



Northern Ireland
Assembly

**COMMITTEE FOR
SOCIAL DEVELOPMENT**

OFFICIAL REPORT
(Hansard)

Pensions Bill: Accelerated Passage

8 December 2011

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 Gregory Campbell
Mrs Judith Cochrane
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Mr Fra McCann
Mr David McClarty

Witnesses:

Mr Nelson McCausland)	The Minister for Social Development
Mr Seamus Cassidy)	
Mr Gerry McCann)	Department for Social Development
Ms Anne McCleary)	

The Chairperson:

Minister, you are very welcome. Thank you for coming along to the Committee this morning with your officials. You are here to advise the Committee of your approach to the proposed Pensions Bill, so, without any further ado, the floor is yours.

Mr McCausland (The Minister for Social Development):

Thank you, Mr Chairman. I am grateful for the opportunity to meet the Committee about the proposed Pensions Bill. My officials briefed the Committee on the content of the corresponding Westminster Bill on 9 June and the Northern Ireland Bill on 13 October, so members are familiar with the proposals. The Westminster Bill received Royal Assent on 3 November. With the Committee's agreement, I will outline what the Northern Ireland Bill does and, for reasons that I will explain, request the Committee's support for accelerated passage for the Bill.

Subject to Executive approval, the Bill will correspond largely to the Westminster Pensions Act 2011. A number of provisions in that Act will not be replicated, as they extend directly to Northern Ireland. Those relate to the financial assistance scheme and to judicial pensions. The Bill will include measures relating to the state pension, automatic enrolment into workplace pensions, indexation and revaluation of occupational pension schemes and pension compensation, and the operation of the pension protection fund.

The Bill revises the existing timetables for increasing pension age to phase in the increase to 66 between December 2018 and October 2020, rather than between April 2024 and April 2026, as is currently provided for. As a consequence, the pace of equalising pension ages for women and men at 65 will accelerate from 2016, so that women will have the same state pension age as men by November 2018 instead of April 2020. Increases to the state pension age will mean corresponding increases in the 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 will also increase.

The proposed Bill will abolish the requirement to award payable uprated contracted-out deduction increments, small top-up additions to state pensions, for those who have not started to receive both their deferred contracted-out pension and their state pension before the specified date. In Northern Ireland, just over 1% of state pension recipients receive those payments. The average payment is £1.17 per week. Existing awards will not be affected, and removing that intricate payment in respect of new awards will assist the state pension simplification process.

Existing legislation provides for the consolidation of the various elements of additional state

pension to provide a single value, enabling easier prediction of entitlement in retirement. The Bill provides a power to set the start date for consolidation by order. The Bill implements a number of recommendations made by the independent review of the scope of automatic enrolment into workplace pensions, including the introduction of an earnings trigger, the introduction of an optional waiting period of up to three months before automatic enrolment duty commences, and changes to the way an employer can certify that their pension scheme meets the necessary quality test.

A number of consequential changes to existing legislation are needed as a result of the Westminster Government's decision to use the consumer price index rather than the retail price index as the general measure of inflation for upgrading social security benefits and pensions. The Bill also contains measures to amend the definition of money purchase benefits following a judgement of the Supreme Court. Technical amendments are made to legislation governing the operation of the pension protection fund, reflecting experience gained in operating the fund since April 2005.

Many of the proposals are minor and technical. The most contentious matter is the increase in state pension ages and the implications for state pensions and other benefits. The Committee and other groups that responded to the consultation on the equality impact assessment (EQIA) expressed concerns about that measure. I share those concerns and, indeed, raised them with Iain Duncan Smith on 24 June. However, I believe that there is general agreement that changes to pension age are inevitable. You are aware that the Westminster Government firmly believe that the current timetable for changes to pension age is unsustainable in light of increasing life expectancies and an ageing population. In stark terms, the issue is ensuring the financial sustainability of the state pension system.

Expenditure on state retirement pension in Northern Ireland in 2010-11 was more than £1.6 billion — over £32 million per week. The Westminster Government estimate that bringing forward the increase in state pension age to 66 in October 2020 will result in a net reduced expenditure of approximately £30.6 billion between 2016-17 and 2025-26. For the same period, the Northern Ireland figure would be around £700 million.

The Committee is aware that the Northern Ireland Act 1998 places a statutory duty on me and the Secretary of State to seek to maintain single systems of social security and pensions across the United Kingdom. That includes parity of timing. Members are also aware of the economic imperatives underpinning the principles of parity and of the constraints of what is operationally possible, given that there is a common computer system for here and the rest of the United Kingdom.

