. I am not sure that that has been taken into account.

200. **The Chairperson**: Thank you. Is that all the members' contributions?

201. **Mr Douglas**: I want to reinforce the point, so that it is not misconstrued. I asked Anne about the response. We are a scrutiny Committee, and we are talking about people's lives and major implications. The Department must respond. How is it going to address this? I want to reinforce that point: this scrutiny Committee wants to see what the response is.

202. **The Chairperson**: People can check the Hansard report. There have been quite a lot of issues raised, and members have put their arguments well. Officials have tried to respond as best they can. It is up to members to deal with these matters. We are taking on information this morning and we have addressed it as best we can today. Obviously, we will return to this Bill. Anne, can you remind me when the Bill is to be introduced?

203. **Ms McCleary**: The Bill will be introduced to the Assembly after Royal Assent is given to the Westminster Bill, which is expected in October. It will probably be November.

204. **Mr G McCann**: Early November some time.

205. **Mr Durkan**: I have an extension of the point that Michael made about the effect on the families of those affected. There is much talk of an ageing demographic. The number of people affected by this, who are caring for their parents, is growing. People are living longer. A large number of people are now reaching retirement age whose parents are still alive, and they are primary carers. They are looking to retire to spend more time with their elderly parents. That is something that needs to be taken account of.

206. **Mr Campbell**: I do not want to delay things, but there is a figure that looks a bit odd to me. Perhaps Anne or someone can explain it to me. The proposals for pension reform response gives a breakdown of entitlement to winter fuel payment. There is a table with a religious breakdown, which the Chairman referred to. It says there that 55,600 Protestants, 47,600 Catholics and 18,000 members of other groups would qualify for winter fuel payment. Do you have any breakdown of those 18,000 others?

207. **Mr Cassidy**: It includes a raft of various groups.

208. **Mr Campbell**: It is quite a significant statistic in Northern Ireland.

209. **Ms McCleary**: I imagine that it includes those who may be in one of the other two groups but have chosen not to identify themselves as one or the other.

210. **Mr G McCann**: Those who do not specify their beliefs and do not have a designation are called “others”.

211. **The Chairperson**: If members are content that they have aired their views having heard the presentation, we will move on. Anne, Seamus and Gerry, thank you for your attendance and for the presentation.

26 January 2012

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Gregory Campbell
Mrs Judith Cochrane
Mr Mark H Durkan
Mr Alex Easton
Ms Pamela Lewis
Mr Fra McCann

Witnesses:

Mr Seamus Cassidy Mr Gerry McCann Ms Anne McCleary	Department for Social Development

212. **The Chairperson**: We move on to the Pensions Bill. I advise members that the Second Stage of the Pensions Bill will be debated in the Assembly on 31 January, which is next Tuesday. That debate will be on the general principles of the Pensions Bill. If the Second Stage is agreed, the Bill will stand referred to the Committee. We will have 30 days to deal with the Committee Stage.

213. People are aware that we, as a Committee, will have 30 days to deliberate on the Bill's provisions. People have made their views clear. We have had quite a number of discussions with Anne and her colleagues over the past months. The Committee Stage affords the Committee an important opportunity to go through the Bill in some detail, and we will, presumably, consult on it.

214. I want to refer members to the process. There is a fairly tight time frame. We are also mindful that, given that we are taking the time to deal with the legislation, we may stand accused by some people of disadvantaging a certain category of women. Notwithstanding that, the Committee and the Assembly have decided that we will process the legislation. Therefore, it is important that we deal with it expeditiously.

215. Assuming that the vote is carried next Tuesday — it may not be, but let us assume that it is — the Bill will be back to us. We propose that we will need a short period of consultation. There is a new system for Assembly advertisements. All the Committees recently agreed to a truncated version, which can be seen in members' tabled papers. There is a draft version of the advertisement that invites people to participate in our consultation on the Pensions Bill's provisions. We had hoped to keep the notice period short, but we were advised to make it 14 days. However, we will ask key organisations to let us know whether they intend to make a submission or want to come and make a submission. If we know that, we can at least schedule those sessions. Obviously, the time that we will need to make available will depend on the responses we get back.

216. We propose that, with members' agreement, the Committee gives more time to deal with the Bill over the next month or so. We suggest that we have our usual Committee meeting at 10.00 am on Thursday and work to a schedule that sees us complete our normal business around 12.00 noon or 12.15 pm. We would have a light lunch at 12.15 pm and recommence at 1.00 pm to discuss the Pensions Bill. We are going to have to devote more time to facilitate the process of the legislation, and the alternative to what I have suggested is to meet on another day. However, I suggest to the Committee that we conduct our normal Committee business from 10.00 am to 12.00 noon and then return at 1.00 pm for a session on the Pensions Bill.

217. **Mr Campbell**: Which day is that?

218. **The Chairperson**: It would be on a Thursday.

219. **Mr Campbell**: Which Thursday?

220. **The Chairperson**: It would be for the duration of the Committee Stage of the Pensions Bill, which is 30 days.

221. **Mr Campbell**: So it is each Thursday.

222. **The Chairperson**: Yes. It is possible that we could have it done within the third week. I do not know, but we have 30 days. I do not know how many consultees there will be. As you know, people have made some presentations to the Committee already. Some of them may wish to do so again.

223. **Mr Campbell**: It will probably be more clear once the advertisement goes out.

224. **The Chairperson**: Yes; that is what I am saying. We will chase up with some of the people who have already spoken to us and ask them whether they want to come back again. If so, we can at least get a schedule. We have to do that or find another day. Either way, we will have to devote extra time to the legislation.

225. Are members content that we proceed on that basis?

Members indicated assent.

226. **The Chairperson**: We have already discussed with the officials that we would have somebody here from the Department on those days in case we need them. I presume that we will. There are three or so key components of the Pensions Bill’s provisions, but there are a lot of technical elements as well, and I believe that we will need ongoing assistance with that. Anne, as you know, we have asked your senior officials for someone to be available. You are here this morning. We do not anticipate any real debate this morning. It is up to members whether they wish to ask you questions now, but we are really dealing with the process of legislation over the next number of weeks. That presupposes that the Bill goes through its Second Stage successfully.

227. Are members content that that is the way in which we deal with this?

Members indicated assent.

228. **The Chairperson**: Are members content thus far that we have heard enough from the officials to allow us to continue? Obviously, we will have a debate in the Assembly on Tuesday, and people will have their views and, perhaps, their party views. Is that fair enough? Are members content that we can move on from this item this morning?

Members indicated assent.

229. **The Chairperson**: I have asked members whether they have any questions to ask of the officials while they are here this morning. It is not compulsory for them to have questions. Thank you, Anne, Gerry and Seamus. I appreciate you being here this morning.

230. Have members had a chance to have a quick look at the draft advertisement? We will proceed to having that prepared. It will be our ‘Blue Peter’ one for Tuesday.

231. **Mr Brady**: Will the advert be sent directly to groups, or will it just be a general advert that people respond to? It is important that it goes to groups that deal with older people, as the legislation will impact on them, and to the voluntary sector in general.

232. **The Chairperson**: All the Assembly Committees recently agreed a format for advertisements. I cannot remember all the provisions, but there is an assurance that they will be targeted at stakeholder organisations etc. I think that the answer to your question is yes, but we will double-check that.

233. **The Committee Clerk**: The notice will direct people to the Committee’s website and the Pensions Bill and will give them the time frame for responding etc. In addition, we will contact stakeholders directly.

234. **Mr F McCann**: It has probably already been taken on board, but will there also be a statement going out from the Chair to say that this is coming up? That would capture a wider audience.

235. **The Chairperson**: I have no difficulty at all with doing that, Fra. There will be a debate in the Assembly on Tuesday,

and I am sure that it will make the headlines — well, I am not sure about the headlines, but it will be well in the public domain, given that it will be on the Floor of the Assembly and people will have their views. There will be a full debate, as you know, on Tuesday. We will do anything that we can additionally. Our focus will be on trying to make sure that the key organisations know that it is on. If they wish to contribute, they will have the opportunity to do so. Does that answer your question, Fra?

236. **Mr F McCann**: Yes.

237. **The Chairperson**: OK. Thank you.

2 February 2012

Members present for all or part of the proceedings:

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

Witnesses:

Mr Bumper Graham — *Northern Ireland Public Service Alliance (NIPSA)*

238. **The Chairperson**: I formally welcome Bumper Graham to the meeting to give evidence on the Pensions Bill. You are the first person to make a stakeholder presentation, as this is Committee's first formal meeting on the Bill's Committee Stage. You are very welcome. Please make your presentation.

239. **Mr Bumper Graham (NIPSA)**: Thank you very much for the opportunity to make a contribution to your consideration of the Pensions Bill. I know that you are strictly looking at the current Pensions Bill. However, part of the current problem in pensions is the unco-ordinated approach that the coalition Government is taking both to occupational and state pensions. Some of what I will say will spill over into the wider pension issue.

240. NIPSA believes that we should take a more holistic approach to the provision of decent state and occupational pensions. Most of you probably know of NIPSA. We are the largest trade union in Northern Ireland, with over 46,000 members, spread across the Civil Service and the public service. We have membership in three main occupational pension schemes: the National Health Service scheme; the local government pension scheme, the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC); and the Northern Ireland Civil Service scheme. We also have a big interest in the provision of the state pension scheme for two reasons: first, because of our general position on trying to promote a fair society through public policy; but also because our members deliver the state pension scheme employed in the Department for Social Development (DSD) in relation to both Northern Ireland and parts of Great Britain.

241. My position is assistant general secretary of NIPSA. For some reason, the pensions remit has fallen to me; maybe it is a sign of my ageing and my subsequent interest in the matter. I should declare an interest in that I am also deputy chairperson of NILGOSC as one of its trade union nominees. That is the background.

242. On a general point, the normal arrangement has been the application of parity for social security and, indeed, occupational pension schemes in Northern Ireland. NIPSA believes that, by and large, parity, warts and all, is the lesser of the evils, so to speak. We are concerned about attempts to break parity and the announcements in the autumn statement on provision for regional pay. We have had the nonsense from Tories, this week and previously, about looking at regional benefit rates in the UK. While we are not absolutely wedded to parity, we believe that it is the baseline for going forward.

243. There are two primary considerations on the Pensions Bill: the change in the age at which the state pension is paid, and the auto-enrolment dimension. I accept that there are a number of other important provisions in the Bill, but they are mainly technical and on the periphery of the bigger debate. Where we are now is the equalisation process to bring the age at which women can claim the pension up to 65. It is the usual position that, for government and

employers, harmonisation is always the reduction of people to the lowest common denominator rather than bringing them up to the highest common denominator. We would much prefer men to be entitled to claim the state pension at 60 rather than women being penalised and only able to claim it when they reach 65.

244. We then have the change in the state pension age to 66 by November 2020. The previous Labour Government had proposed that that change would take place by 2026 and the pension age would be raised to 67 by 2036. We consider those changes draconian, both in their impact on people who anticipated their pension being paid when they were 65 or at age 66 by 2026. To bring that forward to November 2020 is unfair, because people plan their retirement provisions, and so on, well in advance, and their plans have been thrown into jeopardy. Likewise, bringing retirement at 67 forward to 2026 from 2036 is a retrograde step and one which is well beyond what happens in other European countries.

245. In essence, therefore, we believe that there is massive inconsistency in how the Tory-Liberal coalition Government is addressing the pensions issue. As you would expect from Tories, they engage in nothing but doublespeak. On one hand, they encourage people to plan and make provision for retirement, and then, by their actions, they do everything to undermine people being able to plan for their retirement. We have seen occupational pensions, particularly public sector pensions, being attacked by this Government. I am happy to leave copies of a NIPSA publication that relates specifically to public sector pensions.

246. We also believe that the changes will have the effect of driving workers out of pension schemes. That not only undermines sustainability of such schemes, it will also make people more dependent in their retirement solely on state benefit provision. That must surely be contrary to the alleged ethos of having people plan and make provision for retirement.

247. We believe that the current state provision is wholly inadequate. The basic pension for a single person is £102 a week — about £5,300 a year — or even the guaranteed rate of about £7,142 a year as a single person. For a couple, the figures are £8,354 or £10,900. That is a long way off the hype and nonsense that we heard this week of benefits ceilings of £26,000, and so on. I do not think that anybody should have to depend on such inadequate amounts in retirement. They are nothing but poverty payments. They reinforce the poverty trap and do nothing to enhance the economy.

248. We must also consider the current system of pension credits. Although our members try to do the best job that they can in administering pension credit, it, like most benefits, is a minefield. The benefits system is becoming more complex rather than simpler. That complexity puts people off claiming benefits. There is data to show the degree to which pension credit is under-claimed. That is mainly because pensioners find it highly complex and very difficult to work their way through the claim process. It is deemed that you are almost begging the government to pay you, rather than receiving what should be your entitlement. We commented on that in our submission to DSD and the Department for Work and Pensions (DWP) in August 2010. Our view is that the Pensions Bill has more to do with the coalition Government's austerity programme than with providing people with decent and proper pensions. Increasing the age at which people are entitled to claim pensions is purely another way of driving cuts in the welfare system.

249. We also believe that it is wholly inconsiderate. Increasing the state pension age and linking normal pension age in occupational pension schemes to the state pension age means that people will be forced to stay in employment a lot longer than they would have otherwise, if they are lucky enough to be in employment at all. Nobody appears to be doing any macroeconomic assessment of what that will do to the labour market. For every person who stays in work for five,

six or seven years longer, there is no opportunity in the labour market for those who are unemployed, who are in education or who are seeking to return to the labour market.

250. I have mentioned the parity position, but the life expectancy of someone in Northern Ireland is very different from that of the well-heeled Tory in the Shires of the south of England. Life expectancy in Northern Ireland is much lower than in those areas, and there is clear documented evidence as to why that is the case.

251. The other difference in Northern Ireland is that, in comparative terms, we still have a fairly healthy birth rate, and there have been some signs in recent years that the birth rate has been increasing. Statistics from the Northern Ireland Statistics and Research Agency (NISRA) show that only 16% of the current population is aged 65 and over. I think that explodes the Government myth that pensioners far outweigh people in work, and they claim that that is one basis for increasing the state pension age for payment of pension and the retirement age in public service schemes.

252. I have already mentioned that the short notice of the changes has a detrimental impact on people planning for retirement. When most people are in their teens or 20s, they do not think too much about retirement and pensions. They may begin to have some consideration for it in their 30s and 40s, but, when they hit the 50 barrier, suddenly it becomes one of the big issues and crises in life. However, if you are now reducing the time frame for that planning, it will be much more difficult for people to be able to deal with an orderly and dignified exit from work into retirement.

253. The Department also issued its equality impact assessment (EQIA), and, again, we commented on that. Our comments were brief, but it is clear that it is discriminatory. It clearly discriminates against women and against people who are in lower social classes, so to speak. Therefore, there are issues in relation to the equality impact assessment that need to be addressed.

254. One of the issues also relates to the move from the retail price index to the consumer price index. We think that that is likely to be discriminatory on a geographical basis and discriminatory against women, because, certainly in occupational pensions in the public service, there is a greater proportion of women employed than males. In our submission, we also touched on the equality impact assessment in respect of the mortality issue in Northern Ireland vis-à-vis the rest of the United Kingdom.

255. When it comes to looking at some of the other issues in the Bill, we have the whole issue of auto-enrolment. NIPSA fully supports auto-enrolment, but not in the way that it is presented, nor do we believe that National Employment Savings Trust (NEST) is an appropriate pension scheme. Proper defined benefit pension schemes should be provided for. Also, we are opposed to the re-enrolment process that is provided for within the auto-enrolment provision.

256. People should be auto-enrolled into the pension scheme, and, I would say, into trade unions, on their first day of employment. They should stay in the occupational pension scheme and not be allowed to leave it. That means having to address issues such as low pay, which are apparent across many parts of the both the public and private sectors.

257. To have to go through a process of providing auto-enrolment every three years is unnecessary, is a burden, creates high administrative costs for the pension schemes and provides people with opportunities to opt out. People may look at an opportunity to opt out on a short-term basis, particularly now if you are in employment and find that you are either facing a pay cut or a pay freeze. We have rampant inflation, and people are looking to see how they get through this week and this month rather than how they get through their retirement. People may then be superficially attracted to opting out of

the pension scheme. That will not do anything for them in their retirement, nor will it do anything for the Government's supposed approach to getting people to plan for decency in retirement.

258. I will turn to other issues. There was the Green Paper entitled 'A state pension for the 21st century', which we provided comments on. The Government should move to a single rate for pensions and do away with the pension credit approach. However, a decent rate has to be set, way above the £140 that was propositioned in the Green Paper.

259. We have seen some tax changes in how pensions are treated. The Government have got it wrong. Those changes tend to hit middle-income earners. The fat cats and the boards of directors around the UK continue to use their accountants to make sure that they benefit and get handsome pension provision. So, although on appearance the tax changes seem to be right, they are not really hitting those who should be hit and be contributing more to society.

260. There is also the European position. The European pensions paper was produced prior to the current crisis in Europe, and it remains to be seen whether that will be revisited. However, when you examine what is in that document and the provision of pensions in the UK, it is among the worst in Europe when it comes to the rate of pension and, to use a football analogy, is in the non-league area when it comes to the value of pensions. Those are comparisons with what are mostly considered to be developed economies. They certainly do not come anywhere near the recommendations that were contained in the Turner report on adequacy of income in retirement, which is a report that we broadly endorse.

261. In conclusion, NIPSA rejects the increase in the state pension age. We are opposed to the 20 December public sector pension scheme heads of agreement; they do not do an awful lot. Public servants will continue to have to work longer, pay more and get much reduced pensions, if they live long enough to claim them. We are opposed to the inadequacy of pension provision in the state benefit system and the complex pension credit system that goes with that. We support a single adequate state pension, with occupation pensions being paid on top of that and no offsetting from occupational pensions. There is probably need to consider an additional safety net for special circumstances if the new state pension happens to fail certain individuals.

262. We encourage membership of occupational schemes via auto-enrolment, but not the rolling three-year revalidation of membership. We look to a more flexible approach to the state pension age and the normal pension age from occupational pension schemes, especially in order to provide improvements in labour market opportunities for those who find themselves out of employment and wish to be in employment. I am happy to conclude there. I have covered most of the ground on the Bill and on NIPSA's broad position on pensions, both occupational and state.

263. **The Chairperson**: OK, Bumper. Thank you very much for that very comprehensive run-through your submission.

264. **Mr Copeland**: How are you Bumper? Long time no see. Would it be fair to say that, generally, you are not in favour of this?

265. **Mr Graham**: I think that that would be —

266. **Mr Copeland**: The reason for asking you that goes back to something that was said this morning. The Committee was examining the departmental analysis of the EQIA. There was a general feeling that everyone was in favour of changes, but not the particular changes that had been proposed. It is interesting that the first person that we speak to this afternoon has confirmed not my fears but my understanding of what was being said.

267. We held a fuel poverty event not very long ago. It was interesting, because we were sitting round tables, speaking to people with ideas. Would you have thought of the possibility of a presumption in favour of pension

credits being paid as something that would be useful if it could be done? In other words, instead of having to fill in complicated forms, the onus would shift and there would be a presumption in favour of payment with a requirement on the state to justify whether payment is made? Have you ever thought of that?

268. **Mr Graham**: Yes. There is something to be said about the concept of National Insurance contributions paying towards benefits and particularly towards pensions. Unfortunately, that whole Beveridge approach has been lost over time, and National Insurance contributions are now just another form of direct taxation. We need to ensure that employers and employees pay fair taxes and that people get their benefits as a consequence of that. The process should be simplified as far as is possible, and the onus should not be put on people to make claims. As I said at the outset, there is a lot of research data on the under-claiming of pension credits because of complexity and —

269. **Mr Copeland**: Do you have numbers on that?

270. **Mr Graham**: I do not, but I have seen research papers from various pensioner organisations. Zoë Anderson may have some more information on that. There is a lot of UK-wide data floating around. I believe that the benefits system should be as simplified as possible. It should not be off-putting. People contribute throughout their working lives and, therefore, should have a right to receive decent benefits, whether they have been unemployed or are of pension age.

271. **Mr Brady**: Thank you very much for your presentation. It is interesting that you mention Beveridge, because the concept of Beveridge was to do with welfare and the well-being of the people for whom the welfare state was designed. It has moved over the years to a notion of perceived social security, as opposed to something that really should be put into practice.

272. I want to make a couple of points. You talked about the different strands in the Bill, including that of the state pension age. You put the nonsense about the cap on benefits into context very well — this perceived £26,000. I have been dealing with benefits for over 30 years and I have never met anyone who is getting £26,000, even though they might have been happy to get it and live a reasonably good life on it.

273. There is also the issue of the minimum income guarantee for pension credit. The £140 that has been mentioned, even by the Government's admission, is probably about £35 less than what was the minimum income guarantee, and that is going back a couple of years. There was a pilot scheme in Britain whereby people were paid automatically for three months, after which it was decided who was entitled and who was not. Automatic entitlement to benefits is operated in most European countries. Apparently, we were told that it could not be done here because of the postcodes, but we have postcodes, so it would seem relatively simple to do.

274. The change in pension age has disenfranchised a number of women in particular from their state pension for up to two years. What are your views on transitional protection for those people if the Bill's provisions are put into practice? Pensions are contributory benefits. People have paid money into a system that has failed to deliver for them at the age that they were entitled to get it. The same goes for pension credits. You mentioned the lack of uptake of those and the fact that almost £2 million is unclaimed every week. There has been no real effort by the Department or government to ensure that people get those credits.

275. It has been well documented that we have the meanest pension scheme in the developed world. As I said, there was transitional protection for people, but that seems to have been put to the side. I would like to hear your views on that.

276. It was interesting that you said that the pension age for men should be reduced to 60, rather than the pension age for women going up. They have been juggling around with that. The Minister

would have preferred accelerated passage for the Bill on the premise that is would give people time to prepare for their future. Prepare with what? If you are in the public sector, you are not paid enough to prepare for anything. We are back to the scenario of the advantaged gaining and the disadvantaged losing. The people who can afford to save and plan for their futures are those who will live longer because of demographics. We were talking the other day about the fact that if you get on the bus in Donegall Square and travel to Finaghy Road South, you will gain eight years in life expectancy. That is amazing, and I do not think that Translink knows what it is involved in.

277. **Mr F McCann**: Mickey's moving to Finaghy next week.

278. **Mr Brady**: Yes.

279. **Mr Graham**: I am worried, Mickey. I used to live in Finaghy; you know too much about me.

280. **Mr Brady**: Maybe you should move back. There are all sorts of issues that do not seem to have been taken into account. We talk about the Tories and the Liberal Democrats, but Labour was as guilty. The only thing that Labour did differently was to set a longer time frame for the changes. However, that does take away the fact that it was a bad idea to begin with. I wanted to raise those points with you and get your views on them.

281. **Mr Graham**: The coalition Government made great play of their view that they had improved the transitional arrangements by shifting the date from April 2020 to November 2020. However, that was absolutely meaningless. I made the point earlier that, in our opinion, it does not provide people with the appropriate length of time that they need to plan for such dramatic changes. We consider the change to November 2020 to be almost valueless and a form of window dressing by the Government.

282. As to your points on benefit uptake and advice and information, we believe that far too little money is spent on benefit uptake initiatives by DSD. You could compare the amount it spends on benefit uptake to what it spends on benefit fraud. I am an anorak; I go on to the Northern Ireland Executive's website daily, and I look at all the press releases. I suspect that if you looked at the site over the course of a month, you will find 30 or 40 press releases about, for example, a woman in Magherafelt or a man in east Belfast being prosecuted for benefit fraud. I do not think I have seen one press release about the prosecution of an employer who is engaged in the black economy.

283. It is about time that DSD and HM Revenue and Customs (HMRC) moved away from victimising individuals who are in dire economic straits, and started to tackle and prosecute those employers who are responsible for the black economy. I would spend more money on that and on benefit uptake initiatives. Increasing the amount of money in benefit uptake will put more money into the hands of individuals and into the spending power of what is commonly called the grey economy.

284. We heard this morning about the multiplier effect of Belfast City Council's capital spend initiative, and the same applies to money that is put into the hands of ordinary working people. They will go and spend that money in the corner shops and the supermarkets and will improve their own position and that of the economy. It is of great concern. We were not flying the flag for the previous Labour Government. We do not believe that they were that much different from the current shower. The situation is quite clear: the UK is one of the few countries in the developed economies where the poverty gap is widening, be it child poverty, pensioner poverty or fuel poverty. The UK is of the few economies in the world where that gap is widening instead of narrowing. The top 5% are getting richer and richer and the remaining 95% are paying for that 5%.

