Committee for Social Development

Report on the Pensions Bill (NIA BILL 42/11-16)

Together with the Minutes of Proceedings, Written Submissions and the Minutes of Evidence relating to the Report

Ordered by the Committee for Social Development to be printed 19 February 2015

Mandate 2011/16

Tenth Report - NIA 229/11-16

Membership and Powers

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

The Committee has power to:

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

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

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

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister [7]
Ms Paula Bradley [1]
Mr Gregory Campbell [3]
Mr Maurice Devenney [8,12,13]
Mr Roy Beggs [14]
Mr Stewart Dickson [11]
Ms Dolores Kelly [10]
Mr Fra McCann
Mr Sammy Wilson [2,4,5,6,9]

1 With effect from 20 February 2012 Ms Paula Bradley replaced Mr Gregory Campbell
2 With effect from 26 March 2012 Mr Alastair Ross replaced Mr Sammy Douglas
3 With effect from 01 October 2012 Mr Gregory Campbell replaced Mr Alex Easton
4 With effect from 01 October 2012 Mr Sammy Douglas replaced Mr Alastair Ross
5 With effect from 11 February 2013 Mr Sydney Anderson replaced Mr Sammy Douglas
6 With effect from 07 May 2013 Mr Sammy Douglas replaced Mr Sydney Anderson
7 With effect from 09 September 2013 Mr Jim Allister replaced Mr David McClarty
8 With effect from 16 September 2013 Mr Trevor Clarke replaced Ms Pam Brown
9 With effect from 16 September 2013 Mr Sammy Wilson replaced Mr Sammy Douglas
10 With effect from 30 September 2013 Mrs Dolores Kelly replaced Mr Mark H Durkan
11 With effect from 01 October 2013 Mr Stewart Dickson replaced Mrs Judith Cochrane
12 With effect from 06 October 2014 Mr Sammy Douglas replaced Mr Trevor Clarke
13 With effect from 17 November 2014 Mr Maurice Devenney replaced Mr Sammy Douglas
14 With effect from 09 February 2015 Mr Roy Beggs replaced Mr Michael Copeland

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List of Abbreviations

AIP	Assessed Income Period
BSP	Bereavement Support Payment
COPNI	Commissioner for Older People for Northern Ireland
CPI	Consumer Price Index
DHSSPS	Department of Health, Social Services and Public Safety
DSD	Department for Social Development
DWP	Department for Work and Pensions
ESA	Employment and Support Allowance
HMRC	Her Majesty's Revenue and Customs
JSA	Jobseeker's Allowance
LEL	Lower Earnings Limit
NIC ICTU	Northern Ireland Committee – Irish Congress of Trade Unions
NICs	National Insurance Contributions
NILGA	Northern Ireland Local Government Association
NILGOSC	Northern Ireland Local Government Officers' Superannuation Committee
NIPSA	Northern Ireland Public Service Alliance
PPF	Pension Protection Fund
RPI	Retail Price Index
SDC	Social Development Committee
SSA	Social Security Agency
UC	Universal Credit
WPA	Widowed Parent's Allowance

Executive Summary

1. This report details the Committee's consideration of the Pensions Bill, which was referred to it on 19 November 2014. The Pension Bill is part of a wider range of pension reforms but the key aspect of this bill is the introduction of a new single tier pension.

2. The Committee heard from three stakeholders who responded to its call for evidence.

3. Significant issues were discussed with stakeholders and the Department in relation to the acceleration of the Pension Age to 67; the increase in qualifying years required for people to claim state pension; and Bereavement Support Payment. A number of other issues were raised in respect of various aspects of the Bill and these were largely addressed to the Committee's satisfaction.

4. The Committee agreed with stakeholders that a simpler state pension system that provided clarity about future state pension income was welcome.

5. The Committee welcomed the fact that the self-employed who are currently only entitled to the basic state pension, will be entitled to the full state pension as long as they accumulate 35 qualifying years.

6. The Committee also welcomed the fact that officially recognised carers could also be recipients of the new full state pension as it is aimed at those who have made a significant contribution to society.

7. The Committee was concerned that there may be a significant number of people acting as carers who are not officially recognised as such and who may therefore not be awarded an appropriate level of state pension.

8. While the Committee originally had concerns about the introduction of the Bereavement Support Payment these were largely addressed by the Department. However, the Committee remained concerned about the exclusion of unmarried cohabiting partners from this scheme simply on the basis of the difficulty in verifying the bona fides of such relationships. The Committee recommends that the Department considers how official confirmation of these relationships could be established in order to facilitate payment to the surviving partner of such a relationship.

9. The Committee was concerned that those with multiple part-time jobs or in zero hours contracts might not be in a position to make National Insurance contributions and therefore not reach the minimum qualifying period of 10 years. The Department noted that National Insurance was an excepted matter and therefore falls outside the remit of the Assembly. However, this has been acknowledged as an issue and the Committee was informed that DWP and HMRC are looking at this for the longer term.

10. The Department advised the Committee that it had estimated that this provision would only affect between 225 and 300 people. In fact for the last year for which figures are available (2012-2013) there were only 110 people who put in a claim who were actually getting less than the 10-year amount.

11. The Committee did not propose any amendment to the Bill.

Recommendations

12. That the Department monitor the impact on widowed parents with dependent children by replacing widowed parent's allowance and other bereavement benefits with the Bereavement Support Payment.

13. The Committee noted that the Bereavement Support Payment will not extend to surviving unmarried cohabiting partners, which is currently also the case in relation to the payment of widowed parent's allowance. The Committee noted that the main reason for this is the difficulty in officially verifying the bona fides of the relationship. However, the Committee shared the concerns of Cruse and the Childhood Bereavement Network that this might ultimately impact on the children of such a relationship. The Committee therefore recommends that the Department investigates how verification of such relationships could be established with a view to including unmarried cohabiting partners through the Bereavement Support Payment.

14. The Committee calls on the Department for Social Development to work with stakeholders and other Departments, particularly DHSSPS, in order to maximise the number of informal carers who are officially recognised as carers.

15. That the Department provides an update whenever HMRC and DWP make progress towards effectively capturing information of those working multiple jobs and struggling to reach LEL, to ensure recognition of their 'service to society' and that qualifying years can be accumulated accordingly.

Introduction

16. The Westminster Pensions Act 2014 received Royal Assent on 14 May 2014. The corresponding Bill in Northern Ireland, the Northern Ireland Pensions Bill 2014, was introduced to the Assembly on 10 November 2014 and had its second reading on 18 November 2014.

17. At an initial briefing the Department described the Bill as a ‘mixed bag’ and noted that while the proposal to introduce a single-tier pension had broadly been well received other aspects of the Bill were likely to prove less popular.

18. Speaking in the chamber at the Bill’s second reading, the Committee Chairperson acknowledged this, noting that it would be perceived that there would be both winners and losers as a result of the proposed changes.

19. The Committee considered it important to scrutinise the Bill to get a fuller picture of the practical implications of the Bill.

20. The Committee received a pre-introductory briefing on the Bill from the Department at its meeting on Thursday 6 March 2014. At the introduction of the Bill to the Assembly on 10 November 2014 the Minister for Social Development made the following statement under section 9 of the Northern Ireland Act 1998:

> *“In my view the Pensions Bill would be within the legislative competence of the Northern Ireland Assembly”*

21. The Bill, as introduced by the Minister, contains 54 clauses and 20 schedules.

22. Second stage of the Bill was agreed by the Assembly on 18 November 2014, after which it was referred to the Committee for Social Development for consideration.

23. On 1 December 2014 the Committee brought a motion to the Assembly to extend the committee stage of the Bill to 26 March 2015 in order to facilitate engagement with stakeholders as required.

24. As part of the Committee’s consideration of the Bill, a public call for evidence was issued in December 2014. The Committee sought submissions from stakeholders through advertisements placed in the Belfast Telegraph, Newsletter and Irish News.

25. The Committee also proactively contacted stakeholders who had contributed to the Department’s consultation on the Bill, to determine whether they also wished to make a submission to the Committee.

26. The Committee subsequently considered the Bill and related issues at its meetings on 25 November 2014, 2 December 2014, 9 December 2014, 13 January 2015, 22 January 2015 and 29 January 2015.

27. The sessions in December and January included briefings with officials from the Department for Social Development, with stakeholders and discussions amongst the Committee members. The relevant extracts from the minutes of proceedings are included at *appendix 1*.

28. As part of its consideration, the Committee took oral evidence from those stakeholders that provided substantive written submissions. Minutes of evidence for these meetings, together with minutes of the Committee’s meetings with departmental officials, are included at *appendix 2*.

29. The Committee received three substantive written submissions to the call for evidence, as well as three email responses. These are included at *appendix 3*.

30. The Committee worked closely with the Department throughout the committee stage to ensure that this was completed as expeditiously as possible. As well as attending meetings with the Committee, the Department addressed concerns of both the Committee and stakeholders by correspondence. These written responses are included at *appendix 4* together with written briefings provided by the Department.

31. The Committee conducted the formal clause-by-clause consideration on 5 February 2015 and agreed its report on 19 February 2015.

Consideration of the Bill

Background – The Pensions Bill as part of wider pension reforms

32. In 2014 – 2015, as well as scrutinising the Northern Ireland Pensions Bill, the Committee considered a Legislative Consent Motion relating to the Westminster Pension Schemes Bill and anticipates scrutinising a forthcoming NI Pensions Schemes Bill, which will reflect the provisions of the Westminster Bill.

33. Given the various pension reforms, the Committee sought some information from DSD on the current landscape of changes to pensions, to put this Pensions Bill in context.

- The Northern Ireland Pensions Bill 2014 introduces changes in respect of the state pension, as well as some provisions relating to private pensions;
- The Pensions Schemes Bill is concerned with private pension schemes;
- The UK-wide Taxation of Pensions Act deals with taxation and financial services, which are excepted and reserved matters respectively and, as such, outwith the Assembly's control.

The Northern Ireland Pensions Bill 2014

34. The Committee considered the Pensions Bill between November 2014 and February 2015. The Bill contains reforms to both the state pension system and bereavement benefits. The Bill seeks to simplify the current state pension, as part of the broader pension reforms, which consists of state pension and additional state pension, replacing this with a new single-tier pension.

35. The Bill primarily contains reforms to the state pension system, although Part 6 contains a number of measures relating to private pensions, designed to build on the introduction of automatic enrolment and give people greater confidence in pension saving.

36. The Bill also contains provision to bring forward the date at which the state pension age will increase to 67. It provides for this change to be implemented between 2026 and 2028, rather than the original schedule of between 2034 and 2036.

37. The Bill will increase the minimum qualifying period for state pension to 10 years and the minimum number of qualifying years to receive *full* state pension from 30 to 35 years. The former of these provisions actually allows for the increase in minimum qualifying years to be 10 *at most*, but speaking at the second reading of the Bill, the Minister for Social Development noted that this *would* be increased to 10.

38. The Bill was introduced by the Minister for Social Development on 10 November 2014 and had its second reading on 18 November 2014, coming to the Committee for Social Development for committee stage on 19 November 2014.

39. The statutory timescale for the committee stage of a Bill is 30 days, which placed the original deadline for completion of this stage at 20 January 2015.

40. The Committee was nevertheless of the view that the Bill warranted comprehensive consideration, given its far-reaching impact on society and felt it important to ensure that the implications of the Bill were fully understood and that any necessary steps are taken to minimise potential detrimental impacts of the Bill.

41. With all this in mind, the Committee tabled a motion to extend the committee stage of the Pensions Bill. This motion was brought to the Assembly on 1 December 2014.

42. The Assembly agreed to the extension of committee stage to 26 March 2015 to ensure the Committee could conduct adequate consideration of the Bill, including consultation

with stakeholders, although the Committee made a commitment that it would endeavour to complete consideration as close to the original deadline as possible.

43. The Committee issued its call for evidence on 21 November 2014.

Call for evidence

44. In response to its call for evidence the Committee received three *substantive* written submissions. Additionally the Committee received shorter written responses from four stakeholders, commenting on particular aspects of the Bill.

45. All the written submissions received by the Committee are included at *appendix 3*.

46. The Committee received oral briefings from stakeholders at meetings on 2 December 2014, 13 January 2015 and 22 January 2015. Representatives from the following organisations gave evidence:

- Northern Ireland Public Service Alliance (NIPSA)
- Northern Ireland Committee – Irish Congress of Trade Unions (NIC ICTU)
- Commissioner for Older People for Northern Ireland (COPNI)
- Cruse Bereavement Care / Childhood Bereavement Network

47. Additionally, the Committee took a briefing from the SSA on the communications strategy for the reformed state pension on 9 December 2014.

48. Additional written responses were noted by the Committee and the Department provided clarification on matters raised in these responses that were not covered elsewhere in the Committee's consideration.

49. Following consideration of stakeholders' evidence, written and oral, the Committee met on 29 January 2015 to discuss its position on issues that had been raised during its engagement with stakeholders. The Department attended this meeting to provide further clarification.

50. The Department also attended the formal clause-by-clause consideration of the Bill to provide clarification on issues raised in a follow-up written submission from Cruse Bereavement Care.

Key Issues

51. Over the course of discussion and evidence sessions, a number of issues were raised in relation to the Bill, both by stakeholders and by members of the Committee. Some of these related to specific clauses in the Bill while others related indirectly to Bill.

52. Some of the main issues raised throughout consideration were:

- Impact of the acceleration of state pension age
- Perceived inequitable impact on women and men
- Increase in minimum qualifying years to 10 years
- Increase from 30 to 35 qualifying years for full state pension
- Implementation of the Bereavement Support Payment

53. These are considered in more detail in the following sections.

Part 1: Single-Tier Pension (Clauses 1 – 24)

54. Part 1 of the Bill makes provisions to introduce a single-tier state pension from 6 April 2016, increase the minimum number of qualifying years to no more than 10 and increase qualifying years for full pension to 35.

Potential of changes to impact disproportionately on women as compared to men

55. The Committee considered concerns expressed by the Commissioner for Older People (COPNI) that as a result of the staggered implementation of the increase in state pension age there will be men and women born on the same day who will receive different rates of pension.

56. The Committee was reassured following discussion with the Department, in which officials outlined in some detail that in fact, while there would inevitably be people adversely affected by the introduction of the new pension, that there is no evidence to show that one sex would be at a particular or disadvantage over the other.

57. For example, a woman born on a given day would be able to claim a pension under the old state pension system, comprised of state pension and second state pension, and a man born that day would fall under the new single-tier system. While this might suggest that a woman would be disadvantaged compared to a man it would be the case that a woman would be able to claim her pension earlier and to access pension credit, savings credit and other measures under the old system. Access to these benefits under the old system would afford women the potential to bring their pension to a level in line with the state pension claimed under the new system.

58. The Committee considered the Department's response on this matter and was satisfied that, although men and women in the situation outlined would face different circumstances in the wake of the reforms, that each would be able ultimately to attain pension at a similar level.

59. The Commissioner for Older People also advocated that the single tier pension should be set at 5% above the pension credit guarantee level.

Implications of the increase in qualifying years

60. Throughout the consideration process, a number of issues emerged in relation to the increase in qualifying years. Stakeholders expressed the general view that the increase in qualifying years from 30 to 35 appears disproportionate given that the state pension age has increased by only one year.

61. Under the current system 30 qualifying years are needed to claim the full state pension, while 52 years are needed to claim state second pension. The Committee heard evidence from the Department as to the rationale for the five year increase in qualifying years.

62. The increase to the basic number of qualifying years needed to claim the new single-tier state pension to 35 is intended to strike a balance in this simplified system.

63. The Department provided a breakdown of exactly how, under the proposed scheme, 30 qualifying years, although not entitling a claimant to the full state pension, it would in fact result in a pension entitlement of £127.20, in contrast with the current full state pension entitlement £113.10.

64. The full entitlement after 35 years will be £148.40, more in line with the current state second pension.

65. The Committee was satisfied at the reasoning outlined. It also noted the Department's comments that the increase in qualifying years was intended to reflect the fact that working lives are lengthening.

66. The Committee acknowledged this but some members felt that while people may be living longer they are not necessarily living healthier lives.

67. Therefore, although people are able to work longer and claim their pension, there is no guarantee of a good quality of life in retirement years when people will be able to use their pension.

Multiple part-time jobs and zero-hour contracts

68. One issue that came to the fore as a result of evidence presented by COPNI and that the Committee explored in subsequent discussion, was that those working multiple part-time jobs or on zero-hour contracts may struggle to reach the Lower Earning Limit (LEL) required to trigger National Insurance contributions. The Committee noted the prevalence of this given the current environment in which there is a proliferation of zero-hour contracts.

69. The Committee heard that the 10 years minimum qualifying years was intended to capture 'service to society' but the Committee was concerned if employees do not meet the LEL, it may result in difficulties in accumulating qualifying years.

70. The Committee discussed with the Department whether there were other ways to effectively capture the cumulative hours worked by people in this situation.

71. The Department confirmed that HMRC and DWP are currently engaged in looking at potential ways to capture this information and that any solution to this issue lies outside the powers of the Assembly.

72. The Committee will seek to monitor any progress by HMRC and DWP to effectively capture this information and ensure people accumulate qualifying years that reflect the work they have done.

Prisoners

73. Members of the Committee on a couple of occasions discussed with departmental officials whether prisoners who had their convictions overturned would have their pension payments backdated and, subsequently, whether this would apply in instances where the Royal Prerogative of Mercy had been applied.

74. The Committee noted the Department's response that payments could only be backdated in instances where a conviction had been quashed by the courts and that this would not apply in instances where the Royal Prerogative of Mercy had been applied because only the courts have the power to quash convictions.

End of contracting-out

75. The Committee noted concerns raised by NIPSA about the effect of the end of contracting-out of occupational pensions on defined-benefit schemes. It was suggested that this would mean that in 2016 public sector employees will have to find an additional 1.4% and that employers will have to find an additional 3.4% of National Insurance contributions and that those who are currently contracted out will not get the benefit of the full, single flat-rate pension.

76. The Department responded that contracting-out will end along with the Additional State Pension – i.e. with the introduction of the single tier pension. This clause abolishes contracting out and introduces the power to amend schemes to reflect the end of contracting out.

77. The clause and schedules are intended to ensure that all rights accrued by employees through salary-related contracted-out schemes are protected and that somebody who stays in a scheme up until the abolition will not be treated as having left simply because contracting out has ended.

78. They also allow private sector employers to adjust members' future pension accruals or contributions to take into account the loss of the employer's rebated National Insurance contributions (this will apply for a period of 5 years from 6 April 2016). This option will not be available to public sector employers who will be liable for additional employer contributions.

79. Employers who run defined-benefit schemes do so on a purely voluntary basis but they must comply by legislative requirements. In these schemes the employer bears the risk. Due to increasing longevity and financial volatilities, defined-benefit can present a significant financial strain and are more frequently closed to new members.

Part 2: Option to Boost Additional State Pension (Clause 25)

80. No particular concerns were raised in relation to Part 2 of the Bill during the committee stage of the Bill process.

Part 3: Pensionable Age (Clause 26)

81. The Bill brings forward the date at which state pension age is due to increase to 67 and in considering the Bill, the Committee, in consultation with stakeholders, noted with particular concern that those who are currently closest to retirement age will likely face difficulties in financial planning for their retirement given the changes to the current system.

82. As with the increase in qualifying years, the Department noted that the rationale for the increase in retirement age was increasing life expectancy. On this matter, although the Committee acknowledged that this was the case, members returned to the point that although people are living longer, this does not mean that they are healthy in their later years.

83. The Committee was satisfied that the Department is developing a communications strategy that would adequately convey changes, appropriately targeted at different demographics, to ensure that people are aware of the changes and their implications. Indeed, the Committee received a separate briefing from the SSA on the proposed communications strategy.

84. Committee members were concerned that the Bill would allow for subsequent incremental increase of the pension age beyond 67 but were reassured by the Department's assertion that any further increase in the pension age would require the introduction of additional primary legislation.

Part 4: State Pension Credit (Clauses 27 & 28)

Phasing out Assessed Income Periods

85. The Committee noted concerns raised by COPNI that the ending of AIPs could cause stress and anxiety amongst some older people.

86. As with the general changes to the state pension, the Committee indicated that this would rely heavily on the Department effectively communicating such changes to all demographics, to minimise any risk of confusion and anxiety.

87. As with the general impacts of the increase in pensionable age, the Committee was reassured that the Department was committed to an extensive and effective communication programme and will seek to monitor the effectiveness of this programme.

Part 5: Bereavement Support Payment (Clauses 29 – 31)

88. Most of the Committee's consideration of the introduction of Bereavement Support Payment (BSP) was generated as a result of the Committee's engagement with Cruse Bereavement Care who provided evidence to the Committee in conjunction with Childhood Bereavement Network.

89. The Committee noted with concern that BSP cannot be claimed once individuals reach state pension age and that more people will be affected as pension age increases. Cruse recommended an NI-specific study into this matter.

90. Cruse expressed particular concern over the replacement of a number of benefits, including Widowed Parent's Allowance, with a single Bereavement Support Payment and the likely impact of this on widowed parents with dependent children.

91. The Committee considered recommending that the Minister initiate such a study in NI.

92. Cruse also proposed the option to receive bereavement payments in smaller sums over a longer period of time.

93. The Department explained that the bereavement payment is not subject to tax on the basis that it is made for no longer than 1 year. Officials noted that the Treasury had indicated that should the payment be made over more than one year then it would be taxed. This obviously would have the effect of reducing the total value of the payment received by the surviving partner.

94. Officials also stated that under current EU law the payment is classified as a death grant and if it was paid over a longer period it would likely be reclassified as a survivor benefit.

95. Cruse also raised issues about the conditionality attached to the benefit in respect of requirements to look for work and advocated arrangements similar to those which apply to kinship carers.

96. The Department noted that conditionality is not attached to the benefit except if a claim for Universal Credit is made and that, even under these circumstances, DWP has indicated that flexibility will be shown to claimants for one month every six months over a maximum period of two years.

97. Cruse also suggested that a bereaved person with no children would benefit more than a bereaved person with children. However, officials stated that under the new benefit a person with no children will get a lump sum of £2500 and a monthly payment of £150 month whereas a person with a child will receive up to £5000 lump sum and up to £400 month.

98. The Department noted that the assumption that a bereaved person with no children would benefit more than a bereaved person with children is only correct if based on a comparison between the proposed system and the current system (in which there are longer payment periods for children).

99. Cruse also expressed concern that unmarried partners with children will be ineligible for Bereavement Support Payment. Members of the Committee also queried this but the Department noted that this was due to the practical difficulties in establishing / verifying the bona fides of such relationships.

100. Following the oral briefing, Cruse submitted a subsequent written submission outlining in detail its proposals for a cost neutral revision of how bereavement support could be paid out. This submission is included at *appendix 3*.

101. The Committee considered this subsequent submission. Although it does not propose amendments to the Bill, the Committee noted that Cruse will continue to engage with Westminster and the Committee may have the opportunity to reconsider some of these proposals whenever the regulations relating to the Pensions Bill are introduced.

Part 6: Private Pension (Clause 32 – 54)

Disclosure of information about transaction costs

102. On this matter, the Committee specifically expressed concern over the wording of the clause, in which it states that "The Department must make regulations … requiring information about *some or all* of the transaction costs of a relevant scheme to be given to *some or all* of the persons mentioned in subsection (2)" [emphasis added].

103. The Committee was concerned about the reason for using the term "some or all" and sought clarification on the reason for this drafting.

104. The Department clarified that this particular wording is used to ensure consistency with the duty of the Financial Conduct Authority under the *Financial Services and Markets Act 2000*

to make rules requiring the disclosure and publication of some or all transaction costs for personal pension schemes.

105. The Department noted that it is not yet known which of the various costs a scheme will be required to disclose and that, in terms of parity, there could be serious implications with changing the wording of the clause. As many schemes are based in England, if the NI legislation was to require the disclosure of ‘all’ information, it would be difficult to enforce and may lead to schemes based in England pulling out of NI.

106. The Committee was satisfied with the Department’s explanation of this wording and somewhat reassured by the fact that the extent of ‘some’ and a precise definition or what constitutes ‘transaction costs’ would be set out in regulations, which will come before the Committee in due course.

Power to prohibit offer of incentives to transfer pension rights

107. Members of the Committee sought detail of any indication as to whether the Voluntary Code of Practice is being adhered to and details of monitoring and / or review of adherence to this code, whether planned or already undertaken.

108. The Department provided the explanation that defined benefit and hybrid schemes have to disclose when they have undertaken an ‘incentive exercise’ or invitation to members to transfer or modify their scheme benefits.

109. An *Incentive Exercises Monitoring Board* has also been established that will monitor and report on the effectiveness of the Code by June 2015. DSD and DWP will consider need to exercise the regulation-making power.

110. The Committee will seek further information on the makeup of the monitoring board and seek updates on its progress.

Additional issues

111. During the Committee’s consideration of the Bill, a number of issues were raised outside the stakeholder evidence sessions.

112. The Committee highlighted the importance of making sure that informal carers receive credit for their work and this contributes to the number of qualifying years. The Department provided assurance that this information should be captured regardless of whether somebody claims carers’ benefit as other benefits such as ESA and JSA will contribute towards qualifying years.

113. The Committee noted concern expressed by NILGA that the main implication of the Bill for local government will be an increase in the National Insurance contribution, adding approximately 3% to the salaries and wages bill for councils. They noted that this is an additional issue to be considered by the district rate, in the current dynamic environment for councils and council finances arising from rates convergence and transfer finance issues.

114. The Committee was satisfied with the Department’s response that financial impacts on Departments will be considered as part of the next Spending Review and commented that any provisions made for Departments in Great Britain should have a “Barnett” consequential for NI.

Clause-by-Clause Scrutiny

115. The Committee held a session on 29 January 2015, one week prior to the formal clause-by-clause, to discuss its consideration to date and clarify some issues with DSD officials.

116. The Committee was content that its discussions about the Bill were extensive and the issues raised by stakeholders had been sufficiently addressed by the Department.

117. The Committee undertook its formal clause-by-clause scrutiny of the Pensions Bill on 5 February 2015 which proceeded as follows.

Clause 1: State Pension

118. Clause 1 creates a benefit called state pension for people who reach state pension age from 6 April 2016.

119. The Committee, NIPSA and COPNI expressed concerns that with the introduction of the new state pension, women were likely to be worse off than men, and that those close to state pension age were likely to be adversely impacted as they would find it challenging to plan for retirement.

120. The Committee was satisfied with how DSD addressed this issue, including the commitment by the SSA to carrying out a clear, effective and extensive communication programme.

121. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 1 as drafted.

Clause 2: Entitlement to state pension at full or reduced rate

122. Clause 2 sets out the basic entitlement conditions under the new scheme.

123. The Committee noted stakeholders' concerns about the impact of the increase in qualifying years and particularly how this would impact people with multiple part-time jobs or those on zero hours contracts. The Committee noted the Department's response and as a result will liaise with the Department on the progress made by DWP and HMRC in implementing arrangements to capture information about those working multiple part-time jobs to ensure that they attain qualifying years.

124. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 2 as drafted.

Clause 3: Full and reduced rates of state pension

125. Clause 3 provides the full rate of state pension to be specified in regulations (which will be subject to the confirmatory procedure and require Assembly approval). Once set, the rate cannot be reduced.

126. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 3 as drafted.

Clause 4: Entitlement to state pension at transitional rate

127. Clause 4 provides for a transitional rate of new state pension and sets out the conditions that a person must satisfy to be entitled to it.

128. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 4 as drafted.

Clause 5: Transitional rate of state pension

129. Clause 5 complements Clause 4 and sets out the basic calculation of the transitional rate of state pension and cross refers to other provisions in the Bill.

130. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 5 as drafted.

Clause 6: Recalculation and backdating of transitional rate in special cases

131. Clause 6 is a technical provision that enables the transitional rate of the state pension to be adjusted after a person reaches state pension age – to reflect backdated changes made to the person's National Insurance record.

132. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 6 as drafted.

Clause 7: Survivor's pension based on inheritance of additional old state pension

133. Clause 7 makes transitional arrangements for the inheritance of a deceased spouse's or civil partner's current scheme additional state pension.

134. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 7 as drafted.

Clause 8: Choice of lump sum or survivor's pension under section 9 in certain cases

135. This clause sets out the qualifying conditions for the choice to inherit either a lump sum or survivor's pension from a late spouse or civil partner.

136. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 8 as drafted.

Clause 9: Survivor's pension based on inheritance of deferred old state pension

137. Clause 9 follows on from Clause 8 and replicates the existing legislation by setting out the qualifying conditions for inheritance of a survivor's pension from a late spouse or civil partner where the deceased had deferred their old scheme state pension.

138. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 9 as drafted.

Clause 10: Inheritance of graduated retirement benefit

139. Clause 10 provides a regulation-making power that will set out the circumstances in which a new state pension recipient may inherit entitlement to Graduated Retirement Benefit.

140. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 10 as drafted.

Clause 11: Reduced rate elections: effect on section 4 pensions

141. Clause 11 provides transitional arrangements to address the impact of abolishing entitlement to basic pension for women who opted to pay the 'married woman's stamp'.

142. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 11 as drafted.

Clause 12: Reduced rate elections: pension for women with no section 4 pension

143. Clause 12 provides transitional arrangements for women with a reduced-rate election in force within 35 years of reaching pension age but with no qualifying years prior to 6 April 2006.

144. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 12 as drafted.

Clause 13: Shared state pension on divorce etc

145. Clause 13 allows sharing of some state pension (essentially the equivalent of the current additional pension) between divorcing couples, by creating a pension credit.

146. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 13 as drafted.

Clause 14: Pension sharing: amendments

147. Clause 14 creates a pension debit and allows a person's pension to be reduced to comply with the state scheme pension debit or the state pension credit.

148. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 14 as drafted.

Clause 15: Pension sharing: amendments

149. Clause 15 introduces Schedule 11 which amends the relevant legislation to reflect the introduction of the new state pension scheme and to give effect to pension sharing under the new scheme in transitional rate cases.

150. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 15 as drafted.

Clause 16: Pensioner's option to suspend state pension

151. Clause 16 permits a pensioner in the new scheme to qualify for an increment by suspending their entitlement to a new state pension for a period of time. It replicates existing arrangements for old scheme pensioners.

152. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 16 as drafted.

Clause 17: Effect of pensioner postponing or suspending state pension

153. Clause 17 provides for what happens as a result of a person choosing not to claim their new state pension or choosing to give up their new state pension for a period after it has been awarded and stipulates the criteria to be satisfied in order for a new state pension to be delivered.

154. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 17 as drafted.

Clause 18: Section 17 supplementary: calculating weeks, overseas residents etc.

155. Clause 18 contains powers to modify the calculation of the increment due when a person has received another social security benefit, or if there has been a change of circumstances during the period of deferral.

156. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 18 as drafted.

Clause 19: Prisoners

157. Clause 19 provides that where a person is imprisoned or in lawful custody or unlawfully at large, pension is not payable.

158. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 19 as drafted.

Clause 20: Overseas residents

159. Clause 20 provides regulation-making power to provide that overseas residents are not entitled to up-rating, depending on their country of residence. This mirrors the current policy.

160. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 20 as drafted.

Clause 21: "Old state pension"

161. Clause 21 defines "old state pension" as used in Part 1 of the Bill as a Category A or a Category B retirement pension.

162. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 21 as drafted.

Clause 22: General definitions etc

163. Clause 22 provides general definitions of terms used in Part 1 of the Bill.

164. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 22 as drafted.

Clause 23: Amendments

165. Clause 23 introduces Schedule 12, which contains amendments relating to the introduction of the new state pension.

166. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 23 as drafted.

Clause 24: Abolition of contracting-out for salary related schemes etc

167. Clause 24 gives effect to Schedule 13, which contains amendments to abolish contracting-out for salary-related schemes. Contracting-out ends because under the new state pension there will be no state second pension to contract out of.

168. At its meeting on 5 February 2015 the Committee had some queries on this clause, but were content that they were addressed adequately by the Department during consideration of the Bill.

169. The Committee agreed that it was content with Clause 24 as drafted.

Clause 25: Option to boost old retirement pensions

170. Clause 25 gives effect to Schedule 15 to the Bill, which contains amendments to the Social Security Contributions and Benefits Act 1992 and allows for the payment of extra units of additional state pension to individuals who have made Class 2A voluntary National Insurance contributions.

171. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 25 as drafted.

Clause 26: Increase in Pensionable Age

172. Clause 26 brings forward the increase in pensionable age to 67 to take place between 6 April 2026 and 5 March 2028.

173. The Committee raised concerns during consideration stage that this clause would allow for subsequent increases in the pension age beyond 67, but were content with the Department's

confirmation that in fact it would be necessary to introduce new primary legislation to increase the pension age any further.

174. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 26 as drafted.

Clause 27: State pension credit: phasing out assessed income periods

175. Clause 27 makes amendments to the State Pension Credit Act 2002 to provide for the abolition of the assessed income period in Pension Credit cases from 6 April 2016.

176. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 27 as drafted.

Clause 28: Preserving indefinite status of certain existing assessed income periods

177. Clause 28 clarifies that existing indefinite AIPs remain valid.

178. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 28 as drafted.

Clause 29: Bereavement Support Payment

179. Clause 29 provides for replacement of current bereavement benefits with Bereavement Support Payment.

180. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 29 as drafted.

Clause 30: Bereavement Support Payment: Contribution Condition and Amendments

181. Clause 30 makes provision for the contribution condition to be treated as met if the deceased was an employed earner and died as a result of a personal injury or prescribed disease.

182. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 30 as drafted.

Clause 31: Bereavement Support Payment: Prisoners

183. Clause 31 gives the Department the power to make regulations to disqualify prisoners from receiving Bereavement Support Payment.

184. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 31 as drafted.

Clause 32: Automatic transfer of pension benefits etc

185. Clause 32 and Schedule 17 require the Department to make regulations to establish a system of automatic transfers of pension pots less than £10k if a person is no longer contributing but is an active member of another scheme.

186. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 32 as drafted.

Clause 33: Power to prohibit offer of incentives to transfer pension rights

187. Clause 33 provides a reserve power to allow regulations to be made to prohibit incentives being offered to members of salary-related schemes to transfer their rights to another scheme or arrangement.

188. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 33 as drafted.

Clause 34: Expiry of power in section 33

189. Clause 34 provides for the automatic repeal of Clause 33 after 7 years should no regulations been made under that clause in that time.

190. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 34 as drafted.

Clause 35: Short service benefit for scheme member with money purchase benefit

191. Clause 35 ensures that there will be an entitlement to a 'short service benefit' immediately after a member has completed 30 days' qualifying membership of the scheme.

192. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 35 as drafted.

Clause 36: Automatic re-enrolment: exceptions where automatic enrolment deferred

193. Clause 36 removes the duty to re-enrol an eligible individual during a period when automatic enrolment has been validly postponed or deferred.

194. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 36 as drafted.

Clause 37: Automatic Enrolment: powers to create general exceptions

195. Clause 37 contains a power to give the employer the choice of whether or not to exclude prescribed types of workers from the scope of automatic enrolment but not on the basis of the type/size of employer.

196. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 37 as drafted.

Clause 38: Alternative quality requirements for UK defined benefits schemes

197. Clause 38 introduces alternative quality requirements for defined benefit schemes in order to make it easier for such schemes to demonstrate that they are good enough to be used for automatic enrolment.

198. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 38 as drafted.

Clause 39: Automatic enrolment: transitional period for hybrid schemes

199. Clause 39 clarifies the law which sets out transitional arrangements for implementing automatic enrolment into workplace pension arrangements for hybrid schemes.

200. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 39 as drafted.

Clause 40: Penalty notices

201. Clause 40 reinstates the original policy intention that a penalty notice under the Pensions (No 2) Act (NI) 2008 for non-compliance with information requirements can only be used in relation to employer duties under Part 1 of that Act.

202. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 40 as drafted.

Clause 41: Unpaid scheme contributions

203. Clause 41 amends the Pension Schemes (NI) Act 1993 to extend the protection currently available under section 119 (regarding unpaid pension contributions where an employer becomes insolvent) to workers, such as agency workers as well as to employees.

204. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 41 as drafted.

Clause 42: Power to restrict charges or impose requirements

205. Clause 42 gives effect to Schedule 18, which sets out the detail to allow the Department to make regulations to set quality standards and restrict charges in work-based pension schemes.

206. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 42 as drafted.

Clause 43: Disclosure of information about transaction costs to members etc

207. Clause 43 places duties on the Department to make regulations that require the disclosure of certain information about the transaction costs incurred by money purchase pension schemes.

208. Members had concerns about the wording of this clause, but were satisfied with the Department's explanation for this.

209. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 43 as drafted.

Clause 44: Power to require pension levies to be paid in respect of past periods

210. Clause 44 allows regulations ensuring compliance in payment of Pension Protection Fund (PPF) levies to be deemed always to have had effect. This is to comply with EU law.

211. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 44 as drafted.

Clause 45: Prohibition and suspension of orders: Directors of Corporate Trustees etc

212. Clause 45 and Schedule 19 build on the existing prohibition regime, closing a loophole whereby, as it stands, a person who is prohibited from being a trustee as not a fit and proper person can be a director of a company which acts as a trustee.

213. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 45 as drafted.

Clause 46: Pensions Regulator's objectives

214. Clause 46 sets out an additional objective for the Pensions Regulator, which states that when carrying out its functions in relation to scheme funding, the Pension Regulator should minimise any adverse impact on the sustainable growth of sponsoring employers – putting on a statutory basis what has already been implicit.

215. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 46 as drafted.

Clause 47: Maximum period between scheme returns to be 5 years for micro schemes

216. Clause 47 increases the maximum period between scheme returns to five years for schemes that have no more than four members.

217. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 47 as drafted.

Clause 48: Pensions Protection Fund: increased compensation cap for long service

218. Clause 48 introduces Schedule 20 to provide for a revised compensation cap dependent on a person's age and length of pensionable service when the person first becomes entitled to compensation.

219. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 48 as drafted.

Clause 49: Pension Protection Fund: compensation cap to apply separately to certain benefits

220. Clause 49 relates to the application of the PPF compensation cap to individuals who have entitlement to both an occupational pension and to a pension credit arising from a divorce or civil partnership.

221. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 49 as drafted.

Clause 50: Consequential amendments

222. Clause 50 provides for a power to make, by order, provisions which are consequential, incidental or supplementary in relation to any provision of the Bill.

223. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 50 as drafted.

Clause 51

224. Clause 51 makes general provision in respect of the regulations and orders that will be made under powers of the Bill.

225. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 51 as drafted.

Clause 52

226. Clause 52 is an interpretation clause and is purely technical.

227. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 52 as drafted.

Clause 53: Commencement

228. Clause 53 provides for commencement of certain provisions of the Bill.

229. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 53 as drafted.

Clause 54: Short title

230. Clause 54 provides for a short title to the Bill.

231. At its meeting on 5 February 2015 the Committee agreed that it was content with Clause 54 as drafted.

Schedules

232. At its meeting on 5 February 2015 the Committee agreed that it was content with Schedules 1 – 20 as drafted.

Long title of the Bill

233. At its meeting on 5 February 2015 the Committee agreed the long title as drafted.

Northern Ireland Assembly

Appendix 1

Minutes of Proceedings Relating to the Report

Thursday 6 March 2014
Room 29, Parliament Buildings

Present:
Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Jim Allister MLA
Ms Paula Bradley MLA
Mr Gregory Campbell MLA
Mr Trevor Clarke MLA
Mr Stewart Dickson MLA
Mr Fra McCann MLA
Mr Sammy Wilson MLA

In Attendance:
Dr Kevin Pelan (Assembly Clerk)
Mr Stephen Orme (Assistant Assembly Clerk)
Mr Stephen Todd (Assistant Assembly Clerk)
Mr Stewart Kennedy (Clerical Supervisor)
Miss Allison Ferguson (Clerical Officer)

Apologies:
Mr Michael Copeland MLA
Ms Dolores Kelly MLA

10.06 am The meeting opened to the public.

1. **Apologies**

Apologies were as noted above.

2. **EQIA Consultation: Responses to the Pensions Bill – Departmental Briefing**

The following officials joined the meeting at 10.18 am:

- Anne McCleary – Director of Social Security Policy and Legislation, DSD
- Gerry McCann – Social Security Policy and Legislation, DSD
- Gillian McMaster – Social Security Policy and Legislation, DSD

The officials briefed the Committee on the consultation.

10.27 am Mr Stewart Dickson MLA joined the meeting.

The officials then took questions from Members.

This session was recorded by Hansard.

11.36 am The officials left the meeting.

[EXTRACT]

Thursday 6 November 2014
Room 29, Parliament Buildings

Present:	Mr Mickey Brady MLA (Deputy Chairperson) Mr Jim Allister MLA Ms Paula Bradley MLA Mr Gregory Campbell MLA Mr Stewart Dickson MLA Mr Fra McCann MLA Mr Sammy Wilson MLA
In Attendance:	Dr Kevin Pelan (Assembly Clerk) Mrs Ashleigh Mitford (Assistant Assembly Clerk) Mr Stewart Kennedy (Clerical Supervisor) Mr Richard Reid (Clerical Officer)
Apologies:	Mr Alex Maskey MLA (Chairperson) Mr Michael Copeland MLA Mr Sammy Douglas MLA

1.15pm Proceedings recommenced in public session in Room 29 Parliament Buildings.

Present:	Mr Mickey Brady MLA (Deputy Chairperson) Mr Jim Allister MLA Ms Paula Bradley MLA Mr Fra McCann MLA Mr Sammy Wilson MLA

The Chairperson declared the meeting open to the public.

1. Introduction of the Pensions Bill – Departmental Briefing

1.15pm The following officials joined the meeting:

- Anne McCleary, Director, Social Security, Policy and Legislation Division, DSD
- Gerry McCann, Social Security, Policy and Legislation Division, DSD
- Seamus Cassidy, Social Security, Policy and Legislation Division, DSD
- Gillian McMaster, Social Security, Policy and Legislation Division, DSD

The officials briefed the Committee on the draft Northern Ireland Pensions Bill and took questions from members.

Agreed: The Department agreed to provide the Committee with further information regarding people of pensionable age with dependants.

1.41pm The officials left the meeting.

[EXTRACT]

Tuesday 25 November 2014
Room 30, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Ms Paula Bradley MLA
Mr Jim Allister MLA
Mr Maurice Devenney MLA
Mr Stewart Dickson MLA
Mr Fra McCann MLA
Mr Sammy Wilson MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mr Stephen Todd (Assistant Assembly Clerk)
Mr Stewart Kennedy (Clerical Supervisor)
Mr Richard Reid (Clerical Officer)

Apologies: Mr Michael Copeland MLA

9.21am The Chairperson declared the meeting open to the public.

1. Pensions Bill – Departmental Briefing

9.27am The following officials joined the meeting:

- Gerry McCann, Social Security Policy and Legislation Division, Department for Social Development
- Seamus Cassidy, Social Security Policy and Legislation Division, Department for Social Development
- Libby McIlwaine, Department for Social Development
- Doreen Ray, Department for Social Development

The officials briefed the Committee on the individual clauses of the Pensions Bill.

9.31am Jim Allister MLA joined the meeting.

The officials took questions from the Committee on the Pensions Bill.

10.23am Paula Bradley MLA left the meeting.

10.28am Jim Allister MLA left the meeting.

10.50am The officials left the meeting.

[EXTRACT]

Tuesday 2 December 2014
Room 30, Parliament Buildings

Present:	Mr Alex Maskey MLA (Chairperson) Mr Mickey Brady MLA (Deputy Chairperson) Ms Paula Bradley MLA Mr Jim Allister MLA Mr Maurice Devenney MLA Mr Stewart Dickson MLA Mr Sammy Wilson MLA
In Attendance:	Dr Kevin Pelan (Assembly Clerk) Mr Stephen Todd (Assistant Assembly Clerk) Mr Stewart Kennedy (Clerical Supervisor) Mr Richard Reid (Clerical Officer)
Apologies:	Mr Michael Copeland MLA Mr Fra McCann MLA

9.42am The Chairperson declared the meeting open to the public.

1. Pensions Bill – Briefing by NIPSA

9.46am The following officials joined the meeting:

- Mr Bumper Graham, NIPSA
- Mr John O'Farrell, NI-ICTU

The officials briefed the Committee on their views on the Pensions Bill, speaking to their written submission. In particular they noted a number of changes which the Bill would introduce which they opposed.

The Committee questioned officials on these issues, seeking information on practical implications associated with opposing the Bill.

10.18am Stewart Dickson MLA joined the meeting.

Stewart Dickson MLA declared an interest as a retired member of NIPSA.

The officials took questions from the Committee.

10.39am The officials left the meeting.

2. Pensions Bill – Departmental Briefing

10.40am The following officials joined the meeting:

- Gerry McCann, Social Security Policy and Legislation Division, Department for Social Development
- Seamus Cassidy, Social Security Policy and Legislation Division, Department for Social Development
- Anne McCleary, Social Security Policy and Legislation Division, Department for Social Development
- Doreen Ray, Department for Social Development

The officials briefed the Committee on issues raised during the briefing from NIPSA.

