Northern Ireland Assembly

Committee for Social Development

OFFICIAL REPORT
(Hansard)

Pensions Bill: Briefing by NIPSA and NICICTU

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 John O'Farrell	Northern Ireland Committee, Irish Congress of Trade Unions
Mr Bumper Graham	Northern Ireland Public Service Alliance

The Chairperson (Mr Maskey): We have Bumper Graham from NIPSA and John O'Farrell from NICICTU. I formally welcome you both. Please make your oral submission, and we will deal with some of the issues more directly with members. I remind members that departmental officials are here and have committed to stay for the duration of the evidence sessions. We will discuss any issues that we feel are appropriate with the Department after this session. The written submission from NIPSA is in members' Bill folders. Without any further ado, I pass over to Bumper and John.

Mr Bumper Graham (Northern Ireland Public Service Alliance): Thank you very much, Chairman and members. NIPSA has been interested in this issue for some time and, in fact, gave evidence the last time there was a Pensions Bill in front of this Committee, when the state retirement age was raised to 66.

We see this as a twin-approach issue. First, there is the general public policy issue about the provision of state old age pensions for everyone. Secondly, there is the link with occupational pensions, particularly the recent changes to public service pensions linking retirement age in occupational pensions to the state pension age.

No later than this morning, Mark Durkan and a former DWP Minister were debating on Radio Ulster whether this legislation will survive much longer than a few years. Certainly, it is pretty depressing to think that pension provision is going to be eroded continuously and that people will probably be well into their seventies before they qualify for an inadequate state pension.

We commented in our submission that the aim of the Westminster Government — I refer to paragraph 29 of the submission of January 2013 — is to reduce GDP expenditure by 2060 from 8·5% to 8·1%. To use a football analogy: the UK is certainly in the relegation zone and en route to the Championship, if not in the old fourth division and en route to the Conference if we measure it by the level of income it guarantees for pensioners. It is certainly way behind the vast majority of states in the European Union. These proposals, based on the premise of reducing GDP expenditure, will not do anything to enhance the position of our pensioners and to bring them out of poverty.

Last week, some commentators were rather optimistic about the DSD publication 'Households Below Average Income — Northern Ireland 2012-13', which was published on 25 November. They claimed that the relative position of pensioners in poverty in Northern Ireland had improved. This is not true, because the statistics are based on 60% of average household income. Over the last number of years, pensioners have got a 2·5% increase in the value of the state pension because of the triple lock, but the private and public sectors have faced wage restraint of 0% to about 1% pay increases. So, the real value of those households is going down in terms of the economy, and pensioners are improving marginally purely because of the 2·5% triple lock. It does nothing in totality to lift pensioners out of poverty, and we still see UK citizens as among the most disadvantaged when it comes to pensions.

Other aspects of the Bill are also very worrying. I have to declare an interest here, I suppose, as the progressive increase in the state pension age through the previous legislation hit me. I was looking forward to my state pension at 65. I now have to wait to 66, despite the fact that I thought I had a contract with the Government and had been paying my National Insurance contributions since 1974. The Government shredded that contract, which I entered into. They now say that, from 2026, it will increase to 66 and, thereafter, in each Parliament, there will be a review and the age will increase. We face the prospect in the not-too-distant future of people probably having to be in their seventies before they can claim an inadequate state pension.

As we said at the time of the Public Service Pensions Bill, this has a detrimental impact on the economy on a number of fronts. First, there is job displacement, because, if people have to work longer before they are entitled to and can claim their pension, they will stay in those jobs — if they are lucky enough to have them — for a longer time, thus denying job opportunities to people in the labour market who are seeking either to return to employment or to find employment having come out of school, college or university.

There are other aspects that will also do significant damage to the remaining number of defined benefit pension schemes, such as the removal of contracting out. Public servants — I can speak about them best — have had to contribute more to their pension for the last three years. When the new schemes come in next year, they will contribute more yet again in order to get less, and they will wait longer to get it. Then, in 2016, because of the end of contracting out, employees will have to find an additional 1·4% and, at a time when the Budget is being debated in Northern Ireland, employers, including public service employers, will have to find an additional 3·4% in National Insurance contributions. That is in an already intolerable situation for public services and will push many over the edge. And what does it get them? It gets them nothing, because those who are currently contracted out will not get the benefits of the full, single flat-rate pension.

