



Commissioner for **Older People**  
for Northern Ireland

# **Pensions Bill**

## **Written Submission**

**Written Submission from the  
Commissioner for Older People  
for Northern Ireland**

**November 2014**

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## Executive Summary

1. The Commissioner for Older People for Northern Ireland (COPNI) welcomes the opportunity to make a written submission about the Pensions Bill to the Committee for Social Development.
2. COPNI welcome the concept of a single tier State Pension that is simpler and fairer than the present combination of State Pension and Pension Credit, set above the basic Pension Credit rate. This would particularly benefit older people with low lifetime earnings due to low pay and caring responsibilities.
3. However COPNI have highlighted issues with details in the Bill as it is currently constituted. The Commissioner would like to see these further scrutinised and would welcome the consideration of a number of revisions.
4. There should be greater safeguards built into the legislation for those who are at risk of not meeting the minimum 10 qualifying years of National Insurance payments, or who have attained a low number of qualifying years as a consequence of caring responsibilities.
5. The scheduled implementation date of the 6th April 2016 means there will be unequal rights of access to the single tier pension by men and women of the same age who are born between 6<sup>th</sup> April 1951, and 6<sup>th</sup> April 1953. The Commissioner would welcome a detailed impact analysis of the financial impact on women in this group in Northern Ireland, and consideration of mitigating measures for those projected to be worse off as a result of this Bill.
6. The structure of the new Bereavement Support Payment will make it impossible for an individual to inherit National Insurance increments accrued by their late spouse or partner. The Commissioner recommends that this change is reconsidered.
7. The abolition of Assessed Income Periods (AIP's) for 65 to 75 year olds has the potential to produce more personal administrative burdens upon individual older people, who may also face more intrusion. Consideration needs to be given to how any intrusion is minimised. If AIP's are abolished for this age group, this

would need to be supported by a publicity campaign that helps older people understand clearly the implications of the abolition, and what they have to do if AIP's are abolished for this age group and where they can go for advice and support.

8. The Commissioner supports the basic aim of the single tier pension being to create a simpler and fairer pensions system. However, the Commissioner is eager that comprehensive analysis be undertaken on which specific groups of older individuals will lose out and how this can be mitigated.
9. The Commissioner would also like to see the single tier pension being set at a level that will fulfil the original aims, backed by a publicity campaign explaining the changes.

## Background

10. Pensions are an important contribution towards quality of life and independence for older people. They provide regular income in retirement, and an opportunity to gain back some of the value of public and private contributions they have made through decades of working and being active members of society.
11. The State Pension is the device by which these objectives can be achieved. An adequate State Pension should allow individual older people to avoid poverty in retirement, enabling older people to live independently and in comfort.
12. State Pension payments to older people are also a way of society recognising their contributions to all of our public services through the years by giving older people a pension they have fully contributed to through National Insurance payments.
13. The fact nearly all older individuals receive the State Pension means this affects substantial numbers of older people. 2014 figures show that 304,670 older people aged 60 or above in Northern Ireland were receiving the State Pension. 181,190 older women were receiving the State Pension, with 123,480 men in receipt of it. <sup>1</sup>
14. At present the State Pension is augmented by Pension Credit for those individuals whose weekly income is below £148.35, or couples whose weekly income is below £226.50. <sup>2</sup> At present 88,860 older people aged 60 or over in Northern Ireland claim Pension Credit. 51,740 Pension Credit claimants are women, and 37,120 are men. <sup>3</sup>
15. The Commissioner recognises that substantial numbers of older people receive income from occupational, personal and private pension income, as well as from other sources. Between 2009-2012, 72% of pensioners were receiving some form of private income in addition to the State Pension. The Commissioner believes that opportunities for individuals to avail of private and occupational

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<sup>1</sup> Department of Social Development Benefit Publications, Spreadsheet, [http://www.dsdni.gov.uk/index/stats\\_and\\_research/benefit\\_publications.htm](http://www.dsdni.gov.uk/index/stats_and_research/benefit_publications.htm)