Agreed: The Department agreed to provide the Committee with written clarification on issues addressed during today's briefings.

Agreed: The Committee agreed to schedule a briefing from the Social Security Agency on its communications strategy in respect of the Pensions Bill at its meeting of 9 December 2014.

10.55am The officials left the meeting.

[EXTRACT]

Tuesday 9 December 2014
Room 30, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Jim Allister MLA
Ms Paula Bradley MLA
Mr Gregory Campbell MLA
Mr Maurice Devenney MLA
Mrs Dolores Kelly MLA
Mr Fra McCann MLA
Mr Sammy Wilson MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mr Stephen Todd (Assistant Assembly Clerk)
Mr Stewart Kennedy (Clerical Supervisor)
Mr Richard Reid (Clerical Officer)

Apologies: Mr Michael Copeland MLA

9.38am The Chairperson declared the meeting open to the public.

1. Pensions Bill Communications Strategy – Briefing by SSA

9.40am The following officials joined the meeting:

- Mr Damian Mahon, State Pension Reforms Project Manager, SSA
- Ms Lisa Hamilton-Sturdy, Senior Communications and Engagement Manager, SSA

The officials briefed the Committee on the planned communications activities to support the changes relating to the new State Pension and the Voluntary National Insurance Contributions Class 3A (State Pension Top-Up Scheme).

The officials took questions from the Committee.

9.43am Sammy Wilson MLA joined the meeting.

10.04am Gregory Campbell MLA joined the meeting.

10.13am Paula Bradley MLA joined the meeting.

10.15am Sammy Wilson MLA left the meeting.

The Committee encouraged the SSA to take as comprehensive an approach as possible when communicating the key impacts of the Pensions Bill to reach as wide an audience as possible.

10.20am The officials left the meeting.

This session was recorded by Hansard.

2. Pensions Bill – Departmental Briefing

10.20am The following officials joined the meeting:

- Gerry McCann, Social Security Policy and Legislation Division, Department for Social Development
- Seamus Cassidy, Social Security Policy and Legislation Division, Department for Social Development

The officials briefed the Committee, clarifying issues raised during the SSA briefing in relation to the Pensions Bill.

Agreed: The Department agreed to liaise with HMRC to establish whether people will be able to make piecemeal contributions to buy additional qualifying years rather than paying in a lump sum.

10.25am The officials left the meeting.

This session was recorded by Hansard.

[EXTRACT]

Tuesday 13 January 2015
Room 21, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Jim Allister MLA
Mr Stewart Dickson MLA
Mrs Dolores Kelly MLA
Mr Fra McCann MLA
Mr Sammy Wilson MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mr Stephen Todd (Assistant Assembly Clerk)
Mr Stewart Kennedy (Clerical Supervisor)
Mr Richard Reid (Clerical Officer)

Apologies: Ms Paula Bradley MLA
Mr Gregory Campbell MLA
Mr Michael Copeland MLA
Mr Maurice Devenney MLA

9.37am The Chairperson declared the meeting open to the public.

1. Apologies

Apologies were as noted above.

2. Pensions Bill – Briefing by the Commissioner for Older People for Northern Ireland (COPNI)

9.39am The following officials joined the meeting:

- Claire Keatinge, Commissioner for Older People, COPNI
- Emer Boyle, Head of Legal and Policy Advice, COPNI

The officials briefed the Committee on their response to the Pensions Bill, speaking to their written submission.

The briefing raised a number of issues including an appropriate level of state pension – and their view that this should be set at least 5% above the current guarantee level for pension credit – to address pensioner poverty; the apparent inequality in the provision of the single-tier pension between some men and women born on the same day; the need for the impact of the Bill to be based on NI-specific data; greater safeguards for those who don't meet the 10-year qualifying period; concerns about clause 27 (assessed income period); and the need for a clear and comprehensive communications strategy regarding the provisions of the Bill.

9.45am Jim Allister MLA joined the meeting.

9.55am Dolores Kelly MLA joined the meeting.

The officials took questions from the Committee.

10.16am The officials left the meeting.

This session was recorded by Hansard.

3. Pensions Bill – Departmental Briefing

10.16am The following officials joined the meeting:

- Gerry McCann, Social Security, Policy and Legislation Division, Department for Social Development
- Seamus Cassidy, Social Security Policy and Legislation Division, Department for Social Development

The officials briefed the Committee on issues raised during the briefing from COPNI and took questions from the Committee.

10.28am Jim Allister MLA left the meeting.

10.35am Mickey Brady MLA left the meeting.

Officials stated that they would contact the Commissioner regarding the proposed communications strategy.

Officials agreed to provide information on how the Department is working with the Department of Health regarding the uptake of carers' allowance.

10.43am The officials left the meeting.

This session was recorded by Hansard.

[EXTRACT]

Thursday 22 January 2015
Room 29, Parliament Buildings

Present:	Mr Alex Maskey MLA (Chairperson) Mr Jim Allister MLA Mr Gregory Campbell MLA Mr Maurice Devenney MLA Mrs Dolores Kelly MLA Mr Fra McCann MLA Mr Sammy Wilson MLA
In Attendance:	Dr Kevin Pelan (Assembly Clerk) Mrs Ashleigh Mitford (Assistant Assembly Clerk) Mr Stephen Todd (Assistant Assembly Clerk) Mr Stewart Kennedy (Clerical Supervisor) Mr Richard Reid (Clerical Officer)
Apologies:	Mr Mickey Brady MLA (Deputy Chairperson) Mr Michael Copeland MLA

10.06am The Chairperson declared the meeting open to the public.

1. Pensions Bill – Briefing by Cruse Bereavement Care

10.12am The following officials joined the meeting:

- Anne Townsend, Director, Cruse Bereavement Care
- Alison Penny, Coordinator, Childhood Bereavement Network

10.13am Sammy Wilson MLA joined the meeting.

10.15am Gregory Campbell MLA joined the meeting.

The officials briefed the Committee on their response to the Pensions Bill, noting that they made representation to the Westminster Pensions Bill last year.

The briefing raised issues in relation to the clauses in the Bill relating to bereavement support payment including the impact of the Bill on widowed parents with dependent children, the duration of Bereavement Support Payments, the conditionality relating to the benefit and the impact on unmarried partners with children.

The officials took questions from the Committee.

10.59am The officials left the meeting.

This session was recorded by Hansard.

2. Pensions Bill – Departmental Briefing

11.00am The following officials joined the meeting:

- Anne McCleary, Director, Social Security, Policy and Legislation Division, DSD
- Gerry McCann, Social Security, Policy and Legislation Division, DSD
- Seamus Cassidy, Social Security, Policy and Legislation Division, DSD
- Rosemary Hughes, Departmental Official, DSD

The officials briefed the Committee on issues raised during the briefing from Cruse Bereavement Care and took questions from the Committee.

11.31am Anne McCleary left the meeting.

11.31am Mickey Kelly joined the meeting.

The officials briefed the Committee on the specialist advice service provided by the Social Security Agency for people faced with bereavement.

11.39am The officials left the meeting.

This session was recorded by Hansard.

Agreed: The Committee agreed to reconvene at its meeting on Thursday 29 January 2015 to discuss all evidence taken in relation to the Pensions Bill.

[EXTRACT]

Thursday 29 January 2015
Room 29, Parliament Buildings

Present: Mr Alex Maskey MLA (Chairperson)
Mr Mickey Brady MLA (Deputy Chairperson)
Mr Jim Allister MLA
Mr Gregory Campbell MLA
Mr Maurice Devenney MLA
Mr Stewart Dickson MLA
Mrs Dolores Kelly MLA
Mr Fra McCann MLA
Mr Sammy Wilson MLA

In Attendance: Dr Kevin Pelan (Assembly Clerk)
Mrs Ashleigh Mitford (Assistant Assembly Clerk)
Mr Stephen Todd (Assistant Assembly Clerk)
Mr Stewart Kennedy (Clerical Supervisor)
Mr Richard Reid (Clerical Officer)

Apologies: Mr Michael Copeland MLA

10.06am The Chairperson declared the meeting open to the public.

1. Pensions Bill – consideration of issues

10.16am The following officials joined the meeting:

- Gerry McCann, Social Security, Policy and Legislation Division, DSD
- Seamus Cassidy, Social Security, Policy and Legislation Division, DSD
- Doreen Roy, DSD

The Committee discussed issues raised as a result of its consideration of the Pensions Bill.

10.18am Sammy Wilson MLA joined the meeting.

The officials provided further clarification on some of the issues.

Agreed: The Committee agreed for today's discussion, together with the discussion paper provided, to form the basis of the Committee's draft Bill report.

10.38am The officials left the meeting.

This session was recorded by Hansard.

[EXTRACT]

Thursday 5 February 2015
Room 29, Parliament Buildings

Present:	Mr Alex Maskey MLA (Chairperson) Mr Mickey Brady MLA (Deputy Chairperson) Mr Jim Allister MLA Ms Paula Bradley MLA Mr Gregory Campbell MLA Mr Maurice Devenney MLA Mrs Dolores Kelly MLA Mr Fra McCann MLA
In Attendance:	Dr Kevin Pelan (Assembly Clerk) Mrs Ashleigh Mitford (Assistant Assembly Clerk) Mr Stephen Todd (Assistant Assembly Clerk) Mr Stewart Kennedy (Clerical Supervisor) Mr Richard Reid (Clerical Officer)
Apologies:	Mr Michael Copeland MLA Mr Sammy Wilson MLA

10.09am The Chairperson declared the meeting open to the public.

1. Pensions Bill – Final clause-by-clause consideration

10.44am The following officials joined the meeting:

- Gerry McCann, Social Security, Policy and Legislation Division, DSD
- Seamus Cassidy, Social Security, Policy and Legislation Division, DSD
- Doreen Roy, Social Security, Policy and Legislation Division, DSD

10.44am Dolores Kelly MLA left the meeting.

The officials briefed the Committee on further issues raised by Cruse Bereavement Care.

The Committee conducted its formal clause-by-clause consideration of the Bill.

Agreed: Clauses 1 to 54 were agreed as drafted.

Agreed: Schedules 1 to 20 were agreed as drafted.

Agreed: The long title of the Bill was agreed as drafted.

This session was recorded by Hansard.

11.08am The officials left the meeting.

[EXTRACT]

Thursday 19 February 2015
Room 29, Parliament Buildings

Present:	Mr Alex Maskey MLA (Chairperson) Mr Mickey Brady MLA (Deputy Chairperson) Mr Jim Allister MLA Mr Roy Beggs MLA Ms Paula Bradley MLA Mr Gregory Campbell MLA Mr Stewart Dickson MLA Mrs Dolores Kelly MLA Mr Fra McCann MLA Mr Sammy Wilson MLA
In Attendance:	Dr Kevin Pelan (Assembly Clerk) Mrs Ashleigh Mitford (Assistant Assembly Clerk) Mr Stewart Kennedy (Assistant Assembly Clerk) Mr Richard Reid (Clerical Officer)
Apologies:	Mr Maurice Devenney MLA

The Chairperson declared the meeting open.

1. Pensions Bill - Draft Report

The Committee considered the draft report on the Pensions Bill.

Agreed: The Committee agreed the Table of Contents of the Report

Agreed: The Committee agreed that the following appendices stand as part of the Report:

Appendix 1 - Minutes of Proceedings

Appendix 2 - Minutes of Evidence

Appendix 3 - Written Evidence

Appendix 4 – Department Correspondence

Appendix 5 – Other Papers

Appendix 6 – List of Witnesses

Agreed: The Committee agreed the Recommendations of its Report

Agreed: The Committee agreed the Introduction of its Report

Agreed: The Committee agreed the Consideration of the Bill of its Report

Agreed: The Committee agreed the Clause by Clause of its Report

Agreed: The Committee agreed the Executive Summary of its Report

Agreed: The Committee agreed that the Report be the 10th Report of the Committee for Social Development

Agreed: The Committee agreed the extract of minutes of 19 February to be included in the Committee's Report.

Agreed: The Committee agreed for the Report to be printed.

Alex Maskey

Chairperson, Committee for Social Development

19 February 2015

[EXTRACT]

Northern Ireland Assembly

Appendix 2

Minutes of Evidence

6 March 2014

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 Gregory Campbell
Mr Trevor Clarke
Mr Stewart Dickson
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Mr Gerry McCann
Ms Anne McCleary
Ms Gillian McMaster
Department for Social Development

1. **The Chairperson**: I welcome Anne McCleary, Gerry McCann and Gillian McMaster. There are a number of issues, but I would prefer that you made your presentation in advance. We have had a number of issues around pensions and pensions Bills, and we are losing track of a number of the matters that have been around for a while. It would be helpful if you could set this in the wider context of pensions. For me, there is a Pensions Bill for this and different aspects, so I would like it put in context, if possible.

2. **Mr Gerry McCann (Department for Social Development)**: Anne will make an opening statement that will set the context.

3. **The Chairperson**: I hand over to you, Anne.

4. **Ms Anne McCleary (Department for Social Development)**: Thank you for the opportunity to brief you on the proposed Pensions Bill and the associated equality impact assessment (EQIA). To my right is Gerry McCann and to my left is Gillian McMaster. They are the gurus on this. Unfortunately, Gillian has a problem with her throat, so she is here in spirit. I do not know whether she is physically capable of speech, but she is here to give us support and to assist us and you as much as possible.

5. You may recall that we provided a briefing on the corresponding Westminster Bill on 27 June 2013. However, we are conscious that there have been a number of changes in the Committee since then, so it might be helpful if we outlined the main provisions. The Westminster Bill is expected to receive Royal Assent by the end of March. Subject to ministerial and Executive approval, we anticipate that the Assembly Bill will be introduced shortly afterwards. It is expected that the Northern Ireland Bill will contain the following provisions: a new single-tier state pension will come in on 6 April 2016; the end of contracting out; payment of an extra additional state pension to those who have paid what is called a voluntary class 3A national insurance contribution; an acceleration of the timetable for the planned increase in the state pension age from 66 to 67; a new bereavement support payment; and a few private pension reforms. I will take each of those in turn.

6. As I said, the Bill proposes to introduce a new single-tier pension for all new pensions from April 2016. That will replace the current basic state pension and the state second pension known as S2P. It will provide for, first, a single component contributory pension scheme for people reaching pension age on or after 6 April 2016 paid above the rate of the current state pension credit; secondly, transitional arrangements dealing with people who reach pension age on or after 6 April 2016 and who have qualifying years accrued under the current system; and thirdly, the ending of contracting out for salary-related occupational pension schemes, including a power for sponsoring employers to amend their scheme rules to adjust members' future pension accruals or pension contributions

to take account of the loss of the employers-related national insurance contributions.

7. However, people reaching state pension age before the introduction of the single-tier scheme will receive their state pension in line with the current rules. So, there is a very clear dividing line. The Westminster Bill introduces a new voluntary national insurance contribution, that is, the class 3A, to allow people who reach pension age before April 2016 to boost their retirement income by gaining extra state second pension. The Assembly Bill will provide for extra state second pension to be payable in those circumstances.

8. The fourth element of the changes is that the Bill will bring forward the increase in state pension age to 67 between 2026 and 2028. That is eight years earlier than was previously planned. Fifthly, the Bill will introduce a new bereavement support payment, which provides for a lump sum, followed by monthly instalments for a year. Indicative values are in the region of £4,300, that is, a £2,500 lump sum and £150 in monthly instalments. That would be for recipients without dependent children, and for those where there are dependants, it would be £9,800, that is, a £5,000 lump sum and £400 in monthly instalments.

9. Finally, the Bill also includes a range of measures relating to private pensions. Examples of those include the provision for the automatic transfer of small pension pots, that is, when a person changes employer; reducing the number of dormant pension pots, which makes it easier for people to keep track of their pension savings and enables them to plan better for their retirement and secure a better income in retirement; and the power to prohibit the offering of incentives to transfer defined benefit scheme rights to be commenced only if the extant voluntary code fails to bring an end to the practice. Another example is the ending of the ability for money purchase schemes to refund employee contributions if they leave the scheme within two years. That is short service refunds.

10. We will now turn to the EQIA. We provided the Committee with a summary of the impacts. We received three responses, and we have copied those to the Committee, together with a summary of their main points. We also discussed the responses with the groups. Our analysis suggests that the introduction of a new state pension is likely to have a greater impact on younger workers who will not be able to build entitlement to large amounts of additional state pension in the way that current pensioners were able to.

11. Secondly, we are aware that introducing a new state pension in April 2016, while state pension ages for women and men are still unequal, will result in an apparent difference in the treatment of some men and some women. We estimated that an implementation date of 6 April 2016 would mean that 19,055 women born between 6 April 1951 and 5 April 1953 would not receive a single-tier pension, although a man born on the same day would. Those women have an earlier pension age than that man born on the same day. So, there are advantages there.

12. The Women's Support Network suggested that women who fall into that cohort should have the option to be treated the same as a man with the same date of birth. However, as I said, those women would have reached state pension age before the new system was introduced, and they will have the same rights and entitlements as everyone else who reaches state pension age prior to 6 April 2016.

13. Since the 1970s, it has been possible for pension schemes to contract out of the additional pension part of the state pension system on the condition that the scheme provides benefits that are broadly similar to the future state benefits that the individual is giving up. Where employees are contracted out, employees and their employers, in effect, pay lower national insurance contributions because they receive

a rebate on their contributions. The introduction of single tier means that there will no longer be a state second pension to contract out of.

14. From April 2016, employers and employees will cease to receive the contracted-out rebate, and they will have to pay increased national insurance contributions at a rate of 3·4% and 1·4% respectively. Although that will simplify the state pension system, as everyone will pay the same rate of national insurance, it will have a greater impact on public servants who make up about 89% of the membership of contracted-out schemes. Around 90% of those who start to pay higher national insurance contributions from implementation, and who reach the state pension age over the first two decades of single tier, are likely to see an increase in their state pension. That should offset the increased national insurance contributions they will pay over the rest of their working life and any potential adjustments to their occupational pension.

15. I move now to the class 3A voluntary national insurance contributions. National insurance contributions are an excepted matter. Therefore, the relevant conditions will be introduced by the Westminster Bill. Payment of class 3A contributions would allow people who reach, or are due to reach, state pension age before 6 April 2016 to boost their retirement income by gaining extra additional state pension. Class 3A contributions will be introduced in October 2015 and are primarily aimed at groups such as women, the self-employed and low earners who tend to have a low additional state pension outcome. The Assembly Bill will make provision for the payment of extra additional state pension to those who have paid class 3A contributions.

16. The Northern Ireland Public Service Alliance (NIPSA) and the Women's Support Network were concerned by the proposal to accelerate the timetable for increasing state pension age to 67. The Pensions Act (Northern Ireland) 2008 provided for state pension age to increase to 67 by 2036, but, since projections used to set the original timetable were published, average life expectancy at state pension age in 2027 will have increased by at least a year and a half for men and women across the UK. Given the ongoing increases in life expectancy beyond 2026, the intention is to phase in the increase to 67 between April 2026 and April 2028. The affected group would see its state pension age increase by between one month and one year, depending on their date of birth. In Northern Ireland, we estimate that that will be around 234,340 people. No one affected by the bringing forward of the increase to 66 will be affected, and people born between 6 April 1969 and 5 April 1977 already have a state pension age of 67.

17. The Women's Support Network expressed the view that future reviews of state pension age should consider variations in healthy life expectancy and socio-economic status. The Department is looking at those issues and intends to publish a report on the impact of socio-economic background in relation to retirement pension in the near future.

18. I come now to the proposed introduction of the new bereavement support payment to replace the existing bereavement benefits. The new benefit has been designed to support people with the additional costs associated with bereavement rather than everyday living costs. That is in recognition that spousal bereavement can have a significant financial impact, which is particularly acute in the months immediately following bereavement. The new benefit restructures bereavement support and will consist of a lump sum with instalments over 12 months. The bereavement support payment will be disregarded from other benefit calculations, such as universal credit.

19. There will be no direct losers as a result of the introduction of this new benefit as all those in receipt of current bereavement benefits will continue to receive them under the current rules. Although the proposed bereavement support payment recognises the

additional needs of those with dependants by increasing payments to that group, in future, bereaved parents with younger children would receive notionally less than under the current system. Those who gain under the proposals are younger working-aged claimants who will receive more as they do not qualify for the current bereavement allowance.

20. Finally, the Bill includes a number of provisions relating to private pensions, many of which are technical. Provisions such as the automatic transfer of pension benefits when an employee changes jobs and the prohibition of the offering of incentives to encourage people to transfer pension benefits out of a salary-related scheme are expected, overall, to be beneficial. Those measures were broadly welcomed by NIPSA.

21. In conclusion, I think that there is a general acceptance that the current pension system is too complex, and single-tier pensions are a significant step in the right direction, offering a simpler, more transparent pension system. However, it is inevitable that any comprehensive reform, particularly in the current fiscal situation, will involve trade-offs. It is generally accepted, too, that the long-term cost of pensions and benefits must be sustainable and that action is needed to make sure that there is not an unfair burden on future generations.

22. That concludes the presentation. As ever, we are happy to take questions.

23. **The Chairperson**: Thank you, Anne. Before I bring in questions from the members, let me say that there are two elements to this. On the one hand, we are told that there are adverse impacts on some people; on the other, the EQIA says that there are some adverse impacts but nothing needs to be done to address them. Have I got that right? Another thing is that the Bill provides for the regulator to look at the sustainability of a business. Clearly, if a business does not exist or grow, that is a problem. Where are the criteria, guidance or protection for people against those businesses that might decide to continue always to benchmark their growth against employees' pension entitlement? Is there any protection there, or what are the criteria for that?

24. **Mr G McCann**: First, let me take your last point about the role of the Pensions Regulator. All we are doing is saying to the Pensions Regulator, "As part of the overall things that you have to do, when you are bringing forward guidance or looking at those issues, you also have to look at the effect that they may have on the overall businesses". It is not meant to be for each firm exactly. It is just that that should be part of the overall rules that they would have to be governed by.

25. **The Chairperson**: Will any particular business be able to go back to the regulator and say, "My growth is not — "

26. **Mr G McCann**: At the moment, the way the Pensions Regulator works is that, if there are issues with any one business, they will talk to them. If they have issues and explain what they are, the Pensions Regulator will do their best to make sure that they come up with something that will help out everybody. I am not sure that that is any different from the way that the system works at the moment. It is just that this has now been put up front. The main reason for that is that the amount of money that is invested in the private pensions sector is absolutely huge. At one time, I saw a figure that showed that something like over half the firms in the country were owned by funds. That figure is probably not up to date, but it is something of that order. Really, what we are saying is that, as part of the overall things that the Pensions Regulator has to do, they must look at the effects of anything that they are doing on overall business.

27. **The Chairperson**: Can you understand that there may be scepticism about that? We might say that, if it is already being done or provided for, why do we need a particular provision in the Bill? I would like to know what it is going to add up to ultimately. I may be wrong, but I am sceptical about it.

28. **Mr G McCann**: Again, I think that the provision is more intended to send out a signal to business that, for any firm that operates a scheme, we understand that burdens are involved, and we are conscious that we cannot just have a law for pensions that would be at the cost of firms going bust here, there and everywhere.

29. **The Chairperson**: Thank you. Before I bring in other members, let me ask about the adverse impact, the EQIA and any mitigating measures.

30. **Mr G McCann**: Regarding the EQIA, we met some of the groups and discussed those issues with them. In the EQIA, we set out where there were issues and what has been done to try to offset them. We have been asked to, for example, look at the issue of a man and woman who were born during that gap period. Because the age for men and women is not yet equal, it means that women will be under the old scheme, whereas a man born on the same day will be under the new scheme. We were asked to allow any woman born on that day to opt to be treated the same as a man. We looked at that. However, in Northern Ireland, we do not have any control over national insurance contributions. So, if a woman opted to be treated the same as a man, she would have be able to carry on paying national insurance contributions. We could not do that. The other thing is that, to comply with European law, if we allow any woman to opt to be treated the same as a man, we would have to allow a man to opt to be treated the same as a woman. If we did not do so, we think that we would fall foul of European law.

31. **The Chairperson**: Can it not be gender-neutralised so that people are equal no matter whether they are a man or a woman?

32. **Mr G McCann**: The only way to do that would be to either bring the state pension age down for everybody — sorry, no, there are two ways of doing it, and I do not think that you will like either based on what we talked about before when I have been before the Committee. One would be to bring forward the change to age 65 to 6 April 2016, which I do not think would be popular. The other would be to put off single tier until October 2018. Again, I do not think that that would be popular because a fairly large number of people will gain, and, if we hold off in Northern Ireland from doing that, I do not think that it would be popular. We have looked at every issue that has been raised with us and have done our best to see whether there is any way to get round the issues, but there are some major obstacles.

33. **Mr Brady**: Thanks for the presentation. It is bit like déjà vu all over again. We have been talking about this for quite a while. It always seems to me that, if cuts are to be imposed, the excuse is that the current system is too complex and needs simplified. It gives you the opportunity to cut benefits, which is basically what it is about, if they are being honest. It seems a bit contradictory because the summary of the main impacts states:

"In terms of the numbers affected, the single-tier pension has no adverse differential impacts on the grounds of gender."

34. It then goes to say that 19,055 women will be affected.

35. The other thing is that, under a single-tier pension, a spouse or civil partner cannot claim from their spouse or civil partner's contributions. Surely that will affect a lot of people because, at the moment, a woman who never worked and gets to pensionable age may be entitled under her spouse's contributions. That will ultimately remove a number of people. What might happen to them? It may be for various reasons that they have not been able to work. The home responsibilities scheme was introduced in 1978 for women who worked, stopped work to have families and then went back to work. That has worked to a certain degree, but women who did not have families and who never worked for whatever reason — maybe because their husband or partner did not want them to — will lose out as well.

36. **Ms McCleary**: I think that they will. Fewer fall into that category than would have been the case previously because of the types of reforms that have already come in. You referred to those. Gerry, you looked at that.

37. **Mr G McCann**: I will come back to your first point about it being a way to save money. We will not save any money in the early years. It only starts to turn when we get to about 2040. By the time we get to 2060, the amount spent on pensions will be 8·4% of GDP as opposed to 9% under the current system. So, any savings will be for the future and not for the moment. It is not that we are saving money in the short term. I know that you know this, but I will say it for the benefit of some other members: every week, we pay out about £37 million on state pensions in Northern Ireland.

38. **Mr Brady**: With respect, that is because people have paid national insurance contributions over a period of years.

39. **Mr G McCann**: Some will have done, but now more and more people are also taking advantage of the credit that they receive for caring for children etc. I only mention these figures to show the amount of money that is involved in this. By any standards, the amount of money is absolutely huge.

40. Your second point is about category B pensions, as they are known. From 2016, category B pensions are being withdrawn. I will go back in time slightly to explain why they existed. They existed because, at the start of the system back in 1948, very few women worked. Therefore, the only way for a woman to get a pension was based on what her husband got paid.

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

42. **Mr G McCann**: Over time, those figures have changed quite dramatically, and more and more women are now becoming eligible to a full category A pension. Also, a fairly large number of those married women will have been looking after their children during their life and, therefore, will have earned home responsibilities protection (HRP), which was then transferred into credits. So, the numbers that are coming through tend to be married women whose husbands had been fairly well off and who had just opted not to work at all.

43. **Mr Brady**: But, I mean that —

44. **Mr G McCann**: I am just setting the context of the EQIA looking at this to show where we are coming from in trying to work this out. However, there are certain rules in place that we are applying to cover some of these people, and, if you want, I can do a quick run-through of those.

45. **Mr Brady**: The point is that, when you talk about fewer, that could mean 20,000 instead of 30,000. Those figures are not really known. The point that I am trying to make is that there will be individuals who are affected. This could be argued as positive discrimination in some ways, because you are equalising the pension age, which no one would necessarily disagree with, but, already, women in particular have lost out, some by up to two and three years. Back in the 1990s, when unemployment benefit changed to jobseeker's allowance, you got unemployment benefit for 312 days but then jobseeker's allowance for only six months. You were not paying any less in your national insurance contributions, but you were getting six months' less benefit. Those are all predicated on the fact that people, at the end of that, may not be entitled to any benefit whatsoever, because, if your partner was working 24 hours a week or more, you were not entitled to income-support-based benefits. It is all moving towards that. A single-tier pension scheme will effectively disenfranchise a number of women, particularly from claiming on their spouse or civil partner's contributions. In my view, that has not been addressed. A lot of people will get a surprise when that happens, because it has not really been put out there. It has been kind of hidden. You talk about this being a simpler system, but it does not seem to be that much simpler. We have been told that universal credit

is simpler. One million people are supposed to be on that, but, at this stage, there are only 3,600. All these complex systems are not working.

46. **Mr G McCann**: Where this one is simpler is that we are getting rid of the S2P, which, as you well know, is a very complex benefit because it is not in obvious bands etc. The whole point of this is that any member of the public should know that, if they have worked all their life, they will come out with a pension of a certain amount. That helps them to plan, whereas S2P —

47. **Mr Brady**: The difficulty is this: what sort of a pension do you come out with?

48. **Mr G McCann**: At the moment, if you have worked and have the full number of years, you will come out with a rate that will be higher than the state pension credit rate, which is currently about £145 a week.

49. **Mr Brady**: Yes, but £145 is the predicted amount. Five years ago, the Government were saying that you needed £175 as a reasonable amount of benefit, so we are already £30 below that with the predicted £145. So, essentially, the differential will only increase between what people receive and what is considered a living pension. We already have the meanest pension scheme in the developed world, to put it into context. The differential will always increase, and nothing has been done to address that. It is not your fault; it is not your policy. You are simply administering it.

50. **Mr G McCann**: This goes back to the point that was made by the Chair about how these things all interlink. We have also brought in things whereby now everybody in work should be being put into a scheme, and, over time, that will build up. Our aim is ultimately that everybody, once they hit pension age, will not have to get by on only their state pension but will have extra pension coming in from their work. So, I think that these things all interlink.

51. As for the short-term losers who you are concerned about here — those people who had expected more out of the system — we are building into this scheme a number of issues to make sure that people who have earned rights already will not lose out on them. There are a number of safeguards, and I can go into detail on those if you want. For example, a woman who hits pension age before 2016 and has not earned any pension in her own right, even if her husband gets pension after 2016, she will still be eligible to be paid a category B pension — well, she will be paid one at that rate. It is not that all those women will have lost out; there are transitional protections.

52. **Mr Brady**: Thanks, but I remain unconvinced, I have to say.

53. **The Chairperson**: You can still explore it at some point today or beyond today.

54. **Mr Allister**: Thanks. Could you cast some light on the overlap between the fact that some aspects of this pertain to excepted matters, such as the national insurance contributions, and some to transferred matters? Can you distinguish where the line is drawn?

55. **Mr G McCann**: The main excepted matter is national insurance contributions.

56. **Mr Allister**: The setting of them?

57. **Mr G McCann**: Anything to do with national insurance contributions and for money coming in and going out of the fund etc. The national insurance fund for Northern Ireland at one time fell under the control of our Department. That is now not the case because it is an excepted matter.

58. **Mr Allister**: When did it become an excepted matter?

59. **Mr G McCann**: In 1999. There is a provision under schedule 2(10) to the Northern Ireland Act 1998. That is why, if you are setting up a new national insurance contribution, for example, that has to be done in an Act over at Westminster. The national insurance contribution is set up there. As Anne mentioned, they are setting up a new

class, 3A, which will allow people who hit pension age before 2016 to buy extra pension rights. What we do, under our Act, is to say that anybody who has paid these contributions can get the extra benefit, because the law for the payment of the various benefits falls to us and to the Assembly.

60. **Mr Allister**: What is the logic of the national insurance being excepted but the pension administration not being?

61. **Mr G McCann**: I am not sure that I can answer that, because this was part of the Northern Ireland Act 1998. I do not think that I can offer any view as to why they did it.

62. **Mr Allister**: When you come to administer state pension, which is a transferred matter, you obviously have access to check what someone's contribution record is.

63. **Mr G McCann**: Yes.

64. **Mr Allister**: Can you tell when they made their contributions etc?

65. **Mr G McCann**: As far as I know now, although I could check with operational colleagues to give you the exact way that it is done, I think that they get a figure through a computer system that tells them what the person's national insurance record has earned for them.

66. **Mr Allister**: Is the computer system on national insurance shared with you?

67. **Mr G McCann**: Here, all the various pensions are paid out using the system from Britain; so, it is all paid from the GB computer system.

68. **Mr Allister**: So, you just feed in information.

69. **Mr G McCann**: We do not have our own separate computer system here.

70. **Mr Allister**: So, just to come back to the point about class 3A contributions, there will be a window from October to April when you can pay in, and that is governed by the Westminster Bill that is about to get Royal Assent, so anyone in Northern Ireland is not dependent upon your Bill going through the Assembly in order to make those contributions. Is that right?

71. **Mr G McCann**: They are, in a way.

72. **Mr Allister**: What is that way?

73. **Mr G McCann**: That part of the Act in Britain will not be brought into force if the Assembly says that it is not happy with the provisions. Even though the Act is passed, it has to be brought into force by an order.

74. **Mr Allister**: By an order made by the Department for Work and Pensions.

75. **Mr G McCann**: By the Secretary of State for Work and Pensions.

76. **Mr Allister**: And that is conditional on —

77. **Mr G McCann**: I am just saying that I do not think that they will make any provision for a person to pay class 3A in Northern Ireland if they could not get anything back for doing so.

78. **Mr Allister**: We all know that sometimes the pace of legislation in the Assembly is less than one might expect. If that legislation is not through by October — it might be optimistic — will anyone in Northern Ireland be able to make a class 3A contribution?

79. **Mr G McCann**: No, they will not, until such time as that is part. The Act in GB makes two separate amendments. One alters the Social Security Contributions and Benefits Act in Britain; the other alters the Social Security Contributions and Benefits Act here.

80. **Mr Allister**: So, we could arrive at quite a disturbing situation where, in Northern Ireland, potential contributors of class 3A who want to make the contribution in respect of an excepted matter cannot in fact make the contribution because the Bill has not gone through the Assembly.

81. **Mr G McCann**: Yes. What has to be achieved is a balance between the powers of Parliament at Westminster for an excepted matter and taking full account of what falls to the Assembly.

That is why you have the split between the two Acts.

82. **Mr Allister**: I can understand that transfer will be dependent on Westminster doing something on an excepted matter. What I am struggling to understand is how, once something that is in the domain of an excepted matter is done by Westminster, it becomes dependent on the Assembly doing something.

83. **Mr G McCann**: Look at it the other way. All the benefits that are based on contributions depend on which national insurance contribution you have paid, whether it is class 1, class 2, class 3 or whatever. All those rules fall to Parliament, so this is just really carrying on the existing system that has been in place.

84. **Mr Allister**: Yes, but you could have people in Northern Ireland eager and willing to make a class 3 contribution and the door is shut to them.

85. **Mr G McCann**: I assume that Assembly Members, when looking at the timescales that we have to meet for these things, will take those matters into account.

86. **A Member**: The optimist.

87. **Mr Allister**: I hope that you are right.

88. **Mr G McCann**: That is all that we can say on it. We assume that it will be factored in.

89. **Mr Allister**: Can I ask you about one other thing — the bereavement support payment? You have set out for us how it is £2,500 and £150 a month, capped at a year etc. Remind us how that compares with the present arrangements.

90. **Mr G McCann**: I will have to find some figures for you here.

91. **Mr Wilson**: Is it £2,000?

92. **Ms McCleary**: Yes, currently, the bereavement payment is a one-off tax-free payment of £2,000 after the spouse or civil partner has died. Then there is —

93. **Mr G McCann**: You can also get a bereavement allowance. That is payable to a person over the age of 45 who does not have any children. The standard rate for that is £108·30.

94. **Mr Allister**: What about the widowed parent's allowance?

95. **Mr G McCann**: The widowed parent's allowance will depend on the children in the family and your age when you start getting it.

96. **Mr Allister**: How long do you get it for?

97. **Mr G McCann**: It can be until the child has left school, which could be —

98. **Mr Allister**: That is the point I am coming to. Is that affected by the proposals?

99. **Mr G McCann**: No. Anybody who is under the existing system —

100. **Mr Allister**: Those under the existing system are not affected, I understand that; but, for the future, does it disappear?

101. **Mr G McCann**: It does.

102. **Mr Allister**: You come to us and talk about notional losses, but that in fact is a very substantial loss for someone who finds themselves in that position. Instead of having a weekly benefit until their children leave full-time education, they will have their benefit capped at 52 weeks — end of story.

103. **Mr G McCann**: Yes. Though, without, as it were, dancing on the head of a pin, why we say that it is, in theory, a loss is because, at the point of this taking effect, there will not be anybody out there who will be able to claim for it.

104. **Mr Allister**: Yes, because you changed the rules, so that they cannot apply. I am comparing the widow of today with the widow of tomorrow, and the widow of tomorrow will be at a distinct disadvantage.

105. **Mr G McCann**: However, I should make the point that, for this one, there is absolutely no money being saved here. It is just that the money is being used in a different way.

106. **Mr Wilson**: It is more upfront.

107. **Mr G McCann**: It has been moved so that it can be front-loaded. It also fits into the wider agenda, which is to seek to get people back into work. The idea that we should have people on benefit all their life is not really where we want to be. The aim of the new bereavement support is to provide help during the first year. There will be other benefits available. If you do not have any money, are not working, cannot get a job etc, there are other benefits that will fill in. However, the money that you get because you have been bereaved shall last for only one year.

108. **Mr Allister**: It is the parental allowance that really is the big loss.

109. **Mr G McCann**: It is a big notional loss in the sense that it is what a person might have expected to get had their spouse died at some point in the future. I say again that there is not any money being saved here. It is just that the money is being redistributed.

110. **Ms McCleary**: It is also important to note that, under the new scheme, it will not be restricted by age. Under the old scheme, you had to be, I think, 45. Whereas, under the new scheme, there is no age restriction.

111. **The Chairperson**: A number of members want to come back in again, but I will take members in the order in which they indicated.

112. **Mr Campbell**: It is quite a confusing system to try to get your head around, so can you help me to get some clarity on this?

113. **Ms McCleary**: We will try.

114. **Mr Campbell**: Beyond 2016, at the current estimate, the single-tier state pension will be about £145. Is that right? To analyse this, is it possible to get a weekly sum that equates to the future pension that current pensioners will get from their current basic pension plus any average second pension that they are entitled to, so that we can see what we are comparing? We are not comparing apples with oranges here. How much gross income does a pensioner currently get, and what will an equivalent pensioner get under the single-tier state pension in three years' time?

115. **Mr G McCann**: I shall give you a figure, but I will have to check to make sure that what I am saying to you is right. With that caveat, I think that the average is £125 a week at the moment.

116. **Mr Campbell**: What does that comprise?

117. **Mr G McCann**: The basic state pension is £110. The other bit is made up of the extra pension that they have earned from SERPS, S2P or whatever. The average is, I think, £125, but I have to check that out to make sure that what I am telling you is right.

118. **Mr Campbell**: I will come to the point about the window, which, I think, is the important point for many people. Going back to Mr Brady's point, that would mean that, post- 2016, based on the figures that we currently have, pensioners would expect to be £20 a week or thereabouts better off than their present-day counterparts. Is that right?

119. **Mr G McCann**: Yes, on average. I think that it is fair to say that that is the case on average.

120. **Mr Campbell**: Yes, obviously, everybody will have different contributions. So, in that sense, it would not be a saving to the state. It would actually be an additional expenditure.

121. **Mr G McCann**: As I said in answer to Mr Brady, it is not until we get to the year 2040 that we start to realise some savings.

122. **Mr Campbell**: OK.

123. I want to come on to the issue of the window period and the requirement to have 35 qualifying years. Presumably, females who have taken time out for

family reasons or whatever might find themselves in an invidious position. If they have sufficient years, they will be able to avail themselves of that additional pension sum, compared to current counterparts, but they do not have much time to establish whether they have sufficient years and, if they do, what they can do about it.

124. **Ms McCleary**: It is worth noting there that a woman who currently has 30 years will be in the same position as she would be under the new scheme. That is just because of the way that it works; the percentages.

125. **Mr Campbell**: You mean —

126. **Mr G McCann**: What Anne means is that, if, at the moment, you have worked for the full 30 years, you would be entitled to a full pension of £110 a week. OK?

127. **Mr Campbell**: Yes.

128. **Mr G McCann**: With 30 years, under the new scheme, you would be entitled to a pension of £123 a week.

129. **Mr Campbell**: Yes, but —

130. **Mr G McCann**: So, those women will be better off, even if they do not have the full five years more.

131. **Mr Campbell**: Yes, but the point that I am making, and why I asked the first question, is that should someone be short of the qualifying years by an amount that they may be able to raise because they see some longer-term benefit in doing so with greater life expectancy etc, the additional potential pension that they would get under the new scheme is greater than the pension they would get were they to pay up to get the 35 qualifying years now. That is because of the £25 extra.

132. **Mr G McCann**: Yes. Each year under the new scheme shall be worth more to you than each year under the existing scheme. If that is what you are asking, the answer is yes.

133. **Mr Campbell**: Yes, that is. That is all the more reason for those women to be made aware of the financial benefit to them if they were able to. Many of them may not be, but those who were able to make up those financial contributions do not have long to do it. Presumably, the cost will rise.

134. **Mr G McCann**: Sorry, there are two separate issues here. The first is that you can pay voluntary contributions to buy added years for what we call the basic state pension. The other one that we referred to for the class 3As will buy you extra state second pension.

135. **Mr Campbell**: Right.

136. **Mr G McCann**: It is not buying you added years of the ordinary pension. It buys you added years, as it were, of your state second pension.

137. **Mr Campbell**: Yes. But I will try to explain a bit more what I am getting at. If we were to have a female who has been raising a family or who had been in circumstances that now left them short of the 35 qualifying years, and they are due to retire in or around 2016, and they discover that it would be significantly beneficial to them to pay up their 35 years of national insurance contributions because, at the point of their retirement, they will qualify for the higher single-tier state pension — right?

138. **Mr G McCann**: Yes.

139. **Mr Campbell**: At what point will they know or be informed that it would be significantly beneficial for them to do that but they have only two years to do it?

140. **Mr G McCann**: Well, again, two years would probably only be for the class 3As for the state second pension. As part of the changeover, from the old to the new system, we will look at what each person has paid in and work out what they would have been able to get under the existing system and what they would get under the new one. So, each person will know what they are entitled to, and that will be what is called their foundation amount. Special rules are going to be applied to allow people, once they know their foundation amount, to have added flexibility for the time over

which they can buy the added years. I am talking about the added years for the ordinary pension, as opposed to the class 3A rules that we spoke about earlier. There will be special rules to allow people to buy extra years.

141. **Mr Campbell**: But what is being done to alert those people?

142. **Mr G McCann**: As we move ahead on all this, again, part of our problem is that we are not able to go out and advertise it from the rooftops until we know that the Assembly is happy with it. So, there is a balance to be struck between advising people on what they should do for the future and knowing that the Assembly is happy with it. I think of the Welfare Reform Bill, for example. There was a plan to issue some leaflets, and the Committee, probably quite rightly, felt, "Hold on; we have not agreed this yet". I am just saying that we have to balance matters that are for the Assembly and what we, as a Department, wish to do in advising people.

143. **Mr Campbell**: At what point do people cease to be eligible to pay national insurance contributions?

144. **Mr G McCann**: At what point do they cease to be eligible?

145. **Mr Campbell**: At what age?

146. **Mr G McCann**: Your state pension age is the cut-off point of the years that you have to pay national insurance contributions. However, you can pay voluntary contributions; those are called class 3. There are various rules. You can pay some of those even after pensionable age if it would allow you to buy a year or to make up one final year, but there are quite complicated rules.

147. **Mr Campbell**: One further question is on the issue of EQIA. There are various groups that there will be an impact on and some that there will not. There is mention of religious belief, political opinion, persons with a disability and persons with dependents, and we have referred to one or two of them. I understand that, and it is good to know. Are there any practical steps that the Assembly can take to address the negatively impacted groups? Can anything be done, or is that just a simple factual statement of what will happen once this is passed?

148. **Mr G McCann**: What is inside the EQIA is a statement of fact. It is what we have done under section 75. We have to assess all the various impacts. We have also set out there what measures have been looked at to see how we could mitigate this. As I said earlier, because of what we have got in on this, we have looked at some other issues as well and spoken to the groups about those. However, as I also said earlier, even though we have looked at the situation for the group of women born on the same day as the men, for example, there are very real things there that would stop us from doing anything different.

149. **Mr Wilson**: I will ask a question following on from Gregory's. You have said that, once the legislation has gone through here — I take it that the legislation has to get through the Assembly and that it is not just a question of the Committee saying that it is content — you will be able to inform people of its impact on them and tell them that they can buy themselves extra contributions if they want to, and that some flexibility will be shown. Is that national flexibility? If we were later with our legislation than the Government at Westminster had expected, will the time period be squeezed because we are later, or have there been indications that we will be given an extension of that time?