The change from a 30 to 35 years qualification period is unfair. If the Government had wanted to be fair, they would have linked the increasing number of years' contribution to the increasing age limit, so they would move progressively. If you move the age at which you get the state pension up by a year, the qualification period should be increased by a year, but they have gone for this massive leap from 30 to 35 years.

I have looked at the DWP website, and I find that it is a jungle. I spend a lot of my time working in pensions, and I cannot understand it, so how ordinary people, who have little knowledge of or interest in pensions until they virtually come knocking at their door, will be able to understand these changes is beyond me. There is an online calculator, which is gobbledegook. Nobody will know what they are entitled to or when they are going to be entitled to it.

The big question is this: what happens to people who do not meet the full 35 years? What is the safety net? This is important for people who are in private sector pension schemes as well, and nearly everybody will be because of auto enrolment in the National Employment Savings Trust (NEST). They will just get a pure cash pension pot, which is unlikely to be turned into an annuity because of the charges that are made and anti-annuity propaganda. They will seek to take cash. If they seek to take cash, and they take more than 25%, our friends in HMRC will rub their hands in glee and say, "Oh great. More money that the taxman can take off you". Then, they get this pot of money, and a lot of people will say, "I can have the round-the-world cruise. I can buy the new car". Then, they will find that they cannot get the equivalent of what is currently pension credit. There is a big flaw in the legislation going through Westminster and this Bill in relation to pension liberation. I consider that this cash pot is another form of pension scam. I guarantee that, if I am able to come back here in 20 or 25 years, the next big mis-selling thing will be people releasing their pension into cash pots.

The other aspect of this was raised in an interesting report by Touchstone a couple of weeks ago. This really worries me because it states:

> *"The age of 53 is typically when the accumulation of crystallised intelligence — the benefits of experience — no longer outweigh the decline in fluid intelligence that begins from age 20."*

In other words, when you pass 53, your judgement becomes highly suspect, particularly in financial planning. The new defined contribution aspects of this Bill very much relate to that. I think that we will go into a position of massive abuse, mis-selling and misapplication of cash pots for pensions.

One thing that we put in our submission with regard to public service pensions was that the unions agreed to a legislative consent motion to stop public servants being able to transfer their benefits out of a defined benefits scheme into a defined contribution scheme and then get the cash pot. There is a loophole there in that the Government only determined that that was for the unfunded schemes because the Treasury would then have to go and hand money over to the private sector. They left the position for the likes of the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) scheme and, indeed, for the Northern Ireland Water scheme so that people in those schemes could transfer their defined benefits to defined contributions and get the cash pots. That is a loophole that needs closing. All that we are doing is building up massive problems down the track and there will be claims on the state to have additional support for pensioners who get themselves into financial difficulties as a consequence of moving to a cash liberation-type scheme.

In conclusion, as I said, we would broadly endorse the general proposals on a flat-rate scheme, but we would do so only if the level of the flat-rate scheme is sufficient to really start to eradicate pensioner poverty and allow pensioners in the UK to enjoy their retirement. We do not think that the link to ever increasing the age of the state pension is fair. It will damage the employment market and create job displacement. There is also a correlation between working longer and living a shorter life. As a consequence of this, we will see dis-improvement in the mortality tables in time. What we want to see is a proper pension scheme with people making contributions, yes, through National Insurance, but in a fair, just and equitable system. Certainly, this Bill does not do that. What it does is help the Office for Budget Responsibility and the British Treasury towards their long-term goal to reduce expenditure on pensions rather than increase that expenditure by 2060.

The Chairperson (Mr Maskey): OK, Bumper. John, do you have any remarks to make?