285. **Mr Douglas**: Thanks for your presentation, Bumper. You mentioned the whole notion of parity, which is an issue that has come up here a number

of times. In fact, at one stage, we discussed whether we should break parity. However, we were advised by officials that that would cost billions. You also said, in respect of regional variations, that we should be treated the same as London. Is that what you meant?

286. **Mr Graham**: The London weighting allowance, for example, has been used to deal with pay in London. I therefore think that, in any system, you can build in provision for special categories or exemptions. The problem with poverty — sorry — parity; maybe it is both.

287. **Mr Brady**: Freudian slip.

288. **Mr Graham**: Parity is giving us poverty. If we break from parity, the size of the block will be reduced de facto. If we want to spend an extra £100 million on something, which is based on Barnett or social security application, the London Government would say, "Fine. Go ahead. Do whatever you want". However, the cost envelope would stay the same, and we would then get into a situation where we would be robbing Peter to pay Paul. I think that the bigger issue is about the equitable distribution of money across the UK by revisiting the Barnett formula, if need be, and certainly by going out and getting the £120 billion in tax that has been evaded and avoided. If we had that £120 billion, we would not be looking at austerity programmes. We would be looking at generating employment, improving the value of social security benefits, closing the poverty gap and enhancing our public services.

289. **Mr Douglas**: You mentioned auto-enrolment. Have you any views on how that will impact the likes of small business. I am not talking about big business. I am talking more about one or two-person businesses.

290. **Mr Graham**: There is a problem with the way in which government supports big business but fails to support small and medium-sized enterprises (SMEs). I think that there is a need to critically look at the intervention strategies of government in respect of assisting small employers. I think that it would be more beneficial to do that than to concentrate, as we appear to, on big business. You have to make the system as simple as possible for small employers to administer. There may be ways of doing that: for example, by setting up organisations or using civil servants or public servants to go in and help them to deal with those types of issues. We certainly do need to be cognisant of that. We also need to be clear that we cannot just say, "If you have fewer than 10 or 20 employees, you are getting a free run." If we did that, we would be doing the workers in those organisations a disservice and allowing the employers to be treated more beneficially than other employers.

291. **Mr Douglas**: Finally, you mentioned discrimination against women. I read somewhere recently that welfare reform will have more of an impact on women than on men. So, in a sense, it is a double whammy.

292. **Mr Graham**: A women's group in Britain tried to take a judicial review. Unfortunately, the austerity measures taken by the coalition Government meant that the judicial review was lost. However, it is anecdotal. When you look at the composition of the public service workforce in Northern Ireland, there are more women than men. When you look at longevity, women live longer than men, and even the operation will not help you on that one. Therefore, that means that if women are living longer and living on the current rate of pensions, they are in pensioner poverty for a longer period. It is clear that there is at least indirect, if not direct, discrimination against women.

293. **Mr F McCann**: Some of my questions have already been asked.

294. **The Chairperson**: See if you can get through it without asking the same question twice.

295. **Mr F McCann**: Thank you for the presentation. There was not a lot in it that I would disagree with. First, with regard to your point about low pay and people being charged with fraud, it is a

fact of life that most of the people who are caught doing the double are women in very low-paid jobs. Some of them earn only £40 or £50 a week. Many of them work in hospitals and in the public sector. There is a trawl every now and again and the records are cleared out, and that is how they build the thing up. If they looked at error in the Department as much as they looked at fraud, there might be some movement forward.

296. We voted against the Bill when it was before the Assembly the other day. We believe that it is unfair and unjust. As Mickey said, if there was a transitional period between 60 and 65, that might help. However, over and above that, if people do not want to work at 66, 67 or 68, then provision should be made because they have paid into the system for many years.

297. One of the other things that we have argued in Committee is that if you need to breach parity to test the waters, so be it. Some people say that parity is sacrosanct, but it is just an agreement between people. There is nothing written in stone. Therefore, I was interested to hear you say that you believe in parity. How would that fit in with this Bill? In the Assembly the other day, we were told that we were taking the easy way out and that it would cost hundreds of millions.

298. **Mr Graham**: I am not so sure that I would sign up to saying that I believe in parity. It needs to be put into context. As I said already, if you do not have parity, you will still get the same amount of money in the block or in social security expenditure. If you do anything over and above that, you have to find the wherewithal to make up that difference. The only way that that can be done currently is to shift the focus on expenditure, but that is robbing Peter to pay Paul. The wider economic issue has to be addressed.

299. However, parity should not always be seen to be a one-edged sword. There is no reason why it cannot be a double-edge sword at times. There is probably a need for greater working together between the Welsh, the Scottish and the Northern Ireland Assemblies against the Westminster Government. At the end of the day, the Westminster Government are currently controlled by a bunch of millionaires who have no time for ordinary working people, and certainly no time for the trade union movement.

300. You mentioned increasing the age of retirement from 65, 66, to 67. In a few years, no doubt, we will be up to the 70 mark. What is that doing to the health of the workforce? Many of the people working in the Ambulance Service, in patient transport, etc, often have to carry people either in chairs or on stretchers up and down many floors. Do you want somebody who is 68 or 69 carrying a 20 stone 40-year-old? A teacher who spoke at our demonstration on the day of the strike in November said, “How am I going to mark somebody’s homework if I am 68 or 69 and perhaps suffering from the onset of dementia or something like that?” There are important issues about the age of retirement and the ability of people to do their job. That, again, has not been taken into account in any of the Government’s considerations. The Government is treating the age of retirement purely as an economic austerity measure.

301. **Mr F McCann**: I have spoken to quite a few women approaching the age of 60 and men reaching 65 who, given the choice, would have worked on but could not because of the legislation at the time. Something must be worked into the Bill to give the people that choice. There are many categories of people who want to work on. We argued the other day that people’s mental and general health conditions also had to be considered in that process, particularly across many working class areas in the North.

302. **Mr Graham**: You are right. It is difficult to make a concrete statement with lots of evidence. However, given a more flexible approach, for every person who wants to go at 60 someone else will want to stay in work until they are 70. I suspect that the equation will be fairly balanced in the round. That is why I

concluded by saying that we look to having a more flexible approach.

303. **Mr Durkan**: Thank you, Bumper. This is like bingo. I have been ticking off things as you said them and I nearly have house. *[Laughter.]*

304. You have studied the debate in the Assembly, Bumper, so you know that we voted against the Bill. In my speech, I referred to the need for us to explore a coalition of the regions, which you mentioned. I think that the Executive should explore that to embarrass the coalition Government or at least make them see other ways of generating money, such as introducing a Robin Hood tax. Sarkozy is looking at that possibility. What are your views on that?

305. **Mr Graham**: NIPSA has always strongly supported and was among the first to sign up to the concept of a Robin Hood tax. Again, although that would be useful, there are quicker ways of dealing with the issue, including, as I said earlier, clawing back the £120 billion lost in tax evasion and avoidance. We should deal with that, and the Robin Hood tax would help to ensure additional income for the Exchequer to provide better social welfare protection.

306. **Mr Durkan**: I was going to raise the tax evasion issue but I did not want to be accused of repetition. Fra mentioned the hundreds of millions of pounds that we were told that opposing the Bill would cost us. I think that there was cross-party acceptance — even among those that voted against it the other day — that the retirement age will change. However, our concerns focused on the timing of that and the acceleration of the transition. The Minister quoted a figure of £700 million. Have you done any costings on pensions outside of the Department’s figures?

307. **Mr Graham**: We have not done any work specifically on the welfare side of things. We have done some work, which I referred to, in the public service pension document. You have to look at the beneficial impacts of early retirement that is linked to decent and adequate income. People with decent and adequate incomes will be less of a drain on social services and the health service. They will also be less of a drain on the complex administrative processes involved in paying social security benefits. You have to take a much wider view than the very narrow view taken by the Treasury, DFP and DSD.

308. **Mr Durkan**: I agree, and I made all those points the other day. I was just hoping that you would tell me that that figure is fairytale stuff.

309. **Mr Graham**: Zoë Anderson, who spends more time on the issue of benefits, might mention that in the next session.

310. **Mr Brady**: Bumper, you made the point that, if this Bill goes through, there is nothing to stop them putting the age up to 80 if they feel like it. I will just make a point about Mark and his house. He is under 35, so he would only qualify for single-room rent. Sorry; that has knocked you out. It really is possible that the age will just keep going up. You made the point that, of 24 cabinet Ministers, 21 are millionaires, so they are not really bothered about the price of oil, the price of food, travelling to Finaghy on a bus or anything else.

311. **The Chairperson**: OK; point made. We have no other questions. Bumper, thank you for your presentation and for responding to all the questions.

312.

2 February 2012

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Sammy Douglas
Mr Mark H Durkan
Mr Fra McCann

Witnesses:

Ms Zoë Anderson *Access to Benefits*

313. **The Chairperson**: I formally welcome Zoë Anderson, from A2B. Do you want to make your presentation?

314. **Ms Zoë Anderson (Access to Benefits)**: Thank you very much for the invitation to be here today. I will take you briefly through the submission that we have given you. It is a summary of our response to the equality impact assessment (EQIA), with a few broader points added at the end. We could also maybe raise a few things that Bumper touched on.

315. The change in pension age will affect an estimated 146,000 people here. As Bumper said, people plan well in advance for their retirement. They do not just wake up one day, hit state pension age and start to think, “What am I going to do?” They think about it well in advance. However, it is not just the state pension age that is changing. There is a knock-on effect on the qualifying age for pension credit and for winter fuel payment. So, a lot of change is taking place. That will have a substantial adverse impact on the incomes of those people, particularly if they are not working due to unemployment at an older age, ill health, caring responsibility or early retirement.

316. The difference in applicable amounts between working-age and pension-age benefits is substantial. Somebody on a set income may not qualify for a working-age benefit, for which the applicable amount is £67·50, but may well qualify for pension credit, for which the single person amount is £137·35. That is a substantial difference. Somebody with a part-time job could be earning £70 a week and not receive any help from the state. If they were over the state pension age, however, they could receive £67 a week to make up the difference. It must also be remembered that there are not many jobs available and that older workers face more difficulties and discrimination staying in and finding employment, particularly once they are over the age of 50.

317. In Northern Ireland, 23% of older people already live in poverty, which is much higher than in the rest of the UK. Pensioner poverty will be only worsened by the changes, and we will, inevitably, find more older people who cannot afford to adequately heat their homes or feed themselves. Increases in the age for winter fuel payment, above and beyond those already announced, will lead to more older people living in fuel poverty, which is already higher than ever here. Increases in state pension age will also have a disproportionate impact on those from deprived areas or living with ill health, who do not have as high a life expectancy.

318. Particular concerns have already been raised about the impact on women. The EQIA listed the numbers of those who will have to wait more than a year longer than previously expected to become eligible for state pension, pension credit and winter fuel payment. In our response to the EQIA, we wrote:

“The 800 women who will have to wait an extra two years for State Pension are of particular concern. Over 140,000 more will have to wait between one and two years. The numbers may seem small in comparison to the total caseload but these women will suddenly have to change all their retirement plans at very short notice and work, if they do work, for two

years longer than planned. This may mean a lost income of several thousand pounds."

319. Saying that, we welcome the move by the coalition to soften the blow for those who will be worst hit, by limiting the waiting period to 18 months. However, many will still struggle and 18 months is still a long time to have to wait. Those people must now be assured that there will be no further changes to their state pension age, so that they can begin to plan for working longer. Recent research by Age UK shows that many women still have no knowledge of the impending changes and expect to retire at 60. Increasing life expectancy for women does not mitigate those changes.

320. We have heard a lot about age and women but the impact on people with disabilities has not been fully explored. We welcome the increase in the qualifying age for disability living allowance, which will allow more people to claim the mobility component along with the care component and to wait until a later age before they make their initial claim for attendance allowance.

321. However, people living with poor health will not necessarily benefit from the increase in life expectancy. With the difference in applicable amounts between working-age benefits and pension credit, someone who will not qualify for working-age benefits may, due to a disability premium, qualify for pension credit, and there would be a huge difference in their income. The policy will, therefore, have a greater impact on people with disabilities as they will not be able to access pension credit and all the other passported benefits that go with it.

322. As changes to the state pension age are taking place, the wider benefits system is also being radically reformed, as you will be well aware. A proposal that causes us great concern is the idea that pension credit will be based on the qualifying age of the younger member of a couple. As it stands, the woman in the partnership could be 50 and the man over state pension age, and the couple therefore qualifies for pension credit. Under what is proposed, it will be the age of the younger member of the couple. Therefore, you could have a couple waiting up to maybe 12, 15 or 20 years to get the higher income that comes from pension credit. That, in addition to the qualifying age rising at the same time, means that thousands of people will miss out on the important safety net of pension credit. Meanwhile, they will be stuck in a system of universal credit that puts a huge amount of conditionality on jobseekers at a time when there are fewer jobs and it is much more difficult for somebody over 50 to get a job if they have been out of work.

323. We welcome the move towards a flat rate state pension for all. However, as Bumper said, £140 a week would not be anywhere near enough. We think that there should be a more informed debate on that issue, and we would like to see it extended to cover all existing pensioners, not just new ones. A two-tier system would not serve our older population very well and would lead to more confusion when we are trying to simplify the benefits system.

324. To come back to Michael's question: we would certainly welcome automatic payment of pension credit. We were disappointed that the pilot in GB was not extended to here. However, I believe that the results of that pilot have been very poor. That needs to be looked into in more detail. Automatic payment may be made more possible in the future with the move to universal credit and HM Revenue and Customs' (HMRC) real-time information system.

325. It is difficult to get a figure for the amount of benefit that is unclaimed because we do not know who is not claiming. Not many statistics are available from the Department. So we commissioned independent research, which shows that the minimum amount that is unclaimed is £62 million a year in Northern Ireland. That equates to more than £1 million a week.

326. That covers everything that I wanted to say initially.

327. **The Chairperson**: You said that you thought that the findings from the pilot were very poor. Will you explain what that means?

328. **Ms Z Anderson**: A full evaluation has not yet been done on it. What they did was write to people and tell them that they would be paid pension credit based on what the government thought they would get. People had the option to opt out. If they did not, the additional pension credit was paid into their bank account for 12 weeks — it may have been 16 weeks. At the end of that period, they allowed people to go ahead and make a claim for pension credit, have a proper assessment done and go through the full claims process. They found that very few people actually did so. It was thought that that might have happened for a number of reasons. Some people may have thought that they did not need the extra money. Some may have been confused by the letters. Some may have forgotten to make the claim. Some may still have been daunted by the process. So, there was a range of reasons why that was seen to be not successful, but I do not believe that a full evaluation has yet been carried out.

329. **The Chairperson**: Fair enough. That is helpful. Thank you.

330. **Mr Brady**: Thanks very much for your presentation. That pilot scheme is an example of selective parity. We asked why it could not be operated here for even the three-month period but we were not given any reasonable excuse as to why it could not be.

331. I have a couple of points. You talked about the huge difference between £67·50 and £137·35 related to the change in the qualifying age for pension credit. The person who is living alone and remains on the £67·50 or whatever will have to run a household and do all of that without being paid any additional benefit.

332. Disability living allowance (DLA) and personal independence payments (PIPs) will be paid at working age, as far as I know. However, people who previously qualified at working age and carried that extra money through into their pension years will, under personal independence payment — this morning, we saw how that would be assessed — find that much more difficult to get. So that will have a knock-on effect and affect huge numbers of people who previously might have qualified. They will now be assessed on how they cope as opposed to how their condition affects them. All those changes have a knock-on effect right through.

333. Bumper talked about the transitional period, during which women in particular will lose out, by up to two years in some cases. That does not seem to have been addressed. Bumper mentioned the move from April 2020 to November 2020. That move is paying lip service to something without having an effect. What are your views on that?

334. **Ms Z Anderson**: Absolutely. While we said that we welcomed the move to bring the date back a little so that people would not have to wait quite so long, 18 months is still far too long to have to wait if you have made plans for your retirement. Even if you have not made plans, it is still too long to wait. We would like to see some kind of transitional protection be put in place, but I have not heard anybody in the government suggesting that.

335. I previously appeared here as part of the welfare reform group when Kevin Higgins from Advice NI talked about the cumulative effects of the cuts, which is something that you mentioned, Mickey. We have big concerns about the changes from DLA to PIP, particularly around the different indicators and the way that they are weighted and assessed. One of the problems surrounding all these changes, whether in the Welfare Reform Bill or the Pensions Bill, is that there are so few case studies. Nobody in the Department for Work and Pensions (DWP) or the Department for Social Development (DSD) has presented a genuine case and determined how the person concerned will be, for the most part,

worse off. I am not aware of any cases where people would be better off.

336. Somebody needs to see the bigger picture; that it is not just about someone moving to a higher state pension age but about their disability benefits, their carer's allowance and all the other elements concerning their health and their family, including the needs of their children, especially if they have disabled children. Nobody has ever really taken the initiative and determined the impact of all those cuts on top of one another, in addition to cuts to the health service and in light of the wider economic situation.

337. **Mr Brady**: The cumulative effect will, obviously, be greater on people as they get older. It will run into what would have been the pension age previously, because people are living longer but not necessarily more healthily. It goes back to the point that I made earlier; people who live in the Kensington, Knightsbridge or Chelsea areas of London or in Finaghy, to use an example of our own, can expect to live, on average, for 10 years longer. I am fixated with Finaghy, and I have never even been there. *[Laughter.]*

338. The point that I am making is that the people who can afford to make provision for their future are able to do that because, statistically, they are going to live longer and more healthily, and they will have the money to manage that. They are not worrying about the price of oil or petrol or food, whereas here, the regional variation is so stark. I heard somebody on the radio the other day say that the cost of living here was lower. I am not sure how that person came to that conclusion, because we pay more for electricity, gas, oil, which is unregulated, food, transport — everything.

339. **Ms Z Anderson**: I had a look at the Joseph Rowntree Foundation's research on minimum income figures for Northern Ireland. While some things appear to be cheaper, as you say, it is the things that are most important — the things that we cannot live without, such as food and fuel — that are the most expensive.

340. Life expectancy appears to be being used as an excuse to raise the state pension age because the assertion is that everybody is going to live longer. Not everybody is going to live longer, however, because people in less well-off areas do not live longer, and, as you say, it is the quality of your extended life expectancy that matters. You could live to 90, but if you have been in ill-health since you were 50, what help is that going to be to you?

341. **Mr Brady**: And you may not qualify for disability living allowance as it is.

342. **Mr Douglas**: Thanks for your presentation. I want to return to what Bumper said earlier about the 23% of older people in Northern Ireland who are living in poverty. Do you have a male/female breakdown of that figure?

343. **Ms Z Anderson**: I do not. I will try to get that for you. It is not our figure; I believe that it came from Age Sector Platform. Because women tend to live longer than men, and because women are more likely to be living alone because they have been widowed, we did some work with the Department of Finance and Personnel (DFP) and Land and Property Services a few years ago to look at the targeting of lone pensioner allowance and the reasons why it is set at 70 years of age. There is a huge drop-off in income between the recently retired, who are between 60 and 70, and those older than 70. More of those people tend to be women who are living alone, so I would imagine that the greater part of that 23% is women. I will find out for you.

344. **Mr Douglas**: Thanks, Zoë.

345. **Mr F McCann**: On the back of what Mickey said earlier, we probably need to find a different terminology for the way in which we look at this issue. Everybody talks about welfare reform, reform of pensions and so on, but the fact is that it is about cuts to what people get. Sometimes, we need to say it as it is. Quite a number of media outlets have bought into the need for reform, but,

as you say, no one is looking into the consequences of what will happen next year, the year after or 10 years down the line, especially with the pension cuts. There is a trigger in the pension system whereby someone earning £7,000 a year will have to automatically pay into the system. If you are a single person, you are probably already sitting above the rate at which you can get help. There are severe and dire consequences right across the board. That is where we all need to be coming from.

346. **Ms Z Anderson**: Absolutely. I completely agree.

347. **Mr Durkan**: You said that the pilot scheme on qualification that was run in GB was not particularly successful and that work would need to be done if we were to look at having something like that. Do you know why it was not successful?

348. **Ms Z Anderson**: As I said, I am not aware of a full evaluation having been done, but part of the problem was that people were given the pension credit payments for a certain number of weeks and then told that they had to apply. It may have been that people forgot to fill in the forms or were still daunted by the forms. Some people may simply not have wanted it; you get people who say, "I have enough to get by". To my mind, the fact that they still had to apply would be the most off-putting thing.

349. **Mr Durkan**: Could they have thought that, if they filled out the form and were deemed ineligible, they may have had to repay what they had got?

350. **Ms Z Anderson**: Yes, that is also possible. There was just a lot of confusion and misinformation. Maybe it could have been done better. I have not seen any of the letters or communication that went out to people. However, the whole plan with universal credit was that there would be an all-singing, all-dancing computer system, which would work in harmony with HMRC and include a real-time enabled system, mostly for people's earnings and the pay as you earn (PAYE) tax. If there was some way that the system could look at people's state pension, occupational pension and what else they are paying tax on, it may mean a better way of automatically paying pension credit that would work in the future.

351. **Mr Brady**: Is it possible, Zoë, that, if you are really cynical, you would think that the Department for Work and Pensions did not follow up on it? Could that be a factor?

352. **Ms Z Anderson**: I do not know.

353. **Mr Brady**: Far be it from me to suggest that it did not, but it seems to me that it initiated a scheme but did not explain it to people properly and follow up and say, "You may be entitled. We will do a full assessment". It would be interesting to find out the figures for how many people were actually asked about that.

354. **Ms Z Anderson**: That is just the way it goes with pilots sometimes. People do not put their full effort into something if they think that it is just a pilot.

355. **Mr Brady**: With respect, that is not the way that it should be.

356. **Ms Z Anderson**: Absolutely.

357. **Mr Brady**: If you are genuine about improving the lot of people and doing a pilot scheme that may enhance their entitlement, you should follow up on it.

358. **Ms Z Anderson**: Something else that may have been missing was the use of the voluntary sector. As you know, often, people do not like to talk to or interact with government, whereas it is different if somebody from a charity or a voluntary sector community group tells them, "You should be claiming that. It is your money".

359. **Mr Brady**: It would be —

360. **The Chairperson**: We are now speculating on people's motivations and intentions. We heard about a pilot scheme, but it does not bind us to anything. It was not held here, so it is almost irrelevant. We were told that the view was that that scheme was not satisfactory. We will have no further discussion on that.

361. Zoë, no other members have indicated that they want to speak or ask any new questions. Thank you for your presentation. No doubt we will engage again.

362. **Ms Z Anderson**: Thank you very much.

2 February 2012

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Sammy Douglas
Mr Mark H Durkan
Mr Fra McCann

Witnesses:

Mr Seamus Cassidy	*Department for*
Mr Gerry McCann	*Social Development*
Ms Anne McCleary	

363. **The Chairperson**: I welcome Anne McCleary, Gerry McCann and Seamus Cassidy. We are at the start of the process. What we are doing today is not clause-by-clause consideration of the Bill. We are still getting information and clarification from Anne and her team. Today, we will deal with the provisions in Part 1 of the Bill. If we need additional clarity on certain aspects of the provisions, this is our opportunity to get it before we move on to clause-by-clause consideration at a later stage. We have the Pensions Bill in front of us. Anne, will you give us a quick reminder of the Part 1 provisions?

364. **Ms Anne McCleary (Department for Social Development)**: Thank you, Chairman. As you said, we have been invited here today to brief you on Part 1 of the Bill. We all know that, in the coming weeks, we will be considering each clause individually, so we are limiting ourselves to an overall outline of Part 1 today. We have already spoken about the Bill on a number of occasions and, indeed, discussed some of the provisions at quite considerable length. So bear with me if you feel that you have heard all this before.

365. Part 1 contains a number of provisions relating to state pension, the most substantive of which — the changes to state pension age — are designed to ensure the long-term viability of the state pension in the face of an ageing society. We will look at state pension age first.

366. Under existing legislation, the state pension age for women will equalise with that for men at 65 by April 2020. It will then increase for both men and women to 66 by April 2026, to 67 by April 2036 and to 68 by April 2046. Official projections of average life expectancy have been revised upwards since those changes were legislated for. So that is already in the system. Projections made by the Office for National Statistics in 2008 indicated that men and women reaching age 66 in 2026 are expected to live, on average, 1·5 years longer than was projected when the current timetable was set.

367. The Westminster Government announced a review and, in June 2010, issued the paper ‘When should the state pension age increase to 66?: A Call For Evidence’. The Department for Social Development issued it here. We received two responses, including one from the previous Committee. In November 2010, the Government’s response was published in the command paper ‘A sustainable State Pension: when the State Pension age will increase to 66’. In light of increasing life expectancies and an ageing population, the Government concluded that the current timetable is simply unsustainable. The proposed Bill implements a revised timetable providing, first, for women’s state pension age to equalise with men’s by November 2018 rather than April 2020 and, secondly, for the increase to 66 to be brought forward to October 2020.