<sup>2</sup> 'Pension Credit', <https://www.gov.uk/pension-credit/overview>

<sup>3</sup> Department of Social Development Benefit Publications, Spreadsheet, [http://www.dsdni.gov.uk/index/stats\\_and\\_research/benefit\\_publications.htm](http://www.dsdni.gov.uk/index/stats_and_research/benefit_publications.htm)

pension products, and to generate income from other sources, should be maximised, and welcomes the fact so many pensioners are already doing so.<sup>4</sup>

16. But the Commissioner also notes that during this period only 30% of pensioners received the majority of their gross income from private sources. The State Pension is still a very important part of many older people's income.<sup>5</sup>

17. The State Pension is the most common form of public or private income obtained by pensioners, with 97% of pensioner units in receipt of State Pension income from 2009-2012.<sup>6</sup>

18. The levels of income for pensioners is important to the Commissioner because of the numbers of pensioners still living in poverty in Northern Ireland, which is comparatively high. The latest figures available show that despite improvements in the pensioner poverty rate in the last few years, in 2011/2012 there were 16% of pensioners in poverty, compared to 14% of pensioners in poverty in Great Britain.<sup>7</sup>

19. Demographic statistics and trends also point to the likelihood of more older people being in receipt of the State Pension and living longer into the future. According to 2012 based population projections, the numbers of people aged 65 or above in Northern Ireland was 273,000. By 2062 the numbers of people aged 65 or above is forecast to be 579,000.<sup>8</sup> Despite the increases in State Pension Age, the increasing numbers of older people will mean there will still be increasing numbers of older people eligible for the State Pension.

20. The Commissioner has an extensive range of general powers and duties which provide the statutory remit for the exercise of her functions. In addition the Commissioner may provide advice or information on any matter concerning the interests of older people. Her wide ranging legal powers and duties include amongst others:

- To promote and safeguard the interests of older people (defined as being those aged over 60 years and in exceptional cases, those aged over 50 years);
- To keep under review the adequacy and effectiveness of law and practice relating to the interests of older people;

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<sup>4</sup> NISRA, DSD, 'Pensioners' Income Series Bulletin: Northern Ireland 2011-2012'.

<sup>5</sup> NISRA, DSD, 'Pensioners' Income Series Bulletin: Northern Ireland 2011-2012'.

<sup>6</sup> NISRA, DSD, 'Pensioners' Income Series Bulletin: Northern Ireland 2011-2012'.

<sup>7</sup> Joseph Rowntree Foundation, New Policy Institute, 'Measuring Poverty and Social Exclusion in Northern Ireland 2014'.

<sup>8</sup> NISRA, '2012 Based Population Projections', <http://www.nisra.gov.uk/demography/default.asp20.htm>

- To promote the provision of opportunities for and the elimination of discrimination against older persons;
- To issue guidance and make representations about any matter concerning the interests of older people.

21. The Commissioner's powers and duties are underpinned by the United Nations Principles for Older Persons (1991) which include Independence, Participation, Care, Self - fulfilment and Dignity.

22. The importance of State Pension income to many older people, the numbers of older people that receive the State Pension, and the obligations placed upon the Commissioner by the Commissioner for Older People Act (Northern Ireland) 2011, means the Commissioner is pleased to have the opportunity to make a submission to the Committee for Social Development and to communicate to the Committee her views and concerns about the Draft Pensions Bill.