Mr John O'Farrell (Northern Ireland Committee, Irish Congress of Trade Unions): Primarily, I am here on behalf of the wider trade union movement. It will not be necessary, but I reiterate that Bumper Graham is our leading expert on the subject of pensions as a whole. You are also aware of Bumper's long service on the board of NILGOSC. I am here primarily just to say that what Bumper is saying has the backing of the entire trade union movement.

The Chairperson (Mr Maskey): OK. Thank you for that.

Bumper, before I bring in members, can I ask what your key objections are to the Bill as it stands?

Mr Graham: The first one is the age of retirement, because of older people and labour displacement. The second is the change to contributions from 30 to 35 years as a straight move without a progressive move. Then, the impact that it will have on occupational pensions by the ending of contracting out. Then, in the parts of the Bill that deal with defined contribution pensions, the link to the cash pot approach, which is a form of pension liberation, which will see, I think, the mis-selling and misuse of pension cash pots.

The Chairperson (Mr Maskey): OK. Thank you for that.

Mr Brady: Thanks very much for the presentation. I also listened to the item this morning, and I was depressed. A lot of it seems to be predicated on the fact that people will supplement their savings. The difficulty, of course, is that, if you do not have enough money to save, you will be in real trouble. Recent reports indicated very clearly that the average disposable income in houses in the North is less than half of that in Britain, so you wonder how people will be able to save. The other issue you raised was pension credits. There will be no safety net, as that is obviously used to supplement pensions.

The other thing that was very clear in that item this morning was that, once the legislation goes through, the age will continue to go up. One of the points that was made was that, in Britain, there are over one million people over the age of the 65 who are still working. That is fine if you are healthy, still able to work, have a job that you like and all those kinds of things, but that does not apply to everybody. Therein lies some of the difficulties that people will face.

The other point is that they made much of the £144, yet, if you go back five years, you see that the Government said that the minimum should be between £175 and £185. It has constantly gone down. It has left people in an invidious position and will continue to do that. That is apart from the age thing. Thinking logically, if this legislation goes through, you could eventually be working until you are 80. That is the reality of it.

Mr Graham: There are a couple of points. When the UK Government introduced auto enrolment, the trade unions were supportive of the principle. However, in the majority of cases, unless you are enrolled in a decent existing employer's occupational scheme, you will be enrolled in NEST, which is a defined contribution scheme with pretty minimal levels of input. That was really just a con to take people to just above the threshold at which they would be entitled to pension credit. It was a long-term strategy for the Government to alleviate their role and responsibility to meet the needs of pensioners.

You are right about the disposable income aspect in Northern Ireland. I made the point about how the DSD report last week was overplayed in many respects.

One of the things that I have been keen to promote is the concept of a flexible decade of retirement, whether it is at 65, 66 or 67. That would mean that many people who are not able to retire will work past retirement age and, hopefully, they can do so in a proper physical and mental state. There will be others who, because they have been in decent occupational pension schemes, might decide to retire early. That will hopefully balance out and, as time goes on, the scales will probably fall heavier on those who work past, for example, 65 or 66. That would still allow for more flexibility in the labour market, and it would certainly allow people to retire early to create job opportunities.

It is a question of where you want the social security spend to be. Do you want it on pensions or on unemployment benefits? I think that anybody of a right mind would prefer that it was spent on pensions rather than unemployment benefits.

Research can be done into the flexible decade approach. We need research in Northern Ireland. We encouraged research on the labour displacement issue at the time of the public services pensions debate, but were unable to get it.

The level at which the single flat-rate pension is being set still falls very far below what is a true level of poverty, not just for pensioners but for anybody in our society.

Mr Brady: I have a couple of other points. We talk a lot about fuel poverty, but the reason why you are in fuel poverty is because you are in poverty. It is as simple as that.

I have another two points. The increase in zero-hours contracts will leave a lot of people with absolutely no pension rights at all in the future.

The other thing that strikes me about the Bill is that partners or spouses will no longer be able to claim on their spouse's contributions. That was a big factor for people who, for many reasons, could not work over a long period of time and were reliant on those contributions. That was particularly the case when the pension age for women was 60, and they were able to claim sooner and get some money into the household. That is quite an issue.