368. We will now look at the effect on state pension. We estimate that equalising state pension age by November 2018 could affect around 7,000 women born between 6 April 1953 and 5 December 1953. Approximately 70,000 women and

69,000 men born between 6 December 1953 and 5 April 1960 could be affected by bringing forward the date on which the age increases to 66. Overall, around 146,000 people could experience a delay in reaching state pension age. A total of 131,000 — 62,000 women and 69,000 men — may experience a delay of up to a year. Around 15,000 women may experience a delay of between 12 months and 18 months. Under the original proposals, approximately 800 women born between 6 March 1954 and 5 April 1954 would have experienced a delay of two years. However, under the revised proposals, no women will face a delay of over 18 months.

369. The increase in state pension age will lead to corresponding increases in the minimum qualifying age for state pension credit and the winter fuel payment because they are directly linked to state pension age under existing legislation. The upper age limit for receipt of working-age benefits, such as jobseeker's allowance (JSA) and disability living allowance (DLA), will also increase. So, although state pension and other pensioner benefits will not be payable, the full range of working-age benefits will be available for those who cannot work or are in financial need. For those with less than full entitlement to state pension, the amount payable by way of working-age benefits could be higher than the amount payable in state pension.

370. The Bill abolishes payable uprated contracted-out deduction increments, commonly known as PUCODIs. Those are currently paid where a person postponed taking their occupational pension and earned increments on their guaranteed minimum pension. Occupational pension schemes are required to uprate guaranteed minimum pension increments only for periods after 1988 and up to a 3% maximum. Those payable uprated contracted-out deduction increments are intended to make up the difference. However, the average payment is less than £1·27 a week, and the numbers entitled to them are very small. Payable uprated contracted-out deduction increments do not apply to service after April 1997. That is a simplification measure and any award already in payment will be unaffected.

371. The Pensions (No. 2) Act (Northern Ireland) 2008 provides for various additional pensions — graduated retirement benefit, state earnings related pension and state second pension — to be consolidated into a single amount. Originally, that was to take effect from April 2020, and Part 1 of this Bill allows that to take effect from a date set by order made by the Department.

372. That is our outline of Part 1.

373. **The Chairperson**: Anne, you touched on the fact that the abolition of certain additions to the state pension will affect a relatively small number of people and that the average, I think you said, was £1 something a week.

374. **Ms McCleary**: Yes, that is for the PUCODIs.

375. **The Chairperson**: I am trying to establish the net number of people affected. If those provisions go ahead, are there other transitional measures that could be introduced to deal with that if required or to address the issue of the number of women who will face an 18-month delay before they qualify? How do we offset some of what may be described as disadvantaging elements?

376. **Mr Gerry McCann (Department for Social Development)**: At the moment, about 3,400 people get those and that is out of a total client base of about 248,000.

377. **The Chairperson**: So, at the moment, only 3,400-odd people are getting paid those, and the average they are paid is £1 something a week.

378. **Mr G McCann**: Yes.

379. **The Chairperson**: That is helpful to know because I am trying to get a sense of the scale.

380. **Mr G McCann**: The other point is that those people will not be affected by the change. Any payments that are now

being made will carry on. Only anybody new will be affected by the Bill coming into force.

381. **Ms McCleary**: It is the new people.

382. **The Chairperson**: If new people who would ordinarily have applied but under the new arrangements will not, how will they be disadvantaged?

383. **Mr G McCann**: They will not get the £1·27, or it could be much less. At the moment, just a few pence are payable for some cases.

384. **The Chairperson**: Forgive my ignorance —

385. **Mr G McCann**: We would not know the answer until we would look at each case, but we expect the amount of money involved to be very small.

386. **The Chairperson**: I am trying to look at the consequences and whether it affects any passport arrangements or whatever.

387. **Mr G McCann**: We would not expect PUCODIs to affect any obvious passported benefits.

388. **The Chairperson**: OK.

389. **Mr G McCann**: It is purely for people who were in a scheme but did not take their pension at the time that they should. Therefore, they earned extra pension under their scheme.

390. **The Chairperson**: OK. That is helpful, because, as I said, I am trying to get a sense of the scale.

391. Some of the key issues in Part 1 that people have taken exception to thus far are those around equalisation. Most people say that they cannot disagree with the principle of equalisation of the qualifying age for men and women. However, NIPSA has formally put on the table its case for equalising that at the lower age rather than the higher age, which is probably fair enough. Fra further qualified that, in a way, by saying that there should be provision for people to be able to work beyond retirement age, if they so choose.

392. I am trying to work out how far to widen our discussion. I believe that, when the time comes for members to vote on whether they agree with the equalisation, they may want to seek to amend it to the lower or higher age. They may want to agree to ask that everybody's retirement age is increased to 66 and then older at a later stage. We can debate this until the cows come home, but I suspect that we do not need to debate those particular issues much more, apart from when we formally decide on them.

393. **Mr F McCann**: I thought that there was consequence in those provisions for 7,000 women who face losing £60 or £70 a week for two years.

394. **Ms McCleary**: That number of women will be affected with the 18-month period. That is all —

395. **Mr F McCann**: So there are sizeable consequences.

396. **Ms McCleary**: We are talking about different issues. Before, we were talking about PUCODIs —

397. **Mr G McCann**: That is the state pension point as opposed to the PUCODI point. We talked about there being no big consequences in relation to the PUCODI point.

398. **The Chairperson**: I appreciate that.

399. **Mr G McCann**: The change in the state pension has consequences for women, who will lose their right to state pension for a period of months.

400. **The Chairperson**: I appreciate the difference. Has any work been done on transitional arrangements? The Government would say that they have moved to reduce the number of women who would be adversely affected, but we still have people — I think that the figure is 7,000 or so — who will face an 18-month delay. Has any further work been done to calculate what it would take to dispense with that delay or to phase it in?

401. **Ms McCleary**: In terms of money?

402. **Mr G McCann**: Do you mean in terms of money if we were not to go ahead with it until 2018?

403. **The Chairperson**: Can any other transitional arrangement be made so that, for example, we phase in equalisation over a longer period for the category of women who currently face an 18-month delay?

404. **Ms McCleary**: The Government change of six months, which has had various descriptions applied to it, has a cost of £30 million a year in Northern Ireland attached to it. That is for six months.

405. **The Chairperson**: A cost of £30 million.

406. **Ms McCleary**: Yes, £30 million.

407. **The Chairperson**: So, for example, would it take another £30 million to take those others —

408. **Ms McCleary**: At least, one would have thought.

409. **The Chairperson**: I am just wondering. I am trying to get a sense of —

410. **Ms McCleary**: Yes.

411. **Mr G McCann**: We are doing some work on those figures at the moment. We have a ballpark figure, but it has not yet been verified. Therefore, I am a bit loath to give it.

412. **The Chairperson**: Sure. I know, for me, if I am going to make a decision —

413. **Mr G McCann**: I can give you a figure but tell you that it is not verified. We estimate it to be somewhere around £57 million, but I stress that that has not been verified.

414. **The Chairperson**: OK. Is that to address the issue of the 7,000 or more women who —

415. **Mr G McCann**: It is what it would cost if we were to put off the changes that are to take place for those women between 2016 and 2018. Apart from the state pension, you have to take into account other benefits that link into state pension, such as state pension credit and winter fuel payments. All of those have to be taken into account.

416. **Mr Durkan**: Does it take into consideration benefits that they may receive prior to reaching state pension age but that would be taken away from them?

417. **Mr G McCann**: Yes. Again, we would expect those costs to rise but by only about £10 million. Were we to break parity on this point, our problem would be that we would have to find all of the higher figure — the £57·5 million. We would have to pick up all of it because we would not get back any of the other savings.

418. **The Chairperson**: I take that point. If it comes to members casting their votes, it is helpful to know what it would cost should we want to address the anomaly for the 7,000-odd women who, it is argued, would be put in a very disadvantageous position. I accept your qualification that the amount has not been verified, but it could cost in the region of £57 million. Is that what you are saying?

419. **Mr G McCann**: Yes.

420. **The Chairperson**: OK.

421. **Mr F McCann**: If we get those figures — I do not mean to be derogatory — can we have them in plain speaking so that we know the breakdown? I know that when you sit down, obviously, you take in a number of considerations. However, sometimes, when you look at it, it is not always what it seems.

422. **Ms McCleary**: We will try to make it —

423. **Mr G McCann**: How we get the figures is actually based on the figures for Britain. We apply that to how many people we have here with regard to the population make-up. That is how we arrive at the figures. It is a fairly simple calculation. However, it is the best that we can do.

424. **The Chairperson**: Mark made the point that those people would already be on benefits. I appreciate your point, Gerry, that, when those benefits are taken away, that money goes into the black hole of the Treasury. It does not come here. Therefore, for all that we know, the figure in real terms could be £5 million,

£10 million or £47 million out of that £57 million. We do not get to see that.

425. **Ms McCleary**: It cannot be offset.

426. **Mr G McCann**: The difference between the two is about £47 million. However, the point is that it does not matter because we would still have to pick up the £57 million.

427. **Mr Durkan**: I would like clarification on the figure of £700 million that the Minister used in the Chamber the other day. What was he referring to and where did he get that figure from?

428. **Mr Seamus Cassidy (Department for Social Development)**: Again, that is based on equivalent figures for Great Britain and the population make-up and number of people in various age bands.

429. **Mr F McCann**: There is a big difference between those figures.

430. **Mr G McCann**: If we give you the balance of years that that covers, that may explain it for you.

431. **The Chairperson**: Again, for the purpose of the conversation, I accept entirely the notional projected figure of £57 million. Let us say that it is £57 million. Is that a one-off cost? If the Assembly was to decide to relieve the anomaly for the 7,000-odd women and it costs us £57 million, would that be it over and done with?

432. **Mr G McCann**: As regards the cost for the period of time that we are talking about, that would really last until we bring ourselves into line with Britain; until the point at which people here would end up being paid on the same basis as people in Britain. At that point, there would not be any extra cost to the Northern Ireland block.

433. **The Chairperson**: I am asking whether the £57 million that you are talking about would be a one-off cost to the Executive.

434. **Mr G McCann**: It would be spread over two and a half years until the end of November 2018.

435. **The Chairperson**: Therefore, the £57 million would be spent between now and then but the figure would remain the same.

436. **Mr G McCann**: Over the period between 2016 and 2018.

437. **Mr Cassidy**: Yes; through 2016 and 2017 until November 2018.

438. **The Chairperson**: I am trying to work out what would happen, theoretically, if the Assembly decides that it will address that anomaly — if it decides that there is nothing else it can do, but it will do that one thing. Over a period, it will cost £57 million. I accept that that figure is not verified. I am just trying to work out the consequence of action that the Assembly might consider.

439. **Mr G McCann**: The problem for Northern Ireland would be having to find £57 million over a fairly short period. Therefore, the hit is actually quite big.

440. **The Chairperson**: Fair enough. It is a big hit in any circumstances.

441. **Mr G McCann**: Yes. I mean that it is big because it is within a fairly short period of time as opposed to its being spread out over 10 or 20 years.

442. **The Chairperson**: I appreciate that. We are talking about 2018 at the latest.

443. OK, fair enough. That is one issue. Does anybody else want to raise a specific question?

444. **Mr Douglas**: I want to ask a quick question and return to the issue that Fra raised about the hundreds of millions of pounds in relation to parity. I wonder where we stand as regards parity. Anne, I have quoted you a number of times. I hope that I have quoted the right figure. When I asked you about parity a number of weeks ago, I think that you said that it could be as much as £4 billion. Is that right? This man is talking about hundreds of millions of pounds.

445. **Ms McCleary**: I remember vividly that particular occasion. The context of that was that I was asked whether a particular variation from parity would cost x amount. However, if there were to be more breaches and that was

regarding as Northern Ireland deciding to almost declare UDI on welfare reform, the whole thing could cost £4 billion.

446. **Mr F McCann**: This may be an unfair question, but is the regionalisation of different payments that they are talking about not a breach of parity?

447. **Ms McCleary**: The coalition Government is not exactly keen on that.

448. **The Chairperson**: I was interested when Bumper referred to that earlier. Another party raised that matter.

449. **Ms McCleary**: It is not the kind of thing that you jump into without finding out the answer before you ask the question, if you know what I mean. It is the old thing that they always train lawyers to do: never ask a question unless you know the answer.

450. **Mr F McCann**: I suppose that when you are in power you can do whatever you want anyway.

451. **Ms McCleary**: At the end of the day, if you are going to do that and you are going to go down a regional route, you are opening up a whole can of worms because everything becomes regionalised. There was a discussion earlier about the cost of living. Certain things are more expensive here, and other things are less expensive. It is getting the balance.

452. **Mr F McCann**: I suppose that you could say that the implementation of the local housing allowance was also a breach of parity because it worked at different rates in different parts.

453. **The Chairperson**: If I remember correctly, in earlier discussions, the talk from the Treasury was that — I am paraphrasing — if you are going to breach parity on anything, take responsibility for all of it. That is where the big global figure comes from.

454. **Ms McCleary**: Yes, that is the context of it.

455. **The Chairperson**: The question that most people are trying to grapple with is, if we decide in conscience that we will breach parity on one bit, how much is it going to cost us? Can we afford £57 million? Could we have afforded £9 million year on year for making up the cost of accommodation? That has never been tested. The issue that some Members in the Chamber or some of the parties have been grappling with is whether we can, in some way, breach parity to offset what we think are the worst aspects of this programme and how much it will cost us. Can we afford it? That is why we are trying to grapple with the actual figures. The difficulty thus far is that it has been global figures — big figures — and we are being told that we cannot breach that. Why not? Let us test it. I am only throwing out some people's views.

456. **Ms McCleary**: You have asked the question specifically about this, and we have given you the figure specifically on that. The global figure is a huge figure, obviously, but it applied particularly to the context that you have explained.

457. **Mr Cassidy**: If you consider that sort of angle, you have to think about how it is going to be implemented. You have to decide who is entitled to that lower state pension age here. Is it anyone just arriving in the country now, or is it someone who has been here for x number of years? There are other issues attached to that.

458. **The Chairperson**: That point is helpful. That is important.

459. **Mr G McCann**: To come back to what was said by Mr McCann, we have been conscious of the whole policy of parity, and one of our concerns has been that, if we do break it, where does it end up under the statement for funding arrangements at the moment. We are fully funded if we keep parity with GB. One of our concerns has always been that, if we end up without parity, the next line from London might be that, if you are going to do that, and the gap in Northern Ireland between rates of benefits and rates of pay is small, you should be paying out less in the way of benefits in Northern Ireland. One of our

big concerns is that, if you breach parity, where does it end?

460. **Ms McCleary**: It is a can of worms.

461. **Mr G McCann**: It could be a dangerous route if they were to put that on us. One of the problems is that they could say that we should be cutting our benefits.

462. **Mr Brady**: It is interesting that, when we talk about regionalisation, all we ever hear are the negatives. We never hear any positives. You talk about opening a can of worms, but we do not know because it has never been done. It is interesting when you talk about the issues attached to introducing a retirement age here. Surely, the same applies to the benefits system as it stands. European Union legislation means that someone can come in from the European Union and claim benefits. However, somebody who was born here and who has lived in America for 20 years has to come back and show that they are habitually resident. There are anomalies in the system anyhow.

463. **Mr Cassidy**: I am simply trying to point out that once you go down that road there are many other questions.

464. **Mr Brady**: Presumably, the same European Union regulations would apply because it is a benefit.

465. **Mr Cassidy**: The European Union regulations will not apply between here and the rest of the UK.

466. **Mr Brady**: Technically, they do. If people come in from one of the European countries, they can claim benefits. If you come to Britain from Poland, you can claim benefit if you are entitled.

467. **Mr Cassidy**: Yes, but let us say, for example, that the retirement age is much higher in Wales or Scotland. I am suggested that there is a possibility that people from there may decide to come to Northern Ireland, pre-retirement, to avail themselves of a lower —

468. **Mr Brady**: I take your point, but again, that is something that, presumably, would have to be discussed. I always find the discussion on parity interesting. Years ago, when order books were the norm, people coming from Britain to the North on holiday would come into the advice centre where I worked and say that they had been to the post office but the staff had refused to change their order book. Our order books were printed with the legend NI, GB, IOM and Channel Islands, so if you had a book from here you could change it anywhere. However, British books were not, so when people said, “I thought this was part of Britain”, I had to say, “Well, we have been told that it is supposed to be.” That was an interesting anomaly in the system. That dichotomy has always been there.

469. **Mr G McCann**: Under the existing law, as it works at the moment, anybody in Northern Ireland can claim their pension in Britain based on what they have paid in here and vice versa. Seamus’s point is that, if we end up being out of kilter —

470. **Mr Brady**: You will be inundated.

471. **Mr G McCann**: — because of what happens, would we get people coming here? The other issue that we know about in relation to England, if we were to do this, is that, if the person came here and claimed for a pension and got it but ended up back in England, I expect that we would have to pick up the costs of that as well.

472. **Mr Brady**: I understand that.

473. **Mr G McCann**: There is an extra cost as well; it works that way too.

474. **Mr Brady**: I wonder, Chair, whether Finaghy could accommodate all those people.

475. **The Chairperson**: It would end up like Florida without the palm trees.

476. Nobody else has indicated that they wish to speak. Part 1 is relatively simple; the issues are substantive, but the debate has been simple so far. Anne, Gerry and Seamus, thank you for being here and for your patience this afternoon and for dealing very well with the questions so far. I look forward to seeing you next week.

9 February 2012

Members present for all or part of the proceedings:
Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Gregory Campbell
Mrs Judith Cochrane
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Ms Pam Lewis
Mr Fra McCann
Mr David McClarty

Witnesses:

Mr Seamus Cassidy Mr Gerry McCann Ms Doreen Roy	*Department for Social Development*

477. **The Chairperson**: I welcome Gerry McCann, Seamus Cassidy and Doreen Roy. This afternoon, we are going to go through Parts 2 to 5 of the Bill, having gone through Part 1 last week. This is not yet the clause-by-clause consideration. We are trying to get whatever information and clarification we need on some of the issues, bearing in mind that some of them are quite technical. Today, we are dealing with the automatic enrolment provisions for workplace pension schemes, indexation and revaluation of occupational pensions, amendments to money-purchased benefits, and so on. We will take a presentation from you, and then, if members have any questions or need clarification, they can ask.

478. **Mr Gerry McCann (Department for Social Development)**: Good afternoon, everybody. Doreen will give a very quick outline of Parts 2 to 5, and after that we will be happy to take any questions or do whatever we can do to assist you.

479. **Ms Doreen Roy (Department for Social Development)**: Mr Chairman, thank you for the opportunity to provide the Committee with an overview of Parts 2 to 5 of the Pensions Bill, following the Committee's consideration of Part 1 last week. Each clause will be considered individually in the coming weeks, so what follows is very much an overall outline.

480. Part 2 of the Bill introduces amendments relating to automatic enrolment into workplace pension schemes. Under automatic enrolment, employers must enrol job holders who earn more than £5,035 a year in 2006-07 terms into a qualifying workplace pension scheme. A simple, low-cost pension scheme, the National Employment Savings Trust (NEST), aimed at moderate to low earners who do not have access to a workplace pension scheme, has also been set up so that employers do not have to set up their own pension schemes. Auto-enrolment is being phased in for existing employers between October 2012 and April 2017, starting with the largest employers first.

481. Ultimately, minimum contributions of 8% on earnings between £5,035 and £33,540 — again, in 2006-07 terms — will have to be paid in respect of the member. Job holders' contributions will be matched by a minimum employer contribution of at least 3% and a contribution from the state in the form of tax relief. However, the contribution regime is also being phased in, so the full contributions will only apply from 2018. That will help employers and employees to adjust gradually to the new regime. The aim is to enable people with low to moderate incomes to build up a private pension income, many for the first time. It is important to note that job holders are free to opt out of a workplace pension. No job holder will be compelled to be a member of a scheme.

482. In June 2010, the Westminster Government announced an independent review to examine the scope of the automatic enrolment policy. The findings were published in October 2010 in the

report 'Making Automatic Enrolment Work'. A number of recommendations were made to ease the burden on employers in complying with the legislation, while maintaining the key aim of ensuring that low to moderate earners are able to save for retirement. Those recommendations provide the basis for several of the measures in the Bill.

483. The Bill proposes an earnings trigger at which an employee must be automatically enrolled into a workplace pension. That will be set at £7,475 a year, which is the current threshold at which a person begins paying income tax. That will prevent the automatic enrolment of individuals who are consistently lower earners and who may find that the state, through pensions and benefits, provides them with a sufficiently high replacement rate without additional saving. The earnings trigger and earnings band will be reviewed annually, and will take into account tax and national insurance thresholds, a general level of prices and earnings, and the prevailing rate of the basic state pension.

484. The Bill proposes an optional waiting period of up to three months before the automatic enrolment duty on employers begins. Under existing arrangements, employers are required to automatically enrol job holders with effect from the automatic enrolment date. Many employers expressed concern that the existing policy could lead to additional costs associated with enrolling large numbers of employees working for short periods. An optional waiting period of three months will reduce the number of individuals who are automatically enrolled on any particular day. It will particularly affect young people who are likely to move jobs relatively frequently. However, they will retain the right to opt in. Allowing employers the flexibility to select any automatic enrolment date within the waiting period is designed to allow them to align it with their existing payroll cycles and reduce administrative burdens.

485. The existing legislation requires employers to re-enrol eligible job holders who previously opted out or cancelled their scheme membership. That has to be done every three years, with a month's flexibility around the specific re-enrolment date. That provision reminds individuals who choose to opt out to re-evaluate their circumstances and savings arrangements, and also prompts employers to ensure that they continue to comply with their duties. The change is proposed to give employers greater freedom to undertake the re-enrolment process at a time that works for them. Employers will be allowed a window of three months either side of the anniversary date in which to complete re-enrolment. The details will be set out in secondary legislation. The only change to primary legislation will be to stipulate that re-enrolment may be no more frequent than once in every two years and nine months.

486. The Bill also brings forward changes to simplify the way in which an employer can certify that their pension scheme meets the necessary quality test in order to comply with the automatic enrolment duties. The simplified certification process is intended to minimise the burden associated with verifying that a workplace pension scheme delivers at least equivalent benefits to those specified under automatic enrolment. That addresses the concern that employers with good schemes might find it more economical to start a new scheme with potentially lower benefits than to go through complex validation processes with an existing scheme.

487. The Bill also makes a series of technical amendments to existing legislation. The key aim is to support the introduction of the automatic enrolment duties by refining the process and reducing the burden on employers in complying with the new obligations.

488. Part 3 contains amendments to indexation and revaluation requirements for occupational pensions in consequence of the Government's decision to use the consumer price index (CPI) as the measure of inflation and includes amendments relating to the pensions

protection fund and the Pensions Regulator. It also includes other minor technical amendments.

489. In June 2010, it was announced that the consumer price index will be used as the general measure of inflation for uprating social security benefits — except the basic state pension or state pension credit — and public sector pensions. In July 2010, it was announced that the CPI would be used for the statutory revaluation and indexation of private sector occupational pension schemes, increases to the financial assistance scheme payments and the revaluation and indexation of pension compensation.

490. The Secretary of State for Work and Pensions is required to specify revaluation percentages annually. The Department makes corresponding provision for Northern Ireland. It does not have the power to set different rates.

491. The Bill makes comparatively minor amendments regarding indexation and revaluation requirements as a consequence of the decision to use the CPI rather than the retail price index (RPI) for uprating.

492. Part 4 contains measures to amend the definition of money purchase benefits following a judgement of the Supreme Court. That is primarily to ensure that members of schemes affected by the judgement do not lose access to various safeguards such as access to the pensions protection fund.

493. Part 5 proposes a number of technical amendments to existing legislation to enable the Department to make grants directly to pensions advisory bodies or those undertaking other specified functions in relation to pensions, and to introduce rules to provide a means of proving that a notice or other document authorised or required by the legislation is sent to its intended recipient. They also specify the persons to whom the notifications or documents are to be sent and the manner in which they can be properly served on them. Basically, this extends the existing rules that apply to the pensions schemes to automatic enrolment provisions.

494. Mr Chairman, that concludes our overview of the Pensions Bill. I hope that members found it useful, and we are happy to take questions and elucidate further.

495. **The Chairperson**: Thank you, Doreen. There is a lot of talk that the earnings trigger, which is currently set at around £7,000, is likely to change. What is the mechanism to change that? Does it require a new statutory rule?

496. **Mr G McCann**: That would change by order and there is a power under the existing Act for it to be changed in that manner.

497. **The Chairperson**: Is that one of those orders that we would take note of, as opposed to having anything to say about it?