150. **Mr G McCann**: To go back to your first point and to Mr Campbell's question, there will be some things that people shall end up knowing about in advance of the Assembly putting this through. For example, if anybody here asked what their future pension rights will be, a computer system in Britain will give them a statement. However, on the note that they get, there will be a statement that the law has not yet been passed in NI. So, all they are telling people

is what they might be entitled to. We added in something to make sure that people know that the Assembly has not yet passed this and that, therefore, they cannot rely on that totally.

151. **Mr Wilson**: Will the period that they have to rectify the situation by making additional contributions, if they so wish to, be fixed nationally? People may well know that they will have a shortfall but not be able to do anything about it.

152. **Mr G McCann**: It is for the buying of extra contributions for the basic pension, which we will call it for want of a better term. Once we work out what their amount would be under the new and the old systems, people will have a period of years during which they can buy extra contributions if they wish.

153. **Mr Wilson**: So, that should not be affected by any delay in legislation here.

154. **Mr G McCann**: It will be more of an issue for the class 3As, which Mr Allister mentioned, and in respect of the fact that we have to have the system up and running for 2016.

155. **Mr Wilson**: I have one other point to make. You have to have 35 qualifying years to qualify for the full amount, and the minimum period is 10 qualifying years. What happens when someone falls short of having 10 qualifying years?

156. **Mr G McCann**: A person who does not have 10 qualifying years will not be entitled to any. The reason for that was to ensure that people who were getting the pension had a strong link with the company for which they worked. However, state pension credit is also available, which means that someone who has no money, or has a small amount of savings, would still be able to claim state pension credit, which will be paid at the same rate.

157. **Mr Wilson**: So, if a person paid eight years' contributions, he or she has not paid them in vain and will still get some return.

158. **Mr G McCann**: They will not get it from the single-tier pension system, but there is a safety net in place as regards pension credit.

159. **Mr Wilson**: I want to ask about private pensions, especially since everyone is going to be forced to take a pension. I want you to explain paragraph 11 in the briefing paper that you gave us entitled 'Draft Pensions Bill - Outline of main provisions". Paragraph 11says that:

"The Bill also adds a new objective for the Pensions Regulator stating that it should 'minimise any adverse impact on the sustainable growth of an employer' when exercising its functions in relation to scheme funding."

160. If I were paying into such a pension, I might have some concerns about what that means. What does it mean in practice? I know you said that it does not mean that every employer will make a special plea, but let us imagine that the CBI says that this is having a very big impact on its members and wants the Pensions Regulator to step in and reduce that impact. In practice, what could the Pensions Regulator do, and how would that impact on me as an employee who has made contributions to that scheme? Would it be watered down? For example, could I be in a position where I had made contributions on the basis that I would get something from it only for it to be watered down as a result of the representations going to the regulator?

161. **Mr G McCann**: That is not the intention of the provision. There is always a balancing act between having schemes in place, in which all the rights of members are safeguarded, and not putting extra burdens on employers. For example, the schemes that we enjoy are linked to what we earn in our defined salary and we know exactly what we are going to get. Such schemes come at very high cost to the employers that sponsor them; so, we aim to have a system where the rights of the member who pays into a scheme are safeguarded and where we do not place an extra burden on employers. We are looking for that balance.

162. **Mr Wilson**: What would that mean in practice?

163. **Mr G McCann**: The Pensions Regulator could be checking that everything in a scheme is hunky-dory and finds that when looking ahead to future years things will be fine although the scheme balance this year is perhaps slightly lower. This means that he would not have to intervene. He looks at the overall picture. If he were to insist on money being paid in now, that could cause grief to the employer. However, if the regulator is satisfied that things will balance out over the longer term and there is no need for us to be overly worried about it, things will be fine. This is an example of where the Pensions Regulator might take an easy touch on something as opposed to being heavy-handed. The role of the Pensions Regulator will still be to make sure that all the various rights of members are safeguarded. It is just about factoring in that, when he is carrying out all his functions, this is one extra function he has to carry out. He has to think about the impact of what we are doing. It is not meant to take away from any rights under the scheme or take away any safeguards.

164. **Mr Wilson**: Say we hit another recession and employers' organisations decide that making pension contributions for members is causing a huge burden. Could the regulator give them a holiday from putting in contributions, not knowing what the cumulative effect of that might be. In the meantime, firms could go bust, and if they have not made contributions, because the regulator gave them the right not to do so, then I, the employee, having made my contributions to the scheme, would find that my rights have been diluted.

165. **Mr G McCann**: There are rules in place to say by what date, under law, they have to be paid in. It is a statutory duty. The employer has to pay by a certain date after he has got them in.

166. **Mr Wilson**: In practice, what does it mean when it says that it has to be sustainable and that the regulator has to bear that in mind?

167. **Mr G McCann**: Say, for example, in the case you mentioned, the contributions were due in by the eighteenth day of the month and are two days late. Strictly speaking, that person has fallen foul of the law, and the Pensions Regulator could issue a contribution notice and force them to comply. He could also impose a fine on the employer for having failed to meet the deadline. However, the Pensions Regulator could also look at the whole thing and say, "Fair enough; it is paid now and you are only two days late" —

168. **Mr Wilson**: Surely —

169. **Mr G McCann**: This is an example of where he does not need to carry out all his functions to make sure all are safeguarded. I am just saying that, in doing so, he has to bear in mind that employers have issues.

170. **Mr Wilson**: It is a kind of micromanagement. It is that the regulator can look at the big picture and decide not to make macro-changes that will impact on the sustainable growth of the employer.

171. **Mr G McCann**: Under law, some of the Pensions Regulator's powers are quite strong, and he could opt to exercise them to the very last letter. For example, he could go into schemes every year, check them out, make them jump through hoops over and over again and, if they failed to provide contributions, he could issue a penalty notice. He could do all those kinds of things. He could also opt to bear in mind all the issues that firms are facing, which is probably what is coming through in this. We do not want to stop firms that are operating good schemes from doing so just by being overly heavy-handed. I stress again that there is no intention that this would allow firms to go down the route of not worrying about members' contributions. That is not what this is about. It is more about having that up there along with all the other things that the Pensions Regulator does. He has

to bear in mind all the issues faced by employers.

172. **Mr Wilson**: How do you see that power operating later on if we have a fairly lenient Pensions Regulator or if we have one who is being leaned on because of economic circumstances? I can think of situations that could arise, especially if we have a prolonged recession, as we do at the moment. A very strong case could be made, if the provision existed, to do something to rescue firms. However, that in turn would have an impact on the people who have been happily paying their pension contributions. Under the new legislation, everyone will be required to be in an employer's pension scheme, so everybody could be affected by this.

173. **Mr G McCann**: Under automatic enrolment, it is not that they will be in an employer's pension scheme that their employer will have to pay into; most employers will probably opt for the National Employment Savings Trust (NEST), which is operated by the state. Therefore, it will not be the case that all those people will be joining small schemes.

174. Those of us who are old enough will remember the Maxwell affair in which scheme funds were used to prop up the Maxwell empire. Since then, I do not think that anything of that nature would be allowed to happen under the current rules. The intention is that it will not allow for the scenario you are referring to. If we thought that that was going to happen, the Department would seek to intervene.

175. **Mr Wilson**: The Department makes regulations to ensure that schemes meet the quality requirement. What criteria will be set out to ensure that schemes meet the quality requirement?

176. **Mr G McCann**: For a scheme to be automatically enrolled, it has to meet certain standards. As this is starting to work in practice, employers in some schemes are saying that they cannot meet these standards but that the amount of money they have as a safeguard is ample and that there are no risks. If there is an alternative form of pension scheme that we think would safeguard it, the Department can allow other ways to satisfy the rules, so long as they meet certain criteria. It is to add extra flexibility for schemes that are pretty good at the moment but are not able to meet the letter of the law of automatic enrolment.

177. **Mr Brady**: A question was asked about getting information to people, and you mentioned the leaflets on welfare rights. I want to make the point that the Committee asked for those leaflets not to be sent out because quite a few that were sent out caused confusion. However, maybe the lesson has been learned.

178. Widowed parent's allowance is payable as long as child benefit is payable to the surviving parent. The whole lump sum issue came about because of a legal issue, because survivor's benefit was not payable to men; it was payable to women only. A case was taken to the European Court a number of years ago by a man, who actually won his case. Under the old system, women would have been paid the high rate for six months, which meant that they got used to living on that, and then, bang, it went down. That was the basis for that. Therefore, the surviving parent will get the widowed parent's allowance if the child stays at school until they reach the age of 19 or 20 and as long as child benefit is payable. That would be the controlling benefit. Can you clarify that?

179. **Mr G McCann**: For the existing law, it could be paid until the child reaches the age of 19 because of the school leaving dates. That is the cut-off point. I do not have the figures to hand, but the number of people who are still getting it once the child is 19 are small. However, Gillian may be able to turn up those figures.

180. **Mr Brady**: There is also the cut-off age of the surviving spouse or partner. Under the new system, if they are under a certain age, they will still get some benefit. It applied to women only at

that time, and if they were too young — obviously you cannot legislate for when your partner will die — they received nothing if they did not have dependent children.

181. **Mr G McCann**: There are two big advantages with the new system. The first is that, for the first time, people under 45 will be able to get the allowance, which is a big change. The second is that the amount you got by way of bereavement allowance was linked to the number of years of the dead spouse's or civil partner's working life. For example, for someone who stayed on at school and who may have gone on to university and worked for only a couple of years, the number of qualifying years in their working life would have been small. Therefore, the amount that the widow received would have been quite small. Under the new contribution conditions, people will receive the allowance so long as the person worked for one year.

182. **Mr Brady**: If you have no dependent children, that will last for only one year. Presumably, if you do not have any other source of income, you will go on to income-based benefits.

183. **Mr G McCann**: The income-based benefit is payable at the same time. The new allowance will not be taken into account. As well as getting bereavement support, if you are out of work, you would claim universal credit, as it may be by that stage.

184. **Mr Brady**: If bereavement benefit is above income-based benefit, you would not get any income-based support.

185. **Mr G McCann**: You will. The bereavement support payment will not be taken into account for universal credit.

186. **Mr Brady**: That is what I wanted to clarify. It will be ignored for that year.

187. **Mr G McCann**: Again, that brings me back to the point I made earlier that the new rules will not save money; it is just that the money will be taken and used in a different way.

188. **Mr Brady**: So, if the person goes back to work within that year, that will not be added to their income and taxed overall in the way that, say, a pension is if somebody is —

189. **Mr G McCann**: I am sorry; do you mean taxable income? I cannot answer you on tax. HM Revenue and Customs (HMRC) is still looking at the tax issue.

190. **Mr Brady**: Obviously, it would not affect benefits. However, if the person went back to work within two or three months of the bereavement, would the bereavement benefit be added to their wages and would they be taxed on the overall amount?

191. **Mr G McCann**: As I say, I understand that HMRC is still looking at the tax status.

192. **Mr Brady**: That is interesting.

193. **Mr G McCann**: Tax is an excepted matter, and in the same way as with national insurance contributions, we do not have any control.

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

195. **Mr G McCann**: I understand that HMRC is still looking at it.

196. **Mr Brady**: People need that information in order to make their decision.

197. **Mr G McCann**: Again, that is a matter for HMRC to make up its mind on. We cannot influence that. We can only wait for HMRC's decision.

198. **Mr Brady**: I understand that. Thanks.

199. **Mr Allister**: I just want clarity on one point. To go back to the class 3As and those who might have an interest in making contributions, can you clarify how they will be alerted to the advisability of making such contributions?

200. **Mr G McCann**: I do not think that they would be alerted to the advisability of making them. I think that it would be a choice. I am sorry; do you mean that we would say that we think it is a good idea?

201. **Mr Allister**: Will class 3As be given any illustration to say, "Here is how you stand as things are. If you contribute further, pro rata, this is how it could affect you"?

202. **Mr G McCann**: This scheme will be open to everybody who is of pension age before 2016.

203. **Mr Allister**: Men and women?

204. **Mr G McCann**: Yes. It will also be open to people who are over pension age, as it were, to purchase to add on extra S2P.

205. **Mr Allister**: How would they know whether it was in their interests to do that?

206. **Mr G McCann**: At the moment, someone who is over pension age should know exactly what they are getting. Those under pensionable age can ask for a statement on their future entitlement.

207. **Mr Allister**: Is the onus on them to investigate, explore and find out if it is in their interests?

208. **Mr G McCann**: I would have to go back and clarify whether there will be any proposal to look for people with a deficient record.

209. **Mr Allister**: Do you not think that there would need to be?

210. **Mr G McCann**: I should say that this is not about a deficient record as such; it is to allow people to buy extra state second pension.

211. **Mr Allister**: I know that.

212. **Mr G McCann**: What I mean is that nobody has a deficient record, as such. I am just coming back to clarify that for you in the case of somebody who has a deficient record.

213. **Mr Allister**: I am concerned about the availability of the option of class 3A contributions so that people might be able to benefit or better themselves with regard to the second string to their pension. How will they know that? How will they know how they could benefit and better themselves and by how much if you do not tell them?

214. **Mr G McCann**: Rather than actually telling you something that I am not certain about, I think it would be better for me to go back and check. We shall write to you on that point.

215. **The Chairperson**: OK. Thank you for that. Gerry, can I just return you to paragraph 11 for a wee second? Sammy raised the issue, and I raised it in my opening remarks, about the Pensions Regulator and trying to get that balance.

216. I understand that this is not designed to allow for a lobby that says that industry or business in general that is in difficulty can reduce the pension burden of employers or give people a holiday from paying contributions, which might mean that if a company went into administration, there would be all sorts of problems because pensions had not been paid up by the employer. This is the kind of protection we are looking for. Gerry, I think you said earlier that there might be a light touch given, and that contributions could be made if it goes beyond a couple of days. Would there be any question of somebody being given a year in which they would not make contributions, or could they reduce their contribution, which would impact on employees' expectations? Do you know what I mean? Where can we see the parameters of that in the Bill?

217. **Mr G McCann**: It will not appear in the Bill, but, when we get into the Committee Stage, we will be able to go into it in great detail. We can come back to this issue for you. I must admit that it is not one of the issues that I thought you would be focusing on today, but we can come back to you on it in detail.

218. You seem to be worried about what would happen if the employer has not paid over contributions and then the business goes bust. The safeguards would depend on the scheme. Is that what you are asking me? Are you asking me to reassure you that there are safeguards in place?

219. **The Chairperson**: You know what it is like: in recent weeks, companies have gone into administration, virtually

overnight. There was then a scramble to try to work out what people's rights and entitlements were. Over 24 hours, you could discover that the company has not been paying your contributions. That can have all sorts of serious impacts.

220. **Mr G McCann**: Under a defined contribution scheme, there is provision for contributions to be paid from the national insurance fund if an employer goes bust and there is a gap in the contributions paid over. That is a safety mechanism. In a defined benefits scheme, we have things such as the pensions protection fund in place. It is there, should a scheme end up being underfunded and the employer goes bust. That will provide safeguards to ensure that people are paid a pension. So, there are safeguards, if your concern is that you might get into a situation where contributions were not paid. However, as I said to Mr Wilson, there are rules in place as to the dates by which you have to pay contributions etc. Those are set in law.

221. **The Chairperson**: That is very helpful; I appreciate that. I have a final point. You said that 19,000 women were born between 6 April 1951 and 5 April 1953. Is there any figure attached to that? In other words, if the Executive wished to mitigate that, are there pounds, shillings and pence attached?

222. **Mr G McCann**: Not that I can give you at the moment. The problem is one that I mentioned earlier. We think that if we were to offer this option to a woman, we would also have to offer it to a man to allow him to opt to take his pension earlier. That is where the money would get crazy, even if we were able to do it under the existing computer systems.

223. Quite a large number of those women will be far better off under the existing system simply because of their state pension age. If we take the average figure of about £125 a week, which we used earlier for Mr Campbell, we would see that, over their lifetime, they will get a pension of about £26,000, based on the fact that they were able to go earlier — their pension age was earlier. Not all women will lose out; some will gain quite a lot. In fact, we get pressure from men who complain that a woman is still able to get her pension earlier.

224. **The Chairperson**: Thank you for that, Gerry. There are no more questions. Gerry, Anne and Gillian, thank you very much. Gillian, I know that you were here in body; I am not sure that you were here in spirit, as you said earlier. Thank you for trying to address these complex issues. Obviously, we will return to them.

6 November 2014

Members present for all or part of the proceedings:

Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Ms Paula Bradley
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

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

225. **The Deputy Chairperson (Mr Brady)**: The following officials are here: Anne McCleary, Gerry McCann, Seamus Cassidy and Gillian McMaster. A briefing has been provided. I welcome you to the Committee. I take it that you are taking the lead, Anne.

226. **Ms Anne McCleary (Department for Social Development)**: Yes, I am afraid so.

227. **The Deputy Chairperson (Mr Brady)**: Why am I not surprised?

228. **Ms McCleary**: Mr Deputy Chair, thank you very much for the opportunity to brief the Committee on the proposed Northern Ireland Pensions Bill. You might recall that we provided a briefing on the corresponding Westminster Bill on 27 June last year. The Committee was briefed on the equality impact assessment (EQIA) for the present Bill on 6 March 2014, and we had quite an extensive question-and-answer session on the proposed provisions. Therefore, members are, generally speaking, familiar with the proposals.

229. The current Bill is just part of the wider pensions landscape. Members will be aware that we are due to brief the Committee at the start of next month on the Pension Schemes Bill 2014-15, which is before Parliament. That Bill deals with private pension issues. Subject to ministerial and Executive approval, it is anticipated that a corresponding Assembly Bill will be introduced in the spring. The present Bill, not the Pension Schemes Bill, proposes changes to the state pension, private pensions and bereavement benefits. Specifically, it proposes the introduction of a new state pension and consequential matters: an option for individuals to boost the value of their additional state pension under the current scheme; accelerating the increase in state pension age to 67; phasing out the assessed income period in state pension credit; the introduction of bereavement support payment; and, finally, changes to private pensions.

230. The Bill is a mixed bag. Some proposals will be welcomed, and some may not. The proposed new pension scheme has, broadly speaking, been well received. Accelerating the increase in state pension age to 67 is unlikely to prove universally popular. If you are content, I will run briefly through the main proposals.

231. Part 1 introduces a new state pension to replace the current two-tier scheme comprising the basic state pension and the state second pension. It has been designed to cost no more overall by redistributing spending, and it provides for three things. The first is a single component flat-rate contributory pension set above the pension credit minimum guarantee for people reaching pension age on or after 6 April 2016; secondly, transitional arrangements deal with those who reach pension age on or after 6 April 2016 and who have qualifying years accrued under the current system; and, thirdly, the ending of contracting out for salary-related occupational pension schemes. The objectives of this Part are a simple state pension; clarity and confidence about the support that can be expected from the state; a foundation for retirement planning and saving; and, finally, a reduction in

the number of people who will have to rely on means-tested benefits such as pension credit.

232. People reaching state pension age before the introduction of the new scheme will receive their state pension in line with current rules. It is inevitable that major changes, particularly in the current fiscal climate, will involve trade-offs: for example, the increase in the number of qualifying years for a full pension from 30 to 35 years. There are two consequences of the ending of contracting out. First, national insurance liability for employees and employers, including public sector employers, will increase. Secondly, employers may seek to recoup additional costs by changing scheme rules or increasing member contributions. On the other hand, interest groups have been campaigning for a single-tier, non-means-tested pension for many years. Furthermore, many future pensioners will not have to rely on pension credit, and people will know exactly what to expect and can, therefore, plan to supplement their retirement income without the fear of losing out through means testing.

233. The new scheme will benefit two groups. The first is the self-employed, who will be treated in the same way as an employee for pension purposes. The second is low earners, particularly women who have had career breaks or caring responsibilities and did not have time to build up a state second pension or paid into private pension schemes for only a short period. Under transitional provisions, people who would have been entitled to a higher pension based on their pre-2016 contributions will get paid the excess over and above the new pension rate. Protection is provided for married women and widows who paid reduced-rate contributions. I think it fair to say that there is a broad consensus that the current pension system is too complex. The proposed scheme offers a simpler and more transparent scheme.

234. Part 2 makes provision for increasing additional state pension. The Westminster Pensions Act 2014 introduced a new class of voluntary national insurance contribution, class 3A. Payment of class 3A contributions will allow people who reach state pension age before the introduction of the new pension to increase their additional state pension under the current scheme. As national insurance contributions are an excepted matter, these measures extend to Northern Ireland. The Bill provides for the payment of extra units of additional state pension to those who have paid class 3A contributions.

235. Part 3 provides for accelerating the increase in state pension age to 67. Members are aware that the Pensions Act (Northern Ireland) 2012 brought forward the increase to age 66 as a consequence of revised life expectancy projections. In the November 2011 Budget statement, the Chancellor announced that the state pension age in Great Britain would increase to 67 between 2026 and 2028, rather than between 2034 and 2036. So, it is to happen eight years earlier. The Bill makes corresponding provision for Northern Ireland. As a consequence, people born after 5 April 1960 but before 6 March 1961 will have a state pension age of between 66 and 67. Those born after 5 March 1961 but before 6 April 1969 will have a state pension age of 67. The changes will not apply to anyone affected by the bringing forward of the increase to age 66. As with previous increases, this proposal affects the qualifying age for all pension-age benefits and the upper age limit for receipt of working-age benefits, so people will continue to be entitled to working-age benefits for longer.

236. Part 4 provides for the phasing out of the assessed income period in pension credit. The assessed income period removes the requirement for certain individuals to notify the Department of changes to retirement provision for a specified period. Retirement provision is broadly defined as capital, annuities and retirement pension. The Bill proposes to abolish this concession from April 2016 for new claimants. A power is provided to apply the change

to existing claimants, with a five-year assessed income period in place at April 2016. From this date, any change in retirement provision should be reported when it occurs, triggering a review and change of award where appropriate. This means that people will receive the correct amount of benefit for their needs. Existing indefinite assessed income periods are preserved. These were introduced by the Pensions (No. 2) Act (Northern Ireland) 2008 for persons aged 80 or over or those with an assessed income period spanning their eightieth birthday.

237. Part 5 introduces bereavement support payment to replace the existing bereavement benefits for new claimants. Currently, bereavement benefits consist of three different payments, each of which has a different function. First, there is bereavement payment, which is a one-off, tax-free payment of £2,000 payable to someone after their spouse or civil partner has died. Secondly, there is bereavement allowance, which is a taxable weekly benefit that can be paid to someone over the age of 45 and under state pension age for up to 52 weeks from the date of death of their spouse or civil partner. So, you have a one-off payment and then a weekly benefit for a year after the death. Thirdly, there is widowed parent's allowance, which is a taxable weekly benefit payable to a parent whose spouse or civil partner has died, if they have at least one child for whom they receive child benefit.That is payable until the claimant reaches state pension age or upon cohabiting, remarriage or formation of a civil partnership. Those are the three elements at the minute.

238. Bereavement support payment will simplify that. It will simplify the payment system by moving to a more uniform structure and simplify the contribution conditions with the introduction of a single rule. The intention is that support will focus on the period immediately after bereavement. It will aid the process of readjustment and supporting those without employment in making a return to work.

239. Bereavement support payment will do three things. It will provide additional upfront help in the year after bereavement, when it is needed most. Secondly, it will be available to childless people under the age of 45, who would not have been entitled to bereavement allowance or widowed parent's allowance. Thirdly, it will be disregarded from capital and income calculations for entitlement to other benefits.

240. It will be paid as a lump sum and monthly instalments. The values and payment details will be set out in regulations. However, indicative values are in the region of £4,300 — a £2,500 lump sum and £150 in monthly instalments for one year for recipients without dependent children; and £9,800 — a £5,000 lump sum and £400 in monthly instalments for one year for those with dependants. Longer-term support can be provided through other benefits as appropriate. Bereavement support payment will not be payable to anyone over pension age. If a person is entitled when reaching pension age, entitlement will cease.

241. Part 6 proposes a number of measures related to private and workplace pension schemes, the majority of which strengthen existing legislation in respect of regulation and automatic enrolment. The automatic transfer of small occupational pension pots when a person changes employer will reduce the number of dormant pots, making it easier for people to track their pension savings and helping them to plan better for retirement and secure better income in retirement.

242. Part 7 is concerned with the power to make consequential amendments, general provision in respect of regulations and orders, interpretation of terms used, commencement of provisions and the short title.

243. The current pension system is widely seen as too complex. It is important that people have certainty about the new state pension scheme as soon as possible. Additionally, the scheme to allow people to purchase class 3A

contributions to boost their state second pension under the current scheme goes live in October. The scheme must be enacted to allow people here to take advantage of it. We are, therefore, keen to work closely with, and do anything we can to assist, the Committee in its consideration of the Bill. Ultimately, however, pensions and benefits must be sustainable, and solutions must be fair across the generation. I think that there is consensus that we cannot leave a legacy of unsustainable pension costs to be picked up by the current younger generation. Thank you.

244. **The Deputy Chairperson (Mr Brady)**: Thanks very much for that. I suppose what you are really saying is that we will work longer and get less back, ultimately.

245. **Ms McCleary**: Well, we live longer, and —

246. **The Deputy Chairperson (Mr Brady)**: Yes, but not necessarily more healthily. That is what we are told in the Health Committee, anyway. I have just a few questions before I bring members in. There is a report from the Institute of Fiscal Studies on the Bill in Britain. It is estimated that most people would have to live to over 100 to be better off overall under the new system. My mother is 105, but I do not think that she will live long enough for the new system. It may well not apply to some of us here.

247. There are significant exceptions, including the long-term self-employed and people who start to receive credits on the basic state pension. That is predicated on universal credit coming into effect. There have been huge problems with that. They might, by the time they get up and running a system able to deal with universal credit, be able to introduce this. I attended a conference in April on European pensions. It has long been documented that basic state pensions here and in Britain are among the meanest in the developed world. That, I think, is accepted.

248. I have a question about how the new pension is likely to be indexed. You mentioned bereavement benefit, which relates to specific circumstances and is almost like a passported benefit because, obviously, you qualify only if you are bereaved. How did it come to be incorporated into this Pensions Bill? Bereavement benefit came about because survivor benefit then also applied to males, whereas it did not previously. It seems that bereavement benefit is now incorporated into overall state pension legislation. I wonder what the rationale —

249. **Mr Gerry McCann (Department for Social Development)**: Sorry, do you mean for people under or over state pension age?

250. **The Deputy Chairperson (Mr Brady)**: The Bill refers to widowed parent's allowance, for instance. I think that, at the moment, that pays a maximum of about £111 per week, and child benefit is a qualifying benefit. It depends on the child's age. I think that, assuming that a person does not remarry, a sum more significant than the £9,800 mentioned in these arrangements could be payable over a period. Are there any figures that provide a comparison between current and proposed arrangements for bereavement benefit?

251. **Mr G McCann**: The first is aimed at people with a child who receive widowed parent's allowance, and that rate can vary. The lowest amount payable is £7·78 a week, and it goes up to £111 a week, so there is a big range. It is not that each person gets paid £111 a week at the moment; it all depends on a number of other factors based on contributions.

252. The average length of time for which widowed parent's allowance is payable is 4·8 years. At the moment, the longest here is just over 13 years. It is not that each person is paid the allowance until a child hits the age of 16. It is not payable for 16 or 19 years in most cases; it is for a much shorter time. It is fair to say that, as we look at the old and the new, we have to bear those

factors in mind. It is not that everybody gets £111 a week; some get a very small amount a week.

253. The aim is that rather than what is handed out by the state being spread over a long period, it will be paid up front. For the first few years, the new scheme will cost us more. It is not being done to save money; it is just to move the way in which the money is spent. It fits into the overall plan, which is that we should not really have people on benefit for life. This now means that —

254. **The Deputy Chairperson (Mr Brady)**: That is part of the idea —

255. **Mr G McCann**: Yes, that is part of the overall agenda. It is not that we will save money by doing this; it is just to change the way in which the help is given.

256. **The Deputy Chairperson (Mr Brady)**: The index aspect —

257. **Mr G McCann**: Of the state pension?

258. **The Deputy Chairperson (Mr Brady)**: Yes. How will the new benefit be indexed?

259. **Mr G McCann**: For these purposes, the main payment is £148·40. That will be updated in line with average earnings.

260. **The Deputy Chairperson (Mr Brady)**: Anne made the point that this is to encourage younger people to save for the future. Obviously, that depends on your job. The difficulty for a lot of young people now is that, by the time they qualify and get a job that pays a reasonable amount, they have so much student loan debt that it can take them years to pay it off. I find it difficult to see how people in that position, even those starting university this year, will be able to earn enough to save by the time they have paid off their debt.

261. This Bill is, in a sense, enabling legislation: if it went through tomorrow, they could put the pension age up to 85 if they wanted to. I know that we have figures showing that it will be 67 by whatever year, but that has already changed. If you go back to 2007-08, you see that they have upped the age even since then. The date of the age change from 66 to 67 was brought forward from 2020 to 2018. Logically, that age could be increased once the legislation is in place. You mentioned amendments and regulations. The devil will be in the detail of the regulations. Logically, they could put the age up if that were —

262. **Mr G McCann**: I will answer your second point first. There is nothing in the Bill that would allow the age to be changed again. The age is stated in the Bill. There is nothing that would allow us to change —

263. **The Deputy Chairperson (Mr Brady)**: Once the Bill is in place —

264. **Mr G McCann**: It would take a further Bill to change it. In what we are looking at today, there is nothing that —

265. **The Deputy Chairperson (Mr Brady)**: That is primary legislation. Secondary legislation could be introduced to change —

266. **Mr G McCann**: No. Not under the current Bill, anyway. As to whether, at some point —

267. **The Deputy Chairperson (Mr Brady)**: That is all right. I just wanted to check.

268. **Mr G McCann**: There is nothing in the Bill that would allow us to do that.

269. **Ms McCleary**: It is set in the Bill. Therefore, it would take more primary legislation.

270. **The Deputy Chairperson (Mr Brady)**: I am not naturally cynical; I just wanted to ask a few questions on that.

271. **Mr G McCann**: Your first question was on whether people can afford to save. As you know, one of the other things that we are working on is the idea that everybody will be in a private pension scheme, and the worker and his or her employer will pay into that. As opposed to people having to opt in to save, they would have to opt out. If they do, they will not get the benefit of what is paid in by the employer. For younger people, in particular, and for any private pension scheme, if you are in it from a very

young age, it builds up quite well over a lifetime. Young people should end up with fairly decent pensions from the process.

272. **Mr Allister**: I have two quick questions. Does the advancement that the provisions contain for the self-employed have any knock-on consequence for their national insurance contributions?

273. **Mr G McCann**: National insurance contributions are an excepted matter for Westminster. We have no control over them.

274. **Mr Allister**: I accept that you do not have control, but do you know the answer?

275. **Mr G McCann**: No. I have not seen anything to say that they will change, but I do not know. I am not privy to such information.

276. **Mr Allister**: My second question is this: at present, is the lump-sum bereavement payment payable to someone over pension age?

277. **Mr G McCann**: It is, but only in certain very narrow circumstances.

278. **Mr Allister**: After this reform, it will not be payable to anyone over pension age.

279. **Mr G McCann**: I would have to check the figures, but I think that the number of people over pension age who qualify is very small.

280. **Mr Allister**: For the lump sum?

281. **Mr G McCann**: Yes. The number is very small. I can certainly come back to you with a more definitive answer.

282. **Mr Allister**: What about someone over pension age who has dependants? Are they banished from the obtaining of any bereavement assistance?

283. **Mr G McCann**: It would all depend on the date of death of the spouse.

284. **The Deputy Chairperson (Mr Brady)**: On that point, maybe Mr Allister is asking whether they are overlapping benefits. If you get state pension, could you qualify for bereavement because the spouse or partner dies? Are they overlapping benefits? Is it a case of one or the other?

285. **Mr G McCann**: These bereavement benefits are for people under state pension age.

286. **Mr Allister**: Yes, but it is conceivable that somebody over state pension age has dependants.

287. **Mr G McCann**: At the moment, a person over state pension age puts in a claim for state pension.

288. **The Deputy Chairperson (Mr Brady)**: On that point — sorry to interrupt — child benefit is normally the qualifying benefit. If that person has dependent children and qualifies at the moment for child tax benefit or child benefit, some benefit would have to be paid, presumably. At the moment, even if you are on income support and have dependent children, the child element is to do with the child tax credit. It used to be included in the benefit.

289. **Mr G McCann**: We would help those people through pension credit, which is linked to needs. It is payable over and above the state pension if you have needs; for example, if you have children or if you suffer from a severe disability.

290. **The Deputy Chairperson (Mr Brady)**: Sorry, again, the child element is paid through child tax credit. You are not paid in the way that you used to be, even on income support now, for a child who is not included in your assessment. That is paid outside, it is HMRC that pays the child tax credit. I think that the question that Mr Allister was asking — he can correct me if I am wrong — was about how the dependent children of a pensioner would be compensated, if that is the right word, or paid benefit. People would simply get their state pension and the children would be paid separately from HMRC. People qualify for pension credit only if they have a particular disability. They would not necessarily get it because of the children. Again, correct me if I am wrong.

291. **Mr G McCann**: Perhaps it would be better if I were to write to the Committee

on that point. I am wary of saying something here that is not absolutely correct.

292. **Mr Allister**: Yes, that is fine.

293. **The Deputy Chairperson (Mr Brady)**: That has been a relatively painless exercise. Thanks very much for the presentation, and I am sure that we will see you again to discuss myriad issues.

25 November 2014

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 Fra McCann
Mr Sammy Wilson

Witnesses:

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

294. **The Chairperson (Mr Maskey)**: Gerry McCann and Seamus Cassidy from the Department for Social Development (DSD) are here this morning to lead the briefing. Anne McCleary has had to attend another meeting but will join Gerry and Seamus in due course. Other officials may join as required. Members will have an opportunity to put questions to the Department on each clause. If any questions occur to members following the briefing, Committee staff will be very happy to follow that up in writing. The officials are here to get through as much of the Bill as possible. We could book the room only until 12.30 pm, so we will not be able to go beyond that time. The officials will be able to return at subsequent Tuesday meetings to cover the remaining Parts of the Bill if necessary.

295. I formally welcome Gerry, Seamus and Libby. I remind members that NIPSA will be here next week to provide its briefing. Gerry, it is over to you.

296. **Mr Gerry McCann (Department for Social Development)**: Good morning, everybody. We aim to work our way through the Bill. Seamus will take Part 1 and give you a brief outline of the clauses. If at the end of each clause you have any issues that you wish to raise or to ask us about, we will be happy to try to answer them.

297. **Mr Seamus Cassidy (Department for Social Development)**: Good morning, Mr Chairman. Members will be aware that the Pensions Bill poses changes to the state pension, private pension provision and bereavement benefits. Part 1 deals with the state pension.

298. Clause 1, "State pension", creates a new benefit — the state pension — for people who reach state pension age from 6 April 2016. A person reaching state pensionable age before 6 April 2016 will not be entitled to the new pension but may be entitled to benefits under the existing rules.

299. Clause 2, "Entitlement to state pension at full or reduced rate", sets out the basic entitlement conditions under the new scheme. To be entitled to a state pension at the full rate, a person must have reached pensionable age and have 35 or more qualifying years. State pension entitlement will be paid on a pro rata basis when a person has qualifying years between the minimum and maximum levels. The minimum number of qualifying years will be set by regulations but will not be more than 10 years. The clause also defines "qualifying year" as:

"a tax year, during a person's working life, in which the person's earnings factor ... is equal to or greater than the qualifying earnings factor for the year."

300. For a qualifying year, a person will need to have paid and been credited with contributions or earnings equal to 52 times the lower earnings level in that given year. The qualifying earnings factor in 2014-15 was about £5,772 in order for that year to count for state pension purposes.

301. Clause 3, "Full and reduced rates of state pension", provides that the full

rate of state pension will be specified in regulations, which will be subject to the confirmatory procedure and require Assembly approval. Once set, the rate cannot be reduced. The clause sets out that the reduced rate of state pension is one thirty-fifth of the full rate multiplied by the number of qualifying years that an individual has accumulated. That, of course, is subject to the minimum qualifying rule of 10 years.

302. Clause 4, “Entitlement to state pension at transitional rate”, provides for a transitional rate of the new state pension and sets out the conditions that a person must satisfy to be entitled to it. A person must have reached state pension age, have more than the minimum number of qualifying years and have at least one pre-commencement qualifying year — that is, a year post 6 April 1978 and before 6 April 2016.

303. **The Chairperson (Mr Maskey)**: Seamus, I do not want to interrupt your flow, but you have gone straight into the clauses. For my information, is it possible to get a brief synopsis of what the Bill is about? Gerry, you did that, but only very briefly.

304. **Mr Cassidy**: As I stated, and as you said, it is a mixed bag. There are changes to the state pension, private pension provision and bereavement benefits. Specifically, the Bill will introduce a new state pension, and a number of consequential matters are attached to that. There will be an option for people to boost their state pension under the existing rules. That will be people who do not qualify for the higher new state pension. The Bill will also deal with accelerating the increase in state pension age to 67. The Committee has previously dealt with the increase to the age of 66, so this is a further step in that direction. It will also phase out the assessed income period for state pension credit and will introduce the new bereavement support payment to replace current bereavement benefits. There are also a number of changes to private pension provision. Is that sufficient, Mr Chairman?

305. **The Chairperson (Mr Maskey)**: Maybe you could give us a flavour of what are described as the negative and the positive implications?

306. **Mr Cassidy**: The positive aspects of the new state pension will, of course, include the fact that it will be set at a level that is higher than current means-tested benefits. There are some negatives, in that the number of qualifying years will increase from 30 to 35, and there will be a minimum of 10 years for a person to qualify for any state pension whatsoever under the rules.

307. **The Chairperson (Mr Maskey)**: Thank you. Mickey.

308. **Mr Cassidy**: The option to boost the additional state pension is —

309. **Mr Brady**: Sorry, Seamus, is it set higher than the —

310. **Mr Cassidy**: Pension credit level?

311. **Mr Brady**: Yes. Obviously, with pension credit, there are fringe benefits. Does that mean that, if you are slightly above the pension credit level that would have existed, there will be no fringe benefits accruing to your state pension?

312. **Mr Cassidy**: What it will mean in most cases is that people will have to apply for things like housing benefit. There will be no automatic passport through to it.

313. **Mr Brady**: Presumably, pension credit is to supplement a low income. You are talking about it being slightly higher than the existing benefit, which is at subsistence level. So it will be slightly higher than subsistence level, but people may then lose the fringe benefits that currently accrue to pension credit?

314. **Mr G McCann**: We do not expect anybody to lose any of those fringe benefits. It is just as Seamus says. As opposed to people moving straight onto those, they would have to put in an application form for the likes of housing benefit.

315. **Mr Brady**: So the obligation will be on the claimant?

316. **Mr G McCann**: Again, once people claim their various benefits, they are also told that they can get other benefits and, if they wish to claim, how to do it.

317. **Mr Brady**: When people were on benefit, they automatically qualified for a rate rebate. It was then introduced that people had to apply, and loads of them were losing out because they simply assumed that, because they were on benefit, they automatically got it. There would need to be a campaign to ensure that people are made aware of that.

318. **Mr G McCann**: On that general issue, our colleagues in the Social Security Agency (SSA) will be doing a very extensive communications campaign. If you might find it helpful, I am sure that they would be happy to come before the Committee to advise as to how that will be done.

319. **Mr Brady**: It is a big issue for people.

320. **Mr G McCann**: There will be a very long and staged campaign.

321. **Mr Brady**: Even today, they are dealing with people who assume that they will get a rate rebate. Those people then receive a bill and cannot understand that, because they are on income support.

322. **Mr G McCann**: Under the new scheme, our aim is that everybody will be on £148·40. I am using that figure as an example; it is above the pension credit level. Therefore, we could not just move all those people straight onto housing benefit, because most of them would not be entitled to it. If you want us to arrange for somebody to brief the Committee about the communications strategy, we are very happy to do so.

323. **Mr Brady**: I think that that might be helpful.

324. **Mr Wilson**: The other side of the coin is that, given that a large number of people could currently be claiming pension credit but are not doing so, by taking the basic pension up above pension credit level, there is no need for people to apply for pension credit.

325. **Mr G McCann**: That is very true. I know this from my own mother: I could not get her to claim state pension credit. She just would not do it. She asked, “Why would I have to give in my bank book?”

326. **Mr Brady**: Almost £2 million a week — £1·9 million — is unclaimed in pension credit. That money goes back to the Treasury; it does not come back to the Executive.

327. **Mr Wilson**: The benefit of some of the changes is that people are automatically put on a level that they would have been put on had they applied for pension credit, so there is no need for that.

328. **Mr Brady**: That is an optimistic use of the word “benefit”.

329. **Mr G McCann**: Our colleagues in the SSA have had to do quite a bit of work to try to help people who claim state pension credit. There is a lot of work going on there as well.

330. **Mr Cassidy**: The uptake programme has been operating since about 2005, and it is estimated that an additional £50 million has been spent to date on some 15,000 older people.

331. **Mr Wilson**: What is that figure again?

332. **Mr Cassidy**: It is about £50 million additional since 2005, benefiting about 15,500 people. The programme is already running for this year, with a target of about 25,000 older people.

333. **The Chairperson (Mr Maskey)**: Thanks for that. Let us get back to our clauses.

334. **Mr Cassidy**: I will start where we finished.

335. **The Chairperson (Mr Maskey)**: Please do, Seamus.

336. **Mr Cassidy**: Clause 3, “Full and reduced rates of state pension”, provides for the full rate of state pension as specified in regulations, and, once the rate is set, it cannot be reduced. The clause sets out that the reduced rate of state pension is one thirty-fifth of the full rate, multiplied by the number of qualifying years that an individual has accumulated. Again,

that is subject to the minimum qualifying time of 10 years.

337. Clause 4, “Entitlement to state pension at transitional rate”, provides for a transitional rate of the new state pension. It sets out the conditions that a person must satisfy to be entitled to it. The person must have reached state pension age, have the minimum number of qualifying years and have at least one pre-commencement qualifying year — that is, post 6 April 1978 and before 6 April 2016. If a person is entitled to state pension at the transitional rate, he or she will not be entitled to a new state pension under clause 2. The clause provides that the minimum number of qualifying years will be set by regulations but will not be more than 10 years. Pre-1978 reckonable years will count towards meeting the minimum qualifying period and pre-commencement qualifying year requirement. Transitional rate calculations are set out in schedule 1 in detail to ensure that nobody will get a state pension lower than the value of their National Insurance record in the existing scheme, subject to meeting the qualifying period requirement.

338. Clause 5, “Transitional rate of state pension”, complements clause 4 and sets out the basic calculation of the transitional rate of state pension and cross-refers to other provisions in the Bill with which it interacts. When the foundation amount is more than the full new state pension amount, the excess is paid as an additional component through the transitional rate, and that is known as the “protected payment”. When the foundation amount is less than the full new state pension amount, post-commencement qualifying years count towards the transitional rate up to the full new state pension amount. The transitional rate is to be operated under the applicable paragraph of schedule 2, and the amount corresponding to the full rate of the new state pension will be upgraded in line with earnings. Any excess will be upgraded in line with prices.

339. Clause 6, “Recalculation and backdating of transitional rate in special cases”, is a technical provision that enables the transitional rate of state pension to be adjusted after the person reaches state pension age and reflects backdated changes made to a person’s National Insurance record. It applies when a person’s employer has paid the state pension premium to reinstate a person’s additional pension in lieu of private pension benefits, and they were contracted out for a short period. To ensure that the valuation is correct, clause 6 enables the transitional rate of the new state pension to be recalculated and backdated when a premium has been paid. Without this clause, the transitional rate of the new state pension may be undervalued, as amounts are deducted to reflect periods of contracting out.

340. Clause 7, “Survivor’s pension based on inheritance of additional old state pension”, makes transitional arrangements for the inheritance of a deceased spouse’s or civil partner’s current scheme additional pension. A person is entitled to a survivor’s pension based on inheritance of an additional old state scheme, if they have reached state pension age, their spouse or civil partner died when they were still married or in a civil partnership, and they are entitled to an inherited amount under schedule 3, based on the deceased spouse’s or civil partner’s additional pension entitlement. The state pension under this clause is payable at a rate equal to the inherited amount and is to be upgraded in accordance with schedule 4. The clause provides for a regulation-making power to set an upper limit to the total amount of a survivor’s own state pension plus their inherited state pension.

341. Clause 8, “Choice of lump sum or survivor’s pension under section 9 in certain cases”, sets out the qualifying conditions for the clause to inherit either a lump sum or a survivor’s pension from a late spouse or civil partner when the deceased had deferred their old scheme state pension, and it provides for the calculation of the lump sum.