Mr Graham: John wants to say something about zero-hours contracts.

Mr O'Farrell: Our concern is that zero-hours contracts will exacerbate a trend that has been evident for a long time in the private sector in Northern Ireland. You are all familiar with the statistics: 95% of registered businesses in Northern Ireland employ fewer than 10 people. In fact, about half of those businesses consist of one person, be it a small farmer, someone in the construction industry and so forth.

Most people who are self-employed — I speak as someone who was self-employed as a freelance journalist — are not in the position to plan sensibly for the long term to have a pension. As a consequence of that, but also as a consequence of there being so many small employers in Northern Ireland who cannot afford to have an occupational pension scheme for their employees, we have by far the highest proportion of old people who are solely dependent on a state pension. For them, there is nothing else; it is just the state pension.

Our concern about zero-hours contracts, which we are seeing spreading into the public sector like the vile virus that they are, is that they lead to the whole sense of uncertainty. There are broader issues with zero-hours contracts: they create chaos with long-term planning, and you cannot really engage in something major like planning a mortgage if you are on a zero-hours contract and are not sure what your salary will be next month, let alone in five years.

That is the contradiction with all the language you hear about welfare reform from people like Iain Duncan Smith, who say that it is about trying to end dependency. The consequence of all the changes in the system and the increased precariousness of working people means that people in older age, when they become vulnerable, will be more dependent on the Government as the ultimate safety net. That gets to our concern about the basis of the legislation.

Earlier, Bumper mentioned the famous Lamborghini pensioners we hear a lot about. People flog off their pension pot and buy a Lamborghini and then reach the age of 65. That will not leave them money to live on. Will the Government seriously turn round and say that they spent the money on a Lamborghini, the petrol has run out and now they will starve? In other words, where is the safety net, and who will ultimately pick up the tab? What I suspect is that, as is usual with these circumstances, the state will pick up the tab. However, in the meantime, you can be damned sure that the accountants in the City of London will cream off huge amounts from the glorified mis-selling that Bumper referred to earlier.

Mr Graham: Mickey mentioned the issue of spouses. The Westminster Government, be it Labour or the Conservative-Liberal coalition, have the most bizarre interpretation of equality. It really relates to the equalisation of misery. They said to women that they would make them equal in the eyes of the pension legislation, but that means that they will now have to wait until they are 65 to get their pension. As soon as they got to 65, they gave them a kick with the other foot and said that they were going to make it 66 or more. There is a similar issue with the lack of a decent transitional period for people to be able to get the full, single flat-rate state pension based on their National Insurance record. That is an attempt by the Treasury to force through savings rather than seek to provide a fair pension for everyone.

Mr Wilson: Your submission outlines your four guiding principles, one of which is greater expenditure of public money on state pensions. Given all the other demands that you make on the radio practically every week, Bumper, where do you see reductions being made to fund this switch?

Mr Graham: I wish I was talking to you when you were still the Finance Minister. I would have said that I would swap jobs with you. With due respect, I think that I would have been a better Finance Minister than you. The trade union movement believes that we have plenty of money in this country.

Mr Wilson: Tell us about it, then.

Mr Graham: The UK is the sixth-richest economy in the world. Over £100 billion is not collected properly from big business. The amount of tax avoidance and tax evasion in the UK is unparalleled. If, rather than sacking workers, they employed some workers in HMRC to gather the taxes that are due, we would have the luxury of dealing with so much money in our Northern Ireland Budget that we would not know where to allocate it. There is a big issue with tax avoidance and tax evasion in the UK. If we grow our economy by creating jobs rather than destroying them, as the current Budget will do, we would increase wealth in Northern Ireland and the UK as a whole. There are many ways to get the money in. If you cherry-pick from the submission, so will I. The British Treasury has said that it intends to reduce GDP expenditure on pensions from 8·6% to 8·1% by 2060. On many occasions, you and your colleagues talk about the plight of pensioners and pensioner organisations — rightly so. Go and defend your position to those organisations when you support a government that will take money out of the hands and pockets of pensioners who can ill afford it.