The Northern Ireland social security system is, in effect, heavily subsidised. The Northern Ireland national insurance fund has to be balanced each year by a transfer of money from the Great Britain national insurance fund. In 2009-2010, that was £395 million. Non-contributory benefits are funded in full from general taxation, with £2.8 billion received in 2009-2010. That funding is predicated on the maintenance of parity. It is normal practice for a Northern Ireland parity Bill to be introduced after the corresponding Westminster Bill has received Royal Assent, and I would suggest that it would clearly be an inefficient use of Committee and Executive time to consider proposals that remain subject to substantive change, requiring the tabling of amendments and multiple referrals to the Committee. This does, however, create difficulties in relation to the timing of Northern Ireland legislation. Given the separate legislative processes, it is not possible to maintain exact parity of timing with Britain. We have to wait until they get Royal Assent before we introduce the legislation here. Nevertheless, we seek to keep any time lag to a minimum, particularly when it acts to the detriment of people here.

The Westminster Act contains several provisions that came into force on Royal Assent on 3 November and a number that come into force two months after Royal Assent, in January. Those that came into force on Royal Assent are largely technical and a time lag does not cause particular problems. However, some of the provisions coming into force two months after Royal Assent, in January, deal with substantive issues, where parity of timing is highly desirable, particularly section 1, which provides for the 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 that issue were raised by Members of the Assembly and by all who made substantive responses to the consultation on the equality impact

assessment, including the Committee. I share those concerns, and I made them known to Iain Duncan Smith as far back as last June.

Until the Assembly Bill receives Royal Assent, women here cannot plan with certainty for their retirement date. That 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 with women in Great Britain. Early passage of the Bill would provide women here with a period of notice similar to that for women in Great Britain and help to maximise that period.

Accelerated passage would, of course, mean that there would be no formal Committee Stage. Although I do not in any way underestimate the importance of the scrutiny role performed by the Committee, which is very valuable, I believe that there are compelling reasons for using the accelerated passage procedure for this Bill.

It is vital that women here are given the certainty they need to plan for their retirement without undue delay. The longer the delay in enacting the legislation, the greater the disadvantage women here will face. Every step should be taken to avoid adding to the challenges that the women affected by the change in pension age will face in adapting to their new retirement situation and plans.

Assuming that the Assembly Bill will be introduced in January, if the full Bill procedure is used, it is unlikely that it would receive Royal Assent before May 2012 or even later. With accelerated passage, the Bill could complete its passage early in the new year. That would mean that we would have taken all possible steps to minimise the period of uncertainty that women here face and that we are being responsive to local concerns.

I trust that the Committee is content with the broad thrust of the Bill and the need for accelerated passage. As for the future use of accelerated passage procedure, I will continue to assess Bills on their merit. I fully appreciate that by shortening the process the Committee will not have the same opportunity to scrutinise the Bill in detail. For the reasons I outlined, however, I believe that it is right in these circumstances and in this instance to seek accelerated passage. I have no doubt that Members will make their views known during the Bill's passage through the

Assembly.

Next year — indeed from the very start of the year — we will be very busy with social development issues. I hope that I am not out of order in suggesting that we should all try to focus as much as possible on where we can make a difference and changes rather than devoting time to issues on which we are tied into the principle of parity and there is no room for manoeuvre. Very early in the new year we will be bringing forward a new housing strategy. That will be a major piece of work that the Committee will want to devote a major amount of time to. There will also be the review of the Housing Executive, which is a huge piece of work. Some social legislation is coming forward early in the new year. A whole range of things will be coming before the Committee, and there will be substantial demands on the Committee's time. I simply make the point that those are issues in which the Committee has a major role to play and on which it can have a major impact by influencing the shape of what comes forward. There are some things, such as this, where there cannot be any.

The Chairperson:

OK, Minister, thank you for that fairly comprehensive and frank briefing.

I remind members that they have all the relevant correspondence: a copy of the earlier discussion with officials on the EQIA consultation and a copy of the Bill and the explanatory memorandum, which has been provided to the Committee in confidence. Obviously, we expect that to be respected.

Mr Easton:

Thank you, Minister. I am sure that you sometimes feel frustrated when you get things sent over from Westminster and have to do them whether you like them or not. That must be quite frustrating for you at times. If you do not get accelerated passage through the Committee, will there be a financial knock-on that could affect us in any way?

Mr McCausland:

First, we have to retain parity. You have heard the figures for the amount of money that comes to pensions in Northern Ireland. If we breach parity, we would be liable.

Secondly, there are complex computer systems to be brought in, and it is important that we get those at the same time. We cannot have our own system; we have to share the system. The fact is that there would be huge implications if we did not go down that road.