## The Pensions Bill

23. The Commissioner for Older People for Northern Ireland (COPNI) has been monitoring the progress of the Pensions Bill as it progresses through the different stages of legislative scrutiny in the Northern Ireland Assembly.<sup>9</sup> The Commissioner also produced a response to the Pensions Bill by the Department of Work and Pensions in March 2013<sup>10</sup>, the provisions of which are mirrored to a great extent in the Northern Ireland Assembly's Pensions Bill.
24. In the COPNI response to the Department of Work and Pensions consultation, the Commissioner made clear that she supported the principle of a single tier pensions system. The present system of a State Pension and Pension Credit makes the system more complex for individual older people. Pension income coming from both of these sources can make it difficult for individuals to understand the exact split between State Pension and Pension Credit, why they are receiving certain amounts, and what they can expect to receive in the future.<sup>11</sup>
25. A single tier State Pension would make the system simpler and fairer for individual older people, helping them to be clearer on what they should be receiving, and enabling them to undertake more personal financial planning.
26. Making the system simpler and fairer should in theory also make Pensions easier to administer, resulting in cost and time savings that allow support staff an appropriate amount of time to help those older people who do need advice and guidance with their State Pensions. This would further help to make the State Pension system more financially sustainable.
27. If the State Pension is set above the Pension Credit level, then it would particularly benefit those older people with lower levels of lifetime earnings due to low pay and caring responsibilities.

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<sup>9</sup> <http://www.niassembly.gov.uk/Assembly-Business/Legislation/Primary-Legislation-Current-Bills/Pensions-Bill-As-Introduced/>

<sup>10</sup> COPNI, 'Draft Pensions Bill: Written Evidence Submitted by the Commissioner for Older People for Northern Ireland', [http://www.copni.org/images/consultations/March\\_2013\\_-\\_Draft\\_Pensions\\_Bill.pdf](http://www.copni.org/images/consultations/March_2013_-_Draft_Pensions_Bill.pdf)

<sup>11</sup> NISRA, DSD, 'Pensioners' Income Series Bulletin: Northern Ireland 2011-2012'.



28. COPNI recognises that the value of the single tier State Pension will only be definitively set in the Autumn of 2015 and values quoted so far have been suggestions as to what the level could be set at. However these suggestions are valuable indicators for COPNI to comment on.
29. The Commissioner notes that the value of the single tier State Pension will be set in the Autumn of 2015. In the March 2013 response to the Draft Pensions Bill it was highlighted by the Commissioner that the suggested amount in the White Paper was £144 per week, which was £1.30 above the basic Pension credit guarantee level. This figure was nearly 1% above the basic Pension Credit guarantee level.
30. This contrasted with the figure in the Green Paper. Due to the fact that the Pension Credit Guarantee level being lower at the time of publishing the Green Paper, the suggested value of the single tier State Pension was actually less than it was in the White Paper, at £140. This was £7.40 above the basic Pension Credit guarantee level as it stood at that time. The suggested amount was nearly 6% higher than the basic Pension Credit guarantee level. COPNI noted in the March 2013 response that the amount suggested in the White Paper, disregarding the varying Pension Credit Guarantee levels, was, as a percentage of the Pension Credit Guarantee less than the level for the single tier State Pension that was originally suggested in the Green Paper.
31. The single-tier pension must be set at a level where it can realistically meet the aims of introducing these reforms - to tackle poverty, provide a platform for saving and reduce reliance on means testing. The Commissioner is concerned that £144 is not sufficient to meet these aims. COPNI will be monitoring closely the level applied when the single tier pension is set in Autumn 2015. The Commissioner would advise that consideration is given to setting the value of the single tier State Pension sufficiently above the basic Pension Credit guarantee level that it makes a meaningful difference to older people, and is more likely to achieve the aims of these reforms.
32. Savings credit, part of the Pension Credit for individuals who have saved some money towards their retirement, such as through a second pension or savings, is ending for individuals in receipt of the single tier State Pension. The savings credit aims to reduce the detrimental impact that a private pension income can have on the overall amount pensioners are able to claim. <sup>12</sup> The Commissioner

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<sup>12</sup> DWP, 'Pension Credit: Do I Qualify and How Much Could I Get?', [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/372545/dwp027-102014.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/372545/dwp027-102014.pdf)

would urge that the final Pensions Bill contain incentives for older people to save and consider contributing to private pensions and that these incentives are contained in the final Bill.