Mr Wilson: It is fine to talk in general terms about collecting all the tax. We have to deal with the reality of the money that we have, and, despite all the attempts that have been made to collect the tax that people owe, there is still that gap. I have no difficulty with trying to collect it, but we have to deal with the money that we have at present. You talk about growing the economy and collecting the taxes that have not been collected, but you have not told me specifically —

Mr Graham: I will give you another one.

Mr Wilson: Let me finish. We have to deal with the money that we have at present. We get a wish list from you every time you open your mouth but never any indication as to how that wish list will be financed. Let me just leave it there. We could bat that one about all day.

The Chairperson (Mr Maskey): Sammy, let me come in for a second. I remind people that this is not 'The Stephen Nolan Show'.

Mr Graham: Sorry, Chairman.

The Chairperson (Mr Maskey): We do not need a political tussle between members and witnesses. We are here to deal with the Pensions Bill. I might share some of the points that have been made, but, with all due respect, they are not specific to the Pensions Bill. Let us stick to the Bill, and, if people want to have a wider political argument, they are free to go on 'The Stephen Nolan Show' at any time. I am sure that you will be on there again. I am not disputing the sentiments that people are expressing, to which they are well entitled. I might even share most of those sentiments, but we have to deal with the Pensions Bill, otherwise we will be here until 3.00 pm.

Mr Wilson: May I deal with the generalisations that have been made? Despite what you said, Bumper, the Joseph Rowntree Foundation has indicated that, as a result of the reforms overall, 35% of men and 60% of women will see an increase in their pension, and the largest gains will be for people who have spent periods out of the labour market caring for children. It also found that the average pension income across all individuals will increase by £2·74 for 7% of men and that 26% of women will see an increase of at least £10 a week. That is despite what you said about the iniquity of the situation. The other big benefit is that, because the basic pension level will go up, people will not have to be means-tested to claim pension credit. We know that that is one of the biggest ways in which people lose out because they are sometimes not aware of what is available, or they do not like the intrusion of means testing. I am not into means testing myself. Do you not accept that there are benefits for a large number of people and that they are the very people who you say are disadvantaged under the current system?

Mr Graham: As I said, we share and enjoy the principle that underpins the single flat rate. That is stated in our papers. We do not believe, however, that the value that is being attributed to it is good enough. It will not lift pensioners out of poverty. It will do away with means testing. That also has implications for the number of jobs in the Department, but, hopefully, those people can be put in other useful employment.

Mr O'Farrell: In HMRC, for example.

Mr Graham: Yes. We could also look at removing the 40% tax relief that goes to higher taxpayers and just give everyone tax relief for pension contributions at the basic rate of 20%. That would go a long way to providing additional money as well as dealing with tax avoidance and evasion. It would allow the UK to treat all its pensioners with dignity.

Mr Wilson: So you are not disputing the Joseph Rowntree figures that show that a significant number of people will be better off as a result of these changes. In particular, women who have taken time off to care for children will be major beneficiaries, as will pensioners in general, because they escape the means-testing application for pension credit.

Mr Graham: If you look carefully, you will see that people who are below the level would have been entitled to pension credit, which would get them virtually to the point of the single flat rate pension. Whilst many people do not claim currently, they can get to that level. I do not think that any limited improvements go far enough or do anything to erode or eradicate pensioner poverty.

Mr Wilson: The figures are quite staggering. Well over half the people who are entitled to pension credit do not claim it, because they do not know about it or do not like the idea. Those people will benefit, and, as a result of the changes, a substantial number of carers — I think that it is some 60% of those who have been out of work to care for children — will benefit. Thirty-five per cent of men and 65% of women will have an increase.

You referred to flexibility for claiming lump sums. Do you not trust people to deal with their financial affairs coming up to retirement?