Mr Easton:

So, the longer we delay —

Mr McCausland:

We can get there quickly, or we can get there in a longer period. The most direct impact would be on pension recipients, because they are the folk who would have less time to prepare. Members will know that pensions are a long-term project for most people. This is a relatively short-term period for people who have to make changes. Every month makes a difference for them. People across the water in Great Britain already know where they are. It could end up that it will be May before people in Northern Ireland know. That is a disadvantage of quite a few months in a comparatively short period of time.

Mr Brady:

Welcome, Minister. It seems to me that part of your premise for requesting accelerated passage is to give women here a chance to prepare, as you say in your letter:

“particularly where any delay will act to the detriment of people here.”

Already, that detriment is kicking in, because women are losing out on pension entitlements, sometimes by up to two years.

As for the numbers affected, the proposed changes to the state pension age could affect an estimated 69,200 men and 70,100 women. That is 146,300 people. As regards state pension credit, winter fuel payments and the upper age limit for receipt of working age benefits, we are talking about 153,000-plus people. The reality is that, because pension credit will be affected, people are going to lose out by up to £70 a week. That is a huge amount, and that needs to be factored in to all of this. People are going to stay on approximately £67·50, when they normally would have gone on to what used to be called the minimum income guarantee, which is about £135 in pension credit. Seventy pounds is a lot of money. Fuel poverty is considered as more than 10% of your income going on fuel; that is £6-odd. It does not really equate. There are

bigger issues around this that maybe need to be addressed and scrutinised.

Alex asked a question about the knock-on effect. It will not immediately impact on people's entitlement or otherwise. We talk about the national insurance fund. I think that Mrs Thatcher and her Government had a very cavalier attitude when she put the fund into the red for the first time in its history to subsidise private pensions. The national insurance fund might not be the best example, taking into account the current British Government that we have in place.

Mr McCausland:

The concerns that members have, and Mr Brady has expressed them, are about the impact that this is going to have on people in Northern Ireland. I think that everyone would share those concerns. However, the problem that faces me is that there is an inevitability about these things. We can look at operational issues around some of the welfare reform issues, but I do not see how we can deviate in this regard.

Mr Brady:

With respect, it is not a question of deviating. We cannot defend the indefensible. In scrutinising, we are looking at stuff that we may be able to change around administration. Obviously, parity is a bigger issue, and we could talk all day about that, but, with any legislation going through the Assembly, there may be opportunities during our scrutiny to see how it can be done better and how we can lessen its impact. That is the point.

Mr Copeland:

Minister, thank you for your presentation. Would it be possible to get a copy of it for further consideration?

Mr McCausland:

Yes.

Mr Durkan:

I thank the Minister for his presentation. However, I am inclined to agree with Mickey. I have some concerns about the lack of scrutiny there would be if we were to proceed with accelerated

passage. I accept the Minister's argument that not proceeding with accelerated passage might disadvantage people's preparation for retirement by a couple of months, but that would be minimal compared with the disadvantage that the imposition of the legislation will cause anyway. We should be looking, through the legislation or through the operational end of things, as Mickey was saying, at how we can mitigate any disadvantage the legislation might cause.

Mr McCausland:

I just want to pick up on the point about seeing what can be done operationally and ask the officials if they see anything that can be done.

Mr Gerry McCann (Department for Social Development):

We could maybe look at operational changes separately, outside of the process for the Bill's passage. I am not sure about the kinds of things that you are thinking of. Do you have any ideas, Mr Brady, about the type of operational changes?

Mr Brady:

If we get the chance to scrutinise the Bill, maybe we will come up with some.

Mr G McCann:

I am just trying to answer your question about the kinds of operational issues that we could look at.

Mr McCausland:

We are looking for a Blue Peter one that you have prepared already.

Mr Brady:

In fairness, the idea of scrutiny is to go through a Bill clause by clause to see what it will impact and whether anything can be done. Accelerated passage means that we do not have any role in that at all, which kind of negates the purpose of the Committee.

Ms Anne McCleary (Department for Social Development):

It is fair to say that the bulk of the concerns that you have raised are around money and how

people will be affected financially. Operational flexibility is not really going to help us there. It is quite black and white: we just cannot do anything differently.

The Chairperson:

On a number of occasions, members have raised the trigger effect that the Bill might have on the winter fuel allowance. I do not know whether shifting the pension age automatically changes the age of eligibility for the allowance. I think that that is the type of question that members were posing earlier.

Mr G McCann:

The qualifying age for the winter fuel payment will change with the state pension age.