342. **Mr Brady**: Seamus, could a person have a lump sum or a pension?

343. **Mr G McCann**: In the deferral?

344. **Mr Brady**: People would have to calculate how long they were going to live to see whether they would benefit more from a lump sum.

345. **Mr G McCann**: It is for people who, under the old scheme, have not taken their pension. At the moment, you can opt either to take a lump sum payment or to have extra pension every week. All the clause is doing is to carry that forward.

346. **Mr Brady**: However, it is the same principle. People would have to decide —

347. **Mr G McCann**: It is the same principle. Some people will want the lump sum. Other people, for tax purposes, might not want a lump sum paid to them in one year, so they would opt for extra pension.

348. **Mr Cassidy**: Clause 9, "Survivor's pension based on inheritance of deferred old state pension", follows on from clause 8 and replicates the existing legislation by setting out the qualifying conditions for inheritance of a survivor's pension from their late spouse or civil partner when the deceased had deferred their old scheme pension. Under this clause, the state pension is payable at a rate equal to the inherited amount and will be operated in line with prices as now. The clause provides that a person may be entitled to inherit more than one pension under these provisions. It also sets out that there are other provisions that may affect the entitlement to an inheriting increment — for example, under clause 19 where prisoners are concerned.

349. Clause 10, "Inheritance of graduated retirement benefit", provides for a regulation-making power that will set out the circumstances in which a new state pension recipient may inherit entitlement to a graduated retirement benefit, including a deferral sum from their late spouse or civil partner who had accrued entitlement under the old scheme. This replicates existing legislation for the old state scheme, in particular the power to amend the clause by regulations.

350. Regulations may provide for the surviving spouse or civil partner to exercise a choice of inherited payment when the deceased has built up entitlement to a lump sum payment or an increment under the old scheme. In the current system, regulations provide for a person to inherit half their late spouse's or civil partner's graduated retirement benefit. The intention is to use the regulation-making power to replicate the effect of the transitional arrangements for mainstream inheritance as provided for under clause 7 and schedule 3. In other words, when the spouse is in the current system, the survivor will still be able to inherit half their graduated retirement benefit provided, as with the main transitional arrangements, the marriage predated 2016. When the spouse is also in a new state pension system, their graduated retirement benefit will form part of the current system evaluation and will be subsumed in their new state pension. A survivor will inherit half of any protected payment.

351. Clause 11, "Reduced rate elections: effect on section 4 pensions", provides transitional arrangements to address the impact of abolishing deferred entitlement to a basic state pension on women who opted to pay the married woman's stamp — that is, the reduced rate National Insurance contributions. The provision is made for women with reduced rate election current at 35 years before pensionable age and subsequently had qualifying years before A day, and, therefore, they have some entitlement under clause 4. A minimum qualifying period does not apply, and a woman who qualifies will get at least additional pension plus category BL, if married, or category A.

352. **Mr Wilson**: What does that mean?

353. **Mr G McCann**: It means that they will be able to get an amount that is equal to what they would have got under the old system. Category BL is the rate that

is paid to a spouse based on what had been paid by their spouse. It is currently payable at about £67·60 a week. If the spouse is dead, a higher rate of £113·10 is payable.

354. **Mr Cassidy**: Clause 12, "Reduced rate elections: pension for women with no section 4 pension", provides transitional arrangements for women with a reduced rate election in force within 35 years of reaching pension age but with no pre-commencement qualifying years.

355. **Mr Brady**: Is the reduced rate election anything to do with what used to be called the small stamp?

356. **Mr G McCann**: Yes. It is before 1977. It applied to a married woman, who could opt to pay a small stamp.

357. **Mr Brady**: The idea was that that would go towards a pension for women who stopped work to have a family. Is that a different thing?

358. **Mr G McCann**: It was linked to the idea that, at that stage, the woman would be able to get a pension based on what her spouse had paid.

359. **Mr Brady**: So the small stamp is taken into account.

360. **Mr G McCann**: It meant that the woman did not earn any rights to pension at all, which is why we are now making special provision for it.

361. **Mr Brady**: I think that that changed in 1973.

362. **Mr G McCann**: Women could opt for that up to 1977, and, after that time, they could not. Any woman who was caught in that situation had to have made the option before 1977.

363. **Mr Cassidy**: In essence, the conditions in the title mimic the current rules. Therefore, if a woman is married or has a civil partner, her pension is payable at category BL rate. If she is divorced or widowed before pensionable age or a marriage or civil partnership ends after pensionable age, it is payable at category A rate, which is £113·10. The only difference is that the basic amount will not directly depend on the husband's National Insurance record. Instead, in the interests of simplicity, it will be standardised at the full rate. Most men will have a full record by 2016 anyway. If a woman has any qualifying years for the period between A day, when she reaches state pension age, she will get the higher of the new state pension under clause 2 or her basic amount under this clause and schedule 7.

364. Clause 13, "Shared state pension on divorce etc.", allows the sharing of some state pension between divorcing couples by creating a pension credit. It provides for all state pension credit when a person is entitled to a credit because of a shared additional pension. With the new state pension credit, a person is entitled to a credit of a shared weekly amount, because of a shared excess amount under section 4. Schedule 8 sets out the appropriate rate, and schedule 9 provides for uprating. If the total state pension, including the credit, is less than or equal to the full rate state pension, it is uprated by earnings. If it is equal to more than the full state pension, pension credit is uprated by prices. If the pension is less than the full rate but greater than the pension credit added, it is uprated by earnings up to the full rate and then by prices.

365. Clause 14, "Pension sharing: reduction in the sharer's section 4 pension", creates a pension debit that allows a person's pension to be reduced to comply with the state scheme pension debit, and that is to allow the pension to be shared for the state pension credit. Pension sharing credits and debits apply only to the protected payment in the new state pension scheme and additional pension in the existing scheme.

366. Clause 15, "Pension sharing: amendments", introduces schedule 11, which amends the relevant legislation to reflect the introduction of the new state pension scheme and to give effect to pension sharing under the new scheme on a transitional rate basis. The effect of the amendment is to retain the existing arrangements for pension sharing orders made prior to 6 April 2016 and

to enable the protected payment to be shared in pension sharing orders made on or after 6 April 2014.In particular, entitlement to a shared additional pension, under the current scheme, will be confined to people reaching state pension age before pay day. It does not affect the validity of pension-sharing orders issued before pay day.

367. Clause 16, “Pensioner’s option to suspend state pension”, permits a pensioner in the new scheme to qualify for an increment by suspending their entitlement to a new state pension for a time. It replicates existing arrangements for old-scheme pensioners. Increments earned will be upgraded by prices. That is the case at present. As with the current state pension deferral scheme, they can do that only once. There is no time limit on how long a person may defer, and people may be able to change their mind and backdate decisions for up to 12 months and get arrears.

368. Clause 17, “Effect of pensioner postponing or suspending state pension” provides for what happens as a result of a person choosing not to claim their new state pension, which is known as postponing, or choosing to give up their new state pension for a period after it has been awarded, which is suspending. It stipulates the criteria to be satisfied in order for a new state pension to be deferred. The person who defers will be entitled to increments, and they will be subject to a de minimis rule of 1%. The percentage rate will be set in regulations. Such a person will be entitled to have one increment for each whole week in the period during which that person’s entitlement to a state pension was deferred.

369. **Mr Brady**: You mentioned postponing or suspending. At the moment, under the old scheme, somebody can defer until they are, I think, 70. A man does not have to take it when he turns 65. So, there is no end period in this. Could somebody who is working into their 70s defer their pension? Or is there a time by which they have to take it?

370. **Mr G McCann**: No, they are now free to leave it for as long as they wish.

371. **Mr Brady**: So, they can leave it as long as they want.

372. **Mr G McCann**: It is the same with the private pension because, sometimes, people hit that age and they do not want to take it, for various reasons. So, they should be able to carry on.

373. **Mr Brady**: There is no end date, as such.

374. **Mr G McCann**: That is correct.

375. **Mr Wilson**: Is there any reason why they can take it only as an increase in their pension or a lump sum?

376. **Mr G McCann**: That is just part of the new scheme. At the moment, the lump sum is very generous. People get back everything that they have got, and they get interest paid at about 2% above the Bank of England rate. That was set at a time when interest rates were much higher and we were living in a very different world.

377. **Mr Brady**: You could almost use it as a form of savings.

378. **Mr G McCann**: That is true for this, but it is also true for other forms of pensions; people use them as a savings vehicle. I suppose that it applies more so for the private, because there are extra breaks for tax purposes.

379. **Mr Brady**: But it increases the longer you defer it.

380. **Mr G McCann**: Yes. You will carry on earning more and more.

381. **Mr Cassidy**: A person will not be entitled to any state pension for the period that they have deferred it. They have to defer all their state pension entitlement, not just part of it. Pension is deferred if it is suspended under section 17 or not claimed.

382. Clause 18, “Section 17 supplementary: calculating weeks, overseas residents, etc.” contains the power to modify the calculation of the increment due when a person has received another

social security benefit or there has been a change of circumstances during the period of deferral. In particular, it provides for calculating weeks, etc. For example, clause 18 stipulates that regulations may provide for circumstances in which a part of a week is to be treated as a whole week and a day does not count in determining a whole week. It also allows section 17(4) to be modified where a person has been an overseas resident and has, for example, lived in a frozen-rate country, and the rate is calculated on what would have been payable if that country is not up-rated.

383. Clause 19, “Prisoners”, provides that where a person is in prison or lawful custody or is unlawfully at large pension is not payable. Regulations may prescribe that this applies only if a sentence of a specified description is imposed, i.e. that it is suspended if on remand and repaid if appropriate. It maintains the current position, which has been in place for more than a hundred years.

384. If a conviction is quashed, it is considered on a case-by-case basis, taking account of any other compensation. This clause does not remove entitlement, but the payability of the pension whilst the person is in prison, in legal custody or unlawfully at large.

385. **Mr Brady**: There have been a lot of prisoners over the years, and they will not have contributions credited for the period for which they were in prison. Presumably, they will have difficulty in qualifying for the 35 years when they reach pensionable age because their record is short.

386. **Mr G McCann**: It would depend on the length of time that a person has spent in prison and what they did afterwards.

387. **Mr Brady**: If someone has done 20 years, say, and they then go to work, they will have a number of contributions, but not for the period when they were in prison. They will not qualify. It will apply to a fair number of people in the North who have spent time in prison and who are approaching pensionable age.

388. **Mr G McCann**: Assume that you left school at age 16. State pension age will be 66 within a couple of years. That still gives you 50 years in your working life. So even if a person has been jailed for periods, there still would be other years to allow them to make up —

389. **Mr Brady**: I am thinking of people who spent quite a number of years —

390. **Mr G McCann**: This rule has been around for about 100 years — since the first Pensions Act of 1908.

391. **Mr Brady**: But I think that it would become more relevant for more people.

392. **Mr G McCann**: This rule is what is there at the moment and is being taken over from the current rules.

393. **Mr Cassidy**: There are provisions that credit people where convictions have been overturned or quashed. They are already —

394. **Mr Brady**: That is fine, thank you.

395. **Mr Allister**: Does that include where the royal prerogative of mercy has been exercised?

396. **Mr G McCann**: I do not know; we would have to check that out.

397. **Mr Cassidy**: Clause 20, “Overseas residents”, provides a regulation-making power to provide that overseas residents are not entitled to up-rating, depending on their country of residence. That mirrors the current policy. The clause defines an overseas resident for this purpose as someone who is not ordinarily resident in Northern Ireland or in any other territory specified in the regulations. People in specified territories, e.g. European Economic Area (EEA) countries and those countries with which the UK has reciprocal arrangements, will be entitled. Again, this maintains the current position.

398. Clause 21, “’Overseas residents’”, defines the old state pension as used

in part 1 to mean a category-A and category-B retirement pension.

399. Clause 22, “General definitions etc”, provides general definitions of terms used in part 1. It also provides that in the case of a polygamous marriage, the inherited amount is payable only where there is only one surviving spouse.

400. Clause 23, “Amendments”, introduces schedule 12 and contains amendments relating to the introduction of the new state pension.

401. Clause 24, “Abolition of contracting-out for salary related schemes etc.”, gives effect to schedule 13, which contains amendments to abolish contracting out of salary-related schemes. Contracting out ends because, under the new state pension, there will be no second state pension to contract out of. As additional pension will no longer accrue, the option to contract out will no longer be available.

402. The end of contracting out means that employees and employers will no longer be entitled to the national insurance rebate; they will pay the same national insurance rate as other employees and employers.

403. Private-sector employers may amend schemes to take account of their increased liability. Schedule 14 sets out details of how that power may be used. It cannot be used in relation to public-service schemes or schemes of a prescribed description; it can be used only to recoup actual costs of increased national insurance contributions. Schedule 13 removes redundant provisions and protects contracted-out rights already accrued.

404. We move on to part 2, which is the option to boost old retirement pensions. Clause 25 —

405. **Mr Wilson**: Can I take you back, please, to clause 24 and the ability of employers to amend an occupational scheme? They have to make increased national insurance contributions for this scheme. Does that mean that the cost of the additional employer contributions can then be passed on to the employee through an amendment to, or a reduction in, the occupational scheme? The increase in the employer’s national insurance contributions may not be an increase at all, but a penalty on the employee.

406. **Mr Cassidy**: Effectively that is the case. The power will exist for only five years. The intention is to try to preserve the salary-related schemes that we have; they have been in decline for a number of years now. Many people expressed the view that schemes could close if there was no —

407. **Mr G McCann**: The point about a defined benefit scheme is that the employer does it, as it were, of his own goodwill. There is nothing in law to say that they have to run a scheme; it is entirely voluntary. Most of the defined benefit schemes are what we would class as very good schemes, and so the last thing that we want is to find that any schemes are being shut down because of what we are doing. This is therefore aimed at helping the schemes to stay open and keep running.

408. In answer to your question, the effect could be that the employee either has to pay in more to the scheme or get out slightly less. However, the amount that he pays more or the amount that he gets less in pension can only be the same as the extra cost of the national insurance contribution. The scheme has to issue a certificate to say that that is the case.

409. **Mr Wilson**: But part of these pension reforms have been sold on the basis that the improvements in the basic pension are as a result of a combination of changes to the retirement age and increases in contributions by employers. What you are saying about this clause is that the costs of the increase in the basic pension can be passed on to the employee by an employer running a private pension scheme.

410. **Mr G McCann**: Yes. Essentially that is what we are saying. The reason is that we do not think that it would be in

anybody's interest for those schemes to close, as most of them are very good. Say that we were to force the private-sector employer to pick up the costs. He might say: "Well, that is it. I am not running this scheme any more." That does not benefit the member; in fact, it will probably harm him significantly. Again, as we said at the start, the Bill is a mixed bag. If you are making changes, there is always an element of trade-off. That is why we are anxious not to end up with schemes closing.

411. **Mr Wilson**: Yes, but you said that the actuary would ensure that the employee would not be any worse off because the defined pension scheme could be reduced more than the additional contributions to the employer. However, if you look at it overall, you will see that your private pension scheme is protected by some of the additional contributions being passed on to you.

412. **Mr G McCann**: The other point that you have to bear in mind, from the point of view of the employer, is that he has to make up any gap that there might be in the scheme funding. The employer has entered into a contract that is almost open-ended. That is why these schemes have been shutting down over the past number of years: the costs to employers are so high. There is an element of balancing act.

413. **Mr Wilson**: If that does happen, are you saying that there is a guarantee? Could the employer still plead that circumstances had changed so much that he had to change the shape of the final pension, even after making this kind of adjustment? Or, if he makes this adjustment, will that exclude the employer from pleading that, since making that adjustment and since passing some of his additional contributions on to the employee, things have changed so much that he will still have to cut back on the employee's private pension scheme? Once he does that, is the guarantee given to the employee that the employer cannot offer him his private pension?

414. **Mr G McCann**: For a contracted-out scheme to be a defined benefit scheme, which is what they have been up to now, it has to meet a test scheme standard. The scheme should provide x, y and z. If your scheme is doing that, it meets the test-scheme standard, and that is fine. Most schemes will pay out more than the test-scheme standard. An employer is always free to enter into negotiation with his members and say, "I can't afford to carry on paying", and he can enter into a consultation process with his members to change. Even if the overall benefit ends up being cut slightly, it is, sometimes, better than the scheme going totally.

415. **Mr Wilson**: Are you saying that, in this case, an employer could say, "I've got additional national insurance contributions to make, and I'm going to amend your scheme to reflect that", and still, at the end of the day, say, "By the way, I am going up to have to negotiate an even lesser scheme because, since I passed the effects of those national insurance contributions on to you, the situation with the returns on the pension scheme have got worse, so we are going to have to look at a reduction in your final benefit."?

416. **Mr G McCann**: In a way, those are two separate issues. One is what we are doing in the Bill, which is saying that it is possible for the scheme rules to be altered to allow these contributions to be recouped. That is one issue. Your second issue relates to what could happen at any time for any scheme. If an employer is already meeting everything that he has to under law, and the rates of benefit that he is paying are more than he has to pay under law, he is, at any time, free to go to his scheme members and say "I can't afford this any longer. We are not having the best of times, so I think, for the scheme to keep on running, we should alter the benefit structure slightly.". Again, you have to ask yourself which is worse. Is it worse for the benefit schemes to be altered slightly or for the scheme to go totally? The employer is free to walk away at any time; he is bearing all the risk for

the scheme funding. I do not think that employers are getting a free ball from this because it is the employer who has to bear the ultimate risk.

417. **Mr Brady**: But you could argue that the policy intent is to protect the employer rather than the employee, which is hardly surprising given the source that it emanates from.

418. **Mr Cassidy**: It is to protect the scheme.

419. **Mr G McCann**: No, I think that it is to protect the scheme and to do our best to ensure that these schemes, which are, by and large, very good —

420. **Mr Brady**: It is not always easy to defend the indefensible. Carry on, Gerry.

421. **Mr Allister**: Your party should know.

422. **The Chairperson (Mr Maskey)**: Stick to the agenda, folks.

423. **Mr Cassidy**: It is estimated that 90% of people reaching state-pension age in the first two decades under the new scheme will get more from the new scheme to offset higher national insurance contributions and reduced occupational pensions. However, under this clause, the protection of the scheme is the primary concern.

424. **The Chairperson (Mr Maskey)**: OK. Thank you.

425. **Mr Cassidy**: Part 2 deals with the option to boost old retirement pensions. Clause 25, gives effect to schedule 15, which contains amendments to the Social Security Contributions and Benefits Act 1992. Schedule 15 allows for the payment of extra units of additional state pension to individuals who have made class 3(a) voluntary national insurance contributions. Class 3(a) contributions were introduced by the Pensions Act 2014, which this Bill corresponds to. As national insurance contributions are an excepted matter, the provisions in the 2014 Act extend to Northern Ireland.

426. The purpose of the amendment is to allow people who reached or who are due to reach state-pension age before 6 April 2016 to gain an increase in their additional state pension by paying voluntary national insurance contributions. It will provide groups such as women, the self-employed, low earners and carers who have poor state pension outcomes under existing rules due to low levels of additional state pension entitlement the opportunity to pay for additional state pension if they wish to do so. The scheme is due to start in October 2015; therefore the Bill must be in place before then. The state pension top-up scheme, as it will be known, is due to be available from 12 October 2015 to 1 April 2017.

427. Part 3 deals with pensionable age. Clause 26 deals with the increase in state-pension age to 67; it will be between April 2016 and March 2028, which is eight years earlier than under existing legislation. It amends paragraph 1 of schedule 2 to the Pensions (Northern Ireland) Order 1995 and the timetable for moving to a state-pension age of 67, which was added by the Pensions Act (Northern Ireland) 2008. Individuals in each one-month cohort will reach pensionable age when they reach 66 and a specified number of months. Do members have any questions?

428. **The Chairperson (Mr Maskey)**: If you do not mind, members will indicate when they have questions as we move along.

429. **Mr Cassidy**: OK. We move to part 4, which is on state-pension credit and the phasing out of the assessed income period. This clause amends the State Pension Credit Act (Northern Ireland) 2002 to provide for the abolition of the assessed income period in pension-credit cases from April 2016. The assessed income period removes the requirement for an individual to notify the Department of changes to their retirement provision. That is broadly defined as capital, annuities and retirement pension. They are excused this for a defined period for the purposes of assessing their entitlement to pension credit. However, fixing retirement provision for such long periods has led to inaccuracies in benefit awards that have remained

in the system for some time. That provision will be removed.

430. Clause 28, “Preserving indefinite status of certain existing assessed income periods”, clarifies that existing indefinite assessed income periods will remain valid. Again, the indefinite assessed income period was introduced in the Pensions Act (Northern Ireland) 2008.

431. Clause 29, “Bereavement support payment”, contains measures to replace the current bereavement benefits with a bereavement support payment. Bereavement benefits form an important part of the state safety net. However, the current system is based on a complicated system of payments and contributions to determine eligibility. A single bereavement payment, with simplified contribution conditions, should reduce the complexity in the system.

432. The new benefit will focus on support in the period immediately after bereavement and will consist of a lump sum, with instalments over 12 months. The precise amount will be determined nearer to introduction. However, indicative values are in the region of a lump sum of £5,000 and a monthly payment of £400 for 12 months for those with dependent children. Those without children will receive a lump sum of about £2,500 and a monthly payment of £150 for 12 months.

433. **Mr Brady**: I just want to clarify about pensioners who have dependent children because they are overlapping benefits, presumably.

434. **Mr G McCann**: I think that we wrote to the Committee on that point. It shall be paid via the state pension credit system.

435. **Mr Brady**: Right, and will child benefit still be the controlling benefit as long as child benefit is payable for the children?

436. **Mr G McCann**: I could not answer that detail —

437. **Mr Brady**: Because that is the norm at the moment.

438. **Mr G McCann**: — but I would certainly make the assumption that that is the case. However, it shall be paid through the state pension credit system.

439. **Mr Brady**: That’s fine. Thanks.

440. **Mr Cassidy**: Clause 29 outlines the conditions of entitlement. The claimant has to be married or in a civil partnership when their partner dies, be ordinarily resident in Northern Ireland or in another territory specified in regulations, and be under pension age at the time of death of the spouse or civil partner.

441. Clause 30, “Bereavement support payment: contribution condition and amendments”, will entitle people to receive the full payment as long as their late spouse or civil partner paid class-1 or class-2 national insurance contributions at 25 times the lower earnings limit for any one tax year prior to their death.

442. The clause makes provision for the contribution condition to be treated as met if the deceased was an employed earner and died as a result of personal injury or a prescribed disease.

443. Clause 31, “Bereavement support payment: prisoners”, gives the Department the power to make regulations to disqualify prisoners from receiving bereavement support payment. The clause mirrors the current legislation in disqualifying prisoners from receiving bereavement benefits and ensures that the bereavement support payment is treated in line with the rest of the benefit system.

444. Bereavement support payment is not payable to a prisoner, that is someone in custody or unlawfully at large. For persons on remand, it may be repaid if they are not guilty or a certain severity of sentence is not imposed.

445. That brings us to the end of the state pension changes. The next section is for private pensions.

446. **Mr G McCann**: OK, are we all happy about the state pension side?

447. **The Chairperson (Mr Maskey)**: Yes, go ahead.

448. **Mr G McCann**: We have been joined by Doreen, who will take us through the private pensions part.

449. **Ms Doreen Roy (Department for Social Development)**: Clause 32 and schedule 17 require the Department to make regulations to establish a system of automatic transfers of pensions pots of less than £10,000. That amount is to be revalued every five years.

450. Clause 32 tackles the problem of small, dormant pension pots, which arises when people change jobs and join their new employer's pension schemes without transferring their pension pot. It will help people to keep track of their pension savings and plan more effectively for their retirement.Clause 33 provides a power to allow regulations to be made to prohibit incentives being offered to members of salary-related schemes to transfer their rights to another scheme or arrangement. A code of practice to encourage pension schemes to avoid offering non-pension inducements exists. Schemes breaching the code face reputational damage. Regulations to prohibit cash incentives will be made only if the voluntary code of practice proves ineffective.

451. Clause 34 provides for the automatic repeal of clause 33 if no regulations have been made under the clause after seven years. It is a sunset clause. It is anticipated that self-regulation by the industry and adherence to the code of practice will result in the demise of non-pension cash incentives as a tool to induce members to transfer their rights to another scheme or arrangement against financial advice and their own best interest. Clause 34 ensures that the powers in clause 33 will be used only if the voluntary code of practice proves ineffective.

452. Clause 35 ensures that there will be an entitlement to a short-service benefit immediately after a member has completed the 30 days' qualifying membership of the scheme. As you are probably aware, short-service refunds are no longer available. Currently, a person with less than two years' membership can get a refund on leaving the scheme. This applies only to those who become active members after the date of change or who rejoin after that date having already taken a refund.

453. **Mr Wilson**: Can I just take you back to clauses 33 and 34? The Department may make regulations to stop people being given incentives to move out of their current pension arrangements, but the intention, from what you are saying, is that no regulations will be introduced immediately. If they are not introduced after seven years, according to clause 34, that power will be removed. What will trigger the introduction of regulations?

454. **Mr G McCann**: I think that Doreen mentioned that what is being issued is a code of practice for the industry to say that it should not be offering people a lump sum of cash as a way to get them to move out of the scheme. What had been happening was that people said, "OK, well, I am getting X thousand pounds — I will certainly take that", but they were not looking at their long-term interest. Certainly, we do not have any issue with a person's being offered extra pension by way of an incentive or to go to a scheme that would offer more; it is just to stop these upfront cash payments or indeed something other than cash, like a new car, being given.

455. What is happening at the moment is that this is actually being kept under review. The Pensions Regulator is keeping an eye to ensure that that is not going on and that the code of practice is actually working. If it turns out that the code of practice is not working and that this practice is still happening, then, at that point, we will make the regulations. The assumption is that we should know after seven years whether schemes are actually following the code of practice.

456. **Mr Wilson**: That was really the question that I was trying to get at: what will be the criteria for deeming that it is not working? For example, there are 10 of

us in the room here who are employers. I offer incentives, but the rest of them do not. Is the code of practice still deemed to be working, and if there are no regulations, what is to stop me continuing to do that to ensure that I get out of difficult pension responsibilities for my employees whilst the rest of the employers abide by the code?

457. **Mr G McCann**: This is something that we will be looking at in conjunction with our DWP colleagues in Britain. We will look at the whole scenario across the UK. If you are asking me whether one scheme's being a rogue scheme is enough to introduce regulations, what would first happen is that you would look at the actual case, the amount of money involved and what it meant. As I was saying earlier, for all of this field, we have a balancing act which we try to walk between putting extra burdens on schemes and ensuring that the actual rights and pensions of scheme members are being safeguarded.

458. **Mr Wilson**: What I am worried about with the way this is left here is that you will always get a rogue employer, a rogue scheme or whatever. As it is left, there is no protection for people who happen to be employed by someone or are in a pension scheme in which those incentives are aggressively sold to them. That is how it will exist for the next seven years, anyway. After that, there is no safeguard if no regulation has been introduced. There are no sanctions on the rogue scheme or employer who tries to get out of difficult long-term pension obligations by doing this.

459. **Mr G McCann**: I cannot answer you as of today, but I did see, although it was a while back, certainly, at that stage, the evidence seemed to be that all schemes were actually complying with the code of practice. Against that, if you ever have a provision like a sunset clause, your risk is what happens after seven years. Do they then just go back to being rogue? Again, that would apply to every piece of law and every possible scenario. We do not think that it is a good idea to pass a law just to cover anything which may happen. If the evidence is that schemes are fully complying, our option is that we will not use our power to make the regulations. That having been said, if, at any point, we did think that there was a problem which the actual code had not sorted out, then, yes, we would make the regs.

460. I would say that we would aim to do this to align with what is going on in Britain, because most schemes which operate in Northern Ireland, outside of the public sector, are actually based in Britain. They are not based here at all. So, for the law to work, what we have to do is keep the two laws in line. Otherwise, we could end up with a scenario in which somebody here could find a hole in the law which they could exploit, or indeed vice versa. That is why we have to move forward *[Inaudible.]* for it to be effective.

461. **Ms Roy**: The voluntary code of practice was published in 2012. It was produced by the Government and the pensions industry. A lot of thought has gone into it.

462. **Mr Wilson**: Yes, but there really has not been much time to test it. It has only been in place for —

463. **Mr G McCann**: It has been in place for about two years now. I cannot give you the position as of today, but certainly, recently, it did look hopeful that it would work.

464. **Ms Roy**: We move on to clause 36. In certain circumstances, an employer may postpone auto-enrolment for up to three months and, in cases of defined benefit or hybrid schemes, defer until the end of the transitional period, which is September 2017. Clause 36 removes the duty to re-enrol an eligible individual during a period when auto-enrolment has been validly postponed or deferred.

465. Clause 37 contains a power to give the employer the choice of whether to exclude prescribed types of workers, including workers in prescribed circumstances, from the scope of automatic enrolment, but not on the basis of the type or size of employer. This is to avoid situations that are counter to the policy intention. It also allows the duty to enrol to be a power

to enrol if the employer wishes; for example, where the employee is working out his notice. It also includes the power to reinstate the automatic enrolment duty if the circumstances that triggered the exclusion come to an end; for example, if the worker withdraws his notice and the employer has chosen not to enrol them.

466. Clause 38 introduces alternative quality requirements for defined benefit schemes in order to make it easier for such schemes to demonstrate that they are good enough to be used for automatic enrolment. The main qualifying criterion for a defined benefit scheme is that it is either contracted out or meets the test scheme standard — that is, that it provides benefits that are broadly at least as good as those under the test scheme. Some schemes with mixed characteristics — that is, money-purchase schemes with some guarantees — can find it difficult to meet test scheme standard, so there is a quality requirement. The requirements are: a scheme of prescribed description and total contributions of at least 8% — that is, 3% from employers — in line with the minimum level of total contributions into a qualifying money-purchase scheme. The cost of providing benefits for relevant members requires contributions of at least the percentage prescribed in the regulations, and the cost of providing benefits for at least 90% of relevant members requires contributions of at least the percentage prescribed in the regulations.

467. Clause 39 clarifies the law which sets out that transitional arrangements for implementing automatic enrolment into workplace pension arrangements for hybrid schemes — namely, the option of deferring enrolment until the end of the transitional period — only applies where defined benefit is offered. Where only money purchase is offered, deferment will not be an option, but the phasing of contributions is still available.

468. **Mr Wilson**: Is that phasing just until 2017 as well?

469. **Ms Roy**: Yes.

470. **Mr G McCann**: Yes, but again that was meant to help the employer; instead of him having to supplement all the contributions from day one, they will be gradually phased in.

471. **Ms Roy**: Clause 40 reinstates the original policy intention. A penalty notice for non-compliance with information requirements can only be used in relation to employer duties under Part 1 of the Pensions (No. 2) Act (Northern Ireland) 2008. Also, it ensures that the regulator can seek information in relation to all of its functions and not just in relation to the general non-compliance which is under the 2005 Order.

472. Clause 41 amends the Pension Schemes (Northern Ireland) Act 1993 to extend the protection currently available under section 119, regarding unpaid pension contributions where an employer becomes insolvent, to workers such as agency workers, as well as to employees. That protection allows schemes to make claims for payment from the National Insurance fund for pension contributions that remain unpaid in the 12 months leading up to the employer's insolvency. Currently, where an employer becomes insolvent, the Department for Employment and Learning can pay unpaid employer contributions and employee contributions deducted by the employer. This clause extends this protection to workers, such as agency workers, who are currently not covered, and the money comes from the National Insurance fund. Without extending the protection, two people doing similar or identical work for an employer, who are both automatically enrolled into a qualifying workplace pension scheme, could receive different treatment under the existing legislation, depending on whether they were classified as an employee, a worker or an agency worker.

473. Clause 42 gives effect to schedule 18, which sets out the detail to allow the Department to make regulations to set quality standards and restrict charges in workplace pension schemes. This is to ensure protection for members of

schemes that may be used as automatic transfer — *[Inaudible.]* Qualifying schemes are schemes that are closed to due accruals, and the Pensions Regulator will have the power to enforce that.

474. Clause 43 places duties on the Department to make regulations that require the disclosure of certain information about the transaction costs incurred by money-purchase pension schemes. In addition, duties would be imposed in a similar way to require information on transaction costs and administrative charges to be published. That would allow comparisons between schemes.

475. **Mr Wilson**: However, no limits are being put on transaction costs; there is only the facility to make comparisons across them?

476. **Mr G McCann**: Under clause 42, there is a power to limit charges. Clauses 42 and 43 go hand in hand. Clause 43 makes sure that it is made public. It means that any member of the public can look at schemes A, B and C and see which charges least.

477. **Mr Wilson**: OK.

478. **Ms Roy**: Clause 44: in 2009, the European Commission ruled that the BT pension scheme's partial exemption from payment of the levies to the pension protection fund, arising from the Crown guarantee, constituted unlawful state aid. Following that, in 2010, regulations were made to ensure future compliance and payment of these two levies.

479. **Mr G McCann**: This clause is to allow that these regulations are deemed to have always been there. If we did not do this, we would be in breach of European law, so we are just putting this right for that purpose.

480. **Ms Roy**: Clause 45 and the accompanying schedule 19 of consequential amendments7 build on the existing prohibition regime. The clause inserts a new article into the 1995 Order to prohibit a company from being a trustee if one or more of its directors have been prohibited from being a trustee by the regulator. If the director who has been prohibited, for example, subsequently leaves the board of the company, the prohibition will be immediately lifted. In addition, the company is allowed to apply to the regulator for the prohibition to be waived. The regulator has the power to suspend a trustee, pending consideration being given to the institution of proceedings against him, for an offence involving dishonesty or deception.

481. Clause 45(3) to (5) allows the Pensions Regulator to suspend a corporate trustee where it, or one of its directors, could be suspended under article 4(1)(aa) of the 1995 Order.

482. Clause 46 sets out an additional objective for the Pensions Regulator which states that, when carrying out its functions in relation to scheme funding, the Pensions Regulator should minimise any adverse impact on the sustainable growth of sponsoring employers. That puts on a statutory basis what is already implicit. This objective is in addition to the regulator's other objectives, set out in article 4(1) of the 2005 Order.

483. Clause 47: all occupational pension schemes are required to complete a scheme return at least once every three years. This is sent to the Pensions Regulator and provides up-to-date information about the scheme. This clause increases the maximum period between scheme returns to five years for schemes that have no more than four members. The number of members is determined either by the information sent to register the scheme or the last scheme return.

484. Clause 48 introduces schedule 20, to provide for a revised compensation cap, dependent on the person's age and length of pensionable service when the person first becomes entitled to compensation. The pension protection fund pays compensation to members of non-money-purchase occupational pension schemes where the employer becomes insolvent, leaving the scheme

underfunded. Anyone under the scheme's normal pensionable age when the employer becomes insolvent is paid compensation based on 90% of their expected scheme pension, subject to a maximum cap, the "compensation cap", which is currently £36,401·19. The Bill introduces a new cap, based on age and length of service when a person first becomes entitled to compensation. There is a standard amount, similar to the compensation cap for 20 or fewer years; for 21 years or over, there is an additional 3% for each year of service over 20 years, capped at twice standard service.

485. Clause 49 relates to the application of the pension protection fund compensation cap to individuals who have entitlement to both an occupational pension and a pension credit arising from a divorce or civil partnership. Where a person becomes entitled to compensation in respect of two or more benefits, or a lump sum under their scheme or a connected scheme, on the same day, those benefits are added together before considering whether the compensation cap applies. However, where that entitlement is derived from two different scheme entitlements, an individual's own pensionable service and a pension credit arising from a divorce or a dissolution settlement, the policy intent is that those entitlements are kept separate and the cap applied separately to each. While current pension protection fund practice is in line with this policy intent, the existing legislation requires the two amounts to be added together before the cap is applied, which could lead to a significantly lower payment.

486. Clause 49 aligns the existing legislation with the policy intent and the current practice. The provisions of clause 49 have retrospective effect to ensure that past payments of compensation, which were calculated in line with the policy intent but not in accordance with the legislation, are covered.

487. That is the end of the private pensions section.

488. **Mr G McCann**: Are we all happy with private pensions?

489. **The Chairperson (Mr Maskey)**: Yes. We can move on. Thank you.

490. **Mr Cassidy**: We move on to Part 7, which covers the final provisions. Clause 50 provides the power to make, by order, provisions that are consequential, incidental or supplementary in relation to any provision in the Bill. Clause 50(2) includes a power to allow amendments to be made to any primary or secondary legislation.

491. Clause 51 makes a general provision in respect of the regulations and orders that will be made under powers in the Bill. It allows the inclusion of incidental, supplementary, consequential, transitionary or savings provisions. There are standard provisions of this type common to social security provision and social security and pensions legislation; for example, they can be used to make tactical amendments and transitional provisions.

492. Clause 52 is an interpretation clause that is purely technical.

493. Clauses 53(1) and 53(2) provide for the commencement of certain provisions in the Bill from the point when a commencement order is made by the Department. Clause 53(3) says that Part 1 of the Bill should come into operation on 6 April 2016, but provides that any or all clauses under this Part can be brought into operation earlier by way of a commencement order made under clause 53(1). Clause 53(4) provides a power to allow an order to be made to amend clause 53(3) to specify a new date for Part 1 of the Bill to come into operation, and to make corresponding amendments to Part 1 of the Bill and any other enactments amended by it. Clause 53(5) provides that the Department may by order make transitionary and saving provisions in connection with the coming into operation of any provisions in the Act. As usual, these powers are not subject to any procedure.

494. Clause 54 provides for the short title of the Bill.

495. **The Chairperson (Mr Maskey)**: I think that you might have mentioned clause 52, but in clause 51, what might the parameters be for any possible secondary legislation?

496. **Mr Cassidy**: I am sorry, which part of clause 51 are you looking at?

497. **The Chairperson (Mr Maskey)**: I think that you mentioned it under clause 52 but you meant to refer to clause 51. You mentioned the power to make secondary legislation, and I just wonder what the parameters might be for that.

498. **Mr G McCann**: Sorry, I think that he meant clause 50(2).

499. **Mr Cassidy**: I meant clause 50(1).

500. **Mr G McCann**: Sorry, think he meant clause 50(1).

501. **The Chairperson (Mr Maskey)**: Sorry; OK.

502. **Mr G McCann**: The Department of Finance and Personnel may by order make consequential, incidental or supplementary provision in connection with any provision of the Bill. Each time that you alter any of this primary legislation, there will be other sets of regs that we will also have to update, purely as a consequence of what has been agreed here, so it is really to allow us to make technical amendments.

503. **The Chairperson (Mr Maskey)**: OK. Thanks for that.

504. **Mr G McCann**: That is it. The schedules were covered as part of the clauses, because the schedules look back into the clauses.

505. **The Chairperson (Mr Maskey)**: OK. Are members content with that?

506. Members indicated assent.

507. **The Chairperson (Mr Maskey)**: Next week, we have NIPSA here. On the basis of the presentation from NIPSA or, indeed, any other submissions that we might have from stakeholders, given that the advertisements are out today, will you be happy enough if we invite you back again?

508. **Mr G McCann**: Yes. Absolutely.

509. **The Chairperson (Mr Maskey)**: There is a lot for members to take in, so we may invite you back so that we can tease further information out. Thank you very much.

2 December 2014

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*

510. **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.

511. **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.

512. 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.

513. 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.

514. 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.

515. 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.

516. 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.

517. 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.

518. 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.

519. 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.

520. 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.

521. 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.

522. 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."

523. 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.

524. 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.

525. 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.

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

527. **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.

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

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

530. **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.

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

532. **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.

533. 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.

534. 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.

535. **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.

536. 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.

537. 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.

538. 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.

539. 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.

540. 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.

541. **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.

542. 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.

543. 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.

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

545. **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.

546. 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.

547. 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.

548. 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.

549. 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.

550. **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.

551. **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?

552. **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.

553. **Mr Wilson**: Tell us about it, then.

554. **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.

555. **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 —

556. **Mr Graham**: I will give you another one.

557. **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.

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

559. **Mr Graham**: Sorry, Chairman.

560. **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.

561. **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?

562. **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.

563. **Mr O'Farrell**: In HMRC, for example.

564. **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.

565. **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.

566. **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.

567. **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.

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

569. **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.

570. **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?

571. **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.

572. **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.

573. 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.

574. 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.

575. **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.

576. **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."

577. 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?

578. **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.

579. **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?

580. **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.

581. **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.

582. **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?

583. **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.

584. **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?

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

586. **Mr Allister**: Have you costed those alterations?

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

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

589. **Mr Graham**: As I said, we want costings to be researched, including the labour

market displacement costs of the pension reforms.

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

591. **Mr Graham**: It may have.

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

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

594. **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.

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

596. **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.

597. **Mr Allister**: But we —

598. **Mr Graham**: If we had the devolved powers —

599. **Mr Allister**: — but we do not.

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

601. **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.

602. **Mr Graham**: There may be.

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

604. **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?

605. **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?

606. **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.

607. **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.

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

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

610. **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%.

611. **Mr Allister**: Thank you.

612. **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.

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

614. **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.

615. 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.

616. 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?

617. **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?

618. **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.

619. 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.

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

621. **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.

622. **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.

2 December 2014

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Ms Paula Bradley
Mr Maurice Devenney
Mr Stewart Dickson
Mr Sammy Wilson

Witnesses:

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

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

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

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

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

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

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

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

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

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

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

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

and maybe come back to the Committee to give you some further details on it.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

650. **The Chairperson (Mr Maskey)**: If, in any of these submissions, there are specifically defined objections to the

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

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

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

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

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

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

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

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

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

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

9 December 2014

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 Gregory Campbell
Mr Maurice Devenney
Mrs Dolores Kelly
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Mr Seamus Cassidy
Mr Gerry McCann
Department for Social Development

660. **Mr Gerry McCann (Department for Social Development)**: Good morning, everybody. I just want to answer one point, which was raised by Mr Campbell. From 2008-09 onwards, because of bringing in a new scheme, you could pay your class 3 contributions up until the year 2023. That has been extended from the normal number of years over which you could pay it back, which was six. However, because we are bringing in the new scheme, that has been extended until 2023.

661. **Mr Campbell**: That might bring in another equation. People might assume that they have plenty of time now; that they have eight or nine years.

662. **Mr G McCann**: That is the risk. Each time you bring in some easement, people might say that they do not have to do anything now. Really, it is to allow people to have extra years and plan to buy those years, as opposed to them having to go out next week and pay out the money.

663. **Mr Campbell**: Is there a system for people to make financial contributions towards their buy-back scheme or have they to make a lump sum payment?

664. **Mr G McCann**: You have to pay a class 3 contribution for each week in that year. The amount is about £13 per week.

665. **Mr Campbell**: But what I mean is, say you have people in the category that I was talking about, principally females, who may have seven, eight or nine years' contributions and are then clear, in the knowledge of the scheme, that they are not going to qualify. They then make enquiries and are told what the lump sum is to bring them up to beyond the 10-year period. You say that they have another nine years to do that. Say the amount is such that they cannot afford to make that payment. Is there any provision for them to make piecemeal contributions towards the lump sum that they have to make up?

666. **Mr G McCann**: I would have to check with HMRC as to exactly how it does it and whether or not you can buy it each week, for example. It is HMRC that actually runs the scheme, but I will certainly check that out for you and come back with a written response.

667. **Mr Brady**: Just to clarify, Gregory mentioned women probably disproportionately being affected because of family responsibilities. However, the home protection responsibility came in, I think, in 1977. Those women would be credited with contributions for that particular period. Will that go beyond these changes?

668. **Mr G McCann**: Yes, we will carry on with the crediting system.

669. **Mr Brady**: So it will go towards their 35 years.

670. **Mr G McCann**: Yes. That changed back in 2010. We converted the years from home responsibilities protection (HRP) into credited years.

671. **Mr Brady**: So women in that situation would, to all intents and purposes, be covered?

672. **Mr G McCann**: Yes.

673. **Mr Brady**: They would not necessarily have to pay the extra money.

674. **Mr G McCann**: To come back to the point that was raised earlier by Mrs Kelly, if you were a carer, there would be credits. Their rights are safeguarded as well. One thing about the new pension is that you will be able to get it even if you have never worked. If, for example, you have spent your whole life as a carer, you will be entitled to a full pension.

675. **Mr Brady**: It was just to clarify that.

676. **Mr G McCann**: That is a good facet of the scheme.

677. **Mr Brady**: The point was made earlier that it is about getting the message out to those people that they are covered. It may cause consternation to people in that situation who may think that, although the pension scheme is changing, they are not going to qualify. It is very important to get the message out to carers and people with home responsibilities for a family.

678. **Mr G McCann**: Certainly, but if they were to ask for a pension forecast because they were worried about their pension entitlement, they would know from the forecast that those years would be credited.