Mr Graham: The evidence provided by NEST, a government body, in its report last week supports that. I will answer your question more directly. How many people have been conned by those in the financial industry in innumerable cases of mis-selling? I think that this is another mis-selling opportunity waiting to happen. In 20 to 25 years' time, other parts of the financial industry and lawyers will be running similar ads to the ones that are being run now about mis-selling. First, it is not limited to 25%; you can take your full pension in cash. The Treasury would like you to go over the 25%, because it can get its arm into you for tax. Secondly, people will look at that pot of money on a short-term basis. They will not look at it as being the amount of money they need to invest to see them through maybe 20 or 30 years in retirement. It is an absolute disaster waiting to happen.

Mr Wilson: First, one of the ways in which that can be avoided is to have more guidance for people when they are making those choices. Secondly, do you not accept that people will know that, if they go for more than 25%, they will be taxed, whereas if they stay below the 25%, they will not be taxed? Do you not accept that individuals should have the right if, coming up to retirement, they decide that they need some of the money that they have put aside for their pension for a specific purpose — I can think of lots of useful things, and buying a Lamborghini is not one of them — and that it is interfering in people's financial affairs for you to say that the state should not allow them to have that flexibility?

Mr Graham: The trade union movement has always said that it supports the lump sum element of pensions up to 25%. We are talking about having no controls whatsoever, and it is quite clear that you are talking about people who are highly vulnerable and who may not have much experience of this, and financial institutions are sharks.

Mr O'Farrell: There was a documentary series on BBC Radio 4 last year about what the City actually does. It was presented by the journalist David Grossman — you may recall him from 'Newsnight' — and there was an absolutely astonishing statistic about what happens to your average pension pot in the City of London. A commission is taken from it 16 times in the life of an average pension.

Like many people who have what are called portfolio careers, I have pension schemes that I have paid into for a few years, and they are lying there until I reach the age at which I can take them. What is happening every year, like it or not, is that a compound interest rate of 1·5% is taken out for administration. The stock market has not been doing terribly well for them over the past few years, so, conceivably, their value has not exactly been booming in spite of all the administration charges.

The City of London has treated private sector pensions over the past 30 years as a staggering bonanza. One often hears comments on pensions from a company called Hargreaves Lansdown. Every year, a trade union research service looks at the highest-paid people in Britain. Last year, the fourth-highest-paid executive in Britain was the chief executive of Hargreaves Lansdown. The TUC also looks at the people who run the top 1% of FTSE 500 companies and the kinds of pensions they arrange for themselves. It is absolutely staggering and beyond the wildest dreams of anybody who fancied buying a Lamborghini once, let alone once a month. The huge inequalities in the City are riding on the coat-tails of the various reforms we have had in private sector pensions over the past 30 years.

Mr Wilson: That is not an argument for removing people's freedom to make financial choices about what they do with an asset that belongs to them — their pension pot. I find it staggering that the trade unions should want to be as intrusive. Most people make sensible decisions. I reckon that most will make a decision based on the fact that they have saved up for a pension so that they would have an income throughout their retirement and would want to keep it intact. You are quoting all the big pensions that other people are getting, but that does not remove from me, or from any individual, the right to make a decision about what I do with my asset.

Mr Graham: Chairman, it is not me. I am quoting from a report by NEST, which is a government body that was established to provide a pension for those who are not admitted into any other occupational pension scheme. It states:

"The Chancellor appears to assume that by our 50s or 60s we suddenly become fully engaged active consumers in a responsive market place, suddenly equipped to navigate the choppy waters of inflation and longevity risk alone."

Do you really believe, Sammy, that an industrial worker investing in a NEST pension, who maybe left school without any qualifications, can, at the age of 65 or 66, make real, valuable investment judgements about their pension, when the industry will be doing its damnedest to make them take that money as a cash pot, not in an annuity that will guarantee them an income each year but in one-off cash expenditure?

Mr O'Farrell: If they do get advice, what will they get? The people who are queuing round the block to give it to them will be companies like Hargreaves Lansdown and its offshoots. The PPI scandal in the British banking sector is of absolutely staggering proportions and will ultimately run into tens of billions of pounds every year. When PPIs were originally mis-sold in the 1990s, they were buried in people's contracts. Ostensibly, people knew what they were signing up to. We now know that people were mis-sold on an absolutely massive scale. Our concern is that there will not be proper systems to protect people from the sharks.