498. **Mr G McCann**: We would, of course, send it to you. However, as far as I remember, the nature of the power is that the only rate that we can set for it is the same rate as in Britain. Even though we may want to change it, under the Act, we do not have any power to do so.

499. **The Chairperson**: So, at the end of the day, it can be done under an order over which we have no power.

500. **Mr G McCann**: It is just that we do not have the power to vary the rate.

501. **The Chairperson**: You spoke of a few months’ grace for employers to enrol someone automatically. That is to allow for payroll cycles, and so on. That sounds reasonable enough, but none of that relates to the wishes or ability of the employee. An employer may say that he can do that within a month, but the employee may say that he or she needs three months, if you get my drift.

502. **Mr G McCann**: I take your point. However, the aim is to allow the employers to have extra flexibility. There is a balancing act between making sure that everybody in work is able to access extra money ultimately when they come to retirement age. The other point is to ensure that we were not putting any extra burdens

on the employer. We are very conscious that every employer is finding it tough at the moment. Even though it may seem a slightly longer period of three months, it is only a small number of months out of a person's working life, which could be 40 or 50 years. From that point of view, we do not think that it is a major problem.

503. **The Chairperson**: The employee might think that it is a problem. I think that it is unfair. To me, it smacks of being a wee bit all the one way. I am not disputing its usefulness.

504. **Mr G McCann**: We are doing it to help employers and to ensure that the burdens are not going to be too onerous on them.

505. **Mr Brady**: Thank you for the presentation. I would like you to clarify a couple of things. The figure of £7,475 was known as the lower-earnings limit. Above that —

506. **Mr G McCann**: It is the rate at which you start to pay tax.

507. **Mr Brady**: Yes, but below the lower-earnings limit was the figure at which you did not pay taxes.

508. **Mr G McCann**: It is slightly different now. The two are not in kilter with each other.

509. **Mr Brady**: In relation to that, is it an 8% employee contribution?

510. **Mr G McCann**: No. Overall, the total amount that has to be paid is 8%, and that will be employer, employee and the state.

511. **Mr Brady**: So is it 3% from the employer?

512. **Mr G McCann**: It is about that. It will be phased in. For the first two years, both the employer and employee have to pay 1% each. From the end of 2017, it goes up to a total of 5% between the employer, the employee and the state. It is only when you get to the end of 2018 that it goes up to the full whack of 8%. However, that figure of 8% is the amount that has to be paid under law. If the employer or the employee wishes to pay more, that is fine.

513. **Mr Brady**: Going from the retail price index to the consumer price index will mean that people on benefits will get less. The same will apply to the amount paid into the pension scheme.

514. Can you clarify whether pension credit and state pension will still be based on the retail price index?

515. **Mr G McCann**: Yes. Well, actually, with the state pension, it will be the best of the three: earnings, the CPI or 2·5%. It is whatever happens to be highest for the state pension. To come back to the point on the CPI, we are altering the law to reflect what has already happened, as such. The Bill is not changing the rules —

516. **Mr Brady**: It is catching up.

517. **Mr G McCann**: It can be consequential amendments following on from that decision. It is not that we are setting this for the first time.

518. **Mr Brady**: On that point, are we only catching up now? On a lot of this parity legislation, we were told that if it does not go through, people will lose out. If it does not match what is happening in Britain, people here will lose out. However, now we are only catching up on this. Is that at play across the board?

519. **Mr G McCann**: It is not only us; it is also Britain. We are all catching up. For example, it will ensure that a scheme does not have to uprate by the higher of the two. Say, for example, that a scheme opts to stay with its own rules for years, which would be to upgrade in line with RPI, and say, for example, that some year it was further down the road and we happened to get the odd year where the CPI was higher, this will ensure that those people who have earned far more over the years anyway will not have to get that extra hike.

520. **Mr Brady**: On the three-year re-enrolment for people who have opted out, are they presented with an opportunity to go into the system?

521. **Mr G McCann**: People are put back into the system, and they have to opt out again.

522. **Mr Brady**: Yes, because you would be re-evaluating. Presumably the older you get, the better idea you have —

523. **Mr G McCann**: Over that period of time, your earnings could have changed or you may not have paid as much rent or something, which may mean that you want to look at it again. It is there to ensure that someone of 18 does not opt out and does not bother doing anything about it over the years.

524. **Mr Brady**: I understand, but you are re-enrolled and then you have to re-opt out.

525. **Mr G McCann**: Yes; you have to opt out again.

526. **Mr Brady**: That seems a bit cumbersome.

527. **Mr G McCann**: If you look at the various statistics and work done on pensions, one of the big problems about getting people in is that they simply do not bother. As they move through their life cycle, it is not important when you are young and you suddenly get to a point in your late 40s or early 50s when you start to panic and think that you should have made plans for this.

528. **Mr Brady**: But the difficulty is for people at the lower end, who are termed the working poor. With changes to housing benefit and so on, which we rehearsed this morning, they may never have the opportunity to enrol because they simply could not afford to.

529. **Mr G McCann**: We are very aware of that. We are also aware that opting into a scheme is not a good idea for some people simply because if your earnings are only £7,400 or £7,500, maybe by the time you pay your rent and you will not be able to do it anyway. That figure is just a way to get everybody into the system and then individuals are free to opt out if they cannot afford it or feel that they do not need it. That is an important point. If they wish to opt out, they can. It is not the case that everybody out there has to go into a pension scheme. It is purely optional.

530. **Mr Brady**: It probably depends on the information given to the individual at the time as to the benefits or otherwise, even for people on very low incomes. You have to assume that if the legislation goes through and the age limit for pensions eventually goes up to 68, there is absolutely no reason why they could not then put it up to 70, 72 or 74. There is no doubt that that will eventually happen because, statistically, people are living longer. That is the inevitable consequence, in a sense.

531. **Mr G McCann**: If we look at it from the other way round, the fact that we are living longer means that people should be in work for longer. So, even if they are not able to opt into the scheme early in their lives, if they opted in during their early 30s it would still give them a fairly long period to build up their pension rights.

532. **Mr Brady**: Statistically, people are living longer but not necessarily more healthily.

533. **The Chairperson**: That is another argument.

534. **Mr Brady**: It was just to make that point.

535. **The Chairperson**: I know; I understand.

536. **Mr Brady**: Compton talked about that in his report.

537. **Mr G McCann**: It is generally true that people are living longer and are being healthier for longer. The fact that we can treat most of the major illnesses means that people are living longer and maybe are not that fit. In general terms, however, people are living longer.

538. **Mr Campbell**: I have three questions, and I will keep them brief. I am a bit confused about the level of earnings at which contributions start. Doreen mentioned a figure, in 2006-07 terms, of £5,000. Is it £7,400 as of now?

539. **Mr G McCann**: No, we are speaking of two different things. £7,400 is the earnings trigger. That is the point at which any person has to be put into the scheme. Once they are in the scheme, the employer has to pay contributions on any earnings above £5,315.

540. **Mr Campbell**: What about the people in between those two bands?

541. **Mr G McCann**: Anybody in between that can opt into the scheme if they want to. Their employer has to take them into the scheme and has to make contributions. Anybody under the band does not have to be put into the scheme. It is automatic.

542. **Mr Campbell**: On the figure of £7,475, there is not much I agree with the coalition Government about with regard to the social and welfare reforms. One of the good things they have introduced, however, is the progressive increase to £10,000 over the lifetime of this Parliament when people will begin to pay tax only at the level of £10,000. There is another issue about national insurance, which I have been raising with the Department, but we will set that to one side. Is it envisaged that, as that goes up, that trigger will rise?

543. **Mr G McCann**: Under the law, that figure has to be looked at every year. Members of the Committee may remember that we sent you a consultation paper last month looking at that very point. At the moment, the figure is £7,475, which is linked into the income tax rate. We are asking whether that link to income tax should continue or whether there is any other way to do it.

544. It was out for consultation, and that ended at the end of last month, so everything is still being looked at.

545. **Mr Campbell**: You have explained that the 8% contribution is the total sum from the employee, the employer and what I presume amounts to the tax relief if a person was in a personal pension scheme. Is the tax relief element the same as it would be for a personal pension — that is, the lower rate of 20%?

546. **Mr G McCann**: No, the tax contribution is expected to be around 1% of that 8%.

547. **Mr Campbell**: That is not what I mean. If you were in a personal pension scheme and made a gross contribution of, say, £1,000 a year, 25% of that would qualify for tax relief. Is a quarter of the gross sum that will be paid under the new arrangements eligible for tax relief? It sound to me like it is not and it will be only one twelfth. It is 1% of the 8%.

548. **Mr G McCann**: At the moment, it is meant to count as 1% of the 8%. I would have to do some more work to answer the exact question that you are asking me. I would have to go to the tax —

549. **Mr Campbell**: I will summarise what I am saying. Will people who are enrolled in the new scheme be treated exactly the same way as anyone else who has taken out a personal pension scheme and would be entitled to get tax relief on their contributions according to their rate of income tax, that is, 20% if they are a lower paid employee? Would they be getting 20% in the same way, or would they be getting less?

550. **Mr G McCann**: I understand what you are asking, but we have now moved to an element of law related to tax, which is an excepted matter, so we do not have any competence to —

551. **Mr Campbell**: I understand that, but for clarity —

552. **Mr G McCann**: I will see what I can find out for the Committee and write to you, but, as I said, it is a matter for the tax authorities and I cannot really comment on it because it is an excepted matter.

553. **Mr Campbell**: My last question is about the three-month introductory period and relates to what the Chairman said. I take it that, whatever we might think about that, in Northern Ireland there will not be any flexibility, or will there be, if we thought that it would be a better idea if it was six months or two months?

554. **Mr G McCann**: No. Again, our aim is to try to put all of the burdens onto the employers in exactly the same way. In Northern Ireland, we have a fairly sizeable number of employers who are not based here and who operate from Britain; for example, big stores such as Marks and Spencer and Tesco. We want to avoid having a separate law in Northern Ireland, which they would have to meet separately for their Northern

Ireland employees, because all that would do is to add to their burdens.

555. Perhaps I should explain more about the three-month period. One of the other reasons for that three-month period is to ensure that the employer does not have to automatically enrol someone who is only there for one month and then says that they do not like the job, throws up their head and moves on. As well as allowing the employer to fit the employee into their payroll periods, the three-month period means that the employee should be able to show at the end of three months that they are settled in the job. It is to avoid all the employers having to enrol someone from day one and then finding that they have moved on at the end of the month.

556. **Mr Campbell**: The reason I am asking about the three-month period is that I want to know if there have been any discussions about something that might appear ludicrous now but may not be as ludicrous in two or three years' time. Given the issue of short-term employment, I can fully understand why there would have to be some sort of period. For example, if you had a casual employee over the summer, there would not be much point in going through the time and trouble of enrolling them for six or eight weeks for them then to go back to university or whatever they were doing before the summer. I can fully understand that. However, because of the amounts that we are talking about — up to £7,000 and maybe up to £10,000 — in two or three years' time, if there are difficulties as the scheme rolls out, it could well be the case that the Government — particularly this Government — might see that there is not that much difference between the amount of benefit being paid and the amount of money that people are getting from employment. To minimise the problems, they might actually — ludicrous as it might seem now — ask whether the scheme is worth transferring over to people who are also on benefits.

557. **Mr G McCann**: I am not sure that I fully —

558. **Mr Campbell**: We think that it is going to go up to £10,000 in the next two or three years. I know that that is out for consultation.

559. **Mr G McCann**: It may or it may not.

560. **Mr Campbell**: It is at £150 a week at the moment. So £10,000 is £200 a week.

561. **Mr G McCann**: We do not know that yet.

562. **Mr Campbell**: Anybody who is going to be earning in or around £200 a week in work will be pitched into the opportunity for this scheme, advantageous as it may be for them in the long run, although they have the opportunity to opt out. However, this Government, particularly with the introductory period, might say that they can do away with the introductory period if everybody has to do this — unless they opt out — whether they are working or not, because they are earning £200 a week whether they are in work or whether they are on benefit.

563. **Mr G McCann**: I am certainly not aware of any thinking along those lines or that anybody has —

564. **Mr Campbell**: Has there been no discussion between Departments?

565. **Mr G McCann**: I am certainly not aware of it. I am sure that Mr Brady will intervene here to support —

566. **Mr Campbell**: With his experience, you mean.

567. **Mr G McCann**: The various benefit levels are set at the rates at which people need to get by on. I have not been aware of any thinking that we should also be taking money off —

568. **Mr Brady**: Gregory is taking a very cynical view of the coalition Government to even think that they could contemplate doing such a dreadful thing. Though I am sure that they will.

569. **Mr Campbell**: It is maybe not so cynical then.

570. **Mr Brady**: It is not. I was only joking. I am sure that, if they see that as a route, they will.

571. As regards what people can live on, we are talking about subsistence level anyhow. You talked about the big employers from Britain. Considering the fact that students probably make up 50% of the casual workforce in Salisbury's in Newry, in B&Q and in all of those large retail units and taking the point that Gregory made, we know that they would not apply. Therefore, that is not necessarily an issue.

572. With regard to the working poor, however, most working people in my constituency could not afford to enrol because they are on subsistence wages anyhow. Consider the number of people on working tax credit at the moment — universal credit will, allegedly, change all that. People trying to access tax credit and getting hit with huge overpayments, even though they are given all the information, is a regular occurrence and continues to be. Therefore, your point is probably very valid. They will see this as a route out of it. We are talking about comparatives. One of the whole planks of welfare reform is to get people back to work and to tell them that they are better off working than they are on benefit. However, if they see that you are not necessarily better off, they will have to change something. That would seem to be a logical or illogical route, depending on the way in which you want to look at it.

573. **Mr G McCann**: To answer your point about people at the lower end and whether or not they should be opting in or out: that is why you can opt out. We understand that, for many people, this is not a sensible option.

574. As regards the people you mentioned who work part time, it could be that they are the partner of somebody and it could be that either party has access a scheme. They might say, "OK, I work only part-time hours, but I do want to use some of this money towards our future pension income." The fact that someone is working only part time does not necessarily mean that they would not want to joint this.

575. **Mr Brady**: If you go into Salisbury's in Newry any weekend, you see that the vast majority of people at the tills are students. They do not have partners, or at least they are not living with partners in that sense. Therefore, that would not apply.

576. **Mr G McCann**: It is true that, if you are saving for any pension income, the earlier you start, the more you will get out of it ultimately. People may not earn very much when they start working, but if we can get them in early on, it means that when they reach pension age their outputs will be much better, even though they are not saving that much into it.

577. **Mr Brady**: Gregory's point about tax relief is that there is an incentive to go into a private pension scheme. During her reign, Mrs Thatcher put the national insurance fund into the red for the first time in its history to subsidise private pensions. Things like that could happen all over again.

578. **Mr G McCann**: As I said to Mr Campbell, I cannot comment on tax matters.

579. **The Chairperson**: Gregory raised a point about the current Government taking the opportunity to say that that will apply to people on benefit as well. It was a fair point made. It is not in the Bill, but it has been raised all right and is important enough. However, the key issue raised by Gregory and Mickey was about the tax benefit that would accrue to someone going into a private pension. We are now dealing with provision for people who will be automatically enrolled in a pension scheme once they reach that earnings trigger. In my opinion, we are trying to encourage as many people as possible to stay in the scheme, which is why the point that Gregory raised about the tax incentives that may accrue with that is a very valid one.

580. There is also the point I raised earlier about the period within which the scheme could be introduced. I agree entirely about giving flexibility to employers and facilitating them to get it into a cycle of their system. However,

there must be some flexibility for the low income person in the first few months of their employment. There will be upfront costs for most people when they take up a job in order to readjust and all the rest. Those three or four months could be critical for a person who feels that they just cannot afford it and opts out. If there is that flexibility for the employer, you need to have flexibility for the employee who would be enrolled automatically.

581. **Mr G McCann**: There is flexibility in existing law. As we pointed out, every two years and nine months, as it shall now be, they will have to move back into the scheme and, therefore, opt out again. If they change their mind during that period, however, they can go to their employer and ask to be put into the scheme.

582. **The Chairperson**: OK. Thanks for that.

583. **Mr McClarty**: Do employees on a probationary period of six, nine or 12 months also become eligible for inclusion in the scheme after three months?

584. **Mr G McCann**: Yes, they do. We are trying to avoid the situation in which somebody is in a job for a year, moves on for another year and again for another year and suddenly finds that they have changed jobs eight or nine times and have nothing. Our view would be that, if you are working for someone for a year, that is quite a sizeable amount of time, and we would, therefore, want you to be enrolled.

585. **Mr McClarty**: In this day and age, pensions are very transferable.

586. **Mr G McCann**: They are, but you have to be in one first. That is why we are keen to get them in as soon as we can. That is why the period of three months is seen as a balance between helping out the employer and making sure that the individual will not lose out if they are in a job for only a short time, such as one year at a time.

587. **Mr Copeland**: My memory of this issue is littered with terms such as SERPS (state earnings-related pension scheme) and additional voluntary contributions. The more I look at it and try to read this, the more confused I become. Going back to something the Chair said: if I understand correctly, you will be automatically enrolled for three months when you take up a position and during that period deductions may be made —

588. **Mr G McCann**: No. Automatic enrolment has to kick in after the three months. However, your employer can automatically put you in from day one if he wants to do so.

589. **Mr Copeland**: If he wants to do so as opposed to you wanting to do so?

590. **Mr G McCann**: If he wants to. Say, for example, that your first week happens to link into one of the pay periods for his computer system. In that case, it may work out well for him to put you in from day one. Alternatively, it may be a further month before his computer runs are made. So, there are all those things, but, after three months, you have to be put into the scheme.

591. **Mr Copeland**: There is a conceivable position, therefore, of money belonging to you being deducted and put into a scheme prior to you putting into effect your desire not to be in the scheme. How do you get your money back out?

592. **Mr G McCann**: As soon as you opt out, that money has to be given back to you by your firm.

593. **Mr Copeland**: Right. What happens in the event of someone going through that whole thing and passing away prior to the pensionable date? Is there life protection?

594. **Mr G McCann**: Under the money that you put in, there is provision for a survivor. Again, we are getting into the detail, but yes, there are provisions for survivors.

595. **Mr F McCann**: What Michael said reminds me of the argument a couple of weeks ago about people trying to get their deposits back in the private rented

sector. You see all sorts of problems and difficulties there.

596. I have one question, which probably comes at it from a different angle. If I am employed and get £8,000 a year and am in the scheme, and I am probably one of 40 or 50 people who are employed by the same employer, when that tots up it probably runs into thousands of pounds over the year. If that starts to affect the employer's profitability, is there anything there to stop them passing that cost onto the employee, perhaps by reducing the wages? Everything seems to be aimed at protecting the employer, rather than protecting the employee. Can they reduce your wages to cover the cost?

597. **Mr G McCann**: Obviously, we will not be sure how it is going to work out until it is up and running, but we probably would consider that, when your employer looks at your wage rise each year, he may want to factor in the fact that he is now having to pay into a pension scheme. So it could have an effect on your income ultimately.

598. **Mr F McCann**: So there is no protection at all for the employee?

599. **Mr G McCann**: If the employee is not happy with that situation, he can opt out. The question that you are asking is not part of the issue covered by this Bill. That was part of the Bill that the Assembly passed back in 2008.

600. **The Chairperson**: I take Fra's point entirely, but any employer can do that at any point in time, and they do. There are a number of sectors that have not had a pay increase in the last number of years on the basis that the employer said that they were not making enough money and could not sustain the business. In fact, people have been taking pay cuts, some of which have been imposed and some of which have been notionally negotiated. There is no protection, though I wish that there could be.

601. **Mr G McCann**: At the moment, for us, for example, our employer takes into account the fact that we are in a scheme, and every year he adds that on to the amount of money that is taken into account when it comes to looking at pay rates. That is the case for all public servants, for example. At the moment, any employer who operates a scheme does take into account the fact that they are having to pay money into a scheme for employees as part of their overall pay bill. Under law, an occupational pension is, in fact, pay. It is just not paid to you now but at a future point in time.

602. **Mr F McCann**: What we are talking about is a shared responsibility between the employee and the employer, but, at the end of the day, the total responsibility for the financial end of it could rest with the employee if the employer decides to reduce wages to cover the cost of it. People may want to opt in, but they may have to meet the full cost of it, rather than what is laid out in the legislation.

603. **The Chairperson**: I do not think that the employee deciding to opt out of a pension at that point will make a damn bit of difference, because the employer is still going to set the salary scale according to their overheads. I agree with you that there is no protection in that. If you take the option of withdrawing from the pension scheme, all you will do is save a couple of pounds from going into the pension scheme. It is not actually going to change your wages. You asked whether there is protection; the answer is no. I think that it is quite clear.

604. **Mr Brady**: I want to make two points. You said that, if the employer does not give you a rise, you can opt out of the scheme, but surely that negates the whole point of having the scheme. The whole point of the scheme is to enhance your end-of-work income.

605. **Mr G McCann**: Perhaps I did not phrase it very well. The point I am making is that, at the moment, any employer who runs an occupational pension scheme is taking that into account anyway. What we expect to happen under automatic enrolment is not really any different from what is happening now to any employer who runs a pension scheme.

606. **Mr Brady**: Surely this is aimed at the employers who are not running a scheme.

607. **Mr G McCann**: Yes, but if they do take that into account in setting future wage rates, they would only be doing the same as an employer who operates a scheme at the moment. It is the same as what happens now.

608. **Mr Brady**: My other question relates to logistics. There is a three-month period when somebody can opt out, and then, in two years and nine months, they re-enrol. Is that done on an individual basis? I am thinking of the logistics of doing it for each employee in terms of the three months, two months or whatever period they opted out, and then having to go to three years. Is that not just a rolling three years for every employer or is it each individual employee?

609. **Mr G McCann**: Under law, the only people who have to be automatically re-enrolled are those who are not active members. That means, in effect, people who opted out. The firm may find it easier to handle it by hitting a button that puts all the names back into the pot. However, under law, only those who opted out have to be automatically re-enrolled.

610. **Mr Brady**: If you are with an employer, your wages are low and you opt out, there will be large numbers or they will have to do it on an individual basis. The logistics of doing that would, presumably, be problematic for the employer and make the scheme less attractive and less workable.

611. **Mr Seamus Cassidy (Department for Social Development)**: The three months is to give the employer flexibility to make his own arrangements. He is not required to re-enrol everyone on the same date. He can make his own arrangements within the three months.

612. **Mr Brady**: I understand that. That is the point I am making.

613. **Mr G McCann**: I take your point that it may add to the burden of employers. However, if we were not to do that, somebody may make an option when they are 18 and end up being out of a scheme for the rest of their life simply because they never get round to doing anything about it. Those are the very sorts of people that we want to try to catch. Thinking back to when I was 18, I know that planning for a pension was not high in my priorities.

614. **Mr Brady**: You have a great memory, Gerry. [Laughter.]

615. **Mr G McCann**: As you age, however, it goes higher up your list of priorities. We want to avoid people making that option when they hit their early 50s because, if you are starting to plan for your pension only when you get to that stage, the amount of your earnings that you would need to put away to end up with anything of any size coming out the other end is quite a high proportion.

616. **Mr Brady**: That is a view in an ideal world, where people can plan for their future. However, large numbers of people who work here will never be able to afford a pension. That does not seem to have been factored in. It may be a good idea in the south-east of England, although maybe not in the north-east or north-west of England and various other places. It is a good idea in theory, but the reality is that huge numbers of people here who are on low incomes will never be able to afford a pension. Otherwise you would not have family income supplement, family credit and working tax credit. Those are to supplement low wages.

617. **Ms Roy**: NEST, the new scheme, is aimed at low to moderate earners. The aim is to provide a scheme that low earners can avail themselves of.

618. **Mr Brady**: That is laudable in theory but not in practice.

619. **The Chairperson**: Ultimately, what we have to conclude — not today but when we go through the legislation clause by clause — is whether we agree with the principle of automatic enrolment. If we do agree with that, do we then agree with the principle of allowing a

person to opt out and, consequently, to be automatically re-enrolled with the same option to opt out? Those are the principles that we ultimately have to decide upon as a Committee.

620. **Mr G McCann**: To return to the point raised by Mr Brady: that is why people can opt out. In its evidence to you last week, NIPSA argued that everybody should have to be a member of the scheme and should be forced into it. Our view, however, is that there will be people who will not be able to afford it and, therefore, that is why people are not being forced into this. We are also keen to avoid people being forced into a scheme and for them to find at the end of their working lives that they were no better off.

621. **Mr Brady**: With respect, NIPSA represents public sector workers, and there is already some sort of pensionable scheme in most public sector jobs. It represents vested interests.

622. **Mr G McCann**: I take that point. I am saying that, in the evidence the NIPSA representative gave to the Committee, he said that everybody should be forced into a scheme. That is what we were concerned about.