33. Clause two of this Pensions Bill states that an individual is entitled to a State Pension payable at the full rate, once they reach pensionable age, and if the individual has 35 or more qualifying years of National Insurance contributions. An individual is entitled to a State Pension at the reduced rate when they reach pensionable age, if they have made the minimum number of qualifying years of National Insurance contributions which *“is to be specified in regulations and may not be more than 10.”*<sup>13</sup> At present it has been indicated by the Department that the minimum number of qualifying years of contributions will be 10.<sup>14</sup>
34. The way Clause Two is structured at present, combined with the way the National Insurance system works, means there is a risk that the contribution of some individuals is not recognised appropriately, when the system does not recognise periods of work as qualifying years, or does not take account of other responsibilities that individuals may have had. COPNI believe there should be greater safeguards built into the legislation for those who are at risk of not meeting the envisaged minimum 10 qualifying years of National Insurance payments, or who only attain a low number of qualifying years due to caring responsibilities. This is something that should be considered as the Bill goes through the final stages of scrutiny by the Committee.
35. Given that the legislation allows for regulations that set the minimum number of qualifying years at a value less than 10 years, this minimum number should be regularly reviewed, following robust and thorough assessment of the impact on individual older people.
36. The Commissioner is also concerned about the impact of the provision in Clause Two on individuals with multiple part time jobs who do not earn enough in any of these jobs to reach the National Insurance Lower Earnings Limit (LEL), which is presently £111 per week.<sup>15</sup> Individuals in this situation may find they are working long hours to earn aggregate sums that do not reach the qualification threshold of contributing years. Emerging practice within the labour market such as use of zero-hours contracts may make this even more of an issue. The prospect has

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<sup>13</sup> <http://www.niassembly.gov.uk/Assembly-Business/Legislation/Primary-Legislation-Current-Bills/Pensions-Bill-As-Introduced/>

<sup>14</sup> Northern Ireland Assembly, 'Executive Committee Business, Pensions Bill: Second Stage'.

<sup>15</sup> HM Revenue and Customs, 'Rates and Thresholds for Employers 2014 to 2015', <https://www.gov.uk/rates-and-thresholds-for-employers-2014-to-2015>

been raised in Westminster of using the development of real time information (RTI) PAYE to be able to aggregate income information. This method could enable individuals to have a National Insurance year treated as a qualifying year if their earnings were greater than the earnings factor for that year. The DWP said this would be a prospect they would look at in the medium term.<sup>16</sup> The Commissioner recommends this approach as one which merits consideration as soon as possible. The possibility of crediting contributing years retrospectively (if the development of real time information has made this possible) should also be assessed for feasibility.

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<sup>16</sup> Djuna Thurley and Steven Kennedy, House of Commons Library, 'Pensions Bill 2013/2014 – House of Lords Stages'.

## Changes and Amendments to the Pensions Bill

37. Since COPNI's first consultation response was submitted to the DWP in March 2013, the date for the implementation of the single tier State Pension has changed, which has implications for certain groups of individual older people.
38. Originally, the single tier State Pension was due to be implemented by April 2016, but this was changed to April 2017 in the DWP's White Paper. This would have created a situation where women born between April and July 1953, who had expected to move onto the new system, would have been excluded from it, while seeing the date at which they could claim the State Pension move back. The implementation date for the single tier State Pension was then changed back to April 2016<sup>17</sup> and the Commissioner welcomes that this is reflected in this Pensions Bill in Clause One, where it states that individuals reaching pensionable age on the 6<sup>th</sup> April 2016 or thereafter will be eligible for the single tier State Pension.<sup>18</sup>
39. Nevertheless on this implementation date, there will still be a differential between men and women born on the same date. They will receive different pensions, women through the old system and men through the new single tier State Pension. This is due to the staggered equalisation of pension ages between men and women.
40. If the single tier State Pension is introduced on the 6<sup>th</sup> April 2016, it would apply to men born on or after 6<sup>th</sup> April 1951, and women born on or after 6<sup>th</sup> April 1953.<sup>19</sup> This means that the reforms in this Bill will have differential impacts on men and women, even if they are born on the same date and have the identical number of contributing years. It is estimated that there are 19,055 women who fall into this category in Northern Ireland.<sup>20</sup>