Ms McCleary:

They are directly related.

The Chairperson:

There is no deviation from that.

Mr G McCann:

No. The winter fuel payment has always been aimed at people of pension age. It is a benefit for pensioners.

The Chairperson:

Some of the primary concerns that people were expressing were not even about the shifting of the age; they were about the consequences of that. The winter fuel allowance is only one example of that.

Mr Douglas:

Minister, thank you very much for your presentation. There is mention in your letter of some of these things being technical, which we understand. It is important that, on this and other matters, we develop a very close working relationship with your officials, because there is so much coming down the track. Maybe it would be a lot of work for the officials, but would they be able

to come to us and say, “Here are the things that we should be agreeing on”? That would also give us a bit more time to look at issues that might be a bit more controversial, and it might give us an opportunity to shape things as well. That would be a lot of work for Anne and the rest of the team, but we need to build that working relationship, because we will be here morning, noon and night over the next number of weeks, particularly in the new year.

Mr McCausland:

Yes, a precis of the key points and the technical matters would be helpful.

Mr F McCann:

I have two points, one of which is on the back of what Sammy said. The consequences of us not going through each and every piece of legislation would be disastrous for people. By and large, people have said that, on the face of it, a universal credit with one payment seems good, and that is the pitch that has been put out. However, by the time that comes in, all benefits will already have been cut to pieces. The fact that it will be capped already discriminates against people, so it is essential that we scrutinise every piece of legislation that goes through. Over and above the monetary aspect of the pensions issue, we have dire weather warnings today, and what we decide today will impact on the fuel benefit of 130,000 people.

Mr Copeland:

Minister, everyone around the table will understand the position that you find yourself in, and we are possessed of a fair degree of sympathy. Is it possible to do both? Can the Committee estimate how long it would take us to scrutinise this Bill to our satisfaction by having an additional meeting, or even by compressing the scrutiny into two or three days during the recess, if necessary? Those are important points in facilitating the passage of the Bill.

The Chairperson:

It is not beyond the ability of the Committee to have more discussion on this. There has been a fair amount of discussion on it already, and, in fairness to the officials, they have responded properly by giving all the information. The Minister himself has come here today and said that he shares the concerns of members, so there is no argument about the negative implications of the Bill. The Committee can have further discussions about it, if it wishes. The Minister has advised

that he wants to proceed on the basis of accelerated passage, and that is a requirement under Standing Orders. It will go to the Assembly and will have to be passed by a motion with cross-community support, so it will be dealt with anyway under Standing Orders in the Assembly.

What we are trying to do this morning — and I thank the Minister for coming — is get answers to questions that members have already posed and to any new questions that they might have. Again, the Minister and the officials tried to respond. I do not think that there is a lot of extra information to be garnered. There will be a decision. I do not want to paraphrase you, Minister, but I think that you have decided that you want to proceed on the basis of accelerated passage and that you will go to the Executive on that basis. You have outlined your case for that.

Mr McCausland:

In a sense, we are obliged to do that under the legislation, but the positive aspect of that, against the negative aspects, is that it gives people that bit more time to prepare.

Mr Brady:

There is a dichotomy in all of this, in that, on the one hand, we are doing our best to reduce fuel poverty, while, on the other hand, through the legislation, we are increasing it for up to 130,000 people. There is an obvious contradiction there.

Mr McCausland:

Again, there is a common view on the concerns about the implications of the legislation.

Mr Campbell:

I apologise for being a bit late, Chairman. We are in an exceptionally difficult position, and the Minister is in a difficult position. It is not unique; we have been down this route before. In a more perfect world, we would want to go through a legislative change such as this very thoroughly. We would want to do it line by line, and we would prefer to do that. However, the Minister has outlined not only the reason for the Department doing this but the beneficial effect of advance knowledge for those who will be negatively impacted by the legislative change and the need to get that knowledge to them quickly.

I take Michael's point that it would be great if we could reconcile both approaches by going through the Bill while still giving people certainty, but it would be exceptionally difficult to do both. It is preferable and desirable but exceptionally difficult, and, at the end of it, within a very short period, we will have to decide where we will fall on either side of the argument. Do we want to give people advance knowledge and certainty, knowing what will happen if we take the other route of going through the legislation line by line? We all know the restrictions and the parameters that we are operating within and the limited change that we will be able to bring about. We will have to make a call. That is a comment rather than a question.

The Chairperson:

OK. No other members have indicated that they wish to speak. Minister, I thank you and your officials for attending, and I know that you came here at short notice. We wish you well, and we look forward to having you back before the Committee.