623. **The Chairperson**: That was NIPSA's presentation. You are absolutely right. They said that everybody should be in the scheme. Everybody around this table would prefer to see people on a decent wage and feeling comfortable and able to join a pension scheme. I think that that is the concern of us all.

624. **Mr Copeland**: I have one point on possible areas of exclusion from automatic enrolment. Northern Ireland is the only part of the United Kingdom that shares a land border with another European state. There will be cases where people could be resident in Donegal and working in Londonderry. Are we facing a situation where people will be enrolled even though it is pretty certain that they are not going to stay?

625. **Mr G McCann**: The law states that a jobholder is someone who is working in Northern Ireland. So, if somebody happens to live outside our jurisdiction, that is not really a major issue as long as they are working here. There are other special rules for cross-border matters, which we probably should not get into now because they are extremely technical. There are certain rules under the fact that we are all part of the European Union. One clause in the Bill deals with cross-border and European employment.

626. **Ms Roy**: Clause 18.

627. **Mr G McCann**: That is to come for you to look at, so you will enjoy it.

628. **The Chairperson**: Some of us would argue that, at some point, they will all be in the one jurisdiction anyway, so it will not matter. Anyway, that is the political argument.

629. No other members have indicated that they wish to speak or seek clarification. That was another useful exchange, so thank you, Gerry, Seamus and Doreen, for your contributions and for fielding the questions. Thank you very much. We will continue next week.

16 February 2012

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Mark H Durkan
Mr Alex Easton
Mr Fra McCann
Mr David McClarty

Witnesses:

Mr Seamus Cassidy	*Department for*
Mr Gerry McCann	*Social Development*
Ms Doreen Roy	

630. **The Chairperson**: I welcome Gerry McCann, Seamus Cassidy and Doreen Roy. I remind members that we are at the Committee Stage of the Pensions Bill. We have already raised a range of issues with the officials as we have discussed this on a number of occasions. We have asked the officials to clarify or readdress some issues, and they have kindly attended today to assist the Committee in its consideration. Gerry, would you like to take the opportunity to recap from your point of view?

631. **Mr Gerry McCann (Department for Social Development)**: Yes, thank you. If you are happy, we are going to split it between Part 1 and Parts 2 to 5 of the Bill. Seamus will say a few words on Part 1.

632. **Mr Seamus Cassidy (Department for Social Development)**: It will be more than a few words. Good afternoon, Mr Chairman. Members have expressed concern about a number of issues in Part 1, particularly the impact on women of the equalisation of the state pension age by November 2018. I will provide a little bit of background, but everyone is familiar with the proposals and the existing legalisation, so I will be quite brief.

633. Members are aware that the existing legislation provides for the state pension age for women to equalise with men's at 65 by April 2020, and to increase to 66 for both men and women between April 2024 and April 2026. The Bill proposes to equalise the state pension age by November 2018 and increase it to 66 between December 2018 and October 2020. The proposed changes are estimated to result in a gross reduction in expenditure on pensioner benefits of around £810 million over the period 2016 to 2026, of which £57 million would result from the equalisation of the state pension age by November 2018 and £753 million would result from the increase of the stage pension age to 66 by October 2020.

634. By November 2018, the equalisation would affect approximately 7,000 women born between 6 April 1953 and 5 December 1953. The state pension age for that group would increase by between two and 16 months. Increasing the state pension age to 66 by October 2020 would affect an estimated 69,000 men and 70,000 women born between 6 December 1953 and 5 April 1960. State pension age for this group would increase by up to 18 months.

635. Consideration was given as to whether the original policy could be mitigated or changed, and the Bill was changed to ensure that no woman would face a delay of more than 18 months in reaching her new state pension age. This measure in itself was estimated to cost around £27·5 million in Northern Ireland. Given the underpinning policy objective of rebalancing the financial burden between those of working age and those of pensionable age, the need to ensure that the funding stream underpinning the social security system in Northern Ireland is not jeopardised, and the need to ensure that people on working-age benefits are treated consistently, the Department is unable to identify further mitigating measures.

636. If the revised timetable for equalizing the state pension age by November 2018 is not enacted, the cost to the Northern Ireland block grant is estimated to be around £57 million between 2016-17 and 2018-19. That does not take account of additional administration costs or any additional claims from women currently living outside Northern Ireland. Such a step would also break parity with GB and members are fully aware of the implications for the block grant.

637. It also raises a number of other issues, in particular, the ability of the Department for Work and Pensions (DWP) computer system to operate two different schemes. Pensioner benefits and working-age benefits would be affected. It is not quite as simple as just having a pension age for a certain group of people. That in itself would have to be impacted and costed, and costs would fall to us.

638. In light of the fact that there are no residence requirements for entitlement to a state pension and that we have reciprocal arrangements with Great Britain, we would have to consider whether we could legally prevent women living in Great Britain from claiming the Northern Ireland pension, rather than waiting longer to claim the GB pension. That is quite an important legal point to be clarified. In relation to the pension entitlement of European Economic Area (EEA) workers here and in Great Britain, we have to consider whether it would be necessary, or even possible, to calculate Northern Ireland pension entitlement on a pro rata basis. Obviously, cross-border workers, etc, acquire rights in Northern Ireland under the EU regulations.

639. A further issue arises regarding the equalisation of the state pension age. That must occur before the process of moving to 66 can commence. Under the Bill, the final tranche of women in the group identified would have a state pension age of between 64 years, 11 months and 65. If equalisation does not proceed as set out in the Bill, the increase to 65 would take the form of a cliff edge. A woman born on 5 November 1953 would have a state pension age of 63 years and six months, whereas a woman born the following day would have a state pension age of 65. In effect, the pension age would increase by 18 months overnight. The phasing arrangements currently contained in the Bill are intended to soften that to some extent.

640. To summarise those points, not equalising the state pension age by November 2018 would significantly increase expenditure on pensioner benefits over the proposals in the Bill and funding would have to be found. It would be a break with parity, and that might have serious implications for the block grant. It also raises legal questions regarding what territorial limitations, if any, can be imposed on entitlement to a Northern Ireland pension. It would raise questions as to whether separate systems for Northern Ireland and Great Britain can in fact be put in place on an operational basis. As I said earlier, that would have to be assessed and costed.

641. The proposed increases in state pension age would also have a knock-on effect on the qualifying age for the winter fuel payment. We estimate that, overall, around 139,000 people could be affected. Around 124,000 would qualify one year later than under current rules and around 15,000 would qualify two years later than under current rules. As we have previously pointed out, it is important to note that, where one member of a household has reached the qualifying age, the household will receive the full amount of the award. The effects of the proposals could, therefore, be significantly less than those figures suggest. We do not have data on the age relationships of couples in Northern Ireland.

642. The winter fuel payment was introduced in 1997-98, with the objective of targeting resources on pensioners to help them to meet higher fuel costs. Initially, entitlement was linked to receipt of one of a number of qualifying benefits. Payments were made to women aged 60 and over and men aged 65 and over: the respective state pension age for men and women. That changed as a result of a judgement of

the European Court of Justice and the scheme was extended to persons aged 60 and over, regardless of whether they received a qualifying benefit. However, at that time the Secretary of State made clear that the age of entitlement would rise in line with the state pension age for women. The impact of the Pension Bill on entitlement to winter fuel payment does not, therefore, represent a change in policy. Winter fuel payments always have been and will continue to be a pensioner benefit.

643. The issue of pensioner poverty has arisen during the debates. I will address it as briefly as I can. We have already taken a number of steps aimed at increasing income in retirement. For example, the number of qualifying years required for a full state pension and the introduction of carers credits are helping more people, particularly women, to build up an entitlement to a full state pension. In the longer term, automatic enrolment will help more people to have an additional income in retirement. An important part of alleviating pension poverty is the Social Security Agency's benefit uptake programme, which is aimed at encouraging people to find out whether they are missing out on any benefits and providing them with the assistance that they need to make a claim. Since 2005, around 112,000 invitations have been issued to older people offering them a benefit assessment, which considers eligibility for all social security benefits as well as a range of other allowances and services, and 145,000 mail shots have been issued to older people to raise awareness of state pension credit. The current benefit uptake programme will provide over 22,000 older people with the opportunity of a benefit assessment.

644. A new outreach approach commenced in November 2009 and continues into 2011-12. It focuses on ensuring that older people are aware of their potential entitlement. In 2011-12, 10 council areas with relatively low uptake of the main pension and benefits are being targeted. That means that all council areas will have been targeted since 2009. The Make the Call campaign, which was launched in November 2011, uses a wide range of media to advertise a free phone number to encourage older people to find out whether they are missing out on benefits. So far, over 10,000 calls have been received.

645. Up to June 2011, the programme generated total additional annual benefits and arrears of approximately £37 million, of which £15 million relates to over 4,900 additional awards of state pension credit. The Department for Work and Pensions has conducted a research study on automatic payment of state pension credit to explore better ways of using available data. That included making awards of what was known as a modified state pension credit for a limited period without the need for a claim. A detailed evaluation report is expected in the spring, and any recommendations will be considered in Northern Ireland.

646. I think that we have covered the main areas of concern raised in Part 1 during our previous briefings. We are happy to take questions on that.

647. **The Chairperson**: Thank you. We will run across a range of the matters that have been raised. Today's process should be fairly simple. We are not going to be making formal decisions. We want to ensure that we have maximum Committee attendance at any of the meetings at which we will be making formal decisions. We have taken some points of clarification from the Department. Members or parties may wish to suggest amendments that they want to put to the Department on a without-prejudice basis. The Committee does not have to take a view on whether it likes them or wants to support them. A member might wish to propose a particular amendment, and I would like the Committee to agree that it would ask the Department to take that amendment away, formally consider it and come back next week with a yea or a nay or whatever the response might be. That is without prejudice to any member or party's viewpoint on any suggested amendment. In other words,

if somebody puts forward a proposal or suggested amendment, other members do not have to take exception to it or agree or disagree with it. It is an opportunity for members to put suggestions directly to the Department. It is a fair way of dealing with it. It is a formal opportunity to make suggestions that the Department will consider and come back to us on next week. In advance of next week's meeting, we will notify members that we will probably be going through the Bill clause by clause, which will be an important event for us all.

648. **Mr Brady**: Seamus, you said that there was no change of policy as regards the winter fuel payment because it is payable to pensioners. However, if the pension age is changed, it is a bit disingenuous to suggest that, although the people who would have got it at 60 will now have to wait until they are 65, that is not a change in policy. It is not a change in that you are paying it to pensioners. However, it depends at what age you become a pensioner.

649. **Mr G McCann**: Yes, but the point is that at the time of it having been first paid at age 60, it was made clear that it would rise each time that there was any change to the state pension age for women. Really, all we are saying is that any of the changes to winter fuel payment are not flowing from the Bill per se, as a point of law.

650. **Mr Brady**: It does not make it right.

651. **Mr G McCann**: I cannot argue with you on that point, and I know your feelings about the effect on winter fuel payment. However, as a point of law, this Bill is not changing the policy on the winter fuel payment.

652. **Mr Brady**: The Government say that people of working age must take responsibility for their future. However, the Government are using their contributions to subsidise people who are entitled to pensions. There is a disjoint there. If you have an occupational pension, which is the type that people are being encouraged to buy in to, and you are getting employment and support allowance (ESA) contributions, you will lose half of anything over £85 that you get from your occupational pension.

653. **The Chairperson**: I presume that the issue here is whether it is possible to decouple the pension age from the age when winter fuel payments become payable.

654. **Mr Brady**: That is one issue.

655. **Mr G McCann**: The winter fuel payment has always been a benefit aimed purely at people who are of the age for a pension. That is how it started out. At the start, the winter fuel payment had been linked to pension ages: for women, the age was 60; for men, it was 65. A case was then taken to the European Court of Justice, which claimed that men and women were not being treated equally. That is why the state pension age for men and women has been made equal, because we are at variance with European law on that point.

656. The winter fuel payment always has been a benefit for pensioners. If we were to alter that, we would get ourselves into a problem. We would have certain people under state pension age who would be able to get winter fuel payment, and others who would not. We do not have any real, objective reason for saying that once someone hits the age of 60, they should get help with winter fuel, whereas someone aged 59 should not. That link existed only because the state pension age for women had been 60 for such a long period. It has never been linked to evidence that once someone turns 60, they suddenly need extra help with fuel. They had only ever been linked because 60 was the state pension age for women. As I said, at the time it had been made clear that, if there are any changes to the state pension age for women, the qualifying age for this benefit will rise with it.

657. **Mr Brady**: It is a fairly arbitrary thing. It is a bit like the single room rent, which stated that a young person is someone under 25, and now it is someone under

35. It is an arbitrary decision. I think you mentioned this, Seamus: someone born at 11.55 pm on one date may be eligible, but someone born at 12.01 am may lose out. That is how arbitrary it is.

658. Has there been any detail on the transitional arrangements? A figure of £57 million has been mentioned and that could cause the whole shebang to come down round us, apparently. Has any research been done into the transitional arrangements, or is it an arbitrary figure, perhaps designed to frighten us?

659. **Mr McCann**: It certainly is not a figure made up to frighten you.

660. **Mr Brady**: I would not have thought so.

661. **Mr G McCann**: The figure is based on all the work done in Britain and on how many people in Northern Ireland are affected.

662. **Mr Brady**: Is it possible to get any more detail on the transitional arrangements, particularly for the women who will lose out on 18 months' pension?

663. **The Chairperson**: In fairness, we must ask the Department whether it is possible to consider an amendment to fix that anomaly for those 7,500 women. I am trying to cut to the chase here. People may not agree. Seamus explained in some detail that it could cost £57 million, but that does not take into consideration administration costs or possible consequences, such as other people being able to qualify. Notwithstanding any or all of that, I would like the Department to consider an amendment that would fix that anomaly for those 7,500 women.

664. **Mr McCann**: Certainly, from our point of view, we have looked to see what we can do. Seamus has outlined our position. However, if any member of the Committee has another idea, we are very happy to go away and see whether there is something we can do with it. It is a question of whether we can we find the money and what it would mean for us to break parity.

665. **Mr Brady**: I would like to thank the Chairperson for outlining what is required so succinctly.

666. **Mr G McCann**: The costs could be broken down for each year, if that would assist the Committee. If any Committee member has any idea how we can do this, we would like to hear that. We have been looking to see what we can do within the various constraints in which we operate. We have not been able to find anything. If any member has anything at all that he wants us to look at or think about, we are happy to do so.

667. **The Chairperson**: OK. You will go back and look at the figures.

668. **Mr G McCann**: We already have those broken down, so it is only a matter of looking up the table for you.

669. **The Chairperson**: Obviously, when we get that, it might be a paper exercise. However, I certainly think that it reflects concern around the table about that particular group of women, which has been raised previously. Let us just examine it. We might not get different answers next week, but at least we will have the benefit of it having been looked at. We have to go through a formal process at Consideration Stage. We want to ask the Department whether it can absorb such an amendment. You might come back next week and tell us that you cannot. That is fine. Then, it is up to us to decide what we do about that in our clause-by-clause consideration. It will be up to the Committee to make a decision.

670. **Mr Durkan**: That is the very amendment that I am interested in proposing: to push back the timetable for equalisation to April 2020. The figure of £57 million does not scare me as much as the figures that the Minister threw around the Chamber that day.

671. **Mr G McCann**: If I may, I will clarify one point. If equalisation is to be put back to April 2020, the costs are far higher than £57 million. We would be talking very big money.

672. **Mr Durkan**: To what does the £57 million relate?

673. **Mr G McCann**: That would be the cost if we did not carry out the first tranche of changes up until the end of November 2018. We would have to factor in all of the extra costs for women. It also affects the state pension age for men. We cannot start to move it upwards until men and women are equal. If we were to do that, we would be in breach of European law. Therefore, we cannot even start that until such times as the pension age is equal for men and women. I do not have the figure to hand. Seamus might be able to throw it up.

674. **Mr Cassidy**: We think that it would be around £155 million for the tax years between 2016-17 and 2019-20.

675. **Mr G McCann**: That is the magnitude of the cost if we were to go down that route.

676. **Mr Cassidy**: The increase to 66 years of age would not be able to start until then.

677. **Mr Durkan**: That would have a knock-on effect.

678. **Mr McCann**: That is why the figure jumps by quite a large amount of money.

679. **Mr F McCann**: I want to make two points on the back of that. The first is the difficulty with giving the departmental officials our ideas about amendments and asking them to think about whether they would work. Their job is to sell the Bill to us and to dissuade us from making any decisions that might have a cost implication. Our position is to try to find an amendment that would ease the situation for people. Therefore, although there is no outright conflict, there is a conflict of interest between what their job is and what we believe our job is with regard to making amendments. Over the next week, we will try to come up with ideas for amendments to alleviate the pressure on women, especially during that 18-month period. Mickey raised the point about redefinitions: of young people from 25 to 35 years of age; and pensions from 60 to 65 years of age and, then, 68 years of age. That will have a dire impact on many thousands of people.

680. One issue that I have picked up during the past number of months, especially while we have been considering this element of the Bill, is the total lack of knowledge out there about what people can expect. I do not know whether the Department has funding to allow people to go out and explain what can be expected. Certainly, from my experience, when you talk to people about it or attend some of the meetings that have taken place — some of which were sizeable — they are left shell-shocked. It is a matter of trying to work that out as well.

681. **Mr G McCann**: I will take your last point first. Various changes have been made to the state pension age and are already law. Each woman who has been affected has been written to, to advise them of those changes. We are going to write to those affected by the further changes, but we cannot do so until the Bill is through. I think that letters have already started to go out to people in Britain. Our aim is to move as soon as we can after our Bill is through to write to the people who are affected. We will tell them what their new pension age is. Therefore every woman who is affected in the first tranche, up until the end of 2018, should get a letter telling them what their new pension age is.

682. **Mr F McCann**: Gerry, everybody who gets a letter from the Social Security Agency has to go to at least three advice centres to find out what it means.

683. **The Chairperson**: Let us not take ourselves off on a tangent. In this case, what we are talking about is, in simple terms, an anomaly that affects 7,500 women, or thereabouts. Seamus gave a considerable amount of information on that. He said that altering it could cost £57 million and that it breaches parity, etc. As I said earlier, this is without prejudice to any member's or any party's view. We are looking to see whether the Department can go away this week and decide whether it can, in principle, absorb an amendment to cater for those

7,500 women. It might require the member who is interested in it to talk to you midweek, tomorrow or Monday to look at shifting the trigger date by two months, three months or six months, for example. I am throwing this out off the top of my head.

684. I am trying to address the anomaly that people feel is there. It might cost more than £57 million to fix, but, theoretically, it might be fixable. It might not be. All that we are trying to do is establish what the situation is and ask the Department to formally consider it. I have no doubt that the officials will come back next week and say that they cannot change that, for many of the reasons that they have outlined. However, having talked to members, officials might think that they could do something, but that it would cost us. At some point, the Assembly will have an opportunity to consider that in the round. We are trying to identify what we think is the problem and ask the Department whether it can facilitate that. That will be a yea or nay.

685. **Mr G McCann**: If any members wish to speak to any of us to talk through this, we will be more than happy to try to help in any way we can. However, if you want us to be back next Thursday, those talks will have to happen early in the week, because I will have to put to the Minister anything that you put to me.

686. **The Chairperson**: I appreciate that.

687. **Mr G McCann**: All policy decisions rest with the Minister.

688. **Mr F McCann**: I have another point. I could phone Gerry during the week and suggest scrubbing the increase of women's pension age to 65 and say that I want to put in an amendment that lowers men's pension age to 60. There would be dire financial considerations with that, but it might not stop me wanting to put in an amendment.

689. **The Chairperson**: That is not the point. The point is that the process that we are involved in is to ask the Department to go away and consider what it believes to be a reasonable amendment or proposal. Others may or may not agree with you. The Department may or may not agree. If the Department disagrees, it is still open to any member, even those not on this Committee, to table an amendment to the Bill in the Assembly. This is without prejudice to anyone's view. The Department is saying that it will consider it, and it has invited anyone who wants to talk to them to do so. I recommend that people do that as and from tomorrow, or no later than Monday. Next week, we want to get a formal response from the Department to concerns that have been raised by members. Then we will start the process of clause-by-clause consideration. If you get a no from the Department, you have an opportunity to put it to the Committee and seek Committee support. You may or may not get that. If not, you can still table an amendment in the Assembly. This is not about rehearsing any of the arguments, because the arguments have been put and, I have no doubt, will be put again. In fact, in many cases, they will need to be put again.

690. I certainly would like the Department to consider whether there is a reasonable amendment that could be put forward that addresses our concerns. That is what we are asking the Department to do. I invite one or two of my colleagues, or Mark, who is also concerned about this, to talk to the officials at an early opportunity.

691. Are members content to do that?

Members indicated assent.

692. **The Chairperson**: Do any members want to draw attention to or seek clarification on any other issues, or suggest an amendment? No? We are all happy.

693. **Mr G McCann**: I will move to Parts 2 to 5. Doreen will quickly address the issues that you raised last week.

694. **Ms Doreen Roy (Department for Social Development)**: The question of tax relief was raised in relation to contributions to an auto-enrolment scheme. As you know, we cannot comment on tax matters. However, to assist the Committee, we checked up on the issue. The tax relief

regime for auto-enrolment will be the same as that which operates for existing pension schemes. If operating a net pay arrangement, as most occupational schemes do, although not the National Employment Savings Trust (NEST), employee contributions will be deducted from gross pay before tax is deducted.

695. The employee pays tax only on what is left. The employee will, therefore, receive income tax relief at his or her marginal rate straight away: that is, basic or higher, whichever is applicable. Where a scheme operates relief at source — personal pension schemes, some occupational schemes and NEST — employee contributions are deducted from net pay after tax has been deducted. The pension scheme then claims the tax relief due at the basic rate, which is currently 20%. Higher rate 40% taxpayers can claim the difference back through their tax return or by telephoning or writing to Her Majesty's Revenue and Customs. Additional rate 50% taxpayers can claim the difference only through their tax return.

696. **Mr G McCann**: Gregory is not here today.

697. **The Chairperson**: He can read the Hansard report.

698. **Ms Roy**: Last week, we touched on what would happen if a member died before pension age. At we said then, some schemes will provide survivor benefits. However, others, such as NEST will, on the death of a member, instead pay the member's pension pot to a person or persons nominated by the member. That could be a spouse, partner, dependant or anyone of the member's choosing. When a member reaches pension age and uses their pension pot to buy a pension, they will be free to choose whether to purchase a pension purely for themselves or one that will provide for a survivor on their death.

699. The Committee discussed the three-month waiting period before an employer has to auto-enrol an employee. As we said, that is designed primarily as an easement for employers. The Committee had concerns about that provision, with some members feeling that it was weighted in favour of the employer. I would like to clarify that if the employee wishes, the employee is able to opt in at any point during the three-month waiting period. Once an employee is enrolled in a scheme, he or she is free to opt out if and when he or she wishes.

700. There was also discussion about the Government's decision to use the consumer prices index (CPI) rather than the retail prices index (RPI) as the measure of inflation for indexation and revaluation. However, it is important to make clear that the change has already happened and the Bill is merely making technical and consequential amendments flowing from that change. That is by way of clarification.

701. In relation to cross-border workers, as we outlined, a jobholder working in Northern Ireland would normally be auto-enrolled irrespective of whether they live in Northern Ireland or across the border in the Republic. The position becomes more complicated when a person works in both jurisdictions, as that may bring us within the remit of the European employer and the special rules that apply to cross-border schemes: that is, a scheme that might have to comply with two sets of laws in different jurisdictions. That is a fairly technical area and one that we will be considering in detail when we come to clause 18 of the Bill.

702. During NIPSA's evidence, Bumper Graham stated that NIPSA did not believe that NEST was an appropriate pension scheme for auto-enrolment purposes. It appears that NIPSA believes that auto-enrolment should be into defined benefit schemes rather than into defined contribution schemes such as NEST. Are members happy with the terminology, or does the Chair want me to explain what we mean by defined benefit and defined contribution schemes?

703. **The Chairperson**: You are OK, Doreen.

704. **Ms Roy**: The big difference between the two is that, with a defined benefit

scheme, the employer is liable to make good any scheme deficit or underfunding. It is a harsh reality that defined benefit schemes have, for some years now, been in decline, with employers either closing down their schemes, closing them to new members or changing to defined contribution schemes. Many employers argue that increasing longevity was exposing them to open-ended pension liabilities that had never been anticipated when they first provided defined benefit schemes. It is not considered realistic to compel employers to auto-enrol their employees into defined benefit schemes with all the accompanying funding liabilities. Indeed, doing so could, potentially, make many employers insolvent. However, employers are free to auto-enrol their employees into a defined benefit scheme if the employer wishes, and, indeed, we expect many employers who run existing defined benefit schemes to do just that. I hope that you find that useful and that we have been able to provide greater clarity on some of the issues.