Mr Wilson: Should you not be asking for better guidance and better financial regulation rather than interference in people's ability to make decisions about their own affairs?

Mr Graham: I need to look at Hansard, but I am sure that you supported the legislation that established NEST. Its purpose is to ensure that those who are not in an occupational pension, and their employer, made contributions to secure a pension, not a one-off cash payment. Part of the purpose was to help individuals with their income in retirement and also to help the state to move away from providing pension credit, so people had an occupational pension in addition to the state pension on an ongoing basis. It was not about giving cash windfalls that City fly boys can encourage you to misuse and misspend.

Mr Wilson: I do not think that anyone wants that. That is why guidance, regulation and proper supervision are imperative, but I still think that people should be able to make decisions about their own money.

Mr O'Farrell: Sorry, Chair. May I suggest to Mr Wilson that he needs to continue that logic? I raised the issue of the ultimate safety net for people who are sold dodgy products or who make bad decisions. What happens to them?

The Chairperson (Mr Maskey): I remind people that there is a Bill in front of us. We are having an interesting discussion, but some of it does not relate to the Bill at all. We have to go back to the Bill. That is what we are here to discuss, not the wider politics and the efficacy of any of the schemes. There is a Pensions Bill in front of us with seven Parts. Let us address the Bill, as you did in your submission. I include members. We cannot have broader political discussions in this arena today.

Mr Allister: I will be very quick, because I want to go to some business in the Assembly. Obviously, you do not like a lot of the Bill. Are you urging us, therefore, not to pass it?

Mr Graham: We want the Bill to be significantly altered.

Mr Allister: Have you costed those alterations?

Mr Graham: We are not in a position to cost them.

Mr Allister: You acknowledge that there would be a cost.

Mr Graham: As I said, we want costings to be researched, including the labour market displacement costs of the pension reforms.

Mr Allister: The costs of not having parity on pensions would have a very direct and immediate effect on our financial arrangements.

Mr Graham: It may have.

Mr Allister: It would inevitably have an effect on the block grant, I suggest to you.

Mr Maskey: Just ask one question at a time, Jim, and let the witness answer.

Mr Graham: It may have, but it is a question of how you cut the cake. We want to see Northern Ireland, where possible, providing betterment for its citizens and not the equalisation of misery. We think that this Bill does a disservice both to people approaching retirement and to our young people.

Mr Allister: Whatever the rhetoric, not following pension policy would inevitably have a cost to the block grant. You know that.

Mr Graham: As I said to Sammy, there are ways. It depends on devolution to some extent as to where authority lies. Certainly, I believe Westminster can provide additional money.

Mr Allister: But we —

Mr Graham: If we had the devolved powers —

Mr Allister: — but we do not.

Mr Graham: — we could raise taxes by doing away with the 40% tax relief, etc. There are ways of finding the money.

Mr Allister: Mr Graham, we do not have those powers. You talked about HMRC and about doing this and doing that, but that is all beyond the control of Stormont. In the real world of what Stormont controls, if we depart along the road that you want us to go on, there are inevitable financial consequences for the block grant.

Mr Graham: There may be.

Mr Allister: I am surprised that you quibble over that.

Mr Graham: Where do we want to spend our money? I know that it depends on how finances are done and that we are not ultimately responsible for what is paid in unemployment benefit vis-à-vis state pensions. Do you want to spend the money on pensions or do you want to spend it on unemployment benefit?

Mr Allister: Do you want to spend the money on schools? Do you want to spend it on hospitals? Or do you want to spend it on a different pension scheme?

Mr Graham: I am sure that the Chairman will reproach me, as this is a matter for another time and place, but this gets you into the much wider debate on the financial position of the Assembly vis-à-vis Westminster.

Mr Allister: The bottom line is that you have not costed your remedy; you just want us not to pass key portions of the Bill.