679. **Mr Brady**: It is about letting them know that they are covered to a degree. It is important that they are made aware of that. Not everybody knows. Carers in particular, because they are preoccupied with what they are doing, do not always have the time to think of those things.

680. **Mr G McCann**: Yes.

681. **The Chairperson (Mr Maskey)**: No other members have indicated that they wish to seek clarification on what they heard in the previous presentation. Gerry, you are happy enough that you have covered that last issue? On that basis, we can release you; you are free to go. Thank you very much for once again attending the Committee to help members in their deliberations.

9 December 2014

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 Gregory Campbell
Mr Maurice Devenney
Mrs Dolores Kelly
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Ms Lisa Hamilton-Sturdy Mr Damian Mahon	*Social Security Agency*

682. **The Chairperson (Mr Maskey)**: I welcome Damian Mahon and Lisa Hamilton-Sturdy from the Social Security Agency. You will know that members have previously expressed some concerns about the need to communicate aspects of the Pensions Bill effectively. Gerry McCann offered to arrange this briefing with the Social Security Agency, and we are appreciative that officials are here this morning. They have provided a briefing paper, which is included in members' Pensions Bill folder. The departmental officials who were here last week are in attendance today and have volunteered to address any concerns that the Committee may have following this briefing.

683. **Mr Damian Mahon (Social Security Agency)**: I thank the Committee for the opportunity to be here today. I am the state pension reforms project manager in the Social Security Agency with responsibilities for introducing the changes resulting from the Northern Ireland Pensions Bill. My colleague, Lisa Hamilton-Sturdy, is the manager responsible for communication and engagement activities associated with the Northern Ireland Pensions Bill. I apologise for the absence of my colleague, Mickey Kelly, who was unable to attend due to other commitments.

684. I am aware that policy colleagues from the Department have started the process of briefing the Committee on various clauses in the Pensions Bill. It was decided at last week's meeting that officials from the Social Security Agency would brief the Committee specifically about the new state pension and the state pension top-up scheme, which is the new national insurance class 3A contribution.

685. The state pension system is complex, and we are keen to begin the process of communicating and engaging as quickly as possible without pre-empting the will of the Committee or Assembly. Some information on these changes is already in the public domain through NI Direct and in notifications of state pensions statements, for example. This information, however, is heavily caveated because, although these changes are law in Great Britain, they are not yet law in Northern Ireland until the Northern Ireland Assembly passes the Bill.

686. We are now just 306 days away from the 12 October 2015, the date the state pension top-up scheme, or the voluntary national insurance class 3A contribution, will be introduced. We are also 483 days from the 6 April 2016, when we envisage the new state pension system will be introduced. For these reasons, we are keen to begin the communication and engagement process with existing and future pensioners. I now pass you over to Lisa, who will take you through our briefing paper.

687. **Ms Lisa Hamilton-Sturdy (Social Security Agency)**: Thank you for the opportunity to take you through the main themes of the overarching communications plan for state pension reform. As with any Bill of this sort, comprehensive communication and engagement strategies are required to engage successfully with stakeholders, internal and external, and to support

the effective delivery of changes to the state pension system in Northern Ireland. It is important to note that this type of activity, comprising traditional communication and marketing, will differ from day-to-day operational notifications, but will also complement this type of communications.

688. The objectives of our communication activities are to raise awareness and increase understanding of the changes to the system, specifically how they affect current and future pensioners in Northern Ireland from April 2016; to raise awareness of the changes to the state pension statement service; to engage our audience so as to ensure consistent messages regarding changes to the state pension system are communicated to current and future pensioners in Northern Ireland; and to ensure that staff are informed, engaged, and equipped to deal with public inquiries on all aspects of changes to the state pension system. As Damian stated, we are keen to start communicating and engaging as quickly as possible with all our audiences, and to do this effectively we need to take a coordinated approach, which is what we have done.

689. This morning, I want to provide you with an overview of the communications activities that we are planning as an agency. The purpose of these activities is to ensure that we are successful in communicating the changes. It is important to note that through the delivery of this plan we will continue to work closely with staff at the Department for Work and Pensions (DWP), from both policy and communications teams, to ensure that staff, stakeholders and customers receive timely and accurate messages about the planned changes and that none of our messages contradict those put out by DWP.

690. The planned activities form part of a comprehensive communication and engagement strategy, which will ensure that current and future pensioners know what to expect and are therefore supported in planning for retirement with all the information they need to make informed choices.

691. Due to the scale and breadth of the target audiences, it is necessary to segment some of our audiences. The impact of the changes to the state pension system varies considerably depending on the audience. It is therefore going to be necessary to tailor the messages to the audiences with appropriate language, messaging and calls to action. The primary message throughout the campaign is that the state pension is changing from 6 April 2016, making it easier for people to see how much money they will get on retirement and allow them to plan for their future.

692. That is the primary message but I want to reiterate some supplementary messages, which are also important. Aside from that primary key message, there are a number of key messages to communicate on the changes to the system, not all of which are going to be applicable.

693. The new state pension from 6 April 2016 will replace the combined basic state pension and additional state pension, making it easier to understand how much pension people will receive on retirement. That means that people will have a clearer idea of how much pension they will receive and, if they want, save in other ways. For example, people might want to contribute to a pension at work or decide to work past state pension age.

694. Our second key message is that the new state pension applies to only future pensioners. Those reaching state pension age before the introduction of the new state pension on 6 April will remain on the current system. The state pension is not means-tested. If you have a workplace or private pension or savings and investments, you are still eligible for a state pension. Any private arrangements you have will not affect your state pension.

695. You can claim state pension when you reach state pension age. Your state

pension age is determined by your date of birth. To find out a state pension age, members of the public can access the calculator via NI Direct.

696. The amount of state pension will depend on the audience's national insurance contributions. It is important that our communications carry the message that your national insurance contributions or credits record will continue to fund your new state pension as they do in the current system. Whether you are employed, self-employed, caring or on benefits, it all counts towards your national insurance record.

697. Our communications will also carry the messages that the new state pension brings self-employed people fully into the state pension system, treating national insurance contributions of the self-employed in the same way as employee contributions for state pension purposes. The number of years of national insurance contributions required for full state pension is increasing from 30 years to 35 years. However, there is a minimum qualifying period of 10 years of national insurance contributions.

698. National insurance contributions made prior to 6 April 2016 will be recognised in the new system, provided that the minimum qualifying period is satisfied. The new state pension is based on an individual's own national insurance contributions and not on those of their spouse or civil partner.

699. If you reach state pension age before 6 April 2016, you may be able to add to your additional state pension by purchasing the new voluntary national insurance contributions class 3A, as Damian mentioned.

700. You will notice from the number of key messages that it is important to segment and tailor them to the applicable audiences. That is what the communication strategy does: it matches the activity to the message to the timeline to make sure that we are getting the right person at the right time and that everybody is getting this crucial information. That is why it needs to be so coordinated and that we work with our colleagues in DWP.

701. As earlier clarified, the proposed changes to the state pension are a matter of interest to many different people and we will be communicating with a variety of sectors. To date, engagement with people externally has been very limited and will remain so until the Northern Ireland Bill has reached an appropriate stage in its legislative passage. Until then, we have our plan sitting waiting to make sure that we are ready if and when the time comes to start communicating. As Damian said, information on the proposed changes has been made available, so far, on NI Direct but it is heavily caveated to reflect the fact that the Pensions Bill is progressing on its legislative path.

702. Once the views of the Northern Ireland Assembly and the Committee are clear, we will step up the external communications. It is also planned to make further information available on NI Direct at that time, and remove any caveats.

703. As part of our strategy, we intend to create an external stakeholder forum or customer representative group. Sessions with those groups will be used to inform members on expected changes to the state pension system, to gather knowledge on the best channel mix to target audiences and any other applicable feedback. So, in other words, we will speak to our stakeholders on a regular basis and make sure that they are telling us the way tin which they want to receive the messages. We will not just push it out and hope that it gets to the right people.

704. As part of our strategy, we also intend to run an awareness campaign, which will include advertising, PR and internal communications. The internal communications will support any of the external messaging so that our staff are well aware of the changes and are able to support the messages that we put out through traditional PR channels and advertising.

705. At the stage when we run our awareness campaign, we also plan to run a multi-channel advertising campaign to complement DWP's campaign. That may include television, radio, online, outdoor and print advertising. The main call to action for any such advertising campaign will be to access further information on NI Direct, so it is really important that all the key messages that I have taken you through are on NI Direct. That will mean that all the detail is there for anybody who wants to access it.

706. The key messages for the future advertising campaign is that the state pension is changing from 6 April 2016; it will apply only to future pensioners; and the introduction of the new state pension is about making it easier for you to understand at a much younger age how much you will receive on retirement so that you can better plan for the future. The advertising camping will stick to those three messages so that it is clear and simple. Individuals can then assess their own situations and access the information on NI Direct or get the relevant marketing materials that they need.

707. The type of activities that we hope to use in the agency and see in the campaign are as follows: media activity; the production of marketing collateral; cross-departmental working; exhibits; the use of appropriate publications for the right audiences; traditional advertising; the production of briefing packs; using our improving benefit uptake roadshows to make sure that our outreach officers are armed with the information, carrying messaging on pay slips so that, when people get their pay, there is a message along the bottom to inform them that the system is changing; and social media The roll out of the plan will probably last approximately one and half years and will be timed appropriately.

708. Throughout the roll out of the campaign, we will continually monitor and evaluate it to ensure that it is successful. As I said, it will not just be a case of hoping that the messages are getting to the right people; we will make sure that we get the relevant media coverage, the relevant online hits on NI Direct and have good engagement at the customer representative groups.

709. Of course, as mentioned earlier, we are working closely with DWP. It will be really helpful and crucial for us to take up any learning that they have gathered through their communications. Alongside that, we will use our own continuous research to inform our plans.

710. I hope that what I have said has gone some way to explaining what we have planned in communications, marketing and engagement. Damian and I are obviously available to answer any questions.

711. **The Chairperson (Mr Maskey)**: OK, thank you, Lisa. Before I open the meeting to members, I have two questions.

712. Damian, last week, we heard some criticism of the NI Direct pensions calculator system. I know that you touched on that, but can we get some assurance that that tool will be easy to access and accurate when people access it?

713. Lisa, one of your final points was about a parallel or underpinning message to encourage people to prepare for future personal pensions, even though there are a lot of issues about low pay and all the rest of it which nearly makes it impossible for people to do that. If people can prepare, will there be an underpinning message to encourage them to take up other pension provision if they can do so?

714. **Mr Mahon**: I was at the session last week. I went back to the office to check the calculator, because I have used it on a number of occasions. The calculator is quite simple to use. Once you access it through NI Direct, it takes you through an automatic URL link to www.gov.uk. It is a simple process of putting in an additional amount of money that you would like to get on top of your pension — for example, £10. You put in that amount and press a button to start the calculation and it breaks down the

additional state pension contributions. It is really two screens and is not very complicated.

715. The www.gov.uk website updates the calculator with the information that is on the screen. It does not give the detail about how much of it is accurate. It is about the quality of the screens and their look and feel.

716. **The Chairperson (Mr Maskey)**: OK. That is helpful. Thank you for that. What about the message about preparing for pensions if people can do so?

717. **Ms Hamilton-Sturdy**: Absolutely. Our main key message is to let people know that the system is changing. However, the supplementary key message is that no matter what your personal situation is, we want to make sure that the information is there for you to make as an informed choice as possible and know what your options are.

718. We will tell people how to find out how much money they will get on retirement, and they can then make their future decisions based on that amount of money. That may include whether they will choose to work past the state pension age, make voluntary contributions or do something privately. It is really about bringing all that information together. That will be a very important supplementary key message for us.

719. **Mr Brady**: Thanks for the presentation. You have given a fairly comprehensive overview of the communications. I suppose there are two points, and one follows on from what the Chair said. One of the major changes is that people will be able to claim only on their own contributions, so that will exclude spouses, partners and people who have been unable to work. That is one issue.

720. The other issue is about planning for the future. I attended a briefing by the Trussell Trust, which runs food banks and intends to open a lot more in the North. Quite a proportion of the people who use food banks are working. They cannot prepare for the future because they can barely afford to live in the present. They are contributing to the system, but, ultimately ,when they reach pension age, they will probably not have been able to provide for the future through savings. Recent reports also indicate that the disposable income per household in Britain is approximately twice as much as here, so, again, we have particular circumstances here.

721. How will that message go out? With the demise of pension credit, which supplements income, I am not sure how the message will resonate with people who really find it difficult to cope on a daily basis. Those people are working, and are the so-called working poor. I think you will have difficulty with that message. There is also the fact that people cannot claim on their spouse’s or partner’s contributions. That is a major challenge, and I think you will have some difficulty in getting that message out.

722. **Ms Hamilton-Sturdy**: Thanks, Mickey. I think that an important part of what you said is that we should make sure that we are involving, speaking and engaging with all types of stakeholder groups. That includes voluntary sector organisations, people who work with vulnerable adults and, as you said, people who may be classed as working poor. It is very important to me, and to us, that throughout this strategy we make sure that we involve everybody in our communications. That will mean that people can try as best they can, given the context they are in, to make the best decision for them and have the support of the organisations we have contacted them through.

723. **Mr Wilson**: Can I just go back to one of the points that the Chairman raised? I know that we have to take some of the stuff that we heard last week with a pinch of salt, because the trade unions were along for a general whinge about the Pensions Bill anyway. However, I get concerned sometimes about the way in which we think that we get information to people. It is fine if you are using the technology every day, but that is not the case if you are using it on a one-off basis and are not familiar with some of it. The unions raised the issue of

the calculator and how people will be able to work out what the implications are for them.Damian, you say that you went back and worked through it, which is fine. Has there been any testing of the calculator by one-off, casual users of the system? You might be confident with it because you are familiar with the whole system, but is it as friendly and accessible for the casual user as you say?

724. **Mr Mahon**: No, we have not, but in early 2015 we plan to do some customer insight and research with future pensioners in conjunction with colleagues from DWP. The scope of that is yet to be agreed. One of the things we plan to do is look at some of the tools that we have on the NI Direct website for calculators and the state pension statement service and then select individuals off the street, take them through that process and get some feedback from them.

725. **Mr Wilson**: When are you going to do that?

726. **Mr Mahon**: Either the end of January or the beginning of February 2015.

727. **Mr Wilson**: That is a good idea, because it tests it with the people who are not familiar with it.

728. **Mr Mahon**: We will then have the opportunity to feed the results back into the programme in DWP.

729. I probably should have said that, as well as the calculator, we have a fact sheet on nidirect.gov.uk, which lists an individual's age and the amount of money that they are likely to get. So, you can access that instead of using the calculator and physically putting a date in.

730. **Mr Wilson**: Lisa, you mentioned that, to try to get an idea of what you needed to do to promote the message, you would be talking to the external stakeholders and creating that external stakeholder forum. How will you go about choosing who you want on that forum? How will those who believe they should have an input be included in the forum?

731. **Ms Hamilton-Sturdy**: We have broken up our stakeholders into two tiers, Sammy. There is a wide breadth of the organisations that you would expect to see, including Advice NI, Age NI, Age Sector Platform, Carers NI, church leaders and faith organisations, Citizens Advice, the Commissioner for Older People and the Consumer Council. I will not go through them all, but we have made sure that all of the representative groups are involved. That provides a good platform for what you were saying to Damian about the calculator, because, if there are people having difficulties with the calculator and are finding that it is not user-friendly, we can continue to amend products. So, that customer-representative group engagement will be crucial for us to make sure that we are getting the right people at the right time.

732. **Mr Wilson**: OK. So, the membership is really taken from the list of existing organisations, and, if there are others who wish to be involved, there will be a mechanism by which they can be included.

733. **Ms Hamilton-Sturdy**: Absolutely.

734. **Mr Wilson**: With your future advertising campaign, you have indicated that it is about getting the high-level message over — the three key points — after which people will be directed towards where they can get more detail. Will that be mostly conducted through websites? You mentioned a message on payslips and social media, but I take it that that will be the high-level message. Once you get the general principles out of the way, people want to know how it affects them. How will the follow-up work be done?

735. **Ms Hamilton-Sturdy**: As you said, we will have a lot of the information online, bearing in mind that not everybody uses online channels to communicate. So, we will make sure that those stakeholder organisations that I talked about have briefing packs and fact sheets and that the jobs and benefits offices have briefing packs and fact sheets. So, there will be marketing collateral produced

to support whatever is on the NI Direct website. Any traditional PR, such as news coverage, will have as many of the key messages that we can get in. So, we are basically just using any channel that we can to get those messages out there.

736. Our stakeholder groups and the customer-representative group will also play a crucial role, because we will be giving them the marketing materials to take back to their own organisations and share with the people with whom they engage.

737. **Mr Wilson**: I cannot remember where we got the information from, but it was on the changes in welfare. The indications were that once you got to people aged over 45, most people, a bit like me, did not tend to use electronic methods of getting information.

738. On the issue of leaflets, a lot of this is fairly technical and complicated, but I take that before you print anything out, you will be doing what we suggested to Damian; namely testing it out on the people who will have to use it so that it is not in Civil Service lingo and is in a language that people understand.

739. **Ms Hamilton-Sturdy**: Absolutely, Sammy. It will be accessible and easy to understand. We will be sharing it with the relevant people to make sure that the message is clear. We will also be sharing information among constituency offices to make sure that you have the information you need for constituents. So, we will be using all the traditional methods as well.

740. **Mrs D Kelly**: Thank you for your presentation. How are you going to target self-employed persons specifically and give them the information they need? In relation to those employers and employees who have opted to contract out of National Insurance, how are you going to get the message across to them and make it clear what their options are?

741. **Ms Hamilton-Sturdy**: Thanks, Dolores. On the self-employed, we have an advertising campaign planned, and that will include billboards, bus-side advertisements, if appropriate, and television and radio ads. So, I would like to think that, with a far-reaching campaign like that, when you are self-employed and hear that there are changes to the pension system, you will follow the call to action and will find out how that affects you. Sorry, what was other question?

742. **Mrs D Kelly**: Given that the majority of self-employed people have to employ accountants, which is a discrete group of professionals, to do their tax returns, have you thought about specifically communicating with accountancy firms?

743. The other point was about those who opted to contract out but will no longer be able to do so. How will you advise them? Will there be advice clinics, for example, for some people in some big employers where both employer and employee have opted to contract-out?

744. **Ms Hamilton-Sturdy**: You have made a very valid suggestion. Through our stakeholder engagement, we will have a range of private sector organisations involved too and will work with the financial institutions to ensure that they have all of our printed materials. So, we will work with all of the relevant private sector institutions and maybe some chartered institutes to make sure that they have information. Then, those individuals will see it through that channel, whether it is online, the advertising campaign, their bank or their chartered institute, and come to us for more information. As the need arises, we will cope with it. If a large volume of a particular group of people come to us, or a volume for that matter, and we see the need to engage further with a particular group, we definitely will. Due to the length of the campaign — a year and a half — we will be able to continually adjust and make sure that our activity matches the group.

745. **Mr Mahon**: This is a joint programme in Great Britain between DWP and HM Revenue and Customs (HMRC). Both Departments, particularly HMRC, which is a UK-wide Department, have

issued a raft of communications on National Insurance contributions and the end of them being contracted out and the impact that will have on certain groups. That information is also on their website.

746. **Mrs D Kelly**: There is reference to people who have had to opt out because of caring responsibilities, whether that is caring for a person who is ill or disabled or for children. Is there any scope for the Social Security Agency, which pays carer's allowance, to advise people that they can purchase additional National Insurance contributions? That is the idea behind it.

747. **Ms Hamilton-Sturdy**: Absolutely.

748. **Mr F McCann**: How much of a budget is attached to the roll-out of this?

749. **Ms Hamilton-Sturdy**: Fra, there is a communications team in the Social Security Agency, so we have a resource in place for agency communications. Staff are able to carry out that activity, and I am a member of that team. Obviously, the planned media buying of advertising space will cost money, and we will be doing that in the most cost-effective way possible. The budget for that has not been agreed yet, but for the traditional activity that I talk about — the traditional PR — we will use our Department's press office to pump out a lot of those messages. We will run the stakeholder engagement groups ourselves within the agency. Therefore, the cost attached will be the bought media.

750. **Mr F McCann**: Sammy talked about the over-45s, people who may not be computer literate and those who may rely on going to the local corner advice centre or wherever to glean information and seek advice. Are you looking at bringing in organisations like the independent advice sector, Citizens Advice and people who have a complete network of advice centres and contacts within communities or the voluntary sector to deal with things like that? In the past, when many of those organisations dealt with social security issues and tried to get the message out, they were fairly effective in getting that message out, and they were able to simplify the thing, rather than having what somebody called the gobbledygook of government, so that people could understand it better.

751. **Ms Hamilton-Sturdy**: Absolutely, Fra, we will include most of the groups that you mentioned on our customer representative group, and we will provide them with briefing packs so that they can take them back to their local advice offices and leave them sitting out or do whatever they feel would make the best and most effective use of them.

752. **Mr Allister**: I am thinking mostly about the self-employed. You mentioned HMRC. Will the local agency be able to influence and impact what it does, or will it be operating in its own right?

753. **Ms Hamilton-Sturdy**: No. As we talked about, we are working alongside DWP and making sure that our activity is complementing its activity. We will do the same with HMRC. Therefore, we will make sure that both agencies are speaking to each other and that our messages are aligned and not contradictory.

754. **Mr Allister**: The one document that every self-employed person has to engage with is their tax return. No doubt, when that comes out, sending out suitable flyers with it would be an appropriate means. Will that be done?

755. **Mr Mahon**: I am not aware that that is the case. Like Lisa, I am part of the joint DWP programme, so I can raise that issue at the next meeting to see whether there are any plans to issue anything with the self-assessment returns.

756. **The Chairperson (Mr Maskey)**: I thought you said a minute ago that HMRC would be disseminating the information.

757. **Mr Mahon**: It does issue some information, but I am not sure whether it has specific information with the self-assessment forms.

758. **Mr Campbell**: Sorry for being late. Paula and I suffer from the disadvantage of being on the Assembly and Executive Review Committee, which also met at 9.30 am, so that is why I am late.

759. **Mr Allister**: It was a long meeting today. *[Laughter.]*

760. **Mr Campbell**: It was a longer meeting than usual.

761. On the issue of National Insurance contributions, I see that the number of years required for full state pension is going up from 30 to 35. We are told that the minimum qualifying period is 10 years. Is that the same as it has always been? Does the minimum qualifying period remain at 10 years, or has it changed?

762. **Mr Mahon**: Under the old rules, or the existing state pension system, there was no minimum qualifying period.

763. **Mr Campbell**: There was no minimum qualifying period. Right. Then it will be critical for people who have just short of 10 years. Obviously, people will have different circumstances, and some may not be able to afford to purchase the additional contributions. However, how are you going to target those who are not aware that they are short of a qualifying period that previously did not exist?

764. **Mr Mahon**: There have been discussions within the DWP programme regarding drafting a minimum qualifying period letter that would be issued to people when they claim state pension. No decision has been taken on that. They are looking at the cost of doing that and being able to identify customers.

765. **Mr Campbell**: I do not know how many people that will affect, but the number may be disproportionately female: women who would have taken time out from the workplace for family considerations or whatever. A number of people may have eight or nine years' contributions and who, for a relatively small amount of money, could breach the threshold, which would be quite beneficial for them over a much longer time. However, they may not be aware that they are a minimal amount short of qualifying for a pension.

766. **Ms Hamilton-Sturdy**: I think, Gregory, that is an important point that we will be pulling out: previously there was no minimum qualifying period, so please go and check for how long you have been contributing.

767. I stated at the beginning that we would have a primary key message and there would be 10 or 12 supplementary key messages. The number of years that your National Insurance contributions are required is one of those key messages. That is one that we will concentrate on through various activities. Your point is valid, and we should make that message as public as we can when we are communicating.

768. **Mr Campbell**: For somebody in that category of eight or nine years but short of 10, once they become aware that they are just short of the qualifying period, their circumstances may not permit them immediately to purchase the difference. Is there a period of grace whereby they will be allowed to make those additional contributions?

769. **Ms Hamilton-Sturdy**: Gregory, I would have to defer to our policy colleagues on that. Unfortunately, I am not aware of the answer to that.

770. **Mr Campbell**: Could somebody come back to us and let us know?

771. **The Chairperson (Mr Maskey)**: We have officials here, Gregory, and we can get that response from them.

772. **Mr Campbell**: OK.

773. **The Chairperson (Mr Maskey)**: No other member is indicating that they have further questions.

774. A key message coming from the Committee is that this is all about the dissemination of information. Obviously, you garner the information required for the messaging. A lot of that was in your presentation and will be extended to your stakeholder engagements that

you referred to, which will be quite comprehensive.

775. It is then about disseminating all that information, whether via a direct link with HMRC, the Social Security Agency itself, or stakeholder networks, which Fra and others alluded to and which are important networks in themselves. For me, it goes to the basics. When we talk about NI Direct, people in this room might know what NI Direct is, but I am not so sure that many members of the public know what it is. I would never think of ringing NI Direct; I would go to Mickey Brady or somebody else. Somebody around the table said that people go to the local advice centre or somebody they can rely on. The impersonal nature of NI Direct could, in itself, be a barrier, so we will have to work to make sure that in that 18-month or whatever time frame you mentioned a lot of information needs to be got out there to underpin the key points. You heard that from members. I am just trying to encapsulate that in a wee summary.

776. Damian and Lisa, are you happy enough with what you have presented this morning? You dealt with some of the questions and are taking away some messages about further delivery. No doubt, we will speak to you again in the near future. Thank you very much.

777. **Ms Hamilton-Sturdy**: Thank you.

778. **The Chairperson (Mr Maskey)**: It has been very helpful. Thank you.

13 January 2015

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Mr Stewart Dickson
Mrs Dolores Kelly
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Ms Emer Boyle
Ms Claire Keatinge } *Commissioner for Older People for Northern Ireland*

779. **The Chairperson (Mr Maskey)**: I welcome the Commissioner for Older People for Northern Ireland (COPNI), Claire Keatinge, and Emer Boyle. Claire, we are in your hands.

780. **Ms Claire Keatinge (Commissioner for Older People for Northern Ireland)**: Thank you, Chair, and good morning, members one and all. I am delighted to have been invited to provide comments on the Pensions Bill to the Committee. Pensions, as you will all be clearly aware, are fundamental to the confidence of today's and tomorrow's older people to be able to lead a decent and dignified life, with financial security, and to plan for their future and take financial responsibility. The Bill will affect many older people in the coming years.

781. I have to say first that I am not a pensions expert. Pensions is an incredibly complex area of law and practice. Nor do I represent any pensions organisations or perspective. I have provided written research and statistical analysis undertaken by me and my staff and have reviewed wider analysis of the passage of the Pensions Bill through Westminster. Certainly, during legislative stages of the Westminster Bill, evidence was taken from pensions experts, and, of course, the Committee is free to do the same.

782. As the Commissioner for Older People, I have a statutory duty to keep under review the adequacy and effectiveness of law and practice as it relates to the interests of older people, and it is in that context that I will make my comments today. I carry an extensive range of duties and powers that provide the statutory remit for the exercise of my functions. You will probably be familiar with my wide-ranging legal powers, which are primarily about safeguarding and promoting the interests of older people, with older people being defined as being those aged 60 and above or, in exceptional cases, those over 50. In the development of the Commissioner for Older People legislation, pensions — financial planning — was one issue that it was prudent for me to consider those aged over 50 as well as those aged over 60. My powers and duties are underpinned by United Nations' principles for older people.

783. I will move on to the detail of the Pensions Bill. I support the basic principle of a pensions' system that is simpler, fairer and encourages saving, while reducing poverty and reliance on means-testing. Really, that is the nugget in the information before the Committee today. The current system is enormously complex. There is significant under-claiming of means-tested benefits, and we continue to have unacceptable levels of pensioner poverty.

784. There are, however, elements of the Pensions Bill and pension reform on which I would welcome further clarity. In March 2013, in response to the Department of Work and Pensions (DWP) Pensions Bill, I supported the principle of a single-tier pension. Under the present system, an individual's income comes from state pension as well as pension credit, and, as you will know, I am absolutely sure, from your constituency work, that makes the system incredibly complicated and

contributes to pensioner poverty and significant levels of under-claiming of entitlements and support. I continue to support the principles of pension reform, but we need more specific Northern Ireland analysis of pensioner poverty as it relates to pension credit uptake and income levels for older people more widely. Only if that is understood very clearly can there be a targeted focus on the uptake of the single-tier pension alongside tackling pensioner poverty, by having a continuing focus on uptake of means-tested benefits, on which a large number of older people rely today and will rely tomorrow. Making the system fairer and simpler in theory makes the pensions easier to administer, creating savings in cost and time, which should, if reinvested, make the system more financially stable and allow staff to spend more time with individual older people, ensuring that they understand their entitlements, whether they are in receipt of pension or approaching pension age.

785. The present indications are that the single rate for the state pension will be set above the pension credit minimum guarantee level, which is currently £148·35, with the actual level being set in the autumn of 2015. A discrepancy was noted during the passage of the now Pensions Act 2014 through Westminster between the level of state pension suggested in the Green Paper, which was set at nearly 6% above the pension credit level, and the level suggested in the White Paper, which was just above 1% more than the pension credit guarantee level. That is a significant differential. The lack of clarity and certainty around the actual level at which the pension will be set creates uncertainty, and I support the position of Age UK, which is that the level should be set at at least 5% above the pension credit guarantee level, into the triple-lock commitment, and that that should be in the legislation. I will be monitoring that closely when the level is set in autumn 2015.

786. It further makes it all the more important for the Department for Social Development and the Committee not to neglect uptake benefit levels for pension credit and other means-tested benefits now. Moreover, it highlights the need to undertake a proactive campaign to provide clear information to the public about planning for retirement and the need to consider additional voluntary contributions and where their information is. You will have seen in the media recently that, in the main, people expect that in the future they will be paid the flat-rate single-tier pension, but it appears that, in the first wave of it, approximately half of those reaching state pension age will qualify, and there is a significant lack of understanding. That will require the continuing uptake of means-tested benefits and clear, transparent information while people still have the time to make those additional contributions.

787. On the differences between men and women receiving state pension, clause 1 of the Pensions Bill states that individuals reaching pensionable age on 6 April 2016 or thereafter will be eligible for the pension, but, because of the staggered implementation of rises in the state pension for men and women, on that date — the implementation date — there will be men and women of the same age receiving different pensions, and the single-tier state pension on that date applies to men born on or after April 1951 and women born on or after April 1953. There are about 19,000 women who fall into that category. I have a Department of Work and Pensions analysis of across the UK that shows that 90% of women would receive more in lifetime state benefits and pension if they had identical pension entitlements to men born on the same date. Therefore, the equality impact of the proposal in the Pensions Bill does not identify the projected numbers of those who would be better or worse off in Northern Ireland, and simply quotes the UK figures. Specific analysis for Northern Ireland would enable more considered judgements to be made about that matter in the Bill.

788. If you look at qualifying years for a single-tier state pension, again, clause

2 of the Pensions Bill states that individuals are entitled to the state pension, payable at the full rate, if they are at pensionable age and have 35 or more qualifying years of National Insurance contributions. Individuals are entitled to a state pension at a reduced rate when they reach pensionable age if they have made the minimum number of qualifying years of National Insurance contributions, which is stated to be:

"specified in regulations and may not be more than 10."

789. At present, the Minister for Social Development, Mervyn Storey, has indicated that 10 will be the number of minimum qualifying years for state pension. That contains a range of implications that could affect older people quite unfairly. Individuals with multiple part-time jobs, who do not earn enough in any of those jobs to reach the National Insurance lower-earnings threshold, which is currently £111 a week, could easily be unfairly disadvantaged by the situation. They could miss out on state pension payments, in comparison with people who, frankly, have worked fewer hours on aggregate. Individuals in that situation may find that they are working long hours to earn aggregate sums that do not reach the qualification threshold of contributing years, and we have an emerging practice in the labour market of zero-hours contracts, which will make that even more of an issue for some people in the future. I think that, if the system does not recognise periods of work as qualifying years, or if it does not take account of other responsibilities that individuals may have had, there will be an unfair impact on certain groups of individuals. There should be greater safeguards built into the legislation for those who are at risk of not meeting the envisaged minimum of 10 years of National Insurance payments or who obtained only a low number of those years owing to caring responsibilities. That is something that could be considered as the Bill goes through the final stages of its scrutiny by the Committee.

790. The prospect has been raised at Westminster of using the development of what is called real-time information pay as you earn (PAYE) to be able to aggregate income information, and that 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. In short, DWP has said that there is a prospect that it will look at that in the medium term. I believe that the Department should assess the feasibility of that measure being used in Northern Ireland without delay. It seems unreasonable to me that somebody who is working but is not qualifying simply on a technicality should be entitled to so qualify.

791. The setting of the minimum number of qualifying years at 10 should be regularly reviewed, and there should be robust and thorough assessment of the impact on older people of that 10-year qualifying period. On that point, the Executive need to have a clear and continuing commitment in place to reducing pensioner poverty overall. Ongoing monitoring and review of the impact of the reforms will have to take place to ensure that they fulfil the intention of reducing pensioner poverty as outlined in the rationale for legislative reform.

792. The flexibility for individuals in that situation to make additional class 3A National Insurance contributions in order to receive a higher pension is very welcome, but it will not be a viable option for those who do not have the spare income or capital to make the increases. The option also needs to be made clear and transparent to people in enough time to make the provision.

793. In debates on the Pensions Bill at Westminster, the Department of Work and Pensions stated that there would be an on-demand, and predominantly digital, state pension statement service. An on-demand statement is not the same as a proactive provision of a pension statement, and although a predominantly digital version is very useful for some, it should be made

available proactively and in hard copy or in alternative formats, as required.

794. There is a commitment in clause 27 to phase out assessed income periods for those aged 65 to 75. At present, the assessed income periods place a considerable burden on older people to report changes in their circumstances or income to the pension service weekly. I am keen to ensure that the phasing-out of assessed income periods for those between the ages of 65 and 75 will not produce excessive intrusion and burden and that adequate planning is undertaken to mitigate that. Administrative burden and pressure is something that causes considerable anxiety to large numbers of older people.

795. There is a new bereavement support payment proposed in clauses 29, 30 and 31. That confirms, in keeping with existing practice, that the payment cannot be claimed once individuals reach state pension age, whether they are in receipt of it or not. Of course, as the state pension age increases and the number of individuals over 60 increases, proportionately more older people will be affected. Although the Pensions Bill does propose a move to a more focused payment in the immediate period following bereavement for those below state pension age, it would be useful to undertake further work on the impact on today's and tomorrow's older people in Northern Ireland that has been undertaken for the UK as a whole but is not specific to here.

796. In conclusion, I support the aims of a single-tier pension to create a simpler and fairer pensions system that provides the opportunity for reducing and tackling pensioner poverty. It can provide a platform for saving and will reduce future reliance on means-testing. I would welcome the Committee giving further consideration to transitional protection, as I would a concerted campaign to help people understand the changes and their entitlement so that they can plan better for the future. However, the complex and widespread changes that are proposed will leave some worse off. There will be those whose expectations are not matched by the reality of the single-tier pension. I am eager that a comprehensive analysis be undertaken on a Northern Ireland-specific basis to determine the beneficiaries and those who lose out, and how that can and should be mitigated. By that, I mean areas such as the discrepancy between men and women, the impact of changes to the bereavement support payment and the difference between what people expect to get and what they actually receive. Significant questions remain in the absence of Northern Ireland-specific data.

797. I reiterate that the single-tier pension needs to be set at a level that will fulfil its original aims. I suggest at least 5% above pension credit guarantee level. The level of the guarantee should be set into the triple-lock commitment in the Bill. I emphasise the need for an appropriate publicity campaign to be developed that explains the changes in an adequate time frame and promotes better understanding of additional voluntary contributions, as well as the need for individuals to take responsibility for improved pension planning. There remains a need to understand the real levels of benefit uptake and income among older people, which underpins the need for the Executive to continue to take a very active role in monitoring the impact of the proposed reforms, including uptake of additional voluntary contributions, and pensioner poverty and pensioner income levels more widely. Thanks again for the opportunity to provide you with those comments.

798. **The Chairperson (Mr Maskey)**: Thank you very much, Claire. That was very comprehensive. I remind members that the written submission is included in members' folders, although I see that you are already referring to it.

799. Claire, have you or your colleagues had a chance to discuss any of the issues with the Department?

800. **Ms Keatinge**: We have had a number of conversations with departmental colleagues about pensioner benefits in general, and about the Make the Call campaign and pensioner benefit

uptake in particular. There is a particular need for an ongoing focus on benefit uptake as the new single-tier pension is introduced, because one of the obvious dangers, as the targets shift towards compliance with the need for uptake of the single-tier pension, is that there may be less focus on uptake of means-tested benefits. Those conversations have taken place, but we have not discussed the Bill in detail.

801. **The Chairperson (Mr Maskey)**: Not the entirety of the Bill.

802. **Ms Keatinge**: No.

803. **The Chairperson (Mr Maskey)**: OK. Fair enough. Thank you for that.

804. You referred to the need for a publicity campaign. We had an evidence session with the Social Security Agency (SSA), which came here before Christmas and presented a programme of public awareness. I do not know whether you have had a chance to see that. I suggest that you have a look at that and see whether you have any comments to make on it that would be helpful for our own deliberations and to see whether it goes any way towards meeting some of the concerns that you have outlined.

805. We have departmental officials here this morning. Gerry McCann and his colleague are here. No doubt we will need to avail ourselves of their expertise again after this session. On that note, I will open up the session to members.

806. **Mr Brady**: Thanks very much for your presentation. I want to mention just a couple of things. The rationale for this, apart from simplifying the pensions system, is to encourage people to save for their retirement. I think that the difficulty there is that the majority of people will not be in a position to do that. A report that came out last year stated that the average disposable income per household in the North is less than half of that in Britain. People here are going to find it much more difficult to put money aside or, through voluntary contributions, get into other pension schemes, because they simply cannot afford to do so.

807. The pension here is probably the meanest in the developed world. I think that that has been accepted. I attended a conference last April about European pensions. It was quite interesting, because in Germany, for instance, pensioners get almost twice as much as pensioners get here. When you talk about the figure of approximately £148, that is interesting again. About five years ago, the British Government were talking about £175, so that figure has gone down. The 5% or 6% level that you mentioned would not necessarily even bring it up to that level.

808. As for people actually accessing their pension, pension credit is going to go, because the argument is that the amount is now going to be above pension credit level. However, it has to be realised that the pension credit level is subsistence level. It is supplementing the pension. It is same as the old supplementary benefit to income support.

809. In Scandinavia, on which I know that there has been some research done, there is an automatic entitlement. We were told a few years ago that that could not happen here because there were no postcodes. Of course, there are postcodes, so it would be much easier to develop a system in which, when you reach pensionable age, you automatically get your entitlement based on contributions, your work record, and so on. Doing that would take away all that angst for people in trying to access what they are entitled to. You made the point, which is well known, that approximately £2 million a week in pension credit is unclaimed. I wonder whether you have any thoughts on that.

810. **Ms Keatinge**: To start at the far end of your question, I have had a number of conversations with departmental officials over the past couple of years about the question of automatic entitlement. It seems extraordinary to me that we persist with a complex system in which older people of advancing years and degrees of frailty have to make an application for pension credit when, as I understand it, the system holds enough information about

people to make an informed decision about whether that person is very likely to qualify. A number of reasons have been given, from computer systems to data protection, for why automatic payment cannot be made. There has also been reference made to a pilot that was carried out in Britain. It was deemed to have been ineffective and made older people anxious by them receiving money that they were not sure that they were entitled to. I am unconvinced by those arguments. I think that, on automatic qualification and entitlement, research by the Department into people's individual circumstances should enable much more by way of automatic payment.

811. There is very interesting and useful data on additional savings and voluntary contributions. We have continuing levels of pensioner poverty and low pay in a number of sectors. It does not look as though that will be different in the foreseeable future.We have a significant number of older people who have decent, adequate and significant levels of income and capital resource. The question of additional voluntary contributions, at its simplest, allows people to know what they will be entitled to and to plan with confidence. However, I understand your point very well: there will continue to be a need to focus on making sure that no older person in our society lives below the poverty level.

812. **Mr Wilson**: You mentioned the phasing out of the assessed income period. I can understand the point you are making, Claire, which is that depending on what replaces that, it could create a huge administrative burden on people, where they have to report what their income is on a more regular basis. Have you made any suggestions about that? If we are going to move away from an assessed income period, what level of information ought to be sought to ensure that, if somebody is entitled to payments, they get them but, at the same time, they are not overburdened with having to provide information?

813. **Ms Keatinge**: That is right. Nobody wants a system where people are overburdened with administrative requirements, and nobody wants a system where people are overpaid and then have to pay money back and are alarmed by that situation. I have not made any particular recommendations about what that looks like. There is expertise in the Department to look at a number of different systems that have been tested over time. It is the responsibility of the Department to create a system that is simple and fair and balances exactly, as you say, people's entitlements with making sure that they are not wrongly paid. I have not looked at the exact level of detail.

814. **Mr Wilson**: We are all concerned about how these quite radical changes and their impact are conveyed to people. I, being a technophobe, agree with you that just having the information digitally available is not suitable, especially for the age group that we are talking about. Younger people may be happy enough with that, but is has been shown that the people who will most likely need this information are the ones who are least likely to use the digital format.

815. Apart from it being on paper, and paper copies being available, it is also about the dissemination of this information. Again, have you made any recommendations, from your experience with older people, about the best means for disseminating the information about the changes, about how people can access pension pots if they wish to and the difficulties that that might entail, and about additional contributions?

816. **Ms Keatinge**: This is an interesting question because I am sure that everybody in the room is in the same position, and other people are in the same position. What pension am I going to be entitled to? Is anybody really sure? What does the future look like, because I am not really sure? You hear a lot of people saying that it is in the future and it will be sorted out and it is a long way away. It is a very difficult issue to get people to engage with. The single-tier pension in the first place, for the first time, creates a level of certainty about what people should be able to expect.

817. In terms of provision of information and campaign literature and awareness-raising in relation to pensions and older people, say in relation to older people and benefit uptake — there are colleagues around the table with years of expertise in benefit uptake. You all know it — a lot of it is about the clarity of the information, endorsement by reputable, independent-minded people, such as the 'Make the Call' campaign, and face-to-face, high-quality advice from the Social Security Agency and the independent advice sector about people's circumstances.

818. The other situation that we face now, of course, is how much do and can people trust financial institutions. Do they understand about independent financial advice? What is their level of financial knowledge about individual financial planning? It is a combination of education about financial literacy early on, right through from school, and understanding. For the generation of older people who are about to qualify for the single-tier pension and in the next decade or so, it is about having really clear information through employers, employer organisations, trade unions, the press and other media directly, and through the advice service, and also, I would say, by way of proactivity by the Department writing out early to people, telling them what they can expect and what the opportunities are so that it is very clear and very real to them. At the moment, in the main, it is not. Pensions tend to be something that people do not think of and they wait and then they get it, and then they are either pleased or disappointed with what they get. There has to be that combination of everything from face-to-face information and advice to up-front clarity and transparency.

819. **Mr Wilson**: I have one last point to make. You have made a recommendation that the guaranteed pension ought to be at least — this should be in the Bill — 5% above the level that would currently qualify an individual for pension credit. Given the statistics that have come out recently that show that the biggest increase in the social security bill has been the increase in the amount of money paid out on pensions — that is going to get bigger as the population grows — has your research put any figure on what that is likely to do to the total financial cost of the Pensions Bill?

820. **Ms Keatinge**: No, I have not, nor would I expect to. I would expect that to be a government responsibility. However, the purpose and rationale in relation to this Bill is that it should create savings in the system and should also aim to tackle and reduce pensioner poverty and create clarity. Increasing amounts of money are paid out in pensions because more people are living longer. There is a responsibility on government, because it is taking National Insurance contributions from people, to manage and deliver that properly.

821. It is good news that there are more older people living longer. I would refer back to the overall net positive financial contributions that older people make to our society. We hear very often, with a degree of assertion that I do not hear on a lot of other issues, about the financial cost of ageing. Older people have paid into their pension schemes, and it is government's responsibility to manage that. If we add up, just in the Northern Irish context, the volunteering, the caring and the taxes paid by older people over the next 50 years, there will be a £25 billion net positive financial contribution. It is a government matter to plan for the spend that is required. My understanding is that this is a cost-neutral, or should be a saving, proposal within the system. I have not calculated the actual cost; that is a responsibility of government.

822. **Mr Wilson**: Finally, some of the evidence we have received so far has been scathing about the opportunity that older people will have when they come to pension age, if they have a private pension, to be able to dip into the pension pot and take out a lump sum. Have you any view on that?

823. **Ms Keatinge**: In principle, I would say that we should trust people with the money

that they have saved. I would also say, however, that there needs to be very clear and tight regulation of those who are providing independent financial advice and the charges that they can make for those sorts of services. In principle, I say that we should trust people with the money that they have saved.