705. **The Chairperson**: Could what you mentioned in your last point create a situation where people think that they are in a reasonable pension scheme but, several years down the line, discover that it is not what they thought it was?

706. **Mr G McCann**: If a scheme based on a defined benefit system ends up in bother, there is a Pension Protection Fund (PPF) that means that a person will not end up with no pension at all. We already have a system in place to make sure that people do not end up totally without any pension if it falls under a defined benefit scheme.

707. **Mr F McCann**: What happens if somebody has spent your fund?

708. **Mr G McCann**: The PPF will cover those situations if you are a member of what is called a scheme based on a defined benefit system. A defined contribution pension scheme does not have that safeguard. What happens with that is that all the money is put into a pot and invested, and your outcome is linked to what has been put in, the amount of time it has been in and how all that money has been invested. So, at the end of the day, you are at the mercy of the stock market in some respects. That is the big difference between the two schemes.

709. **Mr F McCann**: I have one point on the opting in and opting out. Maybe I have a suspicious mind. In benefits, a lot of stuff is sanction-led. When this Bill becomes law, if they want to change any aspect of it, especially the rights of employees to opt in or out, will additional legislation be needed or can it be changed within the confines of the Bill?

710. **Mr G McCann**: The basic premise of opting in and out is set out in the Bill. To alter that Bill after it becomes law, you would need a further Act. Under the Bill, we have a power to make various sets of regulations, and the Bill sets out in detail the various rules that somebody has to follow. They can be changed by our making further regulations, but, again, any proposal would have to come to the Committee.

711. **Mr F McCann**: I am thinking about the general Bill.

712. **Mr G McCann**: A further Bill would be needed to alter that. The main bones of the scheme are set out in the Pensions (No. 2) Act (Northern Ireland) 2008.

713. **The Chairperson**: If the principle of protecting the rights of the employee as well as the employer to opt in or opt out is enshrined in the legislation, would new legislation be required to change that?

714. **Mr G McCann**: Yes.

715. **The Chairperson**: Fair enough. There are no other queries or requests. Thank you for your help this afternoon. We will see you next week.

23 February 2012

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Ms Paula Bradley
Mrs Judith Cochrane
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Mr Fra McCann

Witnesses:

Mr Seamus Cassidy Mr Gerry McCann Ms Anne McCleary Ms Doreen Roy	*Department for Social Development*

716. **The Chairperson**: I thank members for their indulgence in returning at 1.30 pm; I also thank the departmental officials for being here once again to help us to work our way through this. I declare this part of the meeting officially open. We will continue to deal with the Committee Stage of the Pensions Bill. With us from the Department are Anne McCleary, Gerry McCann, Seamus Cassidy and Doreen Roy.

717. I remind members that we agreed, hopefully, to conclude our clause-by-clause scrutiny of the Bill today. That will enable us to compile a report, which we will approve — or otherwise — next week. That will keep us well within the 30-day time limit that the Committee has for its consideration of this part of the Bill. We agreed this morning that we will take a few minutes to allow members to air comments or to propose amendments to any of the clauses, although most of the discussion will probably relate to clause 1 and the issues therein. I suspect that, once we get beyond clause 1, there will be a speedy disposal of the rest of the clauses. Although, in saying that, I never like to tempt fate too much.

718. We are open for business. There are 34 clauses in the Bill, and most of the contention was about clause 1. I propose that we have a brief discussion without rehearsing all the arguments for and against the provisions; we will simply go through the clauses. If anybody has any suggestions about how they might fix what they believe to be a problem, they can talk about those in general terms. We will then put any amendments to the Committee.

719. A late submission from the Women's Support Network, which is in the tabled items folder, was circulated to members earlier this week. We also have a report from the Examiner of Statutory Rules on the scrutiny of delegated powers. In that report, the examiner did not suggest that there are any problems with the Committee's clause-by-clause scrutiny. You have received other submissions, and there has been a fair bit of discussion around the issues and a bit of toing and froing between the Committee and the officials.

720. I remind the Committee that some members have indicated that they want to leave fairly soon. If we can get through this as quickly as possible, we could probably do it with all or most members in attendance.

721. **Mr F McCann**: This has been a fairly long and drawn-out process; however, there are elements in the Bill, particularly around clause 1, with which we have difficulties. I know that members asked whether they could table amendments for today; unfortunately, we have not yet reached that deadline. Regardless of how discussions go today, we reserve our right to return to it. If we so wish, I think that we can table amendments between now and Consideration Stage.

722. **The Chairperson**: That is fair enough, Fra. Does anybody else have a view that they want to put?

723. **Mr Brady**: I want to raise the fundamental point about people being in agreement or not with the equalisation age and particularly how that will affect women. It has already started to take effect: women, in particular, who should have got the state pension are losing out by 18 months to two years, and those who should have qualified for pension credit are losing out, in some cases by up to £70 a week. That has already started to kick in.

724. My other issue is with the universal credit. The Government stated that their poverty line is £170 a week, yet the proposed pension in the universal credit will be £140 to £145 a week. That is approximately £30 a week below the Government's stated poverty levels. There is a certain dichotomy there.

725. **The Chairperson**: As I said, if we have any proposed remedies, we will deal with them today. Last week, we discussed the anomalous situation that 7,000-odd women find themselves in with the delay in their qualification for the pension. In fairness, Gerry offered to meet anybody who wanted to go through some of the detail on that. Fra pointed out that he and Sinn Féin have not reached the point at which we want to table a specific amendment; however, he has drawn attention to the fact that we may still do that.

726. Today could be as simple as people saying that, at this point, they are prepared to support a clause or vote against it for a number of reasons. There is an issue of the anomalous position that some women find themselves in, and we have already established that, at the outset, that would probably be about £57 million. However, Gerry identified other issues last week that could further complicate the situation, not least the problems with the IT system and the consequences for other people who may wish to take it up. We also then come to the big beast in the room that is parity. There are issues around that that people will probably want time to look at in some detail.

727. I feel that perhaps one way of taking those women out of that anomalous position would be to put back the date of 18 November. I am told that that would lead to other consequential complications, so I do not want to table a specific amendment to do that. However, I am looking at an amendment that I might table later. I must decide whether or not I support clause 1 on the basis that I am not satisfied with it, but that I have not tabled a particular amendment. I have the option of voting against it, and I am trying to work it out in my mind.

728. **Mr Brady**: We were told that this provision is based on the premise of moving the pensionable age forward and equalising it. We were also told that people are living longer and, in theory, should be able to work longer. However, all the evidence that we hear in the Health Committee is that people are living longer but they are not living more healthily. Therefore, that negates that argument.

729. According to the Chief Medical Officer, those who live on Finaghy Road South have a life expectancy that is 10 years longer than those who live in Belfast city centre. Therefore, although people who live in Finaghy could perhaps work to all sorts of ages, there are prevailing circumstances that that one-size-fits-all approach does not cover. In the areas in which the provision will impact the most, people have more health problems, poverty is more rife, and there are more vulnerable people of whom pensioners are among the most vulnerable. It strikes me as anomalous that unclaimed pension credit is going back to the Government, yet the money is unavailable for people's contributory entitlement to the state pension.

730. **The Chairperson**: People have drawn to my attention the issue, which Mickey just mentioned, of the possibility of linking pensions with the health profile. We have seen it elsewhere, where similar types of amendment have been considered. People are saying that you are living longer in general terms but are not necessarily healthier, so has

any thought been given to a linkage with health? I am simply asking a question. I presume that I know the answer, but I want to ask it anyway.

731. **Mr Gerry McCann (Department for Social Development)**: The short answer to that is no, not really. It is a state pension scheme, and to do that would make it an extremely complicated system to run. The other thing, which is a point that we have made in the past, is that even though people are living longer, they are living a life that is also healthier for longer. It is not that they stay healthy for all their days. I take it that those two things are facts. However, we do accept that, at the end of people's lives, they will not be as healthy as they once were.

732. **The Chairperson**: On the winter fuel payment linkage, I am not clear as to whether the winter fuel payment is triggered at pensionable age, which is what I thought you were saying, but then the Committee Clerk drew my attention to a piece of legislation that states that it comes in at the age of 60.

733. **Mr G McCann**: That law was changed as part of the other changes to the state pension age, so it is actually now straightforwardly linked to the pension age in law.

734. **The Chairperson**: The difficulty is that we are looking at legislation that is subject to other legislation. There are so many changes that it is difficult to keep up. The Committee Clerk mentioned that precise caveat, that it is difficult to keep track of some of the changes that have happened. For me, there are three areas of contention around clause 1. One is the linkages to the fuel payment, which is one of the passport benefits triggered by pension age; the second is the issue of the health profile as opposed to the age possibly being linked in there somewhere; and then there is the anomalous position that some women find themselves in. There are three areas of concern that I find, but I do not feel competent to propose an amendment on any of those things at the moment because of the understandable complications around them. I am left with the choice of voting either for or against the clause. That is what I am trying to think through.

735. **Mr G McCann**: Once again, I say to any member of the Committee that if they want us to assist them at any point to look at any issues, we would be very happy to do so.

736. **The Chairperson**: I appreciate that. Obviously, whatever comes through the Committee today will go back to the House again, so there will be more debate on the issue anyhow. Thanks, Gerry, for that offer. If no one else wants to contribute to the discussion, I propose that we move on to the clause-by-clause consideration.

Clause 1 (Equalisation of and increase in pensionable age for men and women)

737. **The Chairperson**: I have to read some of this out, so people will have to bear with me; it is not that I like the sound of my own voice. We have already had some discussion, with both the stakeholders and the Department, on the issues, some of which I have already covered under the heading "Transitional Arrangements". If there are no further comments, I will put the Question. This will just be a show of hands. Are members in favour of clause 1 as drafted?

Question put, That the Committee is content with the clause.

The Committee divided: Ayes 3; Noes 4; Abstentions 2.

AYES

Ms P Bradley, Mr Douglas, Mr Easton

NOES

Mr Brady, Mr Durkan, Mr F McCann, Mr A Maskey

ABSTENTIONS

Mrs Cochrane, Mr Copeland

Question accordingly negatived.

Clause 1 disagreed to.

738. **The Chairperson**: OK. Was the clause agreed by the Committee or not?

739. **The Committee Clerk**: It was four three against.

740. **The Chairperson**: OK. Am I still in a position to go through this — is there no consequential consideration for clause 2?

741. **The Committee Clerk**: It does not change anything; it features in the Committee's report that to the Assembly and the Assembly can decide yes or no.

742. **The Chairperson**: I just wanted to make sure of that. Moving on —

743. **The Bill Clerk**: The Committee could oppose the clause by putting down a specific amendment.

744. **The Chairperson**: The Committee has already recorded a vote on it. That is on record.

745. **Mr Brady**: Can I ask Patricia whether we can table amendments in the interim before the Bill goes to the Assembly?

746. **The Bill Clerk**: Individually, we can table amendments outside what is decided in the Committee, but as well as recording and putting into your Committee report, there is also a facility for a Committee *[Inaudible.]* if it so wanted. The option is there. You can do that up until 9.30 am on the Thursday before the Consideration Stage is heard in the Assembly.

747. **The Chairperson**: I would have presumed that if the Committee voted one way or the other, that is what the decision of the Committee is. I am a bit confused that you are saying that we have to take another step to declare our opposition.

748. **The Bill Clerk**: You do not have to; it is just an option for you if you wanted to.

749. **The Chairperson**: We have voted against the clause.

750. **The Bill Clerk**: *[Inaudible.]*

751. **The Chairperson**: Are members content? The vote has been recorded. There is no doubt that this will come down to parties, Whips and other deliberations.

Clauses 2 to 4 agreed to.

Clause 5 (Earnings trigger for automatic enrolment and re-enrolment)

752. **Mr Brady**: Can I just clarify something? People can opt in or opt out of this enrolment, given the opportunity. That is all. I know that you went into some detail about it.

753. **The Committee Clerk**: Yes. The whole point is that if you are put into the scheme, at any point after you are presented with *[Inaudible.]*

754. **Mr F McCann**: All of this is really about occupational stuff.

755. **The Committee Clerk**: Yes, it is.

756. **Mr F McCann**: That is fine. Thanks.

Question, That the Committee is content with the clause, put and agreed to.

Clause 5 agreed to.

Clauses 6 and 7 agreed to.

Clause 8 (Review of earnings trigger and qualifying earnings band)

757. **Mr Copeland**: Did we do clause 6?

758. **The Chairperson**: We did clause 6, did we not?

759. **The Bill Clerk**: Yes.

760. **The Committee Clerk**: Yes.

761. **The Chairperson**: Am I going too fast?

762. Can we do clause 7, then? We are on clause 8. We have already done 7. Somebody else take over take over here til I get my head showered. We are on clause 8 now. All those in favour?

Question, That the Committee is content with the clause, put and agreed to.

Clause 8 agreed to.

Clauses 9 to 22 agreed to.

Clause 23 (Contribution notices and financial support directions)

763. **The Chairperson**: Have I to ask whether the Committee “is content” with clauses X, Y and Z? Or are we OK? I do not want to have to go through this all over again.

764. **Mr Brady**: We can take that as read.

765. **The Bill Clerk**: You should say that at the end.

766. **The Chairperson**: Good.

Question, That the Committee is content with the clause, put and agreed to.

Clause 23 agreed to.

Clauses 24 to 34 agreed to.

Schedule 1 (Equalisation of and increase in pensionable age for men and women: consequential amendments)

767. **The Chairperson**: Schedule 1 contains consequential amendments flowing from the increase in pension age — for example, bringing forward amendments to increase the operation of disability living allowance, widows pension and the minimum age for attendance allowance, state pension credit, ... credit and so on.

768. This is like clause 1. I remind members, in case they are not following this intently. If you are against clause 1, you are likely to be against schedule 1. However, it is not for me to direct you.

Question put, That the Committee is content with the schedule.

The Committee divided: Ayes 3; Noes 4; Abstentions 2.

AYES

Mrs P Bradley, Mr Douglas, Mr Easton

NOES

Mr Brady, Mr Durkan, Mr F McCann, Mr A Maskey

ABSTENTIONS

Mrs Cochrane, Mr Copeland

Question accordingly negatived.

Schedule 1 disagreed to.

Schedules 2 to 4 agreed to.

Long title agreed to.

769. **The Chairperson**: Thank you, members. That was expeditiously conducted. No doubt we will return to the fray in the Chamber. That concludes the formal clause-by-clause scrutiny of the Bill. Next week, we will have a draft report back, which we will confirm or otherwise. I thank Gerry, Anne, Seamus and Doreen. Thank you very much for your attendance again and your support.

Northern Ireland Assembly

Appendix 3

Written Submissions

A2B Briefing

Pensions Bill

General Concerns

The main impact of the Pensions Bill will be on people born between April 1953 and April 1960. This is no small matter to the 146,000 people affected in Northern Ireland. Many of them will already have made retirement plans which will now have to change. Because it isn't just State Pension that will be changing but also Pension Credit and Winter Fuel Payment, this could have a substantial adverse impact on the incomes of these people. This is particularly true if they are not working due to unemployment, ill health, caring responsibility or early retirement.

The difference in applicable amounts for working age benefits and for Pension Credit is substantial – someone on a set income may not qualify for a working age benefit but would qualify for Pension Credit on the same income. It must be remembered that there are not many jobs available and that older workers face more difficulties and discrimination in finding employment.

23% of older people in Northern Ireland are already living in poverty – this is much higher than in the rest of the UK. Pensioner poverty will only be worsened by these changes and we will inevitably find more older people who cannot afford to adequately heat their homes or feed themselves. Increases in the age for Winter Fuel Payment, above and beyond those already announced, will lead to more older people living in fuel poverty, which is already higher than ever in Northern Ireland. Increases in the State Pension Age will have a disproportionate impact on those from deprived areas or living with ill health who do not have as high a life expectancy.

Women

Within the age cohort detailed above, there is to be an even more substantial impact on women. The Pensions Bill EQIA listed the numbers of those who will have to wait more than a year longer than previously expected to become eligible for State Pension, Pension Credit and Winter Fuel Payment. At the time of the EQIA, we wrote that:

The 800 women who will have to wait an extra two years for State Pension are of particular concern. Over 140,000 more will have to wait between one and two years. The numbers may seem small in comparison to the total caseload but these women will suddenly have to change all their retirement plans at very short notice and work, if they do work, for two years longer than planned. This may mean a lost income of several thousand pounds.

We welcome the move by the coalition to soften the blow for those who will be worst hit by limiting the waiting period to eighteen months, however many will still struggle. These people must now be assured that no further changes to their State Pension Age will occur, so that they can begin to plan for working longer. Many women still have no knowledge of the impending changes and still expect to receive their State Pension at 60. Increased life expectancy for some women does not mitigate this impact.

Disability

Finally, the impact on people with disabilities has not fully been explored. We do welcome the increase in qualifying age for Disability Living Allowance as this will give more people access to the mobility component. However, as noted above, people living with poor health will not necessarily benefit from the increase in life expectancies. With the difference in applicable amounts between working age benefits and Pension Credit, for example, someone who does not meet the State Pension Age requirement may not qualify for working age benefits but would have otherwise qualified for Pension Credit. This policy will therefore have a greater impact on people with disabilities as they would therefore not be able to access the disability premiums associated with Pension Credit.

Wider concerns

While changes to the State Pension Age are taking place, the wider benefits system is also being radically reformed. It is proposed that entitlement to Pension Credit, rather than Universal Credit, will be based on the qualifying age of the younger member of a couple, rather than that of the older which is what currently takes place. Age UK's paper on this change was previously circulated to the Committee. It is of great concern that this major change is happening while the qualifying age is also rising, thus ruling many thousands of new claimants out of the more generous Pension Credit system and placing them within the conditionality-based Universal Credit system. Conditionality will be disproportionately harsh on older jobseekers, who already face many barriers in securing employment.

We welcome the proposed move towards a flat-rate State Pension for all – however, we would like to see a more informed debate on this issue and we would also like to see it extended to cover all existing pensioners as well as new ones. A two-tier system would not serve the best interests of our older population and would only lead to confusion.

Age NI Briefing

Pensions Bill – Committee Briefing
February 2012

Introduction

Age NI is the new independent charity for older people in Northern Ireland and our vision is to *'create a world in which older people flourish'* and our mission is to *'enhance and improve the lives of older people.'*

While we recognise the need to adjust the state pension age to reflect increasing life expectancies, we believe the Government should consider carefully the impact that an increase in the changes would have on some disadvantaged groups. In bringing Northern Ireland's pension laws into line with Great Britain, the Assembly must also consider the particular circumstances of many older people here and implement measures to mitigate the effects of prolonging the state pension age for those facing economic hardship.

Pensioner Poverty

Older people are likely to face a greater risk of poverty and exclusion from full participation in the social, civic and political life of society. 19% of older people in Northern Ireland are living in poverty, an unacceptably high figure which has been on the rise in recent years[1]. This rate is also much higher than that of the UK as a whole which now stands at 16%, a figure which has been decreasing in recent years.

Any decisions about increasing state pension age be should be looked at as part of a broader view of retirement provision and the transition to retirement with a particular focus on ending pensioner poverty.

- Two-fifths of single pensioners, and a fifth of pensioner couples, have no income other than the state retirement pension and state benefits. These proportions are much higher than those in Great Britain (double the proportion for single pensioners, and more than double for couples).[2]
- The proportion of workers without a current pension increases as household income decreases (a 'pension' here meaning that either they are a member of a pension scheme run by their employer or they have a pension that they arranged for themselves). Furthermore, three-quarters of working age adults in the poorest quintile of household incomes do not have a current pension.[3]
- Fuel poverty is also a particular problem for Northern Ireland - 61.5% of older people are living in fuel poverty in NI[4]. Assistance for older people like the Winter Fuel Payment which is linked to pension age will therefore be affected as well potentially worsening the levels of fuel poor households in Northern Ireland.

Eligibility for pension credit will also increase in line with SPA. It is estimated that up to 44% of those entitled to claim Pension Credit are not claiming. This unclaimed benefit is estimated to be worth between £1.2m to £2.3m per week[5]. The impact of this additional

1 NISRA, Households Below Average Income 2009-10

2 Joseph Rowntree Poverty Site, http://www.poverty.org.uk/i65/index.shtm?2 using Households Below Average Income data averaged from 2005/06 -2008/09

3 Joseph Rowntree Poverty Site, http://www.poverty.org.uk/i65/index.shtm?2 using Family Resources Survey data averaged from 2005/06 -2008/09

4 NIHE, NI House Conditions Survey, 2009

5 A2B (2009) A2B Benefit Take-Up Initiative Mid-Term Evaluation Report. PEER Consulting & Economic Research and Evaluation

income for pensioners in Northern Ireland should not be underestimated, not only in terms of their health and well being but for the Northern Ireland economy as a whole. This can be achieved through the automatic payment of pension credit and is within the legislative competency of the Northern Ireland Assembly. In addition, this revenue stream does not impact on the Northern Ireland block grant, resulting in a win-win situation for all concerned.

The Pension Bill as set out only applies to those who reach state pension age after changes come into effect. Therefore it does not provide support to current pensioners, which is a major concern. Current levels of poverty amongst pensioners are unacceptable and must be addressed as a priority. If one of the aims of the reforms is to simplify the system it makes no sense to have different rules for new pensioners than for those already in receipt of their pension.

Women

While we support the principle of treating women and men equally, we believe the Bill does not allow those women affected enough time to plan for the changes. In an Age UK poll[6], most women asked were aware that changes to the State Pension age are planned but many had limited knowledge about what this would mean in practice. Worryingly, a sizeable minority are not even aware of the 1995 changes with nearly a fifth expecting to receive their State Pension at the age of 60. Those in lower social classes who are most likely to be reliant on state provision in retirement tend to have lower awareness and knowledge. Increased life expectancy for some women does not mitigate this impact.

Disability and Poor Health

The evidence suggests that the change to the timetable for increasing State Pension age to 66 will have a greater impact on disabled people, due to relative labour market disadvantage. With the difference in applicable amounts between working age benefits and Pension Credit, for example, someone who does not meet the State Pension Age requirement may not qualify for working age benefits but would have otherwise qualified for Pension Credit. This policy will therefore have a greater impact on people with disabilities as they would therefore not be able to access the disability premiums associated with Pension Credit.

People living in poor health will also not necessarily benefit from the general increase in life expectancies. Northern Ireland fares worst of all regions in the UK in terms of disability free living. Women in Great Britain generally can expect to have 65.2 years of disability free life; it is only 62.5 for women from Northern Ireland. For men in the UK the disability free life expectancy is 63.2 years, while in Northern Ireland it is only 60.5 years[7]. People in lower socioeconomic groups may be forced to work longer, or spend more years on working age benefits, but then have fewer years of life and healthy life after reaching SPA.

Older Workers

Encouraging older workers to remain and/or participate in the workforce means overcoming a number of barriers. Age discrimination is the major barrier, but having the appropriate skills for the workplace is also an issue. It is important to note that education and skills-building do not just provide economic benefits – they can also help older people to sustain and improve social, physical and mental well-being long after retirement.

- 17% of working age adults in Northern Ireland receive at least one out-of-work benefit. This proportion is higher than in any of the regions of Great Britain and compares with a Great Britain average of 12%.[8]

6 Age UK, “Not enough time”, 2011 http://www.ageuk.org.uk/get-involved/campaign/state-pension-age-campaign/

7 Office for National Statistics, 2007-2009 Health Expectancies

8 The Poverty Site: http://www.poverty.org.uk/i13/index.shtml?2 using data from the Department of Social Development 2009

- 64% of all claimants of out-of-work disability benefits in Northern Ireland are aged over 45.[9]

The Government must take steps to ensure that work is available for older people and make workplaces more suitable for older workers, for example by encouraging employers to recruit and train older workers and making them more responsive to the needs of disabled jobseekers and employees. Older jobseekers who cannot find work will be forced to spend an extra year on lower level working age benefits.

Conclusions

Age NI believes that the Government should take steps to mitigate the effects of raising the SPA by looking at all aspects of retirement – and pre-retirement – provision.

For the overall SPA rise to 66 to be brought forward the Government should show that:

- health inequalities are decreasing;
- all necessary support is provided to help people aged over 50 to enter and remain in the workforce;
- the efforts to tackle age discrimination are being extended;
- any changes are part of an overall review of retirement provision with a focus on ending pensioner poverty;
- people are informed in good time of any change, and;
- those unable to work due to caring or disability are protected.

