Northern Ireland Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Pensions Bill: Department for Social Development

2 December 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Ms Paula Bradley
Mr Maurice Devenney
Mr Stewart Dickson
Mr Sammy Wilson

Witnesses:

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

The Chairperson (Mr Maskey): As I said, departmental officials were sitting in on the previous session and have offered to deal with any questions that have arisen. Gerry, can you and your colleagues pick up from that discussion? I presume that this will just be your immediate response to what you have heard so far —

Ms Anne McCleary (Department for Social Development): Yes.

The Chairperson (Mr Maskey): — and that you will want to come back with further elaboration.

Ms McCleary: Thank you, Chair and Committee, for the chance to talk to you this morning. Having listened to what has been said, there are a couple of points that I would like to make at the outset. First, I stress that the Bill only deals with raising pension age to 67; it does not suggest that we go any higher than that at this time.

Bumper Graham raised four key issues when it was put to him by you, Chair. First, he was concerned about the pension age going up. The one point that I want to make, although I am sure that you will have specific queries on it, is that that is not unique to Northern Ireland, or, indeed, to the UK; around the world pension ages are going up. There is nothing unusual in putting the pension age up to 67 at this time.

His second point was about the number of contributory years required for NICS — raising it from 30 to 35 years. A general point on that is that no one will suffer as a result; my colleagues can explain further precisely why that is the case.

The third point that he raised was about the impact of contracting out in relation to occupational pension schemes. Again, we can talk to you about that, but we do not believe it to be a major issue.

His fourth point was to do with the release of pension pots. As I think you mentioned, Chair, that does not actually feature in the Bill, so it is not really relevant to these discussions.

The final point, which you have just raised, Mr Wilson, is about clause 43. We will try to deal with that. Those are the general parameters, but we are happy to take any questions that you may have.

The Chairperson (Mr Maskey): Could you deal with clause 43?

Mr Gerry McCann (Department for Social Development): At the moment, all it says is that it shall be either "some or all". The reason for that is that, at this stage, we still have not fully worked out which of the various costs we are going to say you have to disclose. If we were to do something different in Northern Ireland and say that we should go for "all" and not allow any marginal flexibility, our problem is that most schemes in Northern Ireland are based in England. Therefore, if we were to put that extra duty on the scheme, it would be very difficult for us to get it to work and to enforce it. However, it is something that I can look into further and maybe come back to the Committee to give you some further details on it.

Mr Wilson: It says "some or all", but who decides what "some" is? Is it the schemes themselves saying, "That is the information we are giving you", or do we specify what the information should be?

Mr G McCann: The intention is that it will be set out in law which of the various types of costs will have to be set out.

Mr Wilson: Can you think of any costs that would be exempt, which you would say people do not have to reveal?

Mr G McCann: It could be something like a standard cost, which would be the same for all schemes, for example, but I would be happier doing a bit more checking rather than telling you something that may not be true.

The Chairperson (Mr Maskey): Could you also advise us at what point it might be introduced into law? Is that secondary legislation?

Mr G McCann: Yes, there is a power for us to make regulations, so it would be secondary.

The Chairperson (Mr Maskey): OK; fair enough.

Mr G McCann: Anne also made the point that the flexibility of pension pots is not part of the Bill, so there is nothing in it that would allow for them to be moved around. As for changing the number of years from 30 to 35, no one will actually end up with less money because of that. At the moment, if you have 30 years under the existing scheme, you would get £113·10. Under the new scheme, 30 years will get you £127. That means that no one will lose because of it; everybody gains if they have the full 30 years.

Mr Wilson: You will not gain as much; that is my point.

Mr G McCann: You do not get as much, but you are still better off than if you were to carry on with the existing scheme.

I will explain why we went for 35 years as opposed to 30. At the moment, under the existing scheme, we have two rules. For the full basic state pension, which is £113, you have to have 30 years. For the state — the second pension — it could be based on working from age 16 until the point when you hit state pension age. At the moment, the law allows for the state pension age to go up to 68, so that period of years could be 52. The new scheme merges those two into one, although the 35-year figure is not exactly in the middle. The two rules — one for 30 years and one for 52 years — are being merged into one rule, which says that you have to have worked for 35 years.

The Chairperson (Mr Maskey): Is somewhere in the middle not 20-odd, rather than 30-odd?

Mr G McCann: Sorry; I am talking about the gap between the 30 years and the 52 years. We are going to merge those two rules into one, so the gap is between the 30 and the 52.

The Chairperson (Mr Maskey): Is that the impact of contracting out? That was raised —

Mr G McCann: I think that Mr Graham said that people would have to pay more national insurance but would not get anything for it. However, that is not right. For each year that you work after 6 April 2016, you would earn an extra £4·24 a week in state pension until you have brought yourself up to £148.40. Therefore, they will gain more.

He made another point about the extra costs for schemes and who would pay for national insurance contributions going up — the 3·4%. As we said when we were at the Committee before, we have no power over that at all; national insurance contributions are for Westminster.

The Chairperson (Mr Maskey): If, in any of these submissions, there are specifically defined objections to the Bill, it is important that we can say whether they are wrong or, if they are not wrong, where the rationale is for it. We have to see whether we can afford to depart from it, and Jim questioned Bumper on that. At the end of the day, we will need to make our mind up by looking at the objections to the Bill in the submissions that we have received. We will have to see what is incorrect in those submissions.

Mr G McCann: A further point was made that the state pension age would keep going up and up. Again, Anne made the point that there is nothing in the Bill that allows for that to happen. All we are doing is bringing forward the age change to 67; there is nothing to allow the age to go up any further.

Mr Brady: I want to come back in on the age thing. Anne said that the Bill deals simply with age, but it is enabling legislation.

Mr G McCann: No, there is nothing in the Bill to allow it to change further. Any further change to the pension age would have to have a further Bill.

Mr Wilson: It would be useful if the officials could give us a summary of the factual inaccuracies in the submission and to see whether that is the case in other submissions.

The Chairperson (Mr Maskey): As no other members have indicated that they want to ask anything in particular, do you want to respond to any of the points now?

Mr G McCann: I was just jotting them down quickly. I will have a quick look at my notes to see whether there is anything else. One of the points made by NIPSA was that, instead of having an age for state pension, perhaps we could have a flexible decade. That issue has been around for a long number of years. The last time that it was looked at with any great seriousness was the early 1990s. However, the costs involved are absolutely huge.

The other point was the effect that raising the pension age would have on the labour market and the overall number of jobs. Again, I am not aware of any direct evidence to show that there is a strict correlation between the two, in that, if somebody leaves work at 65, that job shall therefore be filled by somebody younger. I am not sure whether there is any more strict correlation between those two factors.

Another factor is the age laws. I do not think that we can treat people differently simply because of their age; I do not think that we can tell somebody who is 65 that they have to leave work. That would not be sustainable.

The Chairperson (Mr Maskey): OK; fair enough. Thank you for being here this morning and responding so quickly. It has certainly brought clarity to a number of points.