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<sup>17</sup> AFH, 'Single Tier State Pension Changes',

[http://www.afhifs.co.uk/cms/filelibrary/single\\_tier\\_state\\_pension\\_changes.pdf](http://www.afhifs.co.uk/cms/filelibrary/single_tier_state_pension_changes.pdf)

<sup>18</sup> 'Pensions Bill (As Introduced)', <http://www.niassembly.gov.uk/Documents/Legislation/Bills/Executive-Bills/session-2014-2015/Pensions%20Bill/Pensions%20Bill%20-%20As%20Introduced%20-%2005-11-14.pdf>

<sup>19</sup> Djuna Thurley, House of Commons Library, 'Single Tier State Pension – Women Born Between April 1951 and 1953'.

<sup>20</sup> Department for Social Development, 'Proposals for a Pensions Bill: Equality Impact Assessment'.

41. As a result of this differential in impact, the DWP have conducted an analysis of how many women would lose out financially from not receiving the new single tier State Pension in the UK. This analysis shows, even though women in this cohort will be receiving a lower amount of State Pension per week, because of being able to draw their State Pension earlier than men, 90% of women would receive more in lifetime state pension and other benefits, than if they had identical pension entitlements to men born on the same date.<sup>21</sup>
42. The Commissioner wishes to see the same level of detailed impact analysis undertaken for Northern Ireland, that will identify the financial impact upon women in this age group. The Equality Impact Assessment for the proposals in this Pensions Bill does not identify the projected numbers of who will be better or worse off, and quotes the figures for the UK given by the DWP.<sup>22</sup> A Northern Ireland specific analysis would enable considered judgements to be made about this Bill. While those affected negatively may be in a minority, there should be consideration of mitigating measures to help those projected to be worse off, such as the option to choose the single tier pension.
43. The Commissioner recognises that the option of increasing state pension entitlement for this group by deferring the State Pension may not be a realistic option for all, especially those on low incomes. The flexibility of the Class 3A National Insurance scheme, for individuals in this situation, outlined in Section 5 (3A and 3B of Schedule 15) of this Bill, that would allow individuals to make additional contributions to receive a higher pension, is welcome<sup>23</sup>, but will not be a viable option for those who do not have the spare capital to increase their National Insurance contributions.
44. The Commissioner is also concerned that in order to properly maximise the benefit of greater flexibility over making National Insurance contributions, sufficient information must be given to individuals in an appropriate format and timescale before they reach the State Pension age. In debates about the Pensions Bill in Westminster the DWP stated that there would be an on demand State Pension statement service that was predominantly digital.<sup>24</sup> If the same system is replicated in Northern Ireland, the Commissioner believes there would

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<sup>21</sup> DWP, 'Note on the Cohort of Women Born Between April 1951 and April 1953'.

<sup>22</sup> Department for Social Development, 'Proposals for a Pensions Bill: Equality Impact Assessment'.

<sup>23</sup> DWP, 'Class 3A Voluntary National Insurance: Policy Detail',  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/265390/v2\\_mw\\_\\_20131211\\_policy\\_brief\\_formatted\\_FINAL.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/265390/v2_mw__20131211_policy_brief_formatted_FINAL.pdf)

<sup>24</sup> Djuna Thurley and Steven Kennedy, House of Commons Library, 'Pensions Bill 2013/2014 – House of Lords Stages'.

be scope for periodic statements of individual National Insurance records to be proactively sent to individuals before they reach State Pension age. The Commissioner also believes that, if such a system is introduced, care should be taken to ensure that all individuals who wish to access this information can do so easily and in a format that they can understand. This will give individuals the information they need, with appropriate time to address gaps in their National Insurance record.