9 Ibid

NIPSA Briefing

Email address: mark.mccartney@dsdni.gsi.gov.uk

BY EMAIL & POST

Mr M McCartney
Department Social Development
Social Security Policy & Legislation Division
Level 1, James House
2-4 Cromac Avenue
Gasworks Business Park
Ormeau Road
BELFAST BT7 2JA

28 September 2011

Dear Mark

RE: Proposals for a Pensions Bill: Equality Impact Assessment

I refer to the Department's correspondence of 3 August 2011 in respect of the above.

In making the following points I would point out that NIPSA was a respondee to the earlier consultation paper on both the State Pension Age and on the options for reform of the State Pension structure. Furthermore NIPSA has been heavily engaged in the current round of attacks being made on Public Service Pension Schemes and relevant submissions have been posted on our website – www.nipsa.org.uk .

The general picture is one of the attacks on pensions and despite Government asking people to plan and prepare for retirement the proposals for both reform of the State Pension Framework and Public Service Pensions do nothing to address the Turner proposals for adequacy of income in retirement and moving the SPA will hit those 55+ in terms of planning for retirement.

The totality of what is proposed clearly adversely impacts on older workers and as set out in the EIA does also in respect of certain Section 75 groups with regard to specific measures.

NIPSA would also offer the following specific comments:-

Paragraph 3.3:	NIPSA was a respondee.
Paragraph 3.4:	NIPSA endorses auto-enrolment but does not consider the NEST provision to the adequate.
Paragraph 5.3:	NIPSA is opposed to the SPA changes.
Paragraph 5.6:	NIPSA is opposed to the shift to CPI for indexation. This change is being challenged in the Courts with a Judicial Review to be heard in late October.
Paragraph 6.2:	There is an issue in respect of the mortality age in NI v most of the rest of the UK, as per table 2 of Appendix 2.

Yours sincerely

Bumper Graham

Assistant General Secretary

bg28092cm

Womens Support Network

16th February 2012

Dr Kevin Pelan
Clerk, Committee for Social Development
Room 412
Parliament Buildings
Belfast
BT4 3XX

Dear Dr Pelan

Pensions Bill

Thank you for the opportunity to make a submission relating to the introduction of the Pensions Bill. Our submission will be based solely on PART 1 point 1. Equalisation of and increase in pensionable age for men and women.

Whilst we realise the retirement age between women and men equalisation is inevitable, we believe the timescale is unrealistic and detrimental to women. In fact, the Turner Commission recommended a lead-in time of fifteen years. Equalisation two years earlier than promised will have a disproportionate impact upon women aged 56 and 57 when their pensions will be held back for another year and in some cases two years. This is an unsatisfactory situation for women who do not have the funds or savings to fill any gap.

We strongly believe that this double increase for women should not go ahead at this time and Government should start introducing policies and safeguards focusing on how to help women extend their working lives thus reducing the many prejudices women face. Women are more likely to experience interruptions to their careers to take on caring responsibilities and this has a negative impact on their future career and earnings.[1] This can also have an impact on their pensions.

Women are indeed at higher poverty risk in old age then men. Women continue to predominate in the category of part-time workers,[2] and therefore part-time workers are in a particularly vulnerable position in old age, because often they have no, or only restricted, access to a pension system. Even when granted access to a pension scheme, part-time workers are especially vulnerable to its regulations and provisions. Fewer working hours and lower monthly incomes over a long period of part-time work produce limited pension entitlements which may be just above the poverty line.

A report by Age NI[3] concluded there were significant numbers of pensioners unaware or unable to claim pension credit. The number of pensioners failing to claim was at least one-third and possibly as many as half of those entitled to State Pension Credit were thought not to claim. We would like to see the Department for Social Development continuing to fund benefit up-take programmes. Making Pension Credit an automatic payment would ensure women who are entitled to Pension Credit receive it without the necessary form filling which often makes the process more difficult for older people.

By introducing this equalisation earlier will mean that women will have few options to find new jobs or will have sufficient time to prepare for retirement. A report by the Women's Resource & Development Agency[4] highlighted that some women may already have taken early retirement and are unaware of the pension shortfall they face.

1 Northern Ireland Assembly (2011) The Gender Pay Gap, OFMDFM

2 Northern Ireland Assembly (2011) The Gender Pay Gap, OFMDFM

3 Spotlight on Older People in Northern Ireland, Help the Aged, Northern Ireland, 2008

4 Hinds, B. (2011) The Northern Ireland Economy: Women on the Edge?, WRDA, 2011

We believe the only option to ensure women are not disadvantaged is to slow down the acceleration plan to allow women more time to prepare for retirement. The Bill in its current state contains elements within the system which actually amplify gender inequalities in old age.

WSN has welcomed the opportunity to make a submission on this Bill. If you have any queries please get in touch.

Yours sincerely

Ellen Finlay
Policy & Research Co-ordinator

Northern Ireland Assembly

Appendix 4

Departmental/Committee Submissions

Letter to Department re Proposed Pension Bill

Room 242
Parliament Buildings
Belfast
BT4 3XX

Email: john.simmons@niassembly.gov.uk
Tel: 028 9052 1787
Fax: 028 9052 1667

13 June 2011

Our Ref: CSD/017/2011/SK

Ms Margaret Sisk
Department for Social Development
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
Belfast
BT7 2JB

Dear Margaret,

Proposed Pension Bill

At its meeting of 9 June 2011, the Committee received a briefing from Departmental officials on the Westminster Pensions Bill and the forthcoming corresponding Pensions Bill.

The Committee agreed that it would write to the Department to seek more information on the 7,000 women who will be affected by the proposed acceleration of the equalisation of State Pension age.

In particular, the Committee sought information on the financial impact of the proposed legislation on the 7,000 women who will be affected and clarity on the time period that these women will have to adjust to the proposed increase in their State Pension age. The Committee felt that it would be useful if this information could be provided for each of the 8 categories of women as listed in Annex 1 of the Department's briefing paper.

I would be grateful if you could supply this information by Thursday 23 June 2011.

On behalf of the Committee, I would like to convey my thanks to the Departmental officials for their briefing to the Committee.

Yours Sincerely

John Simmons
Clerk, Committee for Social Development

DSD response re Pensions Bill 13.06.11

John Simmons
Committee Clerk
Committee for Social Development
Room 242

Department for Social Development
www.dsdni.gov.uk

Your ref: CSD/017/2011/SK

Parliament Buildings
Belfast
BT4 3XX

23 June 2011

Dear Sir

Briefing on the Westminster Pensions Bill – follow-up questions from the Committee

I refer to your letter of 13 June outlining the Committee's request for further information about the impact resulting from the acceleration of the State Pension age to 65 for women.

The Committee has sought further information on:

- the time period that women will have to adjust to the proposed increase in their State Pension age; and
- the financial impact of the additional delay in reaching State Pension age.

The acceleration in the State Pension age for women to age 65 is a precursor to increasing the State Pension age to 66 by April 2020. It will affect women born between 6 April and 5 December 1953. From April 2016 the rate of increase will be three months in every four rather than the current rate of one month in every two. This will mean women's State Pension age will be equalised with men's by November 2018.

Under the current timetable legislated for in 1995 an estimated 7000 women born between these dates will have a State Pension age of between 63 and 63 and 7 months. The acceleration to age 65 will see these women experiencing a further delay of between 2 and 16 months depending on their date of birth. Approximately 5200 women will experience a delay of one year or under while around 1700 will experience a delay of over a year.

The length of time that women will have to adjust to the increase will largely depend on when a future Assembly Bill legislating for the change becomes law. However, women whose State Pension age is due to increase the most have a longer period of notice than those affected earlier, for whom the increase is smaller. If, for example, a future Pensions Bill is passed by the Assembly by 1 January 2012, those women least affected could still have over 4 years notice while those most affected could have nearly 7 years notice.

The Table at Appendix 1 details the delay that women affected by the change will experience and the typical period of notice they might expect. Officials are currently liaising with the Department for Work and Pensions to plan how and when the changes will be communicated.

The amount of basic State Pension income an individual might no longer have entitlement to as a result of the change in State Pension age will vary significantly, depending on the delay they face as a result of the new timetable, changes to the rate of State Pension as a result of uprating and their individual entitlement. The latter would, in turn, depend on the number of qualifying years of National Insurance contributions they had paid or been credited with during their working life. It is not therefore possible to predict accurately what the effect on an individual might be because of the number of variables to be considered.

It is, however, important to remember that the upper age limits for receipt of working age benefits will increase to ensure that they remain in payment up to the point a woman reaches her new State Pension age.

The Tables in Appendix 2 are therefore illustrative. Table 1 considers the situation of a single woman in receipt of main phase Employment and Support Allowance with a work related activity component prior to reaching State Pension age. At current rates she would be entitled to Employment and Support Allowance of £94.25 per week. When she reaches State Pension age, assuming she has 30 qualifying years, her basic State Pension would be £102.15 per week (current rates). Table 2 considers the situation of a single woman in receipt of Jobseeker's Allowance at a rate of £67.50 per week. Table 3 considers the situation of a single woman who is not in receipt of any social security benefits.

I should be grateful if you would bring this to the attention of the Committee.

Yours faithfully

Anne McCleary

Director
Social Security Policy & Legislation Division

Appendix 1

Acceleration of women's State Pension age to 66 – additional delay and period of notice.

Period within which birthday falls	Date state pension age reached under current timetable	Date state pension age reached under revised timetable	Additional Delay (months)	Maximum Period of Notice of increase (years: months)
6 April 1953 – 5 May 1953	6 May 2016	6 July 2016	2	4 years 6 months
6 May 1953 – 5 June 1953	6 July 2016	6 November 2016	4	4 years 10 months
6 June 1953 – 5 July 1953	6 September 2016	6 March 2017	6	5 years 2 months
6 July 1953 – 5 August 1953	6 November 2016	6 July 2017	8	5 years 6 months
6 August 1953 – 5 September 1953	6 January 2017	6 November 2017	10	5 years 10 months
6 September 1953 – 5 October 1953	6 March 2017	6 March 2018	12	6 years 2months
6 October 1953 – 5 November 1953	6 May 2017	6 July 2018	14	6 years 6 months
6 November 1953 – 5 December 1953	6 July 2017	6 November 2018	16	6 years 10 months

Appendix 2

Table 1

Period within which birthday falls	Date state pension age reached under revised timetable	Additional Delay (months)	Amount of basic State Pension minus ESA which would continue to be paid
6 April 1953 – 5 May 1953	6 July 2016	2	£63.20
6 May 1953 – 5 June 1953	6 November 2016	4	£126.40
6 June 1953 – 5 July 1953	6 March 2017	6	£189.60
6 July 1953 – 5 August 1953	6 July 2017	8	£252.80
6 August 1953 – 5 September 1953	6 November 2017	10	£316.00
6 September 1953 – 5 October 1953	6 March 2018	12	£379.20
6 October 1953 – 5 November 1953	6 July 2018	14	£442.40
6 November 1953 – 5 December 1953	6 November 2018	16	£505.60

Table 2

Period within which birthday falls	Date state pension age reached under revised timetable	Additional Delay (months)	Amount of basic State Pension minus JSA which would continue to be paid
6 April 1953 – 5 May 1953	6 July 2016	2	£277.20
6 May 1953 – 5 June 1953	6 November 2016	4	£554.40
6 June 1953 – 5 July 1953	6 March 2017	6	£831.60
6 July 1953 – 5 August 1953	6 July 2017	8	£1108.80
6 August 1953 – 5 September 1953	6 November 2017	10	£1386.00
6 September 1953 – 5 October 1953	6 March 2018	12	£1663.20
6 October 1953 – 5 November 1953	6 July 2018	14	£1940.40
6 November 1953 – 5 December 1953	6 November 2018	16	£2217.60

Table 3

Period within which birthday falls	Date state pension age reached under revised timetable	Additional Delay (months)	Amount of basic State Pension which would have been paid
6 April 1953 – 5 May 1953	6 July 2016	2	£817.20
6 May 1953 – 5 June 1953	6 November 2016	4	£1634.40
6 June 1953 – 5 July 1953	6 March 2017	6	£2451.60
6 July 1953 – 5 August 1953	6 July 2017	8	£3268.80
6 August 1953 – 5 September 1953	6 November 2017	10	£4086.00
6 September 1953 – 5 October 1953	6 March 2018	12	£4903.20
6 October 1953 – 5 November 1953	6 July 2018	14	£5720.40
6 November 1953 – 5 December 1953	6 November 2018	16	£6537.60

Letter to Department re Pensions Bill 18.10.11

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18 October 2011

Our Ref: CSD/017/2011/SK

Ms Margaret Sisk
Department for Social Development
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
Belfast
BT7 2JB

Dear Margaret,

Pensions Bill

At its meeting of 13 October 2011, the Committee for Social Development received a briefing from Departmental officials on the proposed Pensions Bill for Northern Ireland and the outcome of the consultation on the Equality Impact Assessment.

The Committee agreed that I should write to the Department to seek more information on the following:

- The groups who may be most acutely affected by this Bill in an effort to understand whether any future transitional arrangements will go far enough to limit the impact of the measures proposed under this Bill;
- The amount of money paid out on pensions in Northern Ireland; and
- How the Department will address the needs of the older members of society, particularly women, who will be affected by the proposals in the Bill. In particular, would training and support services be available to assist those affected find employment.

I would be grateful if you could provide a response by Tuesday 31 October 2011.

On behalf of the Committee I would like to convey my thanks to the officials for their briefing to the Committee.

Yours sincerely

Dr Kevin Pelan

Clerk, Committee for Social Development

DSD reponse re Pensions Bill 18.10.11

Dr Kevin Pelan
Committee Clerk
Committee for Social Development
Room 242

Department for Social Development
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Your ref: CSD/017/2011/SK

Parliament Buildings
Belfast
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1 November 2011

Dear Sir

Briefing on the proposed Northern Ireland Pensions Bill: follow-up questions from the Committee

I refer to your letter of 18 October detailing the Committee's request for further information regarding aspects of the proposed Northern Ireland Pensions Bill.

> *"The groups who may be most acutely affected by this Bill in an effort to understand whether any future transitional arrangements will go far enough to limit the impact of the measures proposed under this Bill"*

Under existing legislation State Pension age for women will equalise with men's at 65 by April 2020 and then increase for, both, men and women to 66 by April 2026, 67 by April 2036 and 68 by April 2046. The Pensions Bill, as originally drafted, provided for equalisation of State Pension age by November 2018 and the increase to 66 to be phased in between December 2018 and April 2020.

The Department estimates that equalising State Pension age by November 2018 could affect around 7,000 women born between 6 April 1953 and 5 December 1953. The proposal to bring forward the increase to age 66 could affect approximately 70,000 women and 69,000 men born between 6 December 1953 and 5 April 1960.

At the Committee meeting on 13 October, I advised that an announcement from the Westminster Government regarding measures to reduce the impact of the proposed changes on those most affected was expected. On 18 October, the Commons accepted an amendment to the Westminster Bill altering the timetable for increasing State Pension age to 66 (Appendix 1). There has been no change to the timetable for equalising State Pension age at 65 by November 2018.

The Department estimated that the original proposals would impact as follows:

	Delay in reaching State Pension Age				
	Women				
	Up to 1 year	1 year to 16 months	Total	Men	Total
Equalisation at age 65 by November 2018	5,100	1,700	6,800	-	6,800
Increase to 66 by April 2020	56,800	13,500	70,300	69,200	139,500

Under the proposal to increase State Pension age to 66 by April 2020, approximately 13,500 women would have seen their State Pension age increase by between one and two years – in particular, some 800 women born from 6 March 1954 to 5 April 1954 would have experienced an increase of two years.

The amended proposal would see the increase to age 66 phased in by October 2020 rather than April 2020, providing a maximum increase in State Pension age of eighteen months. The Department estimates that this would assist approximately 15,600 people born from 6 January 1954 to 5 October 1954 (7,645 women and 7,940 men); including those women who would have experienced an increase of between eighteen months and two years (Appendix 2).

Depending on an individual's date of birth, the amended proposal would provide an easement of up to six months:

	Delay Original Proposal (months)		Delay Revised Proposal (months)		Easement (months)	Numbers Affected		
Date of Birth	Women	Men	Women	Men	Women and Men	Women	Men	Total
6/1/54-5/2/54	20	6-5	18	4-3	2	978	1,012	1,990
6/2/54-5/3/54	22	9-8	18	5-4	4	756	783	1,539
6/3/54–5/4/54	24	12-11	18	6-5	6	817	845	1,662
6/4/54–5/5/54	23-24	12	18	7-6	5-6	837	871	1,708
6/5/54–5/6/54	22-23	12	18	8-7	4-5	817	850	1,667
6/6/54–5/7/54	21-22	12	18	9-8	3-4	847	882	1,729
6/7/54–5/8/54	20-21	12	18	10-9	2-3	867	903	1,770
6/8/54–5/9/54	19-20	12	18	11-10	1-2	858	892	1,750
6/9/54–5/10/54	18-19	12	18	12-11	0-1	868	902	1,770
Total						**7,645**	**7,940**	**15,585**

The Department estimated that the original proposal could have affected approximately 43,000 people for whom the qualifying age for State Pension Credit would have increased by up to two years. The revised proposal is expected to ease that increase by up to six months for some 4,500 people.

Approximately 1,600 people born from 6 February 1954 to 5 April 1954 are expected to qualify for the Winter Fuel Payment one year earlier under the revised proposal than under the original proposal (Appendix 3). However, it is important to note that, because of the way in which the Winter Fuel Payment is awarded, where one member of a couple has reached the qualifying age, households will receive the full award.

"The amount of money paid out on pensions in Northern Ireland"

The Social Security Agency Annual Report and Accounts 2010 – 2011 (Appendix 4) shows expenditure on State Retirement Pension as £1,665,265,000; approximately £32,024,327 per week.

Contributory benefits are financed from the Northern Ireland National Insurance Fund. However, the revenue raised from National Insurance contributions has, for many years, been insufficient to meet the cost of contributory benefits here and the Fund has to be balanced each year by a transfer of money from the Great Britain National Insurance Fund (£395m in 2009/10). The cost of paying contributory benefits in Northern Ireland is, therefore, heavily subsidised. Non-contributory benefits are funded in full from general taxation (£2.8bn received in 2009/10).

> *"How the Department will address the needs of older members of society, particularly women, who will be affected by the proposals in the Bill. In particular, would training and support services be available to assist those affected find employment."*

While Pensions policy is a transferred matter under the Northern Ireland Act 1998 and within the legislative competence of the Assembly, Members are aware that section 87 of that Act places a duty on the Northern Ireland Minister and the Secretary of State for Work and Pensions to seek to maintain single systems of social security and pensions across the UK. Northern Ireland social security and pensions law are, therefore, maintained in parity with Great Britain. As is demonstrated above, sound economic imperatives underpin parity and are predicated on its maintenance.

The proposed increases in State Pension age will be accompanied by a corresponding increase in the upper age limit for receipt of working age benefits for those who are unemployed or unable to work as a consequence of illness or responsibilities at home. Ensuring that individuals receive their full benefit entitlement is a priority for the Department. The Social Security Agency has a comprehensive approach to benefit uptake consisting of initiatives such as targeted exercises, mailshots and outreach. The purpose of the uptake programme is to encourage people to find out if there are any benefits they are missing out on and provide assistance with making a claim.

In addition to specific uptake activity, the Department also provides a range of services as part of its daily business to make people aware of their entitlements. This includes participation in local promotional activity, the production of specific publications, some in minority ethnic languages, the Department and Housing Executive websites, a new online Benefits Adviser Service and general assistance with advice and information through its network of local and centralised offices and Outreach staff.

The Department will provide those affected with the maximum period of notice possible. Increases would be phased in so that people whose State Pension age increases the most have a longer notice period. It is anticipated that a direct mailing exercise will commence in January in conjunction with the Department for Work and Pensions. Paper and web-based information products will also be updated along with the State Pension Forecasting service. The vast majority of people will still have more than five years notice.

In the current economic climate people in all age groups may find it more difficult to find employment. The Department for Employment and Learning's Steps to Work programme is designed to provide the unemployed, regardless of age, with advice and guidance on jobsearch, training to national occupational standards, subsidised employment and opportunities for practical work experience.

The Disability Employment Service provides a full range of services and programmes to support those with disability and health related barriers to employment to progress towards employment and where possible, to find and sustain work. This is delivered both in-house and through a menu of programmes and provision delivered in partnership with specialist disability organisations and health professionals from the NI Health Trusts.

The Employment Equality (Age) Regulations (Northern Ireland) 2006 implement Council Directive 2000/78/EC, which establishes the framework for equal treatment in employment and vocational training and makes it unlawful to discriminate on grounds of age. The regulations prohibit direct discrimination, indirect discrimination, victimisation, instructions to discriminate and harassment. Not all differences in treatment on grounds of age are unlawful; the regulations included exceptions in relation to retirement through a Default Retirement Age of 65. In effect, this exception permitted employers to oblige employees to retire at that age.

On 24 March 2011, the Office of the First and Deputy First Minister made the Employment Equality (Repeal of Retirement Age Provisions) Regulations (Northern Ireland) 2011 which revoke the exception in relation to the Default Retirement Age. As a result from 1st October 2011, employers will not be able to use the Default Retirement Age to compulsorily retire employees.

During a debate in the Commons for the Westminster Pensions Bill Secretary of State for Work and Pensions Iain Duncan Smith stated that removing the Default Retirement Age sent out a message that age discrimination has no place in society and that older workers have a huge contribution to make in the workplace.

I should be grateful if you would bring this to the attention of the Committee.

Yours faithfully

Anne McCleary

Director
Social Security Policy & Legislation Division

Appendix 1

Date of Birth	Current SPA reached		Original Proposal: SPA reached	Delay (months)		Revised Proposal: SPA reached	Revised Delay (months)	
	Women	Men		Women	Men		Women	Men
6/12/53 – 5/1/54	6/9/17	65	6/3/19	18	3-2	6/3/19	-	-
6/1/54 – 5/2/54	6/11/17	65	7/7/19	20	6-5	6/5/19	18	4-3
6/2/54 – 5/3/54	6/1/18	65	6/11/19	22	9-8	6/7/19	18	5-4
6/3/54 – 5/4/54	6/3/18	65	6/3/20	24	12-11	6/9/19	18	6-5
6/4/54 – 5/5/54	6/5/18	65	66th Birthday	23-24	12	6/11/19	18	7-6
6/5/54 – 5/6/54	6/7/18	65	66th Birthday	22-23	12	6/1/20	18	8-7
6/6/54 – 5/7/54	6/9/18	65	66th Birthday	21-22	12	6/3/20	18	9-8
6/7/54 – 5/8/54	6/11/18	65	66th Birthday	20-21	12	6/5/20	18	10-9
6/8/54 – 5/9/54	6/1/19	65	66th Birthday	19-20	12	6/7/20	18	11-10
6/9/54 – 5/10/54	6/3/19	65	66th Birthday	18-19	12	6/9/20	18	12-11
6/10/54 – 5/11/54	6/5/19	65	66th Birthday	17-18	12	66th Birthday	-	-
6/11/54 – 5/12/54	6/7/19	65	66th Birthday	16-17	12	66th Birthday	-	-
6/12/54 – 5/1/55	6/9/19	65	66th Birthday	15-16	12	66th Birthday	-	-
6/1/55 – 5/2/55	6/11/19	65	66th Birthday	14-15	12	66th Birthday	-	-
6/2/55 – 5/3/55	6/1/20	65	66th Birthday	13-14	12	66th Birthday	-	-
6/3/55 – 5/4/55	6/3/20	65	66th Birthday	12-13	12	66th Birthday	-	-
6/4/55 – 5/4/59	65th Birthday		66th Birthday	12		66th Birthday	-	-
6/4/59 – 5/5/59	6/5/24		66th Birthday	11-12		66th Birthday	-	-
6/5/59 – 5/6/59	6/7/24		66th Birthday	10-11		66th Birthday	-	-

Date of Birth	Current SPA reached		Original Proposal: SPA reached	Delay (months)		Revised Proposal: SPA reached	Revised Delay (months)	
	Women	Men		Women	Men		Women	Men
6/6/59 – 5/7/59	6/9/24		66th Birthday	9-10		66th Birthday	-	-
6/7/59 – 5/8/59	6/11/24		66th Birthday	8-9		66th Birthday	-	-
6/8/59 – 5/9/59	6/1/25		66th Birthday	7-8		66th Birthday	-	-
6/9/59 – 5/10/59	6/3/25		66th Birthday	6-7		66th Birthday	-	-
6/10/59 – 5/11/59	6/5/25		66th Birthday	5-6		66th Birthday	-	-
6/11/59 – 5/12/59	6/7/25		66th Birthday	4-5		66th Birthday	-	-
6/12/59 – 5/1/60	6/9/25		66th Birthday	3-4		66th Birthday	-	-
6/1/60 – 5/2/60	6/11/25		66th Birthday	2-3		66th Birthday	-	-
6/2/60 – 5/3/60	6/1/26		66th Birthday	1-2		66th Birthday	-	-
6/3/60 – 5/4/60	6/3/26		66th Birthday	0-1		66th Birthday	-	-

Appendix 2

Date of Birth	Current SPA (Yrs/Mths)		SPA Original Proposal (Yrs/ Mths) Women & Men	SPA Revised Proposal (Yrs/ Mths) Women & Men	Easement (months) Women and Men	Numbers Affected					
						Gender		Religion			
	Women	Men				Women	Men	Total	Pro	Cath	Other*
6/12/53 – 5/1/54	64/9 – 63/8	65	65/3 – 65/2	65/3 – 65/2	-	-	-	-	-	-	-
6/1/54 – 5/2/54	63/10 – 63/9	65	65/6 – 65/5	65/4 – 65/3	2	978	1,012	1,990	915	796	279
6/2/54 – 5/3/54	63/11 – 63/10	65	65/9 – 65/8	65/5 – 65/4	4	756	783	1,539	708	616	215
6/3/54 – 5/4/54	64 – 63/11	65	66 - 65/11	65/6 – 65/5	6	817	845	1,662	765	665	232
6/4/54 – 5/5/54	64/1 - 64	65	66	65/7 – 65/6	5-6	837	871	1,708	786	683	239

Date of Birth	Current SPA (Yrs/Mths)		SPA Original Proposal (Yrs/Mths) Women & Men	SPA Revised Proposal (Yrs/Mths) Women & Men	Easement (months) Women and Men	Numbers Affected					
						Gender		Religion			
	Women	Men				Women	Men	Total	Pro	Cath	Other*
6/5/54 – 5/6/54	64/2 – 64/1	65	66	65/8 – 65/7	4-5	817	850	1,667	767	667	233
6/6/54 – 5/7/54	64/3 – 64/2	65	66	65/9 – 65/8	3-4	847	882	1,729	795	692	242
6/7/54 – 5/8/54	64/4 – 64/3	65	66	65/10 – 65/9	2-3	867	903	1,770	814	708	248
6/8/54 – 5/9/54	64/5 – 64/4	65	66	65/11 – 65/10	1-2	858	892	1,750	805	700	245
6/9/54 – 5/10/54	64/6 – 64/5	65	66	66 – 65/11	0-1	868	902	1,770	814	708	248
6/10/54 – 5/11/54	64/7 – 64/6	65	66	66	-	7,645	7,940	15,585	7,169	6,235	2,181
6/11/54 – 5/12/54	64/8 – 64/7	65	66	66	-						
6/12/54 – 5/1/55	64/9 – 64/8	65	66	66	-						
6/1/55 – 5/2/55	64/10 – 64/9	65	66	66	-						
6/2/55 – 5/3/55	64/11 – 64/10	65	66	66	-						
6/3/55 – 5/4/55	65 – 64/11	65	66	66	-						
6/4/55 – 5/4/59	65th Birthday		66	66	-						
6/4/59 – 5/5/59	65/1 - 65		66	66	-						
6/5/59 – 5/6/59	65/2 – 65/1		66	66	-						
6/6/59 – 5/7/59	65/3 – 65/2		66	66	-						
6/7/59 – 5/8/59	65/4 - 65/3		66	66	-						

* "Other" includes other religions and philosophies, no religion and no religion stated.