824. **Mr Dickson**: Thank you, Claire, for your contributions. I want to follow up on Sammy's point about clause 43 of the Bill, which provides for disclosure of information about transaction costs. It was shocking to hear, on 'Money Box Live' on BBC Radio 4 last week that some of the first transaction costs have been as high as 90%. So, somebody taking, for the sake of argument, £25,000 out of their pension pot is paying 90% of that in transaction charges. Just simply disclosing the information is not good enough; there has to be further financial regulation and control of how that money is handled by those people.

825. I share Sammy's concern about this. Currently, people who are under pension age can apply to receive the money. There has been cold-calling going on right across the UK on this by unscrupulous organisations who, effectively, have been scamming people into trying to take money out of their pension pots. There is nothing illegal about it, and that is the scandal.

826. **Ms Keatinge**: That is always the other side of things. We have seen enough pensions scandals, I would suggest, in terms of high charging, poor-performing firms that are not delivering what they have promised and are mis-selling. We have seen quite enough of that to know that clarity and transparency of information and clear regulation and caps on charging are vital. There is no question about it. A 90% charge is not decent, and I do not believe it should be legal.

827. **The Chairperson (Mr Maskey)**: I think that that is to do with the Pension Schemes Bill. It is a different kind of issue.

828. **Mrs D Kelly**: Apologies for my late arrival. I am looking at your briefing, Commissioner. You indicated that there will be some gender inequalities in the system. You suggested some mitigating factors between men and women born between April 1951 and April 1953. Do you have any idea of what the numbers are in relation to that? How would you see some of the useful mitigating factors? Do you have any suggestions, for example?

829. **Ms Keatinge**: Anything to do with pensions is incredibly complex. I am not an expert in pension detail, but every time you turn over one stone or answer one question, you uncover another. Certainly, there are a number of ways in which there are gender differences.

830. There is analysis of the differential impact on men and women, but it is a UK analysis only. There is insufficient data to extrapolate for Northern Ireland to allow you to take an informed view. I suggest that you should look for very clear data that lets you know what the impact is, because the DWP data is insufficiently detailed. If you extrapolate from the DWP data, it suggests that 19,000 women in Northern Ireland fall into that category of differential.

831. **Mr Wilson**: The next paragraph shows that, because of early retirement, 90% of the women who fall into that category receive more from their pension over their lifetime.

832. **Ms Keatinge**: Yes, but nobody should be penalised for living long and healthy.

833. **Mrs D Kelly**: In Northern Ireland, we have a higher number of informal carers and women who have opted-out to mind children or grandchildren. I wonder about those numbers or schemes to help people who have taken on those roles. You talked earlier about the future number of voluntary hours. How are those figures obtained and measured?

834. **Ms Keatinge**: Those figures are Department for Work and Pensions figures. There is not enough Northern Ireland-specific data to help us. You are absolutely right about informal carers:

they need to seek the credits for their caring responsibilities. Increasingly, with that 10-year minimum qualifying period and the 35 years before you get the full single-tier pension, it is absolutely vital that informal carers are credited for their role and contribution.

835. **The Chairperson (Mr Maskey)**: No other members are indicating to ask any questions. Claire, are you happy enough that you have covered what you wanted to cover this morning? Clearly, the process for us will be to have departmental officials here, led by Gerry. We will take them to the table in a few minutes, when you are finished. If you want to try to quickly respond to some of those issues, we will obviously then have to assess what we have heard from all the stakeholders in the next week or two.

836. **Mr Wilson**: The last point that Claire made is an important one. We are all aware of it. There are huge difficulties in doing what exactly you indicated, Claire. How do you credit people who are informal carers? Some of them may well be in receipt of carer's allowance, which is one way of knowing that they are giving care, but some of them might not be in receipt of any allowance. We can all think of stacks of people who drop out of work and stay at home to look after their parents or whatever. What about the logistics of how you credit people? First, you assess that they are not working and they are not making any contributions because they are caring, yet they are outside state support as carers. Have you given any thought to how that might be put into practice?

837. **Ms Keatinge**: There are a number of issues. You are absolutely right: an awful lot of carers do not identify themselves as carers and do not fall into a system of having their needs as carers assessed and certainly do not claim or apply for any state benefit in relation to their caring role. Therefore, they will not be credited as carers in terms of National Insurance contributions.That is significant. To get to the point where more informal carers are recognised, those informal carers need a greater degree of clarity about the importance of claiming it and therefore regularising it.

838. I go back to a report that I published last year, which looked at the very, very poor level of uptake of carers assessments by older carers in Northern Ireland, and that means that those carers are not formally identified in the system as being carers. It means that their needs as carers are not assessed, unmet need cannot be measured and, again, the contribution record cannot be credited. That applies also to people under pension age who are taking on that caring role, particularly people who care for older people. It is a significant issue. It is not enough just to say that carers should get credited, because that presumes that everybody who is a carer is identified as such. You need to get back down underneath it to make sure that people who provide that incredibly valuable love and support to people to allow them to lead a dignified life at home understand the importance of being recognised as a carer and the implications for their future.

839. **The Chairperson (Mr Maskey)**: Thank you, Claire and Emer, for your attendance and your presentation and for dealing with some of the queries from members. We will consider all of that in the round when we finish our stakeholder evidence sessions and look at our written submissions.

840. **Ms Keatinge**: My pleasure. Thank you very much, Chairman, members and colleagues.

13 January 2015

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Mr Stewart Dickson
Mrs Dolores Kelly
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Mr Seamus Cassidy Mr Gerry McCann	*Department for Social Development*

841. **The Chairperson (Mr Maskey)**: Gerry, I am not sure what you will be able to cover from what you have heard this morning. Clearly, there are key messages around publicity and promotion of any such schemes. At the end of the day, we want greater public awareness and, therefore, uptake and clarity for older people, who need to understand what they are entitled to and how they can claim for it. There is obviously the issue of the appropriate level, and we are told that there is a disparity between one figure that says 6% and another that says 1%. There is also the issue of caring and how you qualify later on.

842. Just before we start, I am sorry, Mickey, you wanted in earlier to make a brief point.

843. **Mr Brady**: It is on the carers aspect. I think that the home responsibilities protection scheme was introduced about 1978. It was very specific, in that it dealt with women who had worked, stopped work to have children and then possibly gone back to work, so it was fairly specific. It goes back to Sammy's point about carers in general and the dissemination of information, for instance, that carer's allowance is available. A lot of people do not understand the implications and that if you claim carer's allowance you get credited and all of the stuff that goes with that. That is an important thing, because the uptake of the carer's allowance is way below what it should be. Carers here in the North save the system something like £3 billion a year, and a lot of them go unpaid. Therefore, it is about the dissemination of information. The home responsibilities protection scheme had a different context, if you like.

844. **Mr Gerry McCann (Department for Social Development)**: Of course, that has now gone, and anybody that had earned entitlement has now been transferred over into a straight credit. I accept your point totally that it is important that people know that credits are available. Most people should be able to access them simply if they are getting any of the benefits that apply to it. However, it is also possible to make an application if you are not getting any benefits. I do not have the full details of that with me today, but, if you want me to write to you on that point, I can, if it would help with the Committee's deliberations.

845. **Mr Brady**: I think that we confuse pensions, in particular in terms of carer's allowance, because they are overlapping benefits, obviously. Then it was introduced that you could get the underlying entitlement, but, again, that is quite confusing. What does that mean? A lot of people who could qualify for the underlying entitlement do not know what it means.

846. **Mr G McCann**: Also, even with the overlapping benefits bit, you can still get the extra payment inside your state pension credit, even though you are not able to get both the retirement pension (RP) and the carer's allowance at the same time.

847. **Mr Brady**: It is maybe about making that easier for people to understand.

848. **Mr G McCann**: Will I start off with the issue of how we inform people?

849. **The Chairperson (Mr Maskey)**: Dolores, did you want to come in?

850. **Mrs D Kelly**: I have a question on carers. Over the years, I have helped people to apply for carer's allowance, but, as you know, you rob Peter and pay Paul. Therefore, some people do not think that it is worthwhile, because they lose out in income support and it does not seem to be worth the bother, and others are anxious about meeting the 35-hour-a-week rule. The Commissioner for Older People talked about the uptake of carers legislation and the right to an assessment. That is something for social services. I am trying to point out that there is information there, but it is about Departments working together to collate it.I would like to hear from Gerry what measures or steps they have taken to work on a collaborative basis with the Department of Health, Social Services and Public Safety.

851. **Mr G McCann**: I cannot give you an answer to that because that issue falls elsewhere in the Department, but I can certainly follow up as to how that has been worked on.

852. **Mrs D Kelly**: That would be useful.

853. **The Chairperson (Mr Maskey)**: OK. Thanks for that, Gerry.

854. **Mr G McCann**: I will start with the easier issue of communications and how we let people know about their entitlements. Chair, you pointed out that you had been briefed by the Social Security Agency, and I think that we all agreed that quite a comprehensive system would be put in place. It might be useful for us to write to the commissioner to outline that for her and make sure that she is fully updated.

855. **The Chairperson (Mr Maskey)**: I did invite them to access that presentation.

856. **Mr G McCann**: I will move on to the other issues that were raised. One that you came back to time and again was how this will impact in Northern Ireland, and access to data. For example, the figure of 19,055 was mentioned for men and women who were born on the same day. Those figures are, in fact, from us. They are not from GB or based on any figures from GB.

857. GB has access to a pension simulation model, which we do not have in Northern Ireland. It means that they can outline various scenarios and look at them in detail. We cannot, but we are still able to make various calls after looking at the hard data that we have. I do not think that there is as much of a vacuum on that as has been outlined by the commissioner.

858. Most of the other issues that the commissioner raised have been raised by the Committee as we have made our way through the process. There were a couple of issues that you have raised with me, Chair. Do you want me to deal with the main issues?

859. **The Chairperson (Mr Maskey)**: I think that it would be helpful, Gerry, if you do not mind, even if you covered them briefly.

860. **Mr G McCann**: Certainly. As I mentioned, one of the issues was about men and women born on the same day. This comes down to the fact that state pension ages for men and women are different. Therefore, a woman born on a given day will able to get her pension under the old system, whereas a man born on the same day will fall under the new system. There has been a lot of talk about this not being fair somehow. In fact, I think that this is an issue that you could look at from either point of view. You could argue, on one hand, that it is not fair for the woman, but you could equally argue that it is not fair for the man in that she is able to get her pension earlier whereas he does not have that option and has to wait until he is 65. I am just saying that you can argue from either point of view that it is not fair.

861. I think that that issue is more apparent than real. I will give you some figures. Women in that category will get their pension between two and four years

earlier than a man born on the same day. Therefore, those women shall have a pension age between 61 and 63, whereas the man will have to wait until he is 65. Therefore, over the course of their lifetime, based on the average amount that we pay at the moment for a woman on state pension, she will get between £12,000 and £24,000 more than a man born on the same day. A man has to live to 80 before he will, as it were, catch up with her. That is why I am saying that there is an argument that it is actually the men who lose out, as opposed to the women.

862. **The Chairperson (Mr Maskey)**: Dolores will be glad to hear that.

863. **Mrs D Kelly**: It is a rare occasion, I can tell you. *[Laughter.]*

864. **The Chairperson (Mr Maskey)**: You would have a hard job catching up with Dolores. *[Laughter.]*

865. **Mr G McCann**: OK. I will get back to where I was.

866. **Mrs D Kelly**: Cry on the other shoulder.

867. **Mr Wilson**: Given that we outnumber her, can we propose an amendment? This is discrimination. *[Laughter.]*

868. **Mr G McCann**: I think that the other point for those women is that they will have access to all the other things that are inside the current system: pension credit, savings credit etc. All those will carry on for those women and will not be available to men after 2016. The other thing is that any woman is able to opt not to take her state pension. She can defer it and earn more pension. Take, for example, the case of a woman who would be entitled to the full state pension of £113 a week. If she were to defer for two years, which is the period that we are talking about   the gap she would have a pension of £136·60. If she were to defer it for three years, she would have a pension of £148·35, which is virtually the same. If she were to defer it for a four-year gap, which we were talking about, she would have a pension of £160 per week. So, in fact, any woman in this category has the option of waiting until 2016, and so they could get their pension bumped up to even more than they would get under the new system. I am just saying that this issue may be more apparent than real. I can go on much longer if you want, or are you happy with that?

869. **The Chairperson (Mr Maskey)**: No, I think that is broadly —

870. **Mr Wilson**: We are appalled by it, actually, but — *[Laughter.]*

871. **Mr G McCann**: The other issue is that of the 10 years; that is, if you have not paid in for 10 years, you will not get it. I should explain why that 10-year rule has been brought in. The new pension is aimed at those who have made a significant contribution to the country, and that is either through having been in work, so you have worked and paid National Insurance contributions, or you have been a carer, for example. So, under this, you do not ever have to have worked. If you have been a carer, you could end up with a full state pension simply through that, but the key is that you have made, as it were, a significant contribution to society. That is what it is meant to reflect.

872. **Mr Wilson**: Provided that you have been identified as a carer.

873. **Mr G McCann**: Yes. That brings us back to the issue that was raised earlier. I said that we would write to the Committee on that.

874. The actual numbers involved are very small. For the last year for which I have data, 2012-13, there were only 110 people who were actually getting a pension of less than the 10-year amount. Sorry, I meant to say that there were only 110 people who actually put in a claim in the year 2012-13 who were actually getting less than the 10-year amount. So the numbers are small. Based on the figures calculated by GB as to how many people may be affected, we estimate that it would be somewhere between 225 and 300 people a year. However, the figure that we have for Northern Ireland for the last year was actually far lower than that. As I said,

that estimate is based on the figures for Britain.

875. There have been questions about what is available to mitigate that. That brings us back to the issue of carers. However, there are credits if you have a child, not only for the parent but for the grandparent if the grandparent is the one who cares for the child. Also, if you are getting any of the various benefits — such as employment and support allowance (ESA), jobseeker's allowance (JSA) and working tax credits, for example — those will all bring you credits. Also, if you want to opt to pay a voluntary contribution, you can pay the class 3 contribution. That is also available.

876. At the end of the day, the people who will be affected by this are those who have opted to, say, go abroad and work for all their life, people who have only moved to the country or people who choose not to work. If you are a carer, for example, you can access credits; if you are out of work sick, there are credits for you; and if you are in work you will pay National Insurance contributions. Are we all happy with the 10-year issue?

877. **Mr Brady**: If somebody has nine years, can they make it up to 10 with voluntary contributions?

878. **Mr G McCann**: Yes, they can.

879. **Mr Seamus Cassidy (Department for Social Development)**: Of course, if they had a work record in another member state, or whatever, it would be pro rata.

880. **Mr G McCann**: The actual rate that you pay for the voluntary contribution is £13·90.

881. **Mr Brady**: But you would have to work out whether it will benefit you in terms of your longevity.

882. **Mr G McCann**: Yes. Probably the best indicator of that is that the actuarially fair rate that you would pay would be £59, so it is actually a very good deal. I think that that answers your question.

883. **Mr Wilson**: That is to make up one year's contribution.

884. **Mr G McCann**: No; it is £13·90 per week. The actuarially fair rate that you would pay would be £59, so it is actually a very good deal. If you were to go outside the system to try to buy that back somewhere else, that is the kind of money that you would be talking about.

885. **Mrs D Kelly**: For the self-employed, are there any —

886. **Mr G McCann**: The self-employed pay a class 2 contribution, which is actually much lower than £13·90. Sorry; class 2 pay two contributions: there is a flat rate, and then they pay a class 4, which is based on how much they have actually earned during the year. If you are on an ordinary flat-rate contribution, the class 2 is much lower. I have a figure somewhere but I would have to hunt for it.

887. **Mrs D Kelly**: My query is really about people who are self-employed. They can have very lean years. Is there an opportunity for people to buy additional —

888. **Mr G McCann**: Yes, they can pay voluntary contributions also. To slightly digress, one of the good things about the Bill is that, for the first time, self-employed people shall be getting a pension on exactly the same basis as people in work. People who are self-employed will get a far bigger pension now than they would have ever got under the old system.

889. **Mrs D Kelly**: And the evidence that they have to provide for that is only their —

890. **Mr G McCann**: It is the fact that they have paid their National Insurance contribution — their class 2 contribution — which will go onto the system as soon as it is paid.

891. **Mrs D Kelly**: You mentioned people who have left the country. Given the mass exodus that there has been in the last few years, what are the implications for those people?

892. **Mr G McCann**: One assumes that people who have left the country will

be in work where they are and will be earning a right to a pension there.

893. **Mrs D Kelly**: A lot of our young people have gone to Australia, for example.

894. **Mr G McCann**: Yes. While they are in Australia, one assumes that they will be paying into the system there, so they will have a pension from Australia, I assume, at some point in the future for whatever number of years. If you are young and have gone away only for a couple of years, if you consider a person who leaves school aged 16, for example, the state pension age is going up to 66, so they will have a 50-year period. All they need to get is 35 years. Even if they are out of the country for a couple of years, that should not stop them getting 35 years.

895. **Mr Brady**: I think that there is a reciprocal agreement with Australia in terms of —

896. **Mr G McCann**: Actually, there is none.

897. **Mr Brady**: There was, because —

898. **Mr G McCann**: Yes, but it ended —

899. **Mr Brady**: Years ago, someone came into the advice centre who had worked in Australia for 30 years and had contributions there and was able to access benefits here.

900. **Mr Cassidy**: That ended a number of years ago.

901. **Mr G McCann**: It was not us who ended it. It was Australia that opted to end that reciprocal arrangement.

902. **Mr Brady**: There are arrangements for pensions in Canada.

903. **Mr G McCann**: Yes. There are for various countries, including all those in the European Economic Area. For those countries, you can aggregate your years into one pension. Are you happy enough with that point?

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

905. **Mr G McCann**: Moving on, one of the other issues was people who work a number of jobs and earn less than the lower earnings limit (LEL) of £111. They, in total, may earn more than £111, but they are not paying contributions. Therefore, they are not getting anything out of the system.

906. **Mrs D Kelly**: What about the trend of zero-hours contracts at the moment? What are the implications for people on those sorts of contracts in relation to pensions?

907. **Mr G McCann**: Your liability for a National Insurance contribution is triggered once your earnings go over a certain limit. If you are out of work, unemployed and actively seeking work, you can make a claim for JSA, depending on your period of time out of work etc. However, it is possible that somebody on a zero-hours contract then works for x number of months and earns quite a big salary during the year and, therefore, shall have a full qualifying year anyway. I am not sure I can say what the impact would be for each case. That would be down to each person. If you are on a zero-hours contract, you can, if you want, pay a class 3 voluntary contribution for the weeks that you are not working.

908. **Mrs D Kelly**: That just underscores the need for clarity and giving good information on the flexibilities in the system.

909. **Mr G McCann**: This comes back to what was done by our colleagues from the SSA when they briefed the Committee. They pointed all that out and what they would be doing.

910. **Mr Wilson**: On that point, Gerry, it concerns me how you deal with people who have two or three jobs and are underneath the level. Very often, those will be younger people. When we talked to the SSA about the communication strategy, it is really mostly directed towards people coming up to retirement age and what to do if you want to take out some of your lump sum and everything else. Has any thought been given to how you feed that further down to people who are maybe not even thinking of a pension? If they are in a

situation where they are doing two or three jobs, that is probably the last thing on their mind. They are just making sure that they get enough money to keep body and soul together. Has any thought been given to how it is communicated at an early stage to people that they can keep their pension entitlement alive by doing a, b and c?

911. **Mr G McCann**: I am saying this with a very big caveat because I would like to check, and I do not want to tell you something that is not true, but, as far as I know, as this programme works out, we will be looking at people all down the age profiles.

912. I was more directly involved in the work we did around the pension schemes and to tell people that they would be put into a pension scheme if they worked and earned more than, currently, £10,000. I was more actively involved in that. There, we used a whole range of media. We were aiming to get people as young as we could because the earlier you start paying into your pension, the more you get at the end. It is a simple equation. Therefore, we used social media, Sky or if you go onto various websites, you will get hit with issues about automatic enrolment, for example. I am just saying that it is not something that we do not look to try to do. I was more involved in that project and that is why I can speak on it, but we used a whole range of ways to try to get to young people. However, I can certainly look into that point further and write back to the Committee.

913. To come back to multiple jobs, really we are straying into the field of HMRC. This is down to whether or not a person is liable to pay a National Insurance contribution, which, as you know, is an excepted matter. Part of the problem is, if you are an employer and your employee is earning less than the LEL, you do not have to put that onto the system. At the moment, that is not caught in the real-time information system used by HMRC. Therefore, one of the big issues with this is how we would actually do it. I think that you asked the Older People's Commissioner if she had any ideas about how we could achieve that. That is a serious issue. DWP and HMRC have been looking at this as something for the longer term. At the moment, it is not possible.

914. In terms of mitigation for those people, there are credits. We think that a large number of the people who fall into this area would have a child, for example women who work part time, maybe because they have childcare. They would be getting a credit anyway, so they will have a qualifying year.

915. We have people who have other caring duties and who also work part-time to supplement their income. Again, they are, hopefully, being caught. You have people who are getting working tax credits etc, or maybe getting JSA because they are working only a small number of hours. All those people shall be getting credits anyway.

916. I think those were the main points. Is there anything else that you want to raise?

917. **The Chairperson (Mr Maskey)**: You have covered most of it. I will bring Dolores back in a moment but I am conscious of the time because we are beyond plenary time.

918. **Mrs D Kelly**: I just wanted to ask about the definition of a carer. Are you saying that, under the rules, it has to be someone who is in receipt of carer's allowance or can prove their status?

919. **Mr Cassidy**: Yes. There are rules regarding other adults, other than direct family members, who are providing, I think, 20 hours of care for a disabled person. They may not be getting a carer's benefit themselves, but if they are providing care they can apply for a credit.

920. **Mr G McCann**: Yes, but they have to provide proof that they are a carer from someone like a social worker or a healthcare professional. Again, I would feel happier if we could come back to you on this point to make sure of what we are saying.

921. **Mrs D Kelly**: I would be very interested in that.

922. **Mr G McCann**: I just want to make sure that we are not telling you something that is not absolutely right. Can we come back to you on that?

923. **Mrs D Kelly**: Yes, that is fine. Thank you.

924. **Mr Wilson**: I just have one question. It was mentioned that the guaranteed pension would be 5% above the current pension credit limit. Has any work been done on what that would cost?

925. **Mr G McCann**: This system is aimed not to cost any more than the existing system. As we move forward into the future, there shall be some savings, but those will not start to accrue until about 2040. The aim is really to keep it as a proportion of GDP. Currently, it is about 9% of GDP and the aim is to keep it under 9%. The rate to be set is done with that in mind to make sure that it is affordable.

926. I understand the point that has been made by Mr Brady quite frequently that the rate, he feels, is far too low. But, in terms of what we are doing, we know at the very least that the rate should be higher than the rate for state pension credit. Using our rates today, we know that it is going to be at least £148·40, which is quite significantly more than £113 a week. It is quite a hike. That is something that is very positive.

927. When it comes to the cost of pensions at the moment, we pay out about £37·5 million a week in state pensions. In pensioner benefits alone — this does not take account of other pensioner benefits such as help with housing costs — we pay out £2·5 billion a year in Northern Ireland. By any stretch of the imagination, the amount of money we spend on pensions and pensioner benefits is absolutely huge. In fact, even with the welfare reform issue that has been going on for some time, the big money inside the system is actually for pensions. That is where the money is.

928. **The Chairperson (Mr Maskey)**: OK. If members are happy enough with that, I will thank Gerry and Seamus for being here this morning and helping us to focus on the evidence we received earlier from Claire Keatinge and her colleague. Thank you very much.

22 January 2015

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Jim Allister
Mr Gregory Campbell
Mr Maurice Devenney
Mrs Dolores Kelly
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Ms Alison Penny	*Childhood Bereavement Network*
Ms Anne Townsend	*Cruse Bereavement Care*

929. **The Chairperson (Mr Maskey)**: I formally welcome Alison Penny and Anne Townsend. I thank Alison from the Childhood Bereavement Network, who has travelled from England to brief the Committee. Thank you very much for your care for and attention to the issue.

930. I also thank Gerry and his team from the Department, who are again sitting in on the evidence session to very quickly respond to any points and provide clarification afterwards. That has been of great assistance to Committee. I thank Gerry, Seamus and Rosemary for being here.

931. If we are happy enough to proceed, I formally invite Alison and Anne to make some opening remarks or present their argument on the back of their written submission.

932. **Ms Anne Townsend (Cruse Bereavement Care)**: I thank the Committee for its invitation to provide written evidence and the opportunity to come here. I also thank you for allowing me to bring Alison Penny from the Childhood Bereavement Network, who, as you know, travelled over from England last night. Last year, when these changes were being made in Westminster, Cruse and the Childhood Bereavement Network presented evidence together.

933. As you will hopefully be aware, Cruse is the largest bereavement organisation in the UK. In Northern Ireland, we provide support to anyone who has been bereaved by death, regardless of the nature of the bereavement, and we provide our services to young children from the age of four right through the whole age spectrum. Obviously, bereavement is a taboo subject in our community, and we very much welcome the developments in improving care for bereaved people and the development in DSD in recent years to have a bereavement benefits services. I think that that has very much enhanced the available support.

934. As the author of some of the figures and the evidence, Alison will be able to give you some more detail about our concerns. As leading bereavement organisations, we would like to bring to the Committee's attention today the impact that some of the changes in the Bill could have on a particular group of parents with young families. The key impact is the change in the lump sum in the first year and people having entitlement to those benefits for only one year. I am sure that everyone around the table has been touched by bereavement, but I stress that we cannot set a timeline for bereavement and the journey afterwards and say that, by a year afterwards, a person should be in a certain position. The journey that we are on is an individual experience, and we are especially concerned with the impact on those people with young families who may need to depend on the state for their support.

935. I know that Alison has facts and figures to present to you, so at this point, I will hand over to her. We would obviously be happy to answer any questions after that.

936. **Ms Alison Penny (Childhood Bereavement Network)**: Thank you,

Anne. I also thank the Committee for its invitation. I coordinate the Childhood Bereavement Network, which is a UK-wide organisation of member services that work directly with families with grieving children. We are hosted by the National Children's Bureau, which, as you know, has an office in Belfast.

937. We want to raise our specific concerns about the impact of the changes in the bereavement benefit clauses, specifically the impact that they will have on families with dependent children. We want to very specifically look today at the impact on widowed parents. We understand that the current caseload of families who are claiming widowed parent's allowance here is just under 2,000, at 1,920 families.

938. We have four main concerns. I will perhaps take them in turn, so please raise any questions that you have.

939. The Bill sets out that the rate of the benefit and the duration of payments will be set out in regulations. So, we are particularly concerned about the detail of the regulations rather than the Bill. We are very concerned about the impact, particularly the duration of payments. Currently, widowed parent's allowance is paid to families until the youngest child stops qualifying for child benefit. In the most extreme cases, it could be paid for up to about 20 years, but the median claim is between five and six years. Under the proposals, the bereavement support payment will be paid for just one year, which means that the majority of families will receive support for a shorter time and will be worse off. Our figures, which are based on figures from the Department for Work and Pensions (DWP), indicate that 75% of families will be worse off under the new regulations. That is 88% of working families and 57% of those who are out of work. I can provide the workings for those figures if that is helpful.

940. As I said, the current median claim for widowed parent's allowance is between five and six years. Families who can claim for that length of time under the current provision will be up to £16,800 worse off. The average loss for working families would be about £12,000, and the average loss for out-of-work families would be about £6,500. We are very conscious that the provisions will disproportionately affect those with younger children who can currently claim for a longer period. So, there is a particular impact on younger children. The benefit will be withdrawn around the first anniversary of the death. We know that that is a time of great difficulty and stress for families, and we think that having the anxiety of further financial change at that point will be very unhelpful for families.

941. The main point that we want to make is that we know that children's needs continue to emerge and that first year of bereavement, over which time the new payment will be made, is a year of firsts. It is the first birthday of the person who has died, the first birthday of the children without that parent with them, and they face the first anniversary of the death. Often families talk about the second or subsequent years of bereavement being even harder than the first.We know from research that children's needs change over time and that there is a late effect of bereavement. From some of the longitudinal research, we know that there can be new effects up to two or three years after the death, which can be very difficult and challenging for parents.

942. The ongoing provision for widowed parents will be through universal credit. The reforms to the bereavement support payment are very much bound up with changes to universal credit. That is where the intention to continue support for low-income families will come from, but we are very concerned that that means, of course, that because there are work-search requirements, widowed parents will be obliged to look for and take up work within six months of their partner's death. That is very concerning to us.

943. Lord Freud made some suggestions about periods during which those conditionality requirements could be relaxed. The suggestion is that that would be for a period of one month, once every six months, for

up to two years, but we are very concerned that that would place a great burden on widowed parents making representations to Jobcentre Plus. A relaxation for a month is not a very long time for families to get themselves sorted out.

944. We have developed cost-neutral proposals for the bereavement support payment to be paid for over three years, rather than one year. Again, I can provide workings for that if that is helpful. That would allow parents to continue to receive the benefit but without the pressure of having to go back to work. We know that most widowed parents will return to work within 12 to 18 months anyway, so we feel that the imposition of conditionality requirements on those families is not necessary, nor is it commensurate with the support that would be available for kinship carers. We would be in the odd position where if, following her mother's death, a child goes to live with a great-aunt, the great-aunt would not have to have work-search requirements for a year. The conditionality would be relaxed for a year, but if the child stayed with her father, her father would have to look for work within six months. So, that presents quite an anomalous position. We also think that it is counterproductive, as it is likely to increase stress and anxiety for widowed parents returning to work when they actually already find their way back to the labour market.

945. There are two further points that I wanted to make, the first of which is on the situation for unmarried partners. Unmarried partners are not eligible for widowed parent's allowance. That will continue, so they will not be eligible for bereavement support payment either under the current proposals for regulations. Given that the difference in the amount of bereavement support payment to those with children is there, we feel that the need to recognise the additional costs of having children and the fact that the need to attend to grieving children's needs makes it harder for widows and widowers to return to work. There is clearly an acknowledgement that children increase the difficulties that families might have following bereavement. It is not for children to determine their parents' marital status, so we feel that the children of unmarried partners are unjustly affected by the fact that their parent is ineligible. There are some examples of opportunities to recognise unmarried partners in the Forces Pension Society and other agencies, so we think that that could be solved.

946. My final point is that many reassuring statements have been made about the fact that current claimants of widowed parent's allowance, that is, those people who are already claiming, and those who start their claim up until the introduction of the bereavement support allowance will not be affected by these changes. However, we are concerned that, once those families who need to be claiming universal credit are moved on to that system, they will face a net loss through claiming widowed parent's allowance. The income from the widowed parent's allowance will reduce their universal credit pound for pound, but widowed parent's allowance is also taxed, so they will lose the tax, which we estimate will mean that low-income families will lose about £7·90 a week. That is going to be a very odd position for benefits advisers, who will have to recommend to families that they do not claim widowed parent's allowance because it will represent a net loss to their household income.

947. **Ms Townsend**: To add to what Alison said, I will conclude by looking at the human face, if you like, of all this. I will read you a short paragraph from a lady who was five months' pregnant when her husband died of cancer in 2009. Her widowed parent's allowance has been such an essential help. She was left with a baby to raise and a mortgage to pay as a single parent. Knowing that her daughter was going to be supported financially with this benefit was very comforting for her husband. He was only 27 years old when he was diagnosed with bowel cancer, and, like most

27-year-olds, he had not organised any life insurance. She said:

"It took an additional weight of our minds in those last few months knowing that I could pay for the funeral and could have that support ongoing, and, actually, he felt proud that he had worked for the 10 years and that his national insurance was able to help him at least".

948. What this young woman is saying is that benefit for one year is just not enough:

"A year following the death of my husband felt like a matter of days. I was in a blur, just surviving for the first year or so. Young widowed parents really need good and continued support for the sake of ourselves and our children".

949. In conclusion, we are saying that we appeal to the Committee to look, if it is at all possible, at the requirement to perhaps extend the one year, especially when the regulations have to be considered at this stage. We recognise the additional pressures that you are under with budgetary constraints at this time, but we really feel that this would make a significant impact on those families.

950. **The Chairperson (Mr Maskey)**: Anne and Alison, thank you very much.

951. **Mr Wilson**: I have one question. Initially, for the first year anyway, with the higher £5,000 towards funeral costs etc and then £400 a week, everybody should be better off. You said that most parents actually move into employment. What percentage of people who have been bereaved are still claiming after two, three or four years? Have you any figures on that?

952. **Ms Townsend**: I think that Alison can answer that, but one point that I want to make that perhaps we have not made clear is that those payments could bring challenges for a proportion of families. As that example said, in that first year, people feel that their minds are under pressure and they face challenges emotionally. They have to make decisions based on having those sums of money, so I think that having those lump sums and managing them is a challenge for some people in that first year.

953. **Ms Penny**: Only 6% of the current caseload of 2,000 families who are currently claiming widowed parent's allowance have been claiming for less than a year. We calculated figures for Great Britain, and we found that the Department for Work and Pensions went back and looked at the group that started claiming in 2002 when this benefit was first brought in. We found that less than 4% of families claimed for less than a year, so 96% of families claimed for more than a year.

954. **Mr Wilson**: Is there a big jump after that? I can understand that, in the first year, people are making the adjustment. I understand all the points that you made about that. People want to be with their children, especially if they are young. Maybe they do not even have skills. I can understand why, in the first year, you may well find that a high proportion of people are dependent on the benefit, but does it jump after that when people realise that they have to have an independent source of income? Maybe they get skills or get over their bereavement. Is there a huge jump at that stage?

955. **Ms Penny**: These are the numbers that continue claiming widowed parent's allowance, rather than the number on income support. My recollection from the Department for Work and Pensions impact assessment was that about three fifths of claimants of widowed parent's allowance are in work and two fifths are out of work. That is the whole caseload, so some of those people will have been claiming for up to 12 years at the point that the impact assessment was done. I am sorry, but I do not have figures that directly address that.

956. **Mr Wilson**: I take your point. Maybe people find it difficult to handle this money, but, if they have lost a source of income, the big drop should be avoided if you have more generous benefits in the first year. If most are moving into employment in the second, third or fourth years, you could see some sense

in this policy.That is why I was trying to establish the pattern after the first year.

957. **Ms Penny**: One of the issues that families have raised with us is the ongoing need for more flexible working arrangements. That could mean, for example, the possibility of taking time out, reducing hours or changing the nature of their work if the children's needs emerge over time or at the point that they transition to secondary school.

958. The other point about increasing the initial lump sum to £5,000 in the first instance is that we are very concerned about the rate of inflation of funeral costs, which is running much higher than inflation. I think that it is running at over 6% at the moment. So, we are concerned that even the estimates that have been made about the proportion of people who will feel better off or worse off in the first year assume that people can stretch out that initial lump sum over the first year, whereas we think that it is likely to be taken up with increased funeral costs in many situations. Certainly, the trajectory of funeral costs seems to be rising.

959. **Mr Wilson**: Has any work been done on the reasons why some stay out of work for longer than the one year, stretching out to the 12 years? One of the points for a lot of these changes is to try not to have people dependent on benefits. I can see the Government's point on that, but the danger is that, if benefits are available for a long, long time, people can become dependent on them and will maybe not look for the alternatives. What research has been done on the reasons why people continue to claim benefits for such a long time after bereavement, rather than move into work?

960. **Ms Penny**: Some qualitative research that the Department for Work and Pensions commissioned was done in consultation with widowed parents, and it looked at some of the reasons why people remain out of work. One reason was access to childcare and to flexible work that would allow them to meet their children's needs. The social policy research unit at York University has also looked at the financial impacts of the death of a partner, including looking at people's patterns of returning to work. For a small number, there are issues with a lack of skills, whether that is to do with having given up work to care for the person who died or because of not having been the main breadwinner before the death and so not being in work. That research found that most parents either retained or took up work within 12 to 18 months of the bereavement. That unit at York questioned the assumptions that were made in the paper that accompanied the consultation, as did Gingerbread, which said:

"we disagree with the consultation document's premise that ongoing bereavement payments create a disincentive to work and risk welfare dependency."

961. The social policy research unit at York said:

"Part of the argument that reformed benefits should promote 'self-dependency' rests on assertions in the consultation paper that current benefits serve as a disincentive ... We do not see strong evidence for this.

Statistical analysis of the British Household Panel Survey data set ... provided no evidence to support this."

962. The DWP-commissioned research concluded that:

"For most people the benefits had no impact on whether or not they returned to work, with many stating either that they would have wanted or needed to return regardless of the benefits, or that they would have felt unable to regardless."

963. **Ms Townsend**: As is the case in these situations, some of it is dependent upon circumstances that families find themselves in. We have a young person who inputs into Cruse services development. I knew that I was coming here today, so I talked to her yesterday. Her mum died seven years ago. Her dad was left with a 17-year-old, a 15-year-old, a 13-year-old and a nine-year-old. His circumstances were such that he was able to take retirement. He needed to be there for them, especially when the youngest child was making that transfer.

I appreciate that that is difficult if we are making policy, but the human face of it and the impact that is felt in every situation can be so different. So, bearing that in mind, I appreciate the challenge of policy development.

964. **Mr F McCann**: Thank you for the presentation. Grief affects people in many different ways. Sammy is right. Some can comes to terms with it and find that work may be the only way to bring some sanity into their life, but others may spend years trying to come to terms with it. Some may also want to get back to work.

965. Universal credit is about cramming all the benefits into one. While people may say there is an additional £5,000, the expenses that come with bereavement could eat up £5,000 very easily. Universal credit is not all about making things easy; it is also about cost cutting in the longer term. That needs to be considered.

966. What always gets me is that policymakers rarely sit down with the people who will suffer at the end of it and take into consideration the hard facts and realities of trying to deal with it. That poses two questions. First, was there any input by organisations such as Cruse when the policy was being drawn up; and secondly, was any of that taken into consideration when the final document was produced?

967. In addition, has transitional protection been built in to this so that people are not just cut off after a short time?

968. **Ms Townsend**: Yes, we did respond to the consultation here in Northern Ireland and nationally but to no avail.

969. **Ms Penny**: There were three options in the original consultation. One was to do nothing, which would be problematic because, if widowed parents continued and universal credit was brought in, there could have been a net loss. Net loss was not raised in the consultation paper — that has emerged over time — but I think DWP could see that there would be no net benefit to people.

970. The other two options were a one-off, upfront payment of £10,000; or option two, which was £5,000 up front and stretching out the additional payments for a year. There was no fourth option to extend payments over a longer period. So, that was the initial consultation document.

971. The Department for Work and Pensions has been welcoming to submissions, so we went to see it a number of times with colleagues from Widowed and Young (WAY), Cruse, Gingerbread and other organisations. However, little has changed, apart from the changes to the conditionality arrangements that I referred to, with Lord Freud allowing a bit more flexibility for three one-off payments.

972. **Mr Wilson**: Fra made an interesting point. If there are people beyond the one-year period who, for whatever reasons, find that they cannot get into work, would the support that comes through universal credit — Fra described it as bunching it all together — not be a replacement and almost a compensation? They may not get the benefit for having been bereaved any longer, but it would simply come in another form.Does it really matter what it is called, provided the support is there?

973. **Ms Penny**: I agree with you that it does not matter what it is called. It is really about the conditionality requirements: they are the concern. If the bereavement support payments were made over a longer period, there would not be the additional pressure on parents to return to work before their children were ready for that. It is the conditionality aspect of universal credit that is of concern to us.

974. **Mr F McCann**: You talked about the nitty-gritty being in the detail of the regulations, but is any flexibility built in that would allow departmental officials to look at the circumstances in cases and make different decisions in different circumstances, or is it simply that the benefit is finished after a year?

975. **Ms Penny**: My understanding is that after a year, it would be finished, yes.

976. **Mrs D Kelly**: Thanks for your presentation. In your written briefing,

you refer to the Tell us Once programme in England. My other question is on the conditionality, the work search requirements, and the difference between the allowances for kinship carers and bereaved parents. Will you elaborate a wee bit on that?

977. **Ms Penny**: There was a change to regulations that was brought in specifically to address concerns that those working with kinship carers, and kinship carers themselves, had raised about children's additional need for support when there has been so much disruption and they are moving to live with a family or friend carer. So, we think that the work search requirements will, very sensibly, be lifted for a year for kinship carers taking on the care of a child. By contrast, there is a six-month period of relaxation for those whose partner dies, which is why we have this slightly anomalous situation.

978. The intention is that there will be the opportunity for claimants to make a representation to Jobcentre Plus for the condition to be lifted for a short period, but it is a very short period — a month — which barely makes a difference. We understand that they will be allowed to do that for one month every six months for up to two years following the death. That was specifically to do with a review of situations in which children might be distressed, which could have an impact on the capacity of their parent or carer to seek work. It will also apply to children affected by domestic abuse and other situations. It is a very piecemeal approach, and we were hoping for conditionality to be lifted for a year in line with what is available for kinship carers.

979. **Mrs D Kelly**: I wanted to ask you about Tell us Once.

980. **Ms Townsend**: Tell us Once was a service in England; the bereavement service was set up here later. The idea, obviously, was that people had to inform an agency only once when a death happened and did not have to go to all the different agencies.

981. **Mr Allister**: You have raised various concerns about the difficulties to be created by the reforms. Have you any insight into the cost of meeting what you would like done?

982. **Ms Penny**: We have developed cost-neutral proposals for the implications of extending payments over three years rather than one year. We need to check that those figures are also cost-neutral here. They were cost-neutral for Great Britain when I calculated them.

983. **Mr Allister**: What is the basis for the figures being cost-neutral?

984. **Ms Penny**: It is based on the monthly amount being reduced. The monthly amount that people will receive for that first year will be greater than the monthly amount that they currently receive under the widowed parent's allowance. So, if we brought it back to be commensurate with the amount that people feel in their pocket at the moment, we could, cost neutrally, extend payments over three years rather than one year. The other change that that would require is for the lump sum for those without children to be brought down from, I think, £2,500 to £2,250. We are conscious that the proposed changes, as they stand, represent quite a significant redistribution of funding from families with children to families without them. So, the people who will benefit from the overall changes to bereavement support payment are people under 45 with no children. The overall envelope for the reform represents a significant redistribution of funding from families with children to those with no children. So, our cost-neutral proposals reduce the monthly amount to that which people feel in their pocket at the moment, and they also slightly reduce the lump sum for those without children.

985. **Mr Allister**: Is the monthly amount constant throughout the three years?

986. **Ms Penny**: That was what we calculated, but it could be tapered. It would not need to be constant throughout the period. One of the difficulties raised

during the discussions in Great Britain concerned the tax status of the payments. There was a lot of discussion about whether the payments would be seen, particularly under EU legislation, as a death grant or a survivor benefit, and that was likely to have implications for how the Treasury saw the payments. So, a lot of discussion was about whether, if the payments continued for longer than a year, they would be taxable, as the widowed parent's allowance currently is.

987. **Mr Allister**: Is that from the beginning?

988. **Ms Penny**: DWP did not make suggestions about that, but one of the proposals that we had made was that it could be tax-free for the first year and taxed in subsequent years.

989. **Mr Allister**: In saying that your proposal is cost neutral, are you taking into account the tax that the Government would take back from the benefit?

990. **Ms Penny**: That is a very good point, and I would need to check because that has been calculated into the impact assessment on the overall costings. I would need to check whether that is included in the cost-neutral proposals.

991. **Mr Allister**: Is reducing the amount to spread it over three years but making it subject to tax a win-win for the recipient?

992. **Ms Penny**: It would still, I think, represent an increase because of the longer duration of payments, but the significant difference would be in not having the pressure to return to work within three years, if they and their children were not ready for them to do so.

993. **Mr Allister**: I suppose that one might be interested to know how the net amount that the widow or whoever receives over three years compares with the net amount over one year.

994. **Ms Penny**: Yes, it would depend on the tax status and on the treatment of the payment with regard to universal credit. So, our costings are dependent on bereavement support payment not being taken into consideration as income against universal credit, which is what is in the current proposals.

995. **Mr Allister**: Are you saying that it is prescribed somewhere in EU law that, if you draw benefits for more than a year, they are subject to taxation?

996. **Ms Penny**: No, sorry, there were two issues. One was that the Treasury would be less likely to say that it could be tax-free if it was paid over three years because it looks more like an income replacement benefit. The EU concern was about who would be eligible under EU aggregation rules. I can get more guidance from the Low Incomes Tax Reform Group.

997. **Mr Allister**: So, Treasury has asserted that, if it crosses a year, it is taxable.

998. **Ms Penny**: No, it has not asserted that. In last year's autumn statement, there was a commitment that bereavement support payment would be tax free. That is based, we understand, on the assumption that it would be paid for a year. I do not know whether there has been a public statement about what would happen if it were paid for longer.