45. This new Bill, continuing the situation which exists presently, provides that the Bereavement Support Payment cannot be claimed once an individual reaches State Pension age. However, as the State Pension age increases and the numbers of individuals over 60 increase, this will be an issue that affects proportionately more older people.
46. The Pensions Bill proposes a move towards more focused payments in the immediate period following bereavement. In depth analysis of the impact of ending Bereavement Support Payments after twelve months on individuals in Northern Ireland, and who will lose out should be undertaken. This would at least mirror similar work the DWP has undertaken for the UK.<sup>25</sup> This would ensure that the impacts are understood by those commenting upon the Bill, and enable implementation based on a better informed understanding if it is to proceed.
47. In Clause 29 and 30 of the draft Bill, as well as Schedule 16, the eligibility conditions for the new Bereavement Support Payment are outlined.<sup>26</sup> The revised legislation states that it will not be possible for an individual to inherit National Insurance increments accrued by their late spouse or partner. COPNI recognises the safeguards that have been put in place for those who are eligible and do not have enough qualifying National Insurance years.
48. In Clause 27 of this Bill, there is a commitment to phase out Assessed Income Periods (AIP's) for people aged 65 to 75.<sup>27</sup> At present, AIP's reduce the burden on individual older people of requiring them to report changes in their circumstances or income to the Pension Service on a weekly basis.<sup>28</sup>

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<sup>25</sup> Minister of State for Pensions, Steve Webb MP in Public Bill Committee. Pensions Bill, Eight Sitting, 4<sup>th</sup> July 2013, <http://www.publications.parliament.uk/pa/cm201314/cmpublic/pensions/130704/pm/130704s01.pdf>

<sup>26</sup> 'Pensions Bill (As Introduced)', <http://www.niassembly.gov.uk/Documents/Legislation/Bills/Executive-Bills/session-2014-2015/Pensions%20Bill/Pensions%20Bill%20-%20As%20Introduced%20-%2005-11-14.pdf>

<sup>27</sup> 'Pensions Bill (As Introduced)', <http://www.niassembly.gov.uk/Documents/Legislation/Bills/Executive-Bills/session-2014-2015/Pensions%20Bill/Pensions%20Bill%20-%20As%20Introduced%20-%2005-11-14.pdf>

<sup>28</sup> Djuna Thurley, House of Commons Library, 'Pension Credit: Assessed Income Periods'.

49. The Commissioner would seek assurance that the phasing out of AIP's for individuals between the ages of 65 and 75 will not produce excessive intrusion and burden upon individual older people and that adequate firsthand planning is undertaken to mitigate against this.
50. Any change that would require individuals to report changes of circumstance and income would need to be supported by a widespread publicity campaign in order to mitigate the burden associated with this as far as possible. Individuals need to be completely clear about what details they are expected to report and what information they need in order to do so effectively.
51. Clause 32 of the Bill proposes introducing a process to automatically transfer a Defined Contribution (DC) scheme pension benefits from a scheme no longer being contributed to a pension scheme where the individual concerned is an active member.<sup>29</sup> The Commissioner supports the principle of making it easier to draw 'dormant' pension funds into an individual's current pension scheme.

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<sup>29</sup> Pensions Bill (As Introduced)', <http://www.niassembly.gov.uk/Documents/Legislation/Bills/Executive-Bills/session-2014-2015/Pensions%20Bill/Pensions%20Bill%20-%20As%20Introduced%20-%2005-11-14.pdf>

## Conclusions

52. COPNI supports the aims of the single tier pension in order to create a simpler and fairer pensions system that will tackle poverty, provide a platform for saving and reduce reliance on means testing. However, because of the complex and widespread changes proposed, there will be those who will be worse off as a result, and COPNI is eager that comprehensive analysis should be undertaken on where they will lose out and how this can be mitigated.
53. COPNI would further emphasise the need for the single tier pension to be set at a level that will fulfill the original aims, and for an appropriate publicity campaign to be developed and implemented that will explain all the changes.
54. In the absence of detailed analysis of the impact on older individuals in Northern Ireland in terms of some of the aspects of these reforms, such as differential impacts on men and women, the Commissioner is not fully convinced that the real impact on older people can be understood, making it hard to offer unequivocal support to this Bill.