Date of Birth	Current SPA (Yrs/Mths)		SPA Original Proposal (Yrs/ Mths) Women & Men	SPA Revised Proposal (Yrs/ Mths) Women & Men	Easement (months) Women and Men	Numbers Affected					
						Gender		Religion			
	Women	Men				Women	Men	Total	Pro	Cath	Other*
6/8/59 – 5/9/59	65/5 – 65/4		66	66	-						
6/9/59 – 5/10/59	65/6 – 65/5		66	66	-						
6/10/59 – 5/11/59	65/7 – 65/6		66	66	-						
6/11/59 – 5/12/59	65/8 – 65/7		66	66	-						
6/12/59 – 5/1/60	65/9 – 65/8		66	66	-						
6/1/60 – 5/2/60	65/10 – 65/9		66	66	-						
6/2/60 – 5/3/60	65/11 – 65/10		66	66	-						
6/3/60 – 5/4/60	66 – 65/11		66	66	-						

* “Other” includes other religions and philosophies, no religion and no religion stated.

Appendix 3

Date of Birth	WFP Entitlement under current rules (September)	WFP Entitlement under original proposal (September)	Delay (years)	WFP Entitlement under revised proposal (September)	Revised Delay (years)
6/12/53 – 5/1/54	2017	2019	2	2019	-
6/1/54 – 5/2/54	2018	2019	1	2019	-
6/2/54 – 5/3/54	2018	2020	2	2019	1
6/3/54 – 5/4/54	2018	2020	2	2019	1
6/4/54 – 5/5/54	2018	2020	2	2020	-
6/5/54 – 5/6/54	2018	2020	2	2020	-
6/6/54 – 5/7/54	2018	2020	2	2020	-
6/7/54 – 5/8/54	2019	2020	1	2020	-
6/8/54 – 5/9/54	2019	2020	1	2020	-
6/9/54 – 5/10/54	2019	2020	1	2020	-

Appendix 4

Social Security Agency Annual Report and Accounts 2010 – 2011: Annex 3 - Net Spending on Benefits

Benefits taken from Northern Ireland Consolidated Fund	**Expenditure (£s)**
Non-contributory retirement pension	2,325,000
Christmas bonus (pensioners)	1,386,000
Attendance Allowance	193,607,000
Carer's Allowance	103,573,000
Severe Disablement Allowance	41,214,000
Disability Living Allowance	753,456,000
Industrial Injuries Benefits	28,653,000
Income Support for the elderly	3,848,000
Pension Credit	351,996,000
Family Credit	5,000
Income Support – non-pensioners	415,089,000
Jobseeker's Allowance (income based)	157,807,000
Age Related payments	2,000
Employment and Support Allowance (income based)	50,367,000
Periodicity and Paydays	43,000
Job grant	1,442,000
Total: Northern Ireland Consolidated Fund	**2,104,813,000**

Benefits taken from the Northern Ireland National Insurance Fund	**Expenditure (£s)**
State Retirement Pension	1,665,256,000
Christmas Bonus	3,430,000
Widow's Benefits	21,616,000
Incapacity Benefit	298,760,000
Maternity Allowance	10,083,000
Employment and Support Allowance	44,209,000
Periodicity and Paydays	1,000
Jobseeker's Allowance (contribution based)	26,666,000
Total: Northern Ireland National Insurance Fund	**2,070,030,000**

Letter to Minister re Accelerated Passage of NI Pensions Bill 21 12 11

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21 December 2011

Our Ref: CSD/011/2011/SK

Mr Nelson McCausland MLA
Minister for Social Development
Department for Social Development
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
Belfast BT7 2JB

Dear Nelson

Pensions Bill – Accelerated Passage

Thank you for briefing the Committee on your intention to seek accelerated passage for the Pensions Bill.

The Committee understands the rationale that underpins your decision to seek accelerated passage for this Bill particularly in relation to affording time to those affected by this legislation to prepare for retirement. Equally however, the Committee upholds very strongly its statutory responsibility to scrutinise legislation. I believe it is fair to say that there is merit in both positions.

However, as you know the final decision on whether accelerated passage will be granted rests with the Assembly on a cross-community basis. Should you ultimately bring this request to the Assembly I am sure that the arguments will be debated with clarity, allowing Members of the House to decide on the way forward.

On behalf of the Committee I would like to convey my thanks to you and the officials for your briefing to the Committee.

Yours sincerely

Alex Maskey
Chair, Committee for Social Development

Letter from Minister re Pensions Accelerated Passage

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Mr Alex Maskey MLA
Chairperson
Committee for Social Development
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Your ref: CSD/011/2011/CMC

Our Ref: COR/1490/2011

29 November 2011

Dear Alex

PROPOSED PENSIONS BILL – ACCELERATED PASSAGE

I refer to your letter of 15 November seeking clarification on how and when the Department intends to take forward the Northern Ireland Pensions Bill. It is my intention to introduce the Bill in the Assembly at the earliest opportunity. However, before seeking Executive approval for its introduction, I should be grateful for the support of the Committee for Social Development for use of the accelerated passage procedure.

The proposed Pensions Bill is a parity measure. As you are aware, parity covers not only the content of legislation, but also the timing of its implementation. It is, therefore, desirable for provisions of Westminster and Northern Ireland legislation to come into force contemporaneously. The corresponding Westminster Bill received Royal Assent on 3 November. While it will not be possible to maintain exact parity of timing, any time lag in enacting our legislation should be kept to a minimum, particularly where any delay will act to the detriment of people here.

The provisions in the Pensions Act 2011 that came into force on Royal Assent are largely technical and a time lag does not cause any particular difficulty. However, some provisions coming into force two months after Royal Assent deal with substantive issues where parity of timing is highly desirable: in particular, clause 1 which provides for changes to State Pension age.

Although these changes will not start to impact on women until 2016, a persistent issue during the debates on the Westminster Bill was the fact that the period of notice is, in retirement planning terms, extremely short. Concerns regarding this issue have been raised by Members of the Assembly and by all those who made substantive responses to the consultation on the Equality Impact Assessment on the proposals for the Assembly Bill. I share these concerns and, indeed, as far back as last June, I made clear my concerns to Iain Duncan Smith on this issue.

Until the Bill receives Royal Assent, women here cannot plan with certainty for their future retirement date. This means that women in Northern Ireland could have less than four years to prepare for the change and may rightly consider themselves disadvantaged in comparison to women in Great Britain. Early passage of the Bill would provide women here with a similar period of notice as women in Great Britain and help maximise that period. I believe therefore that we need to consider using accelerated passage for the Bill.

Of course, accelerated passage would mean that there would be no formal Committee stage. While I do not underestimate the importance of the scrutiny role performed by the Committee, I believe there is a compelling reason for using the accelerated passage procedure for this Bill.

I believe that it is vitally important that we give women here the certainty they need to plan for their retirement without undue delay. The longer we delay in enacting this legislation, the greater the disadvantage women here will face. I strongly believe that we should do everything we can to avoid adding to the challenges the women affected by the change in pension age will face in adapting their retirement plans.

I would therefore like to have the opportunity to brief the Committee on the need for accelerated passage in line with Standing Order 42(3).

Yours sincerely

Nelson McCausland

NELSON McCAUSLAND MLA
Minister for Social Development

Letter to Minister re Pensions EQIA 24 11 11

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24 November 2011

Our Ref: CSD/011/2011/SK

Mr Nelson McCausland MLA
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Belfast BT7 2JB

Dear Nelson

On behalf of the Social Development Committee, I would like to submit the attached response to the Equality Impact Assessment on the Proposals for a Pensions Bill.

However, the Committee has also asked me to convey its disappointment that the Department laid the completed Equality Impact Assessment in the Business Office without having received the Committee's formal response to the EQIA. This is despite the Committee having the role as a super consultee and despite the Committee noting in its official minutes of the 13 October that it would make a formal response.

I entrust that you will ensure that this misunderstanding does not happen again.

Yours sincerely

Alex Maskey
Chair, Committee for Social Development

Pensions EQIA Response

Committee for Social Development

Response to the consultation on the Equality Impact Assessment on the Proposals for a Pensions Bill by the NI Assembly Committee for Social Development

The Committee is disappointed that there have been no change to the timetable for equalising State Pension age at 65 by November 2018. In relation to the EQIA this means that approximately 5,100 women will be delayed in reaching State Pension age by up to one year; and approximately 1,700 women delayed in reaching State Pension age by between 12 months and 16 months.

Increase to age 66 phased in by October 2020 - Amended proposal

The Committee is concerned about the timetable for increasing State Pension age and the associated impacts in relation to the qualifying age for State Pension Credit and the Winter Fuel Payment. The proposal to increase State Pension age to 66 by 2020 is 4 - 6 years earlier than anticipated under the Pensions Act (Northern Ireland) 2008. This proposal gives very little time to people to make adjustments to their retirement plans to accommodate this change. The Committee are particularly concerned that women will be disproportionally affected by these reforms and it takes little comfort from the Department's assertion in paragraph 8.17 of the EQIA that as a result of the different life expectancies women, on average, will receive State Pension for longer than men.

Furthermore, the easements as a result of the amendment to the Westminster Pensions Bill on the 18 October have done little to address this situation. According to the Department of Social Development's own figures this amendment will provide an easement of **only up to 6 months** for approximately 15,600 people (7,645 women and 7,940 men) born between 6 January 1954 and 5 October 1954. These very minor mitigation measures altering the timetable for increasing state pension age to 66, will be cold comfort to the thousands of women in particular who will be adversely affected by this legislation. Substantive change is required not gestures.

The Committee agrees with Age NI that one potential outcome of these proposals, given people will have to work longer, is that age discrimination may become a major barrier to employment for older workers. While recognising there is existing legislation to address this, the Committee would encourage the Department to work closely with other departments and agencies to ensure that this potential threat is minimised.

State Pension Credit

Under the original proposal approximately 43, 000 people would have seen the qualifying age for State Pension Credit increase by up to two years. The revised proposal is expected to ease that by up to six months for around 4,500 people. That still leaves around 90% of the original 43, 000 who will see their qualifying age increase by over 6 months. The Committee is particularly concerned that the increases in the qualifying age for State Pension Credit are likely to impact to a greater extent on people in lower income groups and notes that it will have a greater impact on men and single people.

a2b in its submission also believes that it is people on lower incomes who will be most affected by these changes particularly in relation to their receipt of Pensions Credit and Winter Fuel Payment and if they are not working due to employment, ill health, have caring responsibilities or have taken early retirement. The Committee shares these sentiments.

The Committee would also have concerns raised by a2b that the proposed changes would have a greater impact on people with disabilities as they would not have access to the disability premiums associated with Pension Credit.

While acknowledging that State Pension Credit is a means-tested benefit the Committee would encourage the Department to consider the feasibility of a 'presumption to entitlement' for this Credit which would potentially help those on low incomes who were unable to save for retirement. This approach is also supported in the Age NI submission and it is an approach that would also help those in fuel poverty. The Committee notes that the Department has offered potential beneficiaries a benefit assessment and engaged in mail shots to maximise uptake of this entitlement (paragraphs 17.19/17.20 EQIA) but would urge the Department to continue to address this through its current benefits uptake campaign.

Winter Fuel Payment

While recognising that the impact of the proposed Bill on entitlement to the Winter Fuel Payment for men and women is similar, the Committee is strongly opposed to a delay in the payment of a Winter Fuel Payment given the serious and widespread nature of fuel poverty in Northern Ireland. The fact that over 120,000 people will experience a delay in the Winter Fuel Payment of 1 year and almost 18,000 will experience a delay of two years is totally unacceptable. The Department must consider how to deal with this situation as a matter of urgency if it is serious in preventing and ultimately eradicating fuel poverty.

The Committee also notes with concern that the impact on entitlement to the Winter Fuel Payment would be greater on the Protestant community given that Protestant men and women make up a higher proportion of the population in the affected age cohorts.

Monitoring

The Committee notes the Department's commitment to monitor the effects of the policy on equality of opportunity or good relations and to share these with the Department of Work and Pensions. The Committee also notes that such findings will be used to inform *"further development of, or modification to, existing policies"*. Given the apparent strict adherence to the parity principle the Committee is interested in how deviation from this principle might be enacted if evidence should suggest an adverse impact on equality of opportunity or good relations.

Conclusion

Despite the adverse impacts on a range of groups identified in the Equality Impact Assessment, the Department in its 'Consideration of Responses' states that *"the proposed changes are considered to be the most appropriate means of balancing the need to keep the State Pension sustainable and ensuring that those who will benefit from increased life expectancy share in the additional costs".*

The Committee would emphasise that the aim of the EQIA is to determine if there are any sections of the community as defined in Section 75 who are disproportionately impacted by legislation and therefore allow the Department to take action to rectify those findings. It would appear to the Committee that having acknowledged the detrimental impact of the proposed Pensions Bill on certain groups defined in Section 75 the Department does not intend to take any action to address it; rather it intends to carry out *"monitoring for adverse impacts in the future"* (see below). Having already identified that a range of groups will be adversely affected, monitoring for impacts in the future will be of little reassurance to these groups.

The Committee is therefore concerned that a Bill emanating from Westminster can in effect supersede Northern Ireland specific legislation and would be interested in how the Department has weighed up its legal responsibilities in respect of Section 75 with its often stated need to adhere to parity on the pension issue. It is evident that the proposals affects a range of groups. For example the impact of the increase in State Pension age could be greater on the Protestant Community and subsequently have greater impact on the Winter Fuel Payment for this group as well. Ethnic minority groups are also likely to be adversely affected by delaying the point at which the State Pension, Pension Credit and the Winter Fuel Payment become payable. Yet despite knowing this the Department does not appear to be taking any steps to address it.

In undertaking an Equality Impact Assessment and in accordance with guidance published by the Equality Commission, the Commission recommends that consideration should be given to measures that might mitigate any adverse impact and alternative polices which might better achieve the promotion of equality of opportunity. The Committee would welcome clarification on the consideration the Department gave to this.

Therefore, while the Committee acknowledges that monitoring of future impacts is important the Committee would like to know what the Department is doing to mitigate the impact of these changes given the findings of the EQIA.

The Committee also has concerns, shared by a2b, that many women would still have no knowledge of the impending changes to pensions. The Committee would like to see the Department being proactive in how it proposes to communicate these changes to those affected.

Minister's Response letter re Proposed Pensions Bill Ctee response to the EQIA 1 12 11

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Your ref: CSD/011/2011/SK

Our ref: SUB/1689/2011

1 December 2011

Dear Alex

PROPOSED PENSIONS BILL – COMMITTEE RESPONSE TO THE EQUALITY IMPACT ASSESSMENT CONSULTATION

Thank you for your letter of 24 November and the Committee's response to the Equality Impact Assessment consultation.

I regret the misunderstanding in relation to the Equality Impact Assessment. The passage of the Bill is, I believe, a matter of urgency. Until it receives Royal Assent, women here cannot plan for their future retirement date with certainty. As the Committee have pointed out in their response to the consultation, the period of notice for the increases to the State Pension age is, in retirement planning terms, extremely short. This was a recurring theme during the passage of the corresponding Westminster Bill, which received Royal Assent on 3 November, and concerns have been expressed by Members of the Assembly and by all those who made substantive responses to the Northern Ireland consultation. You are aware that I wrote to Iain Duncan Smith on 24 June to urge the Westminster Government to consider measures to alleviate the impact of the proposals and I met with you on 3 November specifically to discuss how best to progress the Bill, primarily for this reason.

I am grateful for the Committee's response to the consultation. The Department's reply is attached. Both will be included as an addendum in the Completed Equality Impact Assessment.

Yours sincerely

Nelson McCausland

NELSON McCAUSLAND MLA
Minister for Social Development

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Date: 21 February 2012

Dear Sir

Pensions Bill

Attached, as requested by Members at the Committee meeting on 16 February, are the Department's figures for estimated reduction in expenditure on pensioner benefits arising from the proposed changes to State Pension age.

Yours faithfully,

Anne McCleary

Anne McCleary
Ext: 37974

Pensions Bill: estimated reduction in expenditure on pensioner benefits

Under existing legislation State Pension age:

- for women will equalise with men's at 65 by April 2020; and
- increase for both men and women to 66 between April 2024 and April 2026.

The Pensions Bill proposes to:

- equalise State Pension age by November 2018; and
- increase it to 66 between December 2018 and October 2020.

Date of Birth	Current SPA reached		Proposed SPA reached	Delay (months)	
	Women	Men		Women	Men
6/4/53 – 5/5/53	6/5/2016	65	6/7/2016	2	-
6/5/53 – 5/6/53	6/7/2016	65	6/11/2016	4	-
6/6/53 – 5/7/53	6/9/2016	65	6/3/2017	6	-
6/7/53 – 5/8/53	6/11/2016	65	6/7/2017	8	-
6/8/53 – 5/9/53	6/1/2017	65	6/11/2017	10	-
6/9/53 – 5/10/53	6/3/2017	65	6/3/2018	12	-
6/10/53 – 5/11/53	6/5/2017	65	6/7/2018	14	-
6/11/53 – 5/12/53	6/7/2017	65	6/11/2018	16	-
6/12/53 – 5/1/54	6/9/2017	65	6/3/2019	18	3-2
6/1/54 – 5/2/54	6/11/2017	65	6/5/2019	18	4-3
6/2/54 – 5/3/54	6/1/2018	65	6/7/2019	18	5-4
6/3/54 – 5/4/54	6/3/2018	65	6/9/2019	18	6-5
6/4/54 – 5/5/54	6/5/2018	65	6/11/2019	18	7-6
6/5/54 – 5/6/54	6/7/2018	65	6/1/2020	18	8-7
6/6/54 – 5/7/54	6/9/2018	65	6/3/2020	18	9-8
6/7/54 – 5/8/54	6/11/2018	65	6/5/2020	18	10-9
6/8/54 – 5/9/54	6/1/2019	65	6/7/2020	18	11-10
6/9/54 – 5/10/54	6/3/2019	65	6/9/2020	18	12-11
6/10/54 – 5/11/54	6/5/2019	65	66th Birthday	17-18	12
6/11/54 – 5/12/54	6/7/2019	65	66th Birthday	16-17	12
6/12/54 – 5/1/55	6/9/2019	65	66th Birthday	15-16	12
6/1/55 – 5/2/55	6/11/2019	65	66th Birthday	14-15	12
6/2/55 – 5/3/55	6/1/2020	65	66th Birthday	13-14	12
6/3/55 – 5/4/55	6/3/2020	65	66th Birthday	12-13	12
6/4/55 – 5/4/59	65th Birthday		66th Birthday	12	
6/4/59 – 5/5/59	6/5/2024		66th Birthday	11-12	
6/5/59 – 5/6/59	6/7/2024		66th Birthday	10-11	

Date of Birth	Current SPA reached		Proposed SPA reached	Delay (months)	
	Women	Men		Women	Men
6/6/59 – 5/7/59	6/9/2024		66th Birthday		9-10
6/7/59 – 5/8/59	6/11/2024		66th Birthday		8-9
6/8/59 – 5/9/59	6/1/2025		66th Birthday		7-8
6/9/59 – 5/10/59	6/3/2025		66th Birthday		6-7
6/10/59 – 5/11/59	6/5/2025		66th Birthday		5-6
6/11/59 – 5/12/59	6/7/2025		66th Birthday		4-5
6/12/59 – 5/1/60	6/9/2025		66th Birthday		3-4
6/1/60 – 5/2/60	6/11/2025		66th Birthday		2-3
6/2/60 – 5/3/60	6/1/2026		66th Birthday		1-2
6/3/60 – 5/4/60	6/3/2026		66th Birthday		0-1

The changes are estimated to result in a net reduction in expenditure on pensioner benefits of around £700m over the period 2016 to 2026 (£ Million, 2011/12 values):

2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023	2023/ 2024	2024/ 2025	2025/ 2026	Total
Pensioner Benefits – Reduced Expenditure										
7.2	23.9	47.8	76.5	105.2	124.3	133.8	141	112.3	38.2	**810.2**
Working Age Benefits – Additional Expenditure										
0	3.3	6.6	9.9	13.2	16.5	16.5	19.8	16.5	6.6	**108.9**
Net Reduced Expenditure										
7.2	20.6	41.2	66.6	9.2	107.8	117.3	121.2	95.8	31.6	**701.3**

Equalisation of State Pension age by November 2018 would affect approximately 7,000 women born between 6 April 1953 and 5 December 1953. State Pension age for this group would increase by between two and sixteen months:

- for around 5,000 women, State Pension age would increase by up to one year;
- a further 2,000 women would experience an increase of between one year and sixteen months.

Increasing State Pension age to 66 by October 2020 would affect an estimated 69,000 men and 70,000 women born between 6 December 1953 and 5 April 1960:

- 69,000 men would experience a delay in reaching State Pension age of up to one year;
- 57,000 women would experience a delay of up to one year;
- 13,000 women would experience a delay of between one year and eighteen months.

Estimated gross reduction in expenditure on pensioner benefits 2016 to 2026:

- equalisation of State Pension age by November 2018 - £57m;
- increasing State Pension age to 66 by October 2020 - £753m.

Northern Ireland Assembly

Appendix 5

List of Witnesses that gave Evidence to the Committee

List of Witnesses who gave evidence to the Committee

Ms Zoe Anderson	Access 2 Benefits
Mr Bumper Graham	NIPSA
Mr Seamus Cassidy	Department for Social Development
Mr Gerry McCann	Department for Social Development
Ms Anne McCleary	Department for Social Development
Ms Doreen Roy	Department for Social Development

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