999. **Mr Allister**: You say that your proposals are cost-neutral. You mentioned at the beginning the disparity where the parents had not married. If extended to non-married situations, it will hardly be cost-neutral.

1000. **Ms Penny**: No, that would bring additional costs.

1001. **Mr Allister**: What are they?

1002. **Ms Penny**: I know that, in England and Wales, around 31% of children are born to couples who are unmarried but cohabiting. It is unlikely that the figure is quite so high in the age group who might claim widowed parent's allowance. Extending it to unmarried partners would bring additional costs.

1003. **Mr Allister**: Thank you.

1004. **Mr F McCann**: I know that the departmental officials will probably argue against some of the stuff that you have provided this morning. Is there any possibility that we could have all the information brought together, perhaps in some type of fact sheet that lays it out for us?

1005. **Ms Penny**: Of course.

1006. **Mr F McCann**: I would like it to include the stuff that Jim raised, Penny. I know that the cost of a funeral is heavily dependent on which funeral director you get to look after the arrangements. Has anything been done on the total cost? It is not just the burial; there are associated costs. Has any work been done on that?

1007. **Ms Townsend**: There is some work available. In Northern Ireland, it is a few pounds more. I think that the cost at the minute is £2,900 plus £1,700 for extras.

1008. **Mr F McCann**: Could we also have a breakdown of that? That would be interesting and give us an idea of what we are talking about.

1009. **Ms Penny**: The cost of a basic funeral in 2014 was £3,590, and that is up 87% since 2004.

1010. **Mr Wilson**: You made a point about people under 45 with no children being better off. I take it that that is just an accidental consequence of the way in which the policy is being applied, with the lump sum and then £400 a week going to everybody, or are you aware of a deliberate policy rationale for that?

1011. **Ms Penny**: I think that there is a deliberate policy rationale. The figures will be slightly different. The consultation response sets out two separate amounts: one for those without children; and one for those with children. My understanding is that the policy rationale for bringing those under 45 into the fold for this benefit is to simplify it. At the moment, people with no children receive bereavement payment — a lump sum — and then bereavement allowance, which is tapered according to age. It is to make the benefit as a whole simpler to administer.

1012. **Mr Wilson**: Simplifying it produces this anomaly that people with children finish up worse off.

1013. I want to follow on from Jim's question. I did not quite understand the sums. Your proposal to spread the benefit over three years would be cost-neutral, unless you include the unmarried. People should be no worse off, yet there will be tax over the three years, so you have the same amount being paid. Presumably, under the Government's proposal, there is no tax; under your proposal there would be tax. How would people be better off?

1014. **Ms Penny**: Our preferred proposal is for no tax over the three years.

1015. **Mr Wilson**: Are you saying that, even with the tax, people would still be better off? I did not understand the sums.

1016. **Ms Penny**: I am so sorry. Our proposal is based on extending the payment period from one to three years and what is currently understood from draft regulations, which is that it would not be taken into account as income under universal credit and so would not be taxed. Our assumptions are based on it not being taxed.

1017. **Mrs D Kelly**: Have you made a distinction between cohabiting parents and separated parents for the purpose of determining eligibility?

1018. **Ms Penny**: Yes, we recommend that it be extended to cover unmarried cohabiting partners.

1019. **Mrs D Kelly**: Thank you.

1020. **The Chairperson (Mr Maskey)**: No other members have indicated that they would like to speak. Alison and Anne, unless you want to make any additional remarks —

1021. **Mr Wilson**: Chairman, may I ask one final question? Have you tested the option of moving from a higher payment in the first year on the people whom you deal with? Maybe I am wrong, but, logically, the hardest time for someone who loses a spouse and, as a result, loses income is the immediate aftermath, when they are trying to deal with the bereavement and the financial consequences. Have you tested your proposal, under which someone would not get as much in the first year, but the money would be spread over a longer period? In your experience, would it not be a better option to have bigger payments at the time when the financial and emotional crises are probably hitting hardest?

1022. **Ms Penny**: Our proposals would not affect the lump sum that people receive initially, nor would they mean that families were worse off than low-income families are under the current benefit. It would not represent a lower payment for those on low income. We brought together a group of organisations to discuss this, including Widowed and Young, and others working directly with families. There is an understanding that there are financial constraints. Although many families would like the widowed parent's allowance to continue as it is, given the whole suite of welfare reform, a three-year period of payments is preferable to a one-year payment, provided it does not represent a cut overall.

1023. **The Chairperson (Mr Maskey)**: No other members have indicated that they wish to ask a question. Alison and Anne, are there any other remarks you would like to leave with us? We will take up with the officials the issues that you have raised. Very kindly, the officials are on standby to address some of your concerns immediately. If you are happy that you have made your case — members queried a number of the issues that you raised, and you responded very fully — I thank both of you again for your attendance this morning, particularly you, Alison, for travelling to help us in our deliberations. We will take on board all your issues and try to tease them out.

22 January 2015

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Jim Allister
Mr Gregory Campbell
Mr Maurice Devenney
Mrs Dolores Kelly
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

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

Mr Mickey Kelly } *Social Security Agency*

1024. **The Chairperson (Mr Maskey)**: Gerry, are you and your colleagues happy enough to pick up on some of what you have just heard?

1025. **Mr Gerry McCann (Department for Social Development)**: Yes, we will do our best. I think that I made a note of most of the issues.

1026. We will start with the option for the benefit to be spread over a three-year period as opposed to one year. I was having some difficulty working out how someone could end up better off at the end of that. The first issue is tax. At the moment, the benefit will not be taxed. We understand that that is on the basis that it is payable for only one year and, therefore, is not looked upon as a longer-term benefit. Our understanding is that, if we were to decide that we wanted the benefit to run on for a three-year period, it would have to be taxed. If all we are saying is that recipients will get the same amount over three years but pay tax on that, it is hard to see how they will end up better off.

1027. The other issue is that, if we were to move to a three-year period, it would mean paying everybody a smaller rate per month. Widows who are poor and entitled to universal credit would end up getting less money simply because, at the moment, this payment is not to be taken into account. Therefore, the full amount of £150 a month or £400 a month will not be taken into account. If we were to cut that and spread it over three years, that smaller amount would still not be taken into account, but people would get less money. So, the poorer widows would lose under the proposal.

1028. **Mr Wilson**: No, Gerry, they would not. They are on low income, so it probably would not push them into the tax bracket. So, they would not be taxed on it, but they would lose out on benefit.

1029. **Mr G McCann**: They would lose out on the amount —

1030. **Mr Wilson**: Better-off ones would lose out because of the tax. Poorer ones would lose out on the benefit. Is that what you are saying?

1031. **Mr G McCann**: Yes. I am just saying that I am not sure that I can fully see how we can do this and, at the end of it, people will end up with more money in their pocket.

1032. **Mr Allister**: Who says that it has to be taxed?

1033. **Mr G McCann**: We heard from HMRC that it opted not to tax it simply because it would be payable for only one year.

1034. **Mr Allister**: Is there something magical about one year?

1035. **Mr G McCann**: If it is payable for one year, it is deemed not to be a long-term benefit. There is a general rule that most long-term benefits end up being taxable.

1036. **Mr Allister**: If the Government were going to tax it, they could afford to make the benefit more generous. It would still be cost-neutral because they would get some of it back.

1037. **Mr G McCann**: I am just pointing out what we are doing in our Bill. All that has been settled in England, Scotland and Wales, and they know that the benefit will be payable for only one year and will not be taxable. My point is that, if we were to opt to make it into a benefit over three years, although I cannot speak for HMRC, I think that there is every chance that it would say that we had made it into a long-term benefit.

1038. **Mr Wilson**: Administratively, would that become a difficulty insofar as not everybody might be taxed on it, given that some people are on low income? So you would almost need to have a variable benefit to compensate the people who will have tax levied on the payment.

1039. **Ms Anne McCleary (Department for Social Development)**: There would be IT issues as well.

1040. **Mr G McCann**: There is a third issue in what was proposed, if I picked it up correctly. Maybe I did not pick it up correctly, because I was just listening in. One option put forward was to pay a smaller lump sum to a person who does not have a child. Then again, the point was made that, if you are paying someone £5,000, that could well be eaten up by the cost of a funeral. I am not sure that the cost of a funeral differs for somebody who has a child and somebody who does not. The same upfront costs have to be met. I hope that I am not being unfair, but that is what I picked up from what was being said. I am just saying that I cannot fully sort out in my mind how that ends up being a better deal.

1041. **The Chairperson (Mr Maskey)**: Gerry, I know that you are going to work through these issues, but I want to go back to whether it is taxable. It is your understanding that it is a policy. Most people think that you can change a policy. I am not saying that you can — you cannot. However, the policy can be changed. If the Government considered it as a bereavement payment as opposed to a benefit — the term “survivor’s benefit” was used earlier — they could decide that three years or two years was reasonable for a bereavement payment as opposed to it being a long-term benefit. It is a policy issue that could be changed tomorrow morning.

1042. **Mr G McCann**: I take your point entirely, but our problem is that we do not have any authority or control over HMRC.

1043. **The Chairperson (Mr Maskey)**: I appreciate that.

1044. **Ms McCleary**: It is a Westminster issue.

1045. **Mr G McCann**: They have already made up their mind that this is how it works and that it should be only one year and, therefore, it will not be taxable. If we opted to do something different, there is a big risk that these people might end up getting less money. That is my only point on that.

1046. **The Chairperson (Mr Maskey)**: I appreciate that.

1047. **Mr G McCann**: If you are happy enough with that, I will move on.

1048. **The Chairperson (Mr Maskey)**: Yes.

1049. **Mr G McCann**: I will move on to the issue that the benefit will be paid for one year only, which we touched on in reference to the point about tax. The benefit is meant to help with the costs associated with the death of a spouse or civil partner. It is not meant to help with the everyday living costs as such, and that is why the benefit is to be paid for only one year. One of the big things in its favour is that, if you are a poor person, you will be able to claim universal credit (UC), or, if you are in work and not earning very much, you will be able to claim UC, and this payment will not be taken into account. That is a big change from what is there at the moment, which is that, if you get any of these benefits, they will be taken into account for any of the income-related benefits.

1050. **Mr Wilson**: Would that be likely to change, the tax rule, if it were spread over a longer period?

1051. **Mr G McCann**: The whole policy rationale for it not being taken into account for UC was that it would be paid for only a short period and was meant to cover the costs associated with having been bereaved as opposed to helping with everyday living costs. If you spread it over the three years, it looks much more like a benefit to give people help for a long period, and it becomes a long-term benefit. Under the old policy rationale for UC, it makes sense that it would have to be taken into account.

1052. **Mr Wilson**: We do not know that for sure.

1053. **Mr G McCann**: No. All of these issues would have to be looked at. At the moment, it is what is in the Bill. The only thing in the Bill is the provision for new payments. The UC issues are all outside the Bill. They fall under the other Bill, which deals with welfare reform. I am here to help you to understand the situation.

1054. I think that we all accept that each person is different. The period of grief is longer for some than for others. I could not say that a period of grief lasts for only one year, five years or even 10 years. Therefore, the benefit is in no way meant to link to a period of grief. That is why it comes back to one year. It is purely to help people with the costs associated. It is not meant to help with the period of grief, as that can differ from person to person. There is no magic rule.

1055. During the earlier briefing, the question of why EU law might be an issue was raised. The benefit is payable for only one year, so, in EU law, it will be classed as a death grant.That means that it is not exportable, so only people living in the UK would be able to claim it. If we made it available over a longer period, it would probably cease to be deemed a death grant and would be classified as a survivor benefit. If it is a survivor benefit, it would be exportable and could bring people into rights for other benefits. For example, if they had a child, they could claim child benefit even though they were not inside the country. Somebody in, say, eastern Europe could claim child benefit if they had been able to establish UK entitlement to it. That explains the point about the EU and how that could interlink.

1056. I am not in any way trying to suggest that having a death is not very difficult, but we have in the system other family units that break down quickly. You can have a couple, and one spouse walks out the door or ends up in jail. That can happen overnight, and, all of a sudden, people have to cope with their whole family unit breaking down. As such, some of the things we are doing here for people who are bereaved are far more generous than what we do for people who find themselves on their own through no choice of their own. Again, that is not meant in any way to take away from the grief or hurt that people feel.

1057. **Mr Wilson**: There is a big issue with the unfairness of this. Someone who has been bereaved with no children could benefit more than someone who has been bereaved and who has children. If that is not right, maybe you could correct me.

1058. If there was a family breakdown because of divorce, imprisonment or whatever, the benefits system would be more generous to people who have children than to those who do not. Yet the evidence we have received this morning indicates that the 25% with no children will do better under this system.

1059. **Mr G McCann**: I think the point that was being made was about what is in the system at the moment. For example, if you have a child, the benefit could end up being payable for up to 18 or 19 years. I think that was the comparison.

1060. Under this new benefit, somebody who does not have a child will get a lump sum of about £2,500, then £150 each month. Someone who has a child will get up to £5,000 and up to £400 per month. Therefore, people who have children shall be paid more under the system. I think that all they were saying was that, under the existing system, that could go on for 18 or 19 years. I think that was the point they were aiming to get across.

1061. We talk almost as though there is a line to be drawn between people who have children and those who do not. I am not sure that is quite the case. Having a child is a child for whom you are able to get child benefit. You could have a child aged up to 16 who has opted out of school and, therefore, for whom child benefit is not payable. We could be speaking about couples as though they do not have children, whereas they might have a child who is 16 or 17 years old.

1062. It is not as simple as there being a line and that all people who do not have children will end up better off under this, because they will not.

1063. Are you happy enough?

1064. **The Chairperson (Mr Maskey)**: Yes.

1065. **Mr G McCann**: I think that that has covered the bit about the one year.

1066. The other issue is that this shall be payable only to a spouse or a civil partner, and the question is whether we should extend it to such partners who are not married. That brings us back to the whole basis of the National Insurance system. It is based on the fact that a person has been a member of the system and has paid contributions. Under the National Insurance system, as, indeed, is the case under the tax system, there always has to be a legal arrangement in place, either a marriage or a civil partnership, for somebody to be able to inherit rights as such. That is in line with the long-standing rules.

1067. In terms of the actual practicalities —

1068. **Mr F McCann**: On that, it seems totally unfair that, if two people have cohabited for 10, 15 or 20 years, they are treated differently from married people or people in civil partnerships. I know that you are not the people who drew up the policy, but it seems so unfair that two people who have paid their taxes and paid into the system for so many years are treated so differently at the end of one of their lives.

1069. **Mr G McCann**: I will explain the rationale for it. You might not agree with it but I will explain it. With a marriage or a civil partnership, you at least have a bit of paper, and a legal contract exists that, from our point of view, makes it all very simple to work out whether or not a person is entitled to benefit. Our issue with an unmarried partner is that you could have a situation where a spouse and an unmarried partner both exist at the same time. How, then, would we decide which of the two should get the benefit? We looked at whether having children could be a way to work it out, but there could be children from various partners. That makes it all very difficult for us to work out who is entitled to the benefit.

1070. **Mr F McCann**: That is only one element of it. There are tens of thousands of people out there in a first long-term relationship who are also being excluded from this.

1071. **Mr G McCann**: I accept your point, but the issue is about how we would actually do this. Given the large numbers of people involved, verifying those cases would be very challenging. That also brings us into the issue of costs, which is always the elephant in the room.

1072. **Mr Allister**: A couple could still be married but have not seen each other, not spoken, not been living together for 10 years and are each living with someone else. Is the spouse the beneficiary?

1073. **Mr G McCann**: Yes, but that applies to a whole range of law, not just benefit law. If you are still married and have not made a will that excludes your ex-partner, they will still be entitled under law. All I am saying is that this area of law is not very different from the way the law operates in general. It is not that we are not doing something different from the way the law currently operates.

1074. The other point is that there are support mechanisms out there for couples who are not married. If the partner who is left behind does not have money or is not working long enough hours, they can claim through the benefits systems that we have running at the moment, such as jobseeker's allowance (JSA). Indeed, as we move into the new world, UC shall be available. It is not that those people will be left without money; it is just that they will not get that one-off payment.

1075. **Mrs D Kelly**: If the rationale behind the lump sum is to help with funeral expenses, why would it not be paid to the person who produces the invoice for the funeral expenses?

1076. **Mr G McCann**: No. Again, it is meant to assist with the extra costs that are linked to the death. It is not necessarily to pay for a funeral.I say that only because the point was made this morning that that money could be eaten up by funeral costs. Funeral costs in Northern Ireland are the second lowest in the UK, so the fact that our amounts are linked to those in Britain means that people here will end up with more money than somebody living in England, for example, who has to pay for a funeral. Although funerals are dear and we all expect them to be dear, people in Northern Ireland will have more money left over after they pay those costs. In addition, though, help is —

1077. **Mr F McCann**: Sorry, Gerry, but that seems to be a clear contradiction of the evidence that we had this morning, which said that funerals are more expensive here.

1078. **Mrs D Kelly**: They said it was 6% above inflation.

1079. **Mr G McCann**: I think I tracked down the figure from the survey that they used, and I found that Northern Ireland was the second lowest in the UK. We also did a wee bit of our own work, just phoning around, to see what average funeral costs were.

1080. **Ms Rosemary Hughes (Department for Social Development)**: We did a bit of a ring round just yesterday afternoon, although I will mention no names, obviously.

1081. **Mr G McCann**: In Belfast, we were quoted £2,300 for the least expensive funeral.

1082. **Mrs D Kelly**: But you did not cover the costs of a grave or crematorium.

1083. **Mr G McCann**: If I could come on to that. If you are not as well off, for example, if you are on universal credit, you are able to get help with a funeral payment to cover the full cost of a grave. Up to £700 could also be paid to help with the cost of a coffin and a funeral director. It is not just that this benefit alone will help with funeral costs for a poor person; help will be available via UC, which will cover the full grave costs.

1084. **The Chairperson (Mr Maskey)**: A married couple could be separated long-term for 10 years and one of the partners has been with another long-term partner for nine or 10 years. If that partner dies, are you saying that it is the spouse who gets the money, even though he or she had nothing to do with the current family situation?

1085. **Mr G McCann**: Yes.

1086. **The Chairperson (Mr Maskey)**: How can that be?

1087. **Mr G McCann**: It is because this benefit is payable to a spouse. If that couple do not opt to end their marriage formally, under law, they are still married.

1088. **The Chairperson (Mr Maskey)**: Is that the case even though there might be a serious estrangement and that person has no responsibility for the family?

1089. **Mr G McCann**: It is the fact that they opted not to put an end to that marriage, so that marriage still exists in law. If we wanted to do anything on that, we would have to go out in each case and ask the person whether they were still together when the partner died or to prove to us that they were still together. That would be very difficult.

1090. It is how the system operates. The fact that the couple are still, in law, married makes it a simple rule to enforce.

1091. **Mr Allister**: But you did say that they can be written out in the will.

1092. **Mr G McCann**: Not where rights to benefits are concerned. I was speaking about other elements of the law; for example, if you own property.

1093. **Mr Allister**: That is what I wondered.

1094. **Mr G McCann**: You cannot assign benefit rights under the law. I just meant other areas of the law where they would be entitled.

1095. **The Chairperson (Mr Maskey)**: OK, Gerry, thanks for that.

1096. **Mr G McCann**: I think that covers most of the issues. Are you happy enough with that?

1097. **The Chairperson (Mr Maskey)**: Something might have been missed. I appreciate that you are just here and that you were taking only contemporaneous notes earlier. We will go back to the Hansard report and the earlier submissions, as well as the written submissions, and compare notes with what was said this morning.

1098. **Mr G McCann**: The other main issue that was raised was conditionality and the fact that it would be for only six months. No conditionality is attached to the bereavement support payment. However, it would kick in if a person were to put in a claim for UC. The six-month period would run from the date that the person made the claim. For example, if after the death the person is still fairly well off and has assets, they might not claim UC, but they might, at some further point, have to claim it. It starts only from the date of the claim. There is no conditionality attached to the payment at all.

1099. Another point was that it would be six months for this, whereas, for kinship care, it would be for one year. It was thought that those two did not marry. It could be that the person involved in kinship care has not had any kind of link to the child, or the person who is going to be a kinship carer may have never looked after a child before. Therefore, that is why the kinship payment is for a longer period. The person might not have had any real link to the child until that point, or they themselves might never have looked after a child until that point. Therefore, I do not think that they were looking at the same situation when they said that for kinship it is one year, whereas for the parental situation it is six months.

1100. The other point is that, when they get caught by this, each person’s circumstances will be looked at. It is not that one overall blanket rule applies. They will also take into account that you have a child. When the child reaches, I think, three, the person has to go for an interview, purely to think about work. It is only when the child reaches five that the person has to think about looking for work. Those are the two broad areas of conditionality. It is not really onerous, and they do not have to seek work until the child is five.

1101. They were quite keen to treat people who are on benefits the same way as someone who is in work. It is very unlikely that an employer would be happy to give somebody any longer than six months off after a death, for example. Therefore, these two things were seen to link in. After six months, is it time to help people to think about going to work?

1102. When the policy was being worked out, it was felt that there are other single parents out there who will not get the six months, again not through their own choice. I made the point that you could have a couple who were married and one just upped and walked out, or one party ended up going to jail or being arrested. Suddenly, in that instant, your whole world has been turned upside down. Those are the reasons why the conditionality rule has been set at six months, as opposed to being the same for kinship carers of one year.

1103. Mr Wilson asked about the widowed parent’s allowance (WPA). About 56% of our caseload is in the period up to year 4. After that, it drops. So, about 56% stay on to year 4.

1104. Is there anything that I have not covered that you want me to address?

1105. **The Chairperson (Mr Maskey)**: I cannot think of anything offhand. I appreciate that you took notes contemporaneously and that you are doing your best to respond to all the points. For the benefit of everybody in the room, including Anne and Alison, who presented evidence earlier, we will obviously confer —

1106. **Mr G McCann**: Sorry, may I just address a point made by Rosemary? Tell Us Once is a cross-governmental service in GB that we do not have in Northern Ireland. However, we operate a specialised service in our Department for people who are bereaved. When they get in touch through the number and tell us, we will make sure that all other benefits are covered etc.We also advise and help people to put in a claim for things like a funeral payment. If you want more on that, we have a colleague here who could speak on it. He is saying that he is very keen to do that. The Committee may have an interest in the issue, or you might be happy enough with that brief.

1107. **The Chairperson (Mr Maskey)**: That is fair enough. We can get that. We do not need to get it this morning. Is that what you are suggesting?

1108. **Mr G McCann**: He is sitting here if you want him.

1109. **The Chairperson (Mr Maskey)**: If he can do it in two or three minutes, that is no problem. Come on ahead.

1110. **Mr Mickey Kelly (Social Security Agency)**: We thought that today's hearing was a good opportunity, given that Tell Us Once was mentioned, to outline the service delivery and approach in Northern Ireland through the Social Security Agency. To be clear at the outset, Tell Us Once is a cross-cutting government service. DWP is involved in that. I am not sure whether it accepted or was appointed to take responsibility across government. DSD and the Social Security Agency do not have that singularly cross-cutting responsibility for Tell Us Once, simply because it involves the General Register Office, which is part of the Department of Finance and Personnel, and other issues.

1111. The Minister launched our service in September 2012, and, interestingly, as part of their preparation for handling the calls, some of the staff who deliver it did awareness training that Cruse delivered. The date of the launch is etched on my mind because it happened on the Monday following the weekend of the Spence family tragedy. It was quite a poignant occasion. The service has dealt with close to 20,000 death notifications since it came into place. It provides a service for people who are — this was well acknowledged this morning — coping with a very difficult and stressful situation. If they have a number of benefits and payments, it allows them to give us the information once, and we share it with the various benefit sections. It also allows us to take them through a benefit eligibility check and to complete any bereavement benefit forms and any social fund funeral payment application forms, and there is an electronic process of signature, whereby no signature is required. We are quite proud of the service and of how we deliver it.

1112. People say to me, "How is it doing, and how is it regarded?". I tell them that we have a leaflet that tells people about it. After the first year, we put at the back of the leaflet a couple of testimonials that we got from people, and those are very powerful evidence of how they perceive the service. I will take the opportunity to read one of them:

"The conversation lasted approximately 20-25 minutes and I have to say, that every second was very worthwhile and a pleasure to experience. At a time of deep sadness and hurt that I was experiencing, that gentleman and your service relieved me of great responsibility and worry. One phone call sorted so much for me. I cannot put into words the mental relief that I felt afterwards."

Another said:

"Thanks for the support given on the phone, for the patience, words of comfort and the great help following my husband's death."

1113. So, while we may not have the Tell Us Once service that is envisaged elsewhere, I think that what we have delivered through the bereavement service by managing the social security situation for people is well regarded in the wider community.

1114. While the late David McClarty was chair of the all-party group on funerals and bereavement, we did a presentation about the service, and we have been working with the National Association of Funeral Directors and those people to make them aware, as a point of contact, that the service is there. For many people, the first contact that they have following a bereavement is with the funeral director. That is the immediate point of contact. That should set the Tell Us Once service and what we deliver in Northern Ireland in context.

1115. **Mr F McCann**: Mickey, where Cruse and organisations like that are concerned, I understand and accept that there are probably many testimonies about people who work in the Social Security Agency and many other agencies, but not everybody gets to speak to the same people all the time. Do you sit down with Cruse and other organisations and ask them what their response is to the difficulties that they face and how the system can be more flexible to deal with some of the issues that they raise?

1116. **Mr M Kelly**: You are right, Fra. The bereavement service team is a small, discrete team of about six people. That has been quite consistent since we launched the service in 2012. I was having a conversation with Anne outside the room about how we could do some refresher training and different sorts of things going forward. It is a small, discrete team that captures the initial data and then farms it out.

1117. **The Chairperson (Mr Maskey)**: Mickey, thank you. Mickey Brady will be disappointed that he was not here to do some battle with you at least.

1118. **Mr G McCann**: Can I ask Seamus to come in on the EU? Seamus is my expert on these matters, and I think that he wants to come in.

1119. **Mr Seamus Cassidy (Department for Social Development)**: The bereavement support payment, as a death grant, would be payable across borders. The difference that would occur should the period be extended is that the benefit might change nature under European law. The Commission could quite easily see it as a survivor's pension, and that would bring with it the family benefits rights. It would also make the UK liable for health-care costs, where the person is living abroad, for them and their family members. As a grant, it is simply paid within the EU, but as a benefit or a pension, other difficulties may be associated with it.

1120. **Mr Allister**: It is nothing like a pension as we know pensions.

1121. **Mr Cassidy**: It would be down to the Commission. Again, under EU law, something like the old incapacity benefit would be seen as a pension for workers. It is a broad category.

1122. **Mr Allister**: Chairman, at some point, can we get the benefit of the Department's opinion on the letter about Ballylumford, which is in the pack? Maybe not now, but it is raising an issue about the Bill.

1123. **Mr G McCann**: Do you want me to speak briefly about it?

1124. **Mr Allister**: Do you know about it?

1125. **Mr G McCann**: Yes, it is on my desk as well.

1126. **The Chairperson (Mr Maskey)**: We have already written to the Department seeking some information on it.

1127. **Mr G McCann**: Yes, I was going to say that this is being looked at. What has been said is not absolutely clear, and we have got in touch with the person to try to clarify the point. We are still not absolutely clear on it, but we are working on it. We will be coming back to you, hopefully before Tuesday.

1128. **Mr Wilson**: The person who wrote the letter came to see me because he is a constituent. I advised him to write the letter in the first place. I was not quite clear of the issue when he spoke to me because it seemed a bit technical.

It might be worth bringing him along at some stage.

1129. **Mr G McCann**: The person who wrote this letter is from England.

1130. **Mr Wilson**: It was the local representative I spoke to.

1131. **Mr G McCann**: I think that the letter has come from a guy who works for the unions in England. He referred to something that has been done in GB under an order, and we have asked him what that was. Neither we nor our colleagues in DWP are aware of what this is. We have not been able to nail down what this is.

1132. **Mr Wilson**: I did not understand.

1133. **Mr G McCann**: It is about the broad areas of the law. This was done under the Pensions Act 2012, and, as far as we and our colleagues in Britain are aware, our law and that in GB are exactly the same. So, we are still trying to drill down into it to get to exactly what he thinks is the issue. Our aim is to come back before Tuesday if we can.

1134. **The Chairperson (Mr Maskey)**: I think that the letter relates to CPI.

1135. **Mr G McCann**: I am sure that you remember this, having gone through this in 2012. We put law in place at that time to cover this, and our law here and that in Britain are the same, as far as we are aware. As I said, we are still trying to drill down into it to get exactly what his point is.

1136. **The Chairperson (Mr Maskey)**: I appreciate that. We will come back to that later.

1137. Thank you very much. As I said, if we have missed anything, we will come back specifically to ask those questions next week. Clearly, we have a lot to explore.

1138. We will resume on Tuesday morning, members, to review the evidence that we have received so far, so we need to be prepared for that. Gerry and his team will be here again to assist us in our deliberations. Thanks very much to you for coming this morning.

29 January 2015

Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Mr Gregory Campbell
Mr Maurice Devenney
Mr Stewart Dickson
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

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

1139. **The Chairperson (Mr Maskey)**: I welcome Gerry McCann, Seamus Cassidy and Doreen Roy. As you know, we have sought an extension to the time available to us, but, hopefully, we can still do this well within a reasonably short period. That will depend on the evidence we have heard and on a few of the members. To reflect, we have had a number of submissions, some oral and some written. Very helpfully, the officials were here to respond at the same time as we were hearing the evidence to help the clarity of our thoughts on the matter. We have a paper in your tabled items that outlines issues raised on the Pensions Bill and the Department's response. Hopefully, members will have had a chance to review that. Officials committed to coming back to give us clarity on some matters. Gerry, are you happy enough to take us through some of that? Do you think that there is anything that was not covered?

1140. **Mr Gerry McCann (Department for Social Development)**: I think that we covered most of the issues over our meetings. One issue was raised last week, so I will clarify it for the Committee's benefit before we start. Chair, you raised with me a situation where a man and woman had been married and then split and each got a further partner. It was asked whether they could get benefit under the existing system. I should make this clear: if the spouse is now living with someone else as husband and wife, they are not entitled to any benefit under the existing system. I just wanted to clarify that point for you.

1141. **The Chairperson (Mr Maskey)**: Thank you, Gerry, for that.

1142. **Mr Allister**: That is different from what we were told last week.

1143. **Mr G McCann**: No, sorry; I have not seen Hansard, so I am not exactly sure, but when I was thinking over what had been discussed, I thought that I should clarify the point for the Committee. We got slightly off the main topic and were talking about various scenarios. I just wanted to make the situation clear for the Committee's benefit so that we fully understood each other.

1144. **Mr Allister**: So, if the surviving spouse is living with someone else, they are not a beneficiary.

1145. **Mr G McCann**: Yes, if they are living with someone as husband and wife, for example, they are not able to get the benefit.

1146. **Mr Allister**: If the deceased spouse had been living with somebody —

1147. **Mr G McCann**: That does not really enter into it.

1148. **Mr Allister**: The surviving spouse gets it.

1149. **The Chairperson (Mr Maskey)**: Thank you for that. As you know, most of the stakeholders did not comment on specific clauses. Comments on clauses and members' issues relating to clauses are highlighted in your paper. Otherwise, some of the key issues raised have been highlighted under comments on each Part of the Bill, which we will go through in a few minutes. Mickey Brady, you are looking to come in.

1150. **Mr Brady**: Sorry, I was not here last week. I want to ask about the bereavement support payment, which you cannot get when you are pension age. It goes to the fact that a person can claim only on their own contributions. Previously, a wife could claim at the pensionable age if she saved those stamps and she could claim her husband's stamps. What happens in a case where they have reached pension age and there is a bereavement? It gets paid for a year. However, you will presumably not benefit from some of the new rules, meaning that you will not benefit from your late spouse's stamps. You would have to have stamps to get pension in your own right.

1151. **Mr G McCann**: Yes, I think you are explaining the old category B system of pensions. Under the new system, category Bs will not exist. We will have a special category, which we will carry on. If the spouse dies before the new system comes in and the surviving spouse hits pension age after that date, they will still be able to get paid at a rate that is equal to the old rate for category BL.

1152. **Mr Brady**: That is OK, because it is likely that more people will lose their spouse at the pensionable age than before it.

1153. **Mr G McCann**: As we spoke about before, because of the way that over the years people have been entitled to more category A pension under the existing system, the numbers are falling. It will be more the older cohort that is affected by this.

1154. **Mr Brady**: Presumably, those people will be protected from the —

1155. **Mr G McCann**: As I said, that will be the case if the spouse who died had hit the pensionable age before 2016. If the person hits pension age after that, they can be paid a rate that is equal to category B.

1156. **Mr Brady**: They will be protected.

1157. **The Chairperson (Mr Maskey)**: Members' tabled items pack gives a breakdown of all the issues in the Bill, Part by Part. The purpose of today's discussion is to allow the officials to deal with any queries that we might still have. We are thankful that they are here. Obviously, officials will not be taking part in the substantive discussion, but it is helpful that they are here. Members, you have the paper in which the officials have tried to address the issues that have been raised with us. We need to satisfy ourselves today with the responses that we have and that we do not have any further queries. On that basis, I propose that we go through the clause-by-clause scrutiny of the Bill at next week's meeting.

1158. What we really want to do is use today to clear up any difficulties that we might have so that we can make sure that we understand the Bill. It does not matter whether we agree with any aspect of it. Today is just about making sure that we are clear what the Bill represents and what each clause stands for. That will expedite next week's discussions. We have the officials here today to clear up anything that we are not sure about. Is there anything in the paper or any of the six Parts of the Bill that people want to get further clarity on or any particular issues that they want to raise with the officials this morning? Are members content that they understand the provisions in the Bill?

1159. **Mr Allister**: That is a big ask. [Laughter.]

1160. **The Chairperson (Mr Maskey)**: Nobody wants to declare their hand on that one. It may well be that you will have a bit more of a discussion as we go through clause-by-clause scrutiny. If that is the case, so be it; it might focus people's minds.

1161. You have a breakdown of the issues.

1162. **Mr Brady**: On prisoners, the paper states:

"credits can only be awarded when a conviction is quashed by the courts. The Royal Prerogative of mercy is not equivalent to an acquittal".

It goes on to say that the:

"payment of arrears of State Pension withheld during imprisonment is considered on a case-by-case basis in light of any compensation".

1163. However, if the benefit is contributory, it is not means tested. If the person had stamps and the conviction is quashed, presumably they would be entitled to backdated pension. Why would compensation —

1164. **Mr G McCann**: It will all depend on the nature of the compensation. If the court, at the time of making the award of compensation, has taken into account that they were not paid the state pension and included an amount for that as part of the compensation, it would not be paid twice.

1165. **Mr Brady**: So, the court will preempt in a sense —

1166. **Mr G McCann**: It could. It will be for the court to decide how it calculates what the compensation should be.

1167. **Mr Brady**: The reason why I am raising that is because a person might feel a bit miffed if they have already paid their contributions and are getting that as a right, whereas if they were not in that situation and qualified for pension and got compensation for an accident, for instance, that would not be affected.

1168. **Mr G McCann**: To take the accident example, we take compensation into account and seek the money back.

1169. **Mr Brady**: That used to be it, but, if you are in an accident, the insurance company is involved. Compensation recovery does not apply directly to the person any more.

1170. **Mr G McCann**: No, but we get the money back from —

1171. **Mr Brady**: I understand, but it is from a different source. It does not affect the actual —

1172. **Mr G McCann**: As I say, what we are aiming to do here is to catch where the court has already paid an amount because of the state pension having been payable and to ensure that the state is not paying the person twice.

1173. **Mr Brady**: I am not thinking of that aspect. If they did not receive their pension during that period, presumably they would also get compensation for wrongful imprisonment, which is a different issue.

1174. **Mr G McCann**: That would be outside our remit. When the compensation is calculated, there is normally a substantive breakdown of how they ended up with the total figure.

1175. **Mr Brady**: So, if it is directly related to not being paid state pension, you are compensated for that. That is a different thing, because you would be getting it twice, in a sense. However, if it is for wrongful imprisonment or something, it would be a totally different situation.

1176. **Mr G McCann**: That is certainly our understanding of how the provision is to work.

1177. **Mr Allister**: Take, for example, the prisoner who has been wrongly convicted and spends two or three years in prison. Quite apart from compensation, if they are under pension age, do they then get credits?

1178. **Mr G McCann**: I think that they do —

1179. **Mr Seamus Cassidy (Department for Social Development)**: Yes, provided the conviction is quashed.

1180. **Mr Allister**: So, there are two issues: whether there is an entitlement to credits on foot of the quashing and whether, if they had been a pensioner, they would have been getting a pension.

1181. **Mr Campbell**: How long has that been the case? My understanding is that it has been the situation for quite a long time.

1182. **Mr G McCann**: I think it has been the case for quite a long time.

1183. **Mr Campbell**: I mean decades. It is not —

1184. **Mr G McCann**: I would have to do some research to answer your question totally, but as far as I know, it has been around for some time.

1185. **Mr Wilson**: On the previous point on the entitlement to full pension, we had some discussion about people who are on zero-hours contracts or in low-paid jobs. We looked at two or three low-paid jobs that did not reach the threshold. The Department's response was that some of those people may get picked up because they are getting child tax credit, for example, and that it was really for HMRC to see whether there are other ways of picking them up. Do we have any idea of the number of those people? It struck me as very unfair that you could have people who, because they could not get a full-time job were in a lot of part-time jobs, were not reaching the threshold and found themselves disadvantaged. Can we quantify that problem?

1186. **Mr G McCann**: I think that I have seen a figure, although I cannot remember it off the top of my head. I would have to look for it, but I am sure that we can find out what it is.

1187. The point that I was making to you previously is that this issue is really about whether a person has to pay National Insurance contributions. It is a National Insurance contribution issue, which is totally outside our control. We as a Department and, indeed, the Assembly do not have any control over this issue. It is really about whether the person is at the point of having to pay National Insurance contributions. That is the issue, and it is not something that we can resolve here. I will see whether I can get a figure for the numbers involved back to you before Tuesday, or whenever we meet again.

1188. **Mr Wilson**: You said that HMRC and the Department for Work and Pensions (DWP) were working on this.

1189. **Mr G McCann**: They have been looking at a longer-term solution. The issue is that a fairly large number of these people are not caught by the real-time system that works at the moment. The only people who are caught by it are people who are on PAYE. Your earnings might be under £111, but you are on PAYE. So, there is no automatic system that allows these people to be caught. That is part of the issue. The Older People's Commissioner had asked whether we could use that system to do it. The answer is that it cannot be used in that way at this point in time. HMRC and DWP have been looking at that, although I do not think that I could put it any stronger than that.

1190. **The Chairperson (Mr Maskey)**: Mickey, did you want back in on that?

1191. **Mr Brady**: Following on from Sammy's point, you could have somebody who has two or three jobs, but all those jobs are paying below the LEL, which is about £102 or something. There is no aggregation. You are saying that, because they are not on record, it is up to HMRC to trace them. Would it not be a fairer system if there was some record from the employer that could give HMRC the opportunity to aggregate the wages?

1192. **Mr G McCann**: Again, this is an issue for HMRC because it is about National Insurance contributions.

1193. **Mr Brady**: I understand.

1194. **Mr G McCann**: I am just making the point that we as a Department have very little influence over this issue.

1195. **Mr Wilson**: Mickey, even if they were aggregated, if none of the jobs brought them up to the level where they were paying National Insurance contributions, on which job would they pay the National Insurance contributions?

1196. **Mr Brady**: I know, but if you are aggregated, presumably, if you had two jobs and got £100 for each, you would be over the lower earnings limit. It just seems that you have somebody who is earning more than the lower earnings limit but is not paying any contributions. There is a reverse of that.

1197. The other thing is the zero-hours —

1198. **Mr G McCann**: Sorry to interrupt, but one of the other problems is that it is not so much that who pays concerns the person in work; it is who they are working for and falls liable for the employer's National Insurance contribution. That is why I said that I cannot put it any stronger than saying that the issue is being looked at. I think that there are big issues in trying to work out how we could get this to fly in practice.

1199. The other point is that, from some stuff that I have read, for people caught by this, you often find that they are getting credits anyway because they will have a child. They will get child benefit and child tax credits etc. So, we think that there are a fairly large number of people in this cohort who are being caught by the system anyway.

1200. **Mr Brady**: You are saying that people who are on zero-hours contracts, which are unfortunately becoming much more prevalent, and who are then out of work can pay class 3 contributions. However, the likelihood is that, if you are on a zero-hours contract, you will not be able to afford class 3 contributions.

1201. **Mr G McCann**: It could be that your zero-hours contract could mean that you have already paid enough for the year anyway. It could also be that you are not employed for x number of weeks, but you are employed for x number of months. As long as that brings you over the LEL for the year —

1202. **Mr Brady**: That could bring you over the lower end.

1203. **Mr G McCann**: Yes. So, if you are a zero-hours contract, that does not mean that you will not have a full qualifying year.

1204. **Mr Brady**: But there will still be gaps in your contribution record.

1205. **Mr G McCann**: All you need is a qualifying year, which is 52 times the LEL. If you have worked for six months, for example, you probably will have that.

1206. **Mr Brady**: Presumably, if they are signing on for jobseeker's allowance, they will be credited with that.

1207. **Mr G McCann**: If they have claimed jobseeker's allowance, they would be getting a credit.

1208. **Mr Brady**: That would form part of their contribution record.

1209. **Mr G McCann**: Yes. That is why we are saying that, for this cohort, it might not be quite the problem that we may think it is when you look at it cold.

1210. **Mr Brady**: Just on the zero-hours contract, obviously, if somebody can pay class 2 contributions, there would need to be some sort of a campaign that would make people aware of that, because they are becoming more and more prevalent.

1211. **Mr G McCann**: Yes, for the class 3s.

1212. **Mr Brady**: Yes.

1213. **The Chairperson (Mr Maskey)**: That might form a recommendation, monitoring or guidance or something like that. We will come back to that in a second.
Is anybody of the mind that they want amendments to any of the clauses? I am not getting those indications. I am still of a view that it is possible that, when we go through the Bill clause by clause, it might spark a more substantive discussion because people will see the direct implications. What we had wanted to do today was make sure that we are clear on what the Bill provides for. We would ideally want the Committee officials to go away and start drafting a report, and next week we would formally go through the Bill clause by clause. The following week, the Clerk would bring back the full report to the Committee to be signed off.
Do we want to give ourselves a Tuesday morning for the clause-by-clause scrutiny? I suggest a Tuesday morning as a dry run on the clause-by-clause scrutiny if we think that it might spark more focus in our minds. I am not proposing it; I am just asking whether we want to take the opportunity or whether we are content to leave it to Thursday and go through the Bill clause by clause then anyway.

1214. **Mr Allister**: What is the new timeline?

1215. **The Committee Clerk**: Next Thursday is the formal clause-by-clause scrutiny, so, on the assumption that all the issues are cleared and members are content with the clauses, we will do that next week. The following week we would have a draft report on the Bill.

1216. **Mr Allister**: Sorry, I did not make myself clear. What is our end date? Do we have a further extension?

1217. **The Committee Clerk**: It is 26 March, I believe. There is plenty of time.

1218. **Mr Allister**: We could maybe work with the Thursdays.

1219. **Mr Campbell**: Is there any disadvantage? Say we did not go ahead with the Tuesday and came to the formal clause-by-clause scrutiny on Thursday and it then became clear that it was more protracted than people might have thought, is there an issue if that is delayed? It is not a big issue time-wise, is it? It does not seem to me as though it is.

1220. **The Committee Clerk**: It may not be, unless we require further clarification from the Department or if members want to make recommendations. Those can be made in the clause-by-clause scrutiny.

1221. **The Chairperson (Mr Maskey)**: I will bring you in, Gerry, in a second. I do not think that there would be any immediate need. Gerry may give us a contrary view on that. We obviously want to go through the Bill clause by clause, which is when we often make recommendations. The Department may want to monitor something to see how it rolls out or to discuss what happens in guidance, for example. You talked about someone having two low-paid jobs and who determines which employer picks up responsibility for National Insurance. That could be interesting. Gerry, you wanted to make a remark.

1222. **Mr G McCann**: It is just on the timing of the Bill. As it stands, were we to finish next week, which is what we were aiming for, the Bill would probably not get Royal Assent until the end of May or early June. Our problem is that people in Northern Ireland are then left with less than a year before the new system kicks in. We had been keen to ensure that each and every person out there knew that this was going to bite. The longer we eat into that period, the less time people have to plan ahead for changes. I am just pointing out from the Department's point of view that that would be our concern.

1223. **The Chairperson (Mr Maskey)**: Gregory's direct question asked whether it would be a major problem if we were not to do clause by clause next week and had to do it the following week, for example.

1224. **Mr G McCann**: It would just mean that the date for Royal Assent would get kicked back further into June, which would leave people with an even briefer window to plan for the effects of the change.