Mr Graham: Correct. We think that it would do a disservice to the citizens of Northern Ireland.

Mr Allister: Do you think that is helpful to us?

Mr Graham: I am here to represent NIPSA members, the wider trades union movement, and also those, such as pensioners and potential pensioners, who are in greatest need. This Bill, as with many other parts of the ConLib coalition's approach to social security, welfare and pensions, will ultimately do nothing for working people and pensioners. I refer to the reduction in GDP from 8·6% to 8·1%.

Mr Allister: Thank you.

Mr Dickson: I will be brief. I apologise for coming to the meeting late. I know that you will have checked for matters of interest. I am a retired member of NIPSA and wish to declare that interest.

The Chairperson (Mr Maskey): Thank you for that.

Mr Brady: I have a couple of points. Sammy quoted the Joseph Rowntree Foundation, which is undoubtedly a very good organisation. Undoubtedly, too, some people will get increases, but they do not comment on the amount of the pension because the state pension in Britain and here is the meanest in the developed world. We need to be aware of that. Pensioners in Germany get almost twice as much as pensioners in Britain, and the point has been made that Britain is, apparently, the sixth richest nation in the world.

You also mentioned pension credit, Sammy, but many people do not get it. You have to realise that pension credit is just another form of income support for older people. By the Government's own admission, it is subsistence level — the minimum you can live on. It is the same as income support or the old supplementary benefit, and it is very difficult for people to live on. Pension credit does supplement the state pension, but, in my experience over the years, people on pension credit still find it extremely difficult to live.

I go back to an earlier point. We are trying to do so much for fuel poverty, but fuel poverty is inextricably linked to poverty; it is the amount of money coming in and your disposable income etc. You have to start from the premise that it is the meanest pension scheme in the developed world. So, while you might get an increase on it, it still does not bring you anywhere near what you are supposed to be able to live on. I go back to the £144. Five years ago, the British Government were talking about a minimum of £175 and up to £180. What happened to the £40 in the meantime?

The Chairperson (Mr Maskey): No other members have indicated that they want to ask a question. Bumper, do you or John want to make any other remarks? You have heard the questions and have been involved in the exchanges. As we said earlier, it is all very worthwhile and they are important, fundamental issues, some of which are not even designed to be dealt with in the Bill. We have to address our specific attention to that. I agree that there needs to be locally relevant research, and we had discussions on the Welfare Reform Bill. We do not have that dedicated research, and the Committee unanimously sought to secure such research on all those matters in the time ahead . I share the concerns around that. Bumper, do you have any last comments?

Mr Graham: We had a lengthy exchange in and around the defined contributions schemes and moving to single cash pots and stuff. Clause 43 says that the Department must make regulations requiring information about "some or all" of the transactions costs, as John said. It is "some or all". People will invest in their pensions; it is their money. Absolute transparency as to what is happening with their money is needed, not "some" transparency around their pension investments.

I welcome your comments on research. I think that there is an issue with job and labour market displacement. From the 1950s through to today, we have seen progress because of health improvements, better health and safety in the workplace and improved mortality, although Northern Ireland is still far behind the south-east corridor in England. I think that that will begin to drop for two reasons. First, we cannot expect the improvements in health to continue at the pace that they did over that period; and, secondly, because of the correlation that if you work longer you will not live as long. In increasing the age for the state pension, I suspect that it is an unpublished fact that the Treasury wants people to work until they drop and hopes that they never get round to claiming a state pension.

The Chairperson (Mr Maskey): John, are you happy enough?

Mr O'Farrell: It is not a point about the Bill but a broad political point. One hundred and five years ago, one of the great moments in the history of Westminster was David Lloyd George's introduction of pensions, and, when the big vested interests of the day in the House of Lords tried to stop him, he stood up to them and made the change. It was very significant.

The Chairperson (Mr Maskey): Thank you, gentlemen, for your written submission and for coming here this morning and having discussions with members. We may want to return to you. Indeed, if you want to come back to us in the short term, please do.