1225. **The Chairperson (Mr Maskey)**: OK. We do not want to manufacture problems, so can we work on the basis that we are content to come back on Thursday to do the clause-by-clause scrutiny? That obviously presupposes that we may have queries that require clarification, but I hope not. You and your colleagues, Gerry, appreciate that these are complex matters and that members are just trying to do the right thing.

1226. Are members content that we will deal with this next week so that, on the basis of the discussions that we have had so far and with stakeholders and so on, the Committee Clerk and other officials can start putting together a draft report?

Members indicated assent.

1227. **The Chairperson (Mr Maskey)**: Thank you very much, members. I thank you, Gerry, Seamus and Doreen, for your time here again this morning. It has been really helpful.

5 February 2015

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 Gregory Campbell
Mr Maurice Devenney
Mrs Dolores Kelly
Mr Fra McCann

Witnesses:

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

1228. **The Chairperson (Mr Maskey)**: I welcome formally Gerry McCann, Seamus Cassidy and Doreen Roy. You are very welcome to the Committee again. The Department has provided clarification on a number of outstanding issues that we sought information on during the consideration process. They are contained at page 8 of members' tabled items. Additionally, Cruse has provided a follow-up paper to their briefing, which is included at page 10. This paper clarifies some of the issues that they raised in their briefing; you will remember there was a lack of certainty on one or two issues. The paper that they have very helpfully provided does not seek changes to the Pensions Bill, but it reflects ongoing issues that they have in relation to pensions. Obviously, that will help to inform our commentary through the clause-by-clause consideration. I invite Gerry to make any additional clarifications before we proceed with the clause-by-clause scrutiny.

1229. **Mr Gerry McCann (Department for Social Development)**: Good morning, everybody. Does everyone have a copy of the paper from Cruse? I am going to speak to it. First, I repeat the point that what has been asked for in this paper is not actually part of the Bill. All that the clauses in the Bill do is to set out that there shall be a scheme, with the scheme itself to be set out in regulations. There are only four or five points in the Bill itself. Really, we are just talking about how this might work in practice.

1230. Who will be worse off under the Bill? The Cruse paper provides a number of figures at paragraph 8. We accept that, overall, someone with a child, who can no longer receive payments for a period of 18 or 19 years, will obviously get less. However, under the new system, money will be aimed more at less well-off people who fall into the lower end of the income scale, and they will end up getting far more than they do under the existing system. On average, according to the figures that we have, there is a notional gain for the poorest income quartile of the order of about £17,000. Again, money has been taken from the pot and used differently from how it is used in the current system. Those who gain most will be the poorest. That is one of the underpinning issues. Those who lose will be the better off; they will lose if they have children. Anybody who has no children and is aged under 45 gets absolutely nothing at the moment, so they will gain from this as well. Are we happy enough that we have identified the losers and the winners?

1231. I move on to paragraph 10, which is about the cost of funerals. The figure given for NI is £5,893. From what we have been able to find out from the reference, that figure has been issued by a company that advises people to take out some insurance to help cover the cost of a funeral. That also covers things like the wake, for example, which is part of the overall cost but is not something that the state has ever provided for. The last day, I mentioned some of the figures that we got from phoning around undertakers for the cost of a funeral, and they were quoting under half that figure. There is also the extra help available for those entitled under universal credit (UC). People will be able to get help with the costs of the burial etc. There will be extra help available.

1232. **Mr Brady**: The non-discretionary social fund goes nowhere near to covering the cost of an average funeral. You get about £700 or £800, when the average funeral costs about £2,500. That is without wakes or flowers or anything like that. It is an expensive business.

1233. **Mr G McCann**: As I understand it —

1234. **Mr Brady**: On the issue of insurance, people are reluctant to take out insurance for something like that. If you are on benefits, you cannot afford it anyway.

1235. **Mr G McCann**: I am not arguing that people should take out insurance. I am just saying as part of the background to the report that this is how they came up with the figures and costings. I was only saying that by way of background. I certainly am not saying that people should take out insurance cover for funeral costs; that is not what I mean. I was only saying that to explain the background to the report.

1236. **Mr Brady**: The majority of people cannot afford to take out insurance.

1237. **Mr G McCann**: As I understand it, you can get £700, plus the costs for the opening up of the grave etc. The burial costs are separate from that £700. I do accept that it may not cover the costs totally.

1238. **Mr Brady**: It would probably cover about a third.

1239. **The Chairperson (Mr Maskey)**: These are important issues, but we are dealing with —

1240. **Mr Brady**: I was just making a point.

1241. **The Chairperson (Mr Maskey)**: Fair enough, but we will be making points for the rest of the day. We need to stick to the clause-by-clause scrutiny.

1242. **Mr G McCann**: After the meeting, when I was having a quick word with the people from Cruse and the Childhood Bereavement Network, it seemed to me that what they were looking to do was to change it for the whole of the UK; they were not looking for anything for Northern Ireland only. That seemed to be what they were saying to me.

1243. Let us move on to paragraph 18 of their paper. What they say here is:

"It would be important that these three year instalments were still disregarded from Universal Credit, and not taxed."

1244. All their costings work on the basis that these two things would not happen. This week, I went back to our colleagues in Britain to check that nothing has changed and that our understanding is correct. What those colleagues said to us is that, if these were to be over a three-year period, and it were to be done for the whole of the UK, they would have to be taken into account for UC, and they expect that they would also end up having to be taxed. If they are taken into account for UC, the people who would lose out would be those at the very bottom of the income scale; people who need the income support aspect of it. So, to do this would take away from the poorest people.

1245. **The Chairperson (Mr Maskey)**: That is, if they accede to paragraph 18 of the recommendations from Cruse.

1246. **Mr G McCann**: All of Cruse's costings are based on these payments not being taken into account for UC and not being taxed. Having spoken to GB, our GB colleagues say that they would be. If they were to be extended in that way, they think that they would have to take them into account for UC and that they would be taxed.

1247. **The Chairperson (Mr Maskey)**: So what you are saying is that, if you were to get it changed in the way in which Cruse suggests or hopes for, it would actually be disadvantageous to the least well off.

1248. **Mr G McCann**: Yes.

1249. **The Chairperson (Mr Maskey)**: OK, fair enough.

1250. **Mr Allister**: In paragraph 19, however, Cruse challenges the suggestion that they would be seen as long-term benefits.

1251. **Mr G McCann**: I was about to come to that. I do not think that an outside charity would dictate whether or not it is viewed as a long-term benefit. I may have my views on things, but, at the end of the day, these will be taken into account. All I am saying is in terms of what we are being told by Britain. Certainly, when the Bill was going through at Westminster, Lord Freud, who took the Bill through the House of Lords, was very explicit on these points. I note that Cruse also challenges on the point about EU law — we can talk about that when we come to it. Again, all I can say is that I do not think that the ruling on this issue would fall to an outside charity.

1252. **The Chairperson (Mr Maskey)**: However, the point has been made. Cruse made it here in a presentation, and it has reiterated it, so it would not be outside our gift to add that as a concern.

1253. **Mr G McCann**: You could certainly say in the report that it was a concern. However, I come back to the point that these issues are not part of the Bill itself; they are to do with how the scheme itself would end up being developed. Certainly, if the Committee thought that it should be done that way, and if it wished to make a recommendation, we would take it back to GB and explore the issue further, if that is what the Committee wants.

1254. **The Chairperson (Mr Maskey)**: Obviously, members would be concerned if there was a disadvantageous consequence from that, be it part of the Bill or otherwise.

1255. **Mr Brady**: I think that Cruse makes a valid point about the emerging costs for children. I have been in that position, prior to survivors or widowers benefit being payable. It is a valid enough point. Cruse argues for a three-year period. There is a technicality involved then in whether it is a benefit or a survivors benefit. I am not sure what the case law is. Survivors benefit in most European countries is a relatively recent development. It was only introduced in Britain because somebody was prepared to take the British Government to the European Court. Prior to that, a widower could not get benefit. I am not sure what the case law in Europe is.

1256. **Mr G McCann**: I can ask Seamus to speak on that. Let me come back to the three years. Really, all that Cruse is doing is asking for the amount to be spread over the three years.

1257. **Mr Brady**: That seems to be a reasonable request.

1258. **Mr G McCann**: That is what Cruse is saying, which, in itself, implies that Cruse does not think that people who are being paid inside year 1 can budget. That is what you are saying: that these people are not fit to budget for themselves.

1259. **Mr Brady**: The point that Cruse is making is that there may be costs that you are not aware of initially, but which may emerge. That seems to be a reasonable enough argument because that can happen.

1260. **Mr G McCann**: I accept that, but it is all part of budgeting. Really, what we are saying is that, from our point of view as officials, we cannot see how it would be worth the risk of those other things happening — for example, for the benefit to end up being taxed — when we can pay those people the same amount of money inside year 1 and it is not taxed and it is not taken into account for UC. Surely, it is better to get all that money to them, as opposed to it being spread out over three years, being taken into account for UC and being taxed, which means that they end up losing.

1261. **Mr Brady**: Yes, but if they invested that in the first year and there was interest or notional income, that would affect your benefit eventually.

1262. **Mr G McCann**: For the amount of money that we are talking about and the level of interest rates at the moment, you would not —

1263. **Mr Brady**: When you are on benefit, any amount of money —

1264. **The Chairperson (Mr Maskey)**: With respect, I think that we need to make progress. Gerry, you are giving us clarification on some of the outstanding issues that we were not terribly sure about. That was one of the issues that members were concerned about; whether it would have a knock-on negative effect on people who are less well off. It may well; it may not, as you are saying. I ask that as we proceed — I need to be rigid on this — if you are giving us clarification, you need to say clearly that this will not be part of the Bill and will not be part of any one of these clauses. We are here to deal with the clause-by-clause scrutiny. All the other issues, which are important and which we will have views on, we will add on afterwards, after we complete the clause-by-clause scrutiny. Let us proceed on the basis that you are telling us what we need to hear by way of clarification, but you will say very clearly that we can set that to one side for the moment because it is not in a clause.

1265. **Mr G McCann**: OK. Following those parameters, I do not have much more to say. Perhaps it might be helpful if I just clarify again for the members what the main planks of these are.

1266. **The Chairperson (Mr Maskey)**: It is important that people will want to comment on aspects of the Bill that they are concerned about or where they are worried about there being some inadvertent consequences or impacts. However, if they are not in the clauses, we have to separate them out.

1267. **Mr G McCann**: I will do this very quickly. Let me just confirm again that we have been talking to colleagues in Britain this week and have clarified that the main planks are that this benefit shall only be paid for one year — it is a one-year benefit — and it will be split into two bits — one for people who have children, and one for people who do not. Last week, Mr Brady raised the case of people over pension age. Category B pensions are going; they are being axed, except for the one case, which is where the independent spouse, as it were, is over the state pension age prior to 2016, and the other spouse hits pension age after 2016. They shall still be paid an amount equal to the Cat B(L) or the Cat B rate, as appropriate. That summarises it for you.

1268. The other issues are not inside the Bill.

1269. **The Chairperson (Mr Maskey)**: OK. I hope that the Committee Clerk and the other clerks present are in a position to capture some of the concerns that have been raised through the evidence sessions and this morning. We have to deal with the clause-by-clause scrutiny of the Bill and then come back with a draft report. We may well wish to make all that commentary.

1270. Are members content? You heard the clarification we got there and have raised issues.

1271. We move to the formal clause-by-clause scrutiny. Members know the procedure. I have to go through the routine of reading each clause, and members should indicate whether they are content or otherwise. Let me reiterate that, if members have other concerns, we can add them into the report as observations or recommendations.

Question, That the Committee is content with clauses 1 to 54, put and agreed to.

Question, That the Committee is content with schedules 1 to 20, put and agreed to.

Question, That the Committee is content with the long title, put and agreed to.

1272. **The Chairperson (Mr Maskey)**: That concludes the Committee's clause-by-clause consideration of the Bill. As I noted at the beginning, the Committee may want to make further representation on a range of issues, a number of which we have already covered. The Committee Clerk has captured those, and the Committee will bring them forward in the draft report. The officials will draft a Bill report based on all the discussions and will include the Committee's concerns and how they may be addressed and any recommendations made by the Committee.

1273. Gerry and colleagues, I thank you for your attention on this matter and your support for the Committee in addressing the Pensions Bill. Thank you very much for your very solid support to the Committee and the conduct of our business.

1274. **Mr G McCann**: Thank you very much.

Northern Ireland Assembly

Appendix 3

Written Submissions

Antrim Borough Council

Further to NILGOS circular 13/2014 and with apologies for the late submission, Antrim Borough Council's response is as follows:

(a) whilst the council welcomes the simplification of national insurance contributions and the state pension system, there is, however, no compensatory provision for employers and hence the ratepayer for this additional tax burden

(b) the council would welcome reassurance that the Assembly will take similar steps to those of the HM treasury in England and Wales to re-cycle the extra National Insurance Contributions received back into public sector funding

(c) concern at the potential impact on the private sector, particularly small to medium sized businesses.

If you require any further information please contact me.

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COPNI Covering Letter

16 December 2014

Stephen Todd
Assistant Assembly Clerk
Committee for Social Development
Room 410
Parliament Buildings
Stormont
Belfast
BT4 3XX

Dear Mr Todd

RE: COPNI Feedback on Draft Pensions Bill

I am writing to you in response to the Committee for Social Development's call for evidence on the Pensions Bill which is currently at the Committee scrutiny stage. I welcome the chance to give feedback on the Bill as it is constituted at the present time.

The State Pension is widely relied upon by older people and can be the most significant source of finance in retirement for many older people. It is important that any reform of Pensions impacts equally on all older people and improves older peoples' ability to both draw-on the pension they are entitled to plan adequately prior to retirement .

I have attached more detailed feedback on the Pensions Bill to this cover letter. I thank you again for the opportunity to make a submission to the Committee and look forward to continued engagement on the issue.

Yours sincerely

Emer Boyle
Head of Legal and Policy Advice
Commissioner for Older People for Northern Ireland

COPNI Submission

COPNI Commissioner for Older People for Northern Ireland

Pensions Bill

Written Submission

Written Submission from the

Commissioner for Older People

for Northern Ireland

November 2014

Contents

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^{th} April 1951, and 6^{th} 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. [1]

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. [2] 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. [3]

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

[1] Department of Social Development Benefit Publications, Spreadsheet, http://www.dsdni.gov.uk/index/stats_and_research/benefit_publications.htm
[2] 'Pension Credit', https://www.gov.uk/pension-credit/overview
[3] Department of Social Development Benefit Publications, Spreadsheet, 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. [4]

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.[5]

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. [6]

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. [7]

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. [8] 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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[4] NISRA, DSD, 'Pensioners' Income Series Bulletin: Northern Ireland 2011-2012'.
[5] NISRA, DSD, 'Pensioners' Income Series Bulletin: Northern Ireland 2011-2012'.
[6] NISRA, DSD, 'Pensioners' Income Series Bulletin: Northern Ireland 2011-2012'.
[7] Joseph Rowntree Foundation, New Policy Institute, 'Measuring Poverty and Social Exclusion in Northern Ireland 2014'.
[8] 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.[9] The Commissioner also produced a response to the Pensions Bill by the Department of Work and Pensions in March 2013[10], 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.[11]

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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[9] http://www.niassembly.gov.uk/Assembly-Business/Legislation/Primary-Legislation-Current-Bills/Pensions-Bill-As-Introduced/
[10] 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
[11] 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. [12] The Commissioner

[12] 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

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."* [13] At present it has been indicated by the Department that the minimum number of qualifying years of contributions will be 10. [14]

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. [15] 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

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

[14] Northern Ireland Assembly, 'Executive Committee Business, Pensions Bill: Second Stage'.

[15] 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. [16] 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.

[16] 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[17] 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 6th April 2016 or thereafter will be eligible for the single tier State Pension.[18]

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 6th April 2016, it would apply to men born on or after 6th April 1951, and women born on or after 6th April 1953.[19] 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. [20]

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[17] AFH, 'Single Tier State Pension Changes', http://www.afhifs.co.uk/cms/filelibrary/single_tier_state_pension_changes.pdf

[18] '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

[19] Djuna Thurley, House of Commons Library, 'Single Tier State Pension – Women Born Between April 1951 and 1953'.

[20] 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. [21]

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. [22] 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[23], 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. [24] If the same system is replicated in Northern Ireland, the Commissioner believes there would

[21] DWP, 'Note on the Cohort of Women Born Between April 1951 and April 1953'.
[22] Department for Social Development, 'Proposals for a Pensions Bill: Equality Impact Assessment'.
[23] 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
[24] 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.[25] 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. [26] 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. [27] 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. [28]

[25] Minister of State for Pensions, Steve Webb MP in Public Bill Committee. Pensions Bill, Eight Sitting, 4th July 2013, http://www.publications.parliament.uk/pa/cm201314/cmpublic/pensions/130704/pm/130704s01.pdf
[26] '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
[27] '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
[28] 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. [29]The Commissioner supports the principle of making it easier to draw 'dormant' pension funds into an individual's current pension scheme.

[29] 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.

Cruse Bereavement Care

Response from Cruse Bereavement Care in Northern Ireland to the Northern Ireland Assembly Committee for Social Development in relation to the Pensions Bill 2014

Submitted by Anne Townsend, Director Cruse Bereavement Care in Northern Ireland
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Cruse Bereavement Care in Northern Ireland welcomes the opportunity to present evidence to the Committee on the Pensions Bill. Cruse in Northern Ireland is part of a national volunteer based charity established in 1959 which offers support to children, young people and adults when someone dies, regardless of the nature of the bereavement or the length of time elapsed alongside providing training in bereavement support.

Cruse provides a range of services including face to face support and counselling, group support, information, advice, email and website support and a national helpline. The service is provided by trained, experienced volunteers and is confidential and free. In 2013 - 2014 nearly 20% of referrals to Cruse for face to face support in Northern Ireland were due to the death of a wife/ husband/partner

Psychiatrists often rate the death of a spouse as the most stressful event an individual can experience. As a result there is often a huge impact on the bereaved spouse and the family as a whole. The effects take many different forms that have a significant cost to society. Statistically, bereaved spouses have a much higher incidence of hospitalisation and even death in the years following bereavement than would normally be expected. Loss of a parent can have a profound effect on the behaviour of children and their ability to fit in successfully to society. Bereavement, and the consequences of it, can often lead to financial distress.

Detailed below are a few examples of two women in Northern Ireland who experienced the death of their husbands at different ages and circumstances and their feedback on this consultation.

Example 1

In 1995 Barbara was 32, with two children aged 22 months and 7 years, when her husband died. Barbara was a trained nurse but ceased her employment to care for her children. Her daughter completed a PhD at Cambridge and her son studied at QUB.

Some of the difficulties she experienced as a young widow with the current bereavement benefits included:

- Low level of widow's pension due to her age and the need to be a full time mother to support her children.
- Inadequate communication systems to inform her in advance of changes to her benefit entitlement as her children approached 18 years.

Barbara's concerns in relation to the consultation conducted prior to the introduction of this bill highlighted that the Social Research which was the basis for the changes was only conducted with individuals who were bereaved in the previous 12 – 18 months and excluded research to individuals who experienced spousal bereavement at a younger age.

Barbara's experience highlighted that in Year 1 when she was widowed she was numb, Year 2 was more difficult than the previous year and in Year 3 she was beginning to see some hope. She expressed deep concern regarding the proposed change to providing financial benefit for 1 year and no differentiation made between the needs of spousal bereavement in older people and those bereaved with young children.

Example 2

Aine's husband died in 2010 when she was 58 years and had 3 adult children. She stated that a one stage process which triggers the benefit system would have been valuable such as Tell Us Once

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programme available in England. As a mature widow Aine expressed concern about the need to have improved financial benefit systems for younger widows/widowers/ partners with dependent children. Aine also approved of means testing for benefits to ensure that support is targeted at those in most financial need.

Earlier in 2014 Cruse Bereavement Care as part of a group led by Child Bereavement UK presented written and oral evidence as detailed below prior to the development of the Pensions Act in Westminster and please note this evidence does not reflect the recent changes to tax liability announced by the Chancellor in relation to bereavement benefits.

Bereavement support payment clauses in the Pensions Bill

Prepared by: The Childhood Bereavement Network

This paper has been developed by a group including Child Bereavement UK, Cruse Bereavement Care, Gingerbread, Low Incomes Tax Reform Group, The Children's Society, WAY Widowed and Young, Winston's Wish.

For more information on this briefing, please contact Alison Penny, CBN's Coordinator
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Summary

1. Clauses 30 and 31 of the Pensions Act will replace a number of benefits, including Widowed Parent's Allowance (WPA) with a single system of Bereavement Support Payment (BSP) from April 2017. **We are concerned about the impact of these changes on <u>widowed parents with dependent children.</u>**
2. The Act sets out that the regulations specify the rate of the benefit and the period for which it is payable. For those with dependent children, the regulations may specify a higher rate and provide for the allowance to be paid for a longer period.
3. Regulations have not yet been published but indicative amounts and durations are set out in the Government's response to the consultation http://dwp.gov.uk/docs/bereavement-benefit-consultation-response.pdf Accessed 7 March 2013 We are very concerned about these, as outlined below.
4. We believe that adjusting the proposals for BSP could bring about a system that is simple for families to understand and underpins the crucial support they provide to their grieving children, and which does not incur additional costs to the government.

Introduction

5. When a parent dies, family practicalities and finances face great challenge. The current benefits system provides
   - a one-off tax free lump sum of £2,000 (Bereavement Payment)

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- a taxable weekly benefit of up to £111.20 per week (Widowed Parent's Allowance), paid until the youngest child no longer qualifies for Child Benefit.

6. Widowed parents are treated differently from those without children, in recognition that 'bereaved spouses with children may have greater difficulty in supporting themselves through work compared with those without dependents, because of their childcare responsibilities[i]'

7. The Act represents a fundamental repurposing of the benefit. It dismantles the current safety net of ongoing support, and replaces it with the 'concertina'-ed support of a death grant. This is intended to meet the additional costs that bereavement brings, focused on the period immediately following the death. Indicative amounts are
   - An increased lump sum of £5,000
   - Monthly payments of £400, paid for one year only.

8. For 75% of claimants with children, the support won't just be concertina-ed, it will be cut. 88% of working families will be worse off, and 57% of those out of work[ii]. Claimants with younger children will be disproportionately badly affected, as they can currently claim for longer.

9. Some of the 25% who would nominally do better under the reforms will in fact feel worse off. Calculations about who would theoretically do better or worse assume that the increased initial lump sum would go some way to offset the shorter time over which instalments would be paid. However, the lump sum is likely to be swallowed up by increased funeral costs and other immediate demands, with claimants finding it difficult to 'eke out' in the way the calculation assumes. The average cost of dying in the UK in 2014 is £8,427. Over the last 10 years, the costs of dying have soared: last year they rose by 10.6%, seven times the rate of inflation. The cost of a basic funeral in 2014 was £3,590, up 87% since 2004[iii]. This means we have to treat estimates of who would nominally do better or worse with caution, as they are likely to underestimate the proportion of families who will feel worse off.

10. Families who make the median claim for Widowed Parents' Allowance of 5-6 years currently would be up to £16,800 worse off (average loss for working families £12,000; average loss for non-working families £6,600).

11. The changes are worse for families with younger children, who can currently claim for longer. A family with younger children, currently able to claim for 9-10 years, would be up to £31,000 worse off (av. loss for working families £23,500; av. loss for non-working families £14,900).

12. Government figures only show the impact of reform on families making a claim of up to 12 years, as WPA has only existed for that long so there are only 12 years of records to analyse for comparison. However, if the youngest child continued to be eligible for child benefit, the widowed parent can carry on claiming WPA for up to 20 years. That means we don't know the impact on families who could currently make the longest claim (ie whose children were youngest when their parent died). It will inevitably be greater than the changes already projected.

Duration of payments

13. We are concerned that **the suggested duration of BSP is much too short to address families' needs, and will be withdrawn around the first anniversary of the death.**

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14. WPA is currently paid until the youngest child leaves full time education. The Government proposes to reduce this drastically, paying BSP to widowed parents for just one year. Current data suggests that only 1 in 28 parents (4%) claim for less than one year, so most people will receive payments for a very much shorter time than they would under current arrangements, especially those whose children are younger.

15. In most families, the current weekly payments of WPA are put towards general living expenses, with many finding these essential to meet their basic living costs. For some families where the person who died was the main breadwinner, WPA goes some way to replacing their income, allowing some continuity with the arrangements for looking after the children that were in place before the death. For others, it allows the surviving parent more flexibility to work fewer hours or to change jobs or even sector to fit with their new responsibilities as sole carer of their child.

I wanted to be with my daughter all the time; she had just lost her daddy; I didn't want her to feel she'd lost her mummy too[iv]

16. The Government proposes meeting the longer-term support needs of those who are not working – around 40% of claimants - through Universal Credit (UC) (see Issue 2 below).

17. We do not believe that the current proposals meet the government's own principle of giving recipients the flexibility they need to regain control following bereavement – nor do they meet the needs of families. We believe that any death grant, intended to meet the additional costs of bereavement, should be differentiated for those with children, both in
    - the amount paid (in recognition of the additional costs they bring)
    - the duration of instalments (given that children can make it more difficult for a widowed parent to adjust to a death and move into self-support).

18. Surviving spouses living alone with dependent children report more distress than those without children[v]. They have a range of additional demands:

19. **Managing their own grief while supporting their children** – how they continue to function in the face of their own pain, loss and grief is critical in determining their children's outcome[vi].

20. **Responding to their children's emerging needs over time -** Many families report that the second and subsequent years following bereavement are even harder than the first, as the reality of their new circumstances sinks in. Studies indicate a 'late effect' of bereavement with some children showing new and greater difficulties two or three years after the death of parent[vii],[viii]despite a relatively mild initial reaction. Regardless of the age at which they were bereaved, children often revisit or re-experience their grief as they mature cognitively and emotionally[ix] and face additional changes such as starting school, bringing new parenting challenges for their surviving mother or father.

21. **Providing stability and continuity to their children.** Children and young people need as much continuity as possible following the death of a parent. Stressful changes and disruptions which accompany or follow a death (such as moving house or school, changed household routines and childcare arrangements) are associated with worse mental health[x], and the longer these changes persist, the greater the effect[xi]. Studies suggest that a drop in income and the changes in lifestyle this brings are more predictive of mental health difficulties than the level of income per se[xii].

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22. Adjusting to life as the sole carer and earner. Widowed parents have to make a new role for themselves as a single parent – a role which they have not chosen. Children's need for stability following a parent's death makes it vital for the surviving parent to be able to respond flexibly to them: their adjustment is closely associated with this parent's capacity to care for them, including being physically available to them[xiii]. Childcare and access to flexible working can be a significant barrier to returning to work – both for those who had been working prior to their bereavement, and for those who had previously been stay-at-home primary carers.

23. Stopping payments after one year will have a significant impact on grieving families' finances. This may force widowed parents to increase their working hours to replace the income, before their children are ready for them to be less available. It may necessitate moving house – and school. If these additional changes and stresses have the negative impact on children's outcomes that the evidence base suggests we could expect, then we are likely to see greater costs to the family and society in terms of worse mental health and educational outcomes.

24. Further, the reformed benefit will be withdrawn after one year – around the time of the first anniversary of the death. This is already a hugely challenging time for many families, with reminders of the death itself as well as the growing realization that life has changed forever. Stopping payments at this time will increase anxiety for families.

25. We have developed cost-neutral proposals to allow for the payments to be made over three years instead of one to those with dependent children.

Work search requirements

26. We are concerned that **widowed parents claiming Universal Credit will be subject to work search requirements too quickly.**

27. As the reformed BSP is intended to meet the additional costs arising from bereavement, rather than to replace income, we strongly support the DWP's intention not to take it into account as income when assessing households for Universal Credit.

28. However, we have some concerns about how BSP will interact with Universal Credit. Claimants will have different 'conditions' imposed on their claim, based on the age of their youngest child and other circumstances. Widows and widowers whose youngest child is three or four will have to be preparing for work, and by the time the child is five, they will have to be actively seeking and available for work. The Department for Work and Pensions suggests that these requirements would be relaxed for the first six months following the death of a husband or wife[xiv], but this still means that the Government will be expecting parents of bereaved children to be looking for work just six months after the child's mother or father has died.

29. This is in contrast to the situation for kinship carers, who will be exempt from full work-search requirements for a year after a child comes to live with them, to allow the child to settle[xv]. This could lead to the perverse situation where a father caring for his daughter after his wife's death would have to be seeking work within six months, whereas if the child went to live with a great-aunt, a full year could be dedicated to helping her adjust.

30. We believe that the imposition of conditionality at this stage is unnecessary, as most bereaved partners retain, return or enter work within 18 months of bereavement. Women who became non-working sole parents when their partner died had all started thinking relatively soon how

they would re-engage with the labour market, and within 12-18 months some were making plans for, or had embarked on further work or training[xvi].

31. Subjecting widows and widowers to full conditionality at this early stage in their child's grief – and their own - may be counterproductive by increasing stress and anxiety, which in turn may lengthen time away from work. The stress of the first year of bereavement is well documented, with surviving spouses with children reporting more distress than those without children[xvii]. This stress persists beyond six months, with 56% of widowed parents reporting high levels of depressive symptoms 4 months after the death and 44% reporting after a year. For some, these symptoms had worsened over the year: 24% of those reporting high scores at the first anniversary had not reported them at 4 months. High depressive symptoms were associated with significantly lower incomes and a perception that the income was inadequate. Additionally, those widowed parents who had faced a greater number of life changes following the death (including legal and financial losses and new family responsibilities) were more likely to be depressed[xviii].

32. Obliging parents to seek or take up work before they are ready can have a detrimental effect on children in two ways: by increasing the parent's stress levels and depressive symptoms (strongly correlated with children's emotional and behavioural difficulties) and by reducing the parent's availability to the child (quality of bond and family routines promote children's healthy adjustment. '*Inadequate care, including neglect and a failure to discipline, increases bereaved children's risk for psychological problems'*[xix]).

Unmarried partners with children will be ineligible for BSP

33. Widowed parents who were living with - but not married to - the person who died will not qualify for BSP, just as they currently do not qualify for WPA.

34. We believe that this is profoundly unfair: the higher rate of bereavement benefit currently paid to those with children is in recognition of the costs - emotional, practical and financial – of bringing up children when a partner has died. Children themselves have no influence over whether their parents are married or not, so it seems extremely harsh to deprive some of financial support following a parent's death based on their parents' marital status. In 2011, 31% of babies were born to cohabiting – but unmarried – couples[xx]. None of these families would qualify for BSP if one of the parents died.

35. This is contrary to current understandings of what constitutes a 'family' and differs from how cohabitation is interpreted in other Government legislation: for example tax credits and Universal Credit are assessed on a household basis looking at cohabiting couples regardless of marital status. The Armed Forces Pensions Scheme successfully uses a definition of 'eligible partner' which could be used as the basis of determining eligibility to BSP.

36. Determining eligibility - asking intrusive questions about the nature of a relationship, shortly after the person had died can be perceived as difficult. However, many of the administrative procedures around a death could be seen as intrusive, but we believe they are recognised as being necessary, and do not accept that determining eligibility for BSP would be any different.

37. **We believe that eligibility for BSP should be extended to unmarried, recognised partners who have children with the person who died.**

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Net loss for current claimants of Widowed Parent's Allowance

38. **Current claimants of Widowed Parent's Allowance will <u>lose</u> almost £8 per week – over £400 per year – if they are on Universal Credit.**

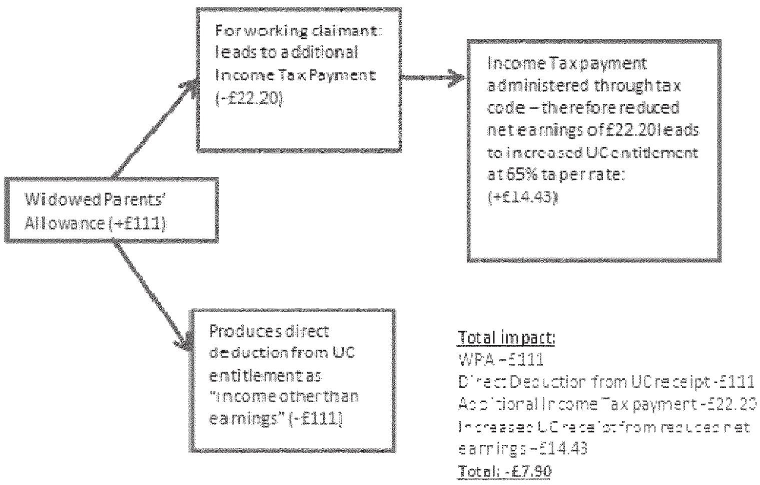
39. Current claimants of Widowed Parent's Allowance (WPA) will not be affected by the introduction of Bereavement Support Payment. However, they will be affected by the introduction of Universal Credit (UC). Many claimants are likely to be in receipt of WPA and UC for some time into the future.

40. WPA can be paid to widowed parents whether in or out of work, however it is treated as income for the purposes of receipt of other benefits and tax credits. It is also treated as taxable income. For this reason, although it is currently paid at a rate of £111.20 per week, the actual value to the claimant is normally much lower because of deductions from benefits and tax credits, and increased payments of income tax. For example, for a widowed parent with no other earnings, the value would typically be around £36.60 per week.

41. For the purposes of UC, WPA will be treated as "income other than earnings". This means that it will be deducted at a pound-for-pound rate from the claimant's UC entitlement. **This means that the actual value for a widowed parent with no other income will be £0 per week.**

42. However, WPA will also continue to be treated as taxable income. For this reason, working claimants may not only have their WPA deducted in full from their UC entitlement, but also pay tax on it in addition. **The outcome of this is that working widowed parents in receipt of both UC and WPA could end up overall <u>paying</u> £7.90 per week, on account of their receipt of WPA.**

43. The process for this is shown in the following diagram.



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44. Options for avoiding this loss for widowed parents would be to

    a. Remove WPA (and its predecessor WMA) from the list of benefits treated as "income other than earnings" for the purposes of UC entitlement. This would effectively disregard WPA for the purposes of UC entitlement. Claimants with no other income or earnings would therefore keep the value of WPA in full. Working claimants with earnings in excess of the personal allowance for income tax would still pay tax on the benefit, but would retain the majority of its value.

    b. Partially disregard WPA for the purposes of UC entitlement.

    c. Treat WPA as earnings rather than income for the purposes of UC. The current problem is created because WPA is treated as "income other than earnings" and, as a result, is deducted from UC entitlement at a rate of 100% (and is also taxed in addition). Treating WPA as earnings would resolve this by reducing the taper to 65%, and enabling the claimant to set it against their work allowance.

    d. Continue to treat WPA as income other than earnings, but introduce a "widowed parent's element" as an additional component within Universal Credit. This would enable WPA to be deducted in full from UC, but enable claimants to retain some of the value of the benefit by adding an additional amount to their maximum Universal Credit entitlement. A similar approach is seen in the interaction of Carer's Allowance and the Carer element in Universal Credit.

Tax status

45. In the House of Commons, the Minister indicated that if BSP is paid for just one year, it is to all appearances a death grant intended to meet the additional costs of bereavement, rather than an ongoing replacement for income. Therefore it is easier to argue that it should be exempt from tax[xxi]. The proposals state that 'the tax status of Bereavement Benefits is a matter for HM Treasury'[xxii], and that the indication is that the lump sum would not attract income tax. The status of the monthly payments is less clear, although the Impact Assessments prepared by the Department for Work and Pensions rest on the assumption that these payments are also tax-free[xxiii]. Clarification from HM Treasury is urgently needed, so that the overall impact of BSP can be predicted accurately.

46. Depending on the date of introduction of BSP (anticipated to be 2017) as against the final transition of tax credits to Universal Credit (anticipated to be 2018), there could also be tax credits implications if the treatment of BSP as income for tax credits follows the tax status.

Contribution conditions

47. The basic contribution condition for BSP set out in clause 31 matches that for the current bereavement benefit – ie at least one year's actual payment of contributions with an earnings factor of at least 25 times the lower earnings limit. But there are two main ways in which the proposed contribution condition is more restrictive than at present.

48. First, while the proposed condition requires payment of Class 1 or Class 2 contributions, the existing contribution also allows payment of Class 3 contributions. Second, there is no provision in clause 31 for the death of a contributor before the end of the year in which he or she is

making the necessary contributions, whereas under the current arrangements, contributions for earlier years may be aggregated and treated as if made in the later year.

49. **We would like BSP to be claimed on the basis of contributions either paid by the spouse, or credited to their record.**

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[vii] Worden JA (1996) *Children and Grief: When a parent dies* New York: Guilford Press

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[xiii] Worden JA (1996) *Children and Grief: When a parent dies* New York: Guilford Press

[xiv] DWP (2013) *Impact Assessment: Replacement of existing Bereavement Benefits for New Claims from April 2016 29/04/2013* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197843/pensions-bill-ia-annex-c-replacement-of-existing-bereavement-benefits-for-new-claims-from-april-2016.pdf Accessed 24 May 2013

[xv] http://www.communitycare.co.uk/articles/22/06/2012/118311/universal-credit-support-for-unemployed-kinship-carers.htm Accessed 25 May 2013

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10

Cruse Bereavement Care

Cruse Bereavement Care - please note that the figures used in the following documents are based on GB figures.

Cost neutral extension of the Bereavement Support Payment

The proposed Bereavement Support Payment has an overall value of £9800 for claimants that receive it for a full year. This is comprised of a one off component worth £5000 and a monthly payment of £400 for 12 months.

Since the proposal is currently that the BSP would be disregarded as income for the purposes of benefits and tax credits, and for tax purposes, the claimant will keep the full value of the payment for the payment period.

By reducing the value of the monthly and/or the one off component it would be possible to cost-neutrally extend the payment period of the monthly payment to three years.

What would a cost neutral extension of the payment period look like?

Assuming the lump sum payment remains at £5000, £4800 remains (per claimant) for the ongoing payments. If the payment period was extended to 3 years, and all claimants claimed for the full 3 years, this would equate to a cost neutral allocation of £30.68 per week.

However, we would expect a minority of claimants to claim the BSP for a period of less than 3 years. Based on WPA payment periods, we might estimate that the average claim period would be 2.6 years.[1] This would make the cost neutral rate of payment £35.40 per week.

For low income working families the value of WPA is currently £43 per week (see attached spreadsheet), and it would be important to avoid the weekly value of the BSP being less than it is at present for this group. If the value of the BSP was made £43 per week, this would cost an average of £390 per claimant per year.

At a total number of 8260 BSP new claimants who are parents each year, and an average claim period of 2.6 years, this would mean, once the BSP is fully introduced, there would be estimated to be around 21500 BSP claiming parents at any point in time. At an additional cost of £390 per claimant per year, this would cost a total of £8.4m per year.

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[1] Based on an average payment period for WPA of 6 years, we might assume that around a quarter of claims end within 3 years. For this 25% of claimants, we might assume that the average payment period is 1.5 years.

On this basis we could estimate that for a 3 year BSP 75% of claimants would claim for the full 3 years, and of the remaining 25% of claimants, the average payment period would be 1.5 years. This would make the overall average claim period around 2.6 years.

There are expected to be 28500 BSP claimants per year who are not parents. By reducing their lump sum payment by £295 (to £2205 per claimant), around £8.4m per year would be saved.

Since the proposal would reduce the level of ongoing payments in order to extend the payment period, some additional savings would be generated in the first couple of years of introduction.

How generous is this compared to current WPA entitlement

WPA is currently paid at a rate of £111.20 per week. However, because it is both treated as income for benefit and tax credit purposes, and because it is taxable income, the actual value to claimants is normally considerably less than this. The current value is around £39 per week for non working claimants, £43 per week for lower income working claimants paying income tax. High income working claimants (those not in receipt of Tax Credits) have a higher level of weekly gain – around £89 per week.

Proposal:

- ***Extend the payment period for BSP to 3 years***
- ***Ensure this is disregarded for benefits, tax credits and tax purposes.***
- ***Reduce the value of the ongoing payment to £43 per week.***
- ***Reduce the lump sum payment for non-parents claiming the BSP to £2205***

No earnings

	Current system- mother with one child (No WPA, or other income):	Current system- mother with one child receiving WPA (no other income):	UC (No WPA/BSP)	Universal Credit (WPA not disregarded)	Universal Credit (with Bereavement Support Payment disregarded)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)
IS/JSA	£72.40	£0.00	£72.40	£0.00	£0.00	£0.00	£0.00
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06	£46.03	£30.76
Tax Credits/ UC	£63.36	£63.36	£63.36	£24.56	£135.76	£135.76	£135.76
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50
Total	**£156.26**	**£195.06**	**£156.26**	**£156.26**	**£248.32**	**£202.29**	**£187.02**
Additional value of BSP/WPA		£38.80		£0.00	£92.06	£46.03	£30.76

Earnings £10,000

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)
Net Earnings	£187.59	£165.35	£187.59	£165.35	£187.59	£187.59	£187.59
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06	£46.03	£30.68
Tax Credits/ UC	£110.71	£65.12	£124.15	£24.78	£124.15	£124.15	£124.15
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50
Total	**£318.80**	**£362.17**	**£332.24**	**£321.83**	**£424.30**	**£378.27**	**£362.92**
Additional value of BSP/WPA		£43.37		-£10.41	£92.06	£46.03	£30.68

Earnings £15,000

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)
Net Earnings	£252.98	£230.74	£252.98	£230.74	£252.98	£252.98	£252.98
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06	£46.03	£30.68
Tax Credits/ UC	£71.29	£25.70	£81.64	£0.00	£81.64	£81.64	£81.64
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50
Total	**£344.77**	**£388.14**	**£355.12**	**£362.44**	**£447.18**	**£401.15**	**£385.80**
Additional value of BSP/WPA		£43.37		£7.32	£92.06	£46.03	£30.68

Earnings £20,000

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)
Net Earnings	£318.36	£296.12	£318.36	£296.12	£318.36	£318.36	£318.36
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06	£46.03	£30.68
Tax Credits/ UC	£31.86	£0.00	£39.14	£0.00	£39.14	£39.14	£39.14
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50
Total	**£370.72**	**£427.82**	**£378.00**	**£427.82**	**£470.06**	**£424.03**	**£408.68**
Additional value of BSP/WPA		£57.10		£49.82	£92.06	£46.03	£30.68

Earnings £25,000

	Current system-mother with one child (No WPA):	Current system-mother with one child receiving WPA:	UC (No WPA/BSP)	Universal Credit (WPA not disregarded &taxable)	Universal Credit (with Bereavement Support Payment disregarded & non taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)	Universal Credit (with Bereavement Support Payment disregarded and non-taxable)
Net Earnings	£383.74	£361.50	£383.74	£361.50	£383.74	£383.74	£383.74
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06	£46.03	£30.68
Tax Credits/ UC	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50
Total	**£404.24**	**£493.20**	**£404.24**	**£493.20**	**£496.30**	**£450.27**	**£434.92**
Additional value of BSP/WPA		£88.96		£88.96	£92.06	£46.03	£30.68

Earnings £26,500 (no childcare)

	Current system- mother with one child (No WPA):	**Current system- mother with one child receiving WPA:**	**UC (No WPA/BSP)**	**Universal Credit (WPA not disregarded &taxable)**	**Universal Credit (with Bereavement Support Payment disregarded & non taxable)**	**Universal Credit (with Bereavement Support Payment disregarded and non-taxable)**	**Universal Credit (with Bereavement Support Payment disregarded and non-taxable)**
Net Earnings	£403.36	£381.12	£403.36	£381.12	£403.36	£403.36	£403.36
WPA/BSP	£0.00	£111.20	£0.00	£111.20	£92.06	£46.03	£30.68
Tax Credits/ UC	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00
Child Benefit	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50	£20.50
Total	**£423.86**	**£512.82**	**£423.86**	**£512.82**	**£515.92**	**£469.89**	**£454.54**
Additional value of BSP/WPA		£88.96		£88.96	£92.06	£46.03	£30.68

Earnings £26,500 (childcare)

	Current system- mother with one child (No WPA):	Current system- mother with one child receiving WPA:
Net Earnings	£403.36	£381.12
WPA/BSP	£0.00	£111.20
Tax Credits/ UC	£103.11	£57.52
Child Benefit	£20.50	£20.50
Total	**£526.97**	**£570.34**
Additional value of BSP/WPA		£43.37

AP notes to self on
£26,500+childcare

Annual gross wages	26,500.00	WTC basic	1,920.00
Weekly gross wages	509.62	Lone parent element	1,970.00
Annual gross income	32,131.60	CTC family element	545.00
Weekly gross income	617.92	CTC child	2,720.00
Annual tax free amount	9,439.56	Childcare	6,370.00
Weekly tax free amount	181.53	Total	13,525.00
Annual tax	4,538.41		
Weekly tax	87.28	Income disregarded	6,420.00
Annual net income	27,593.19	Income taken into account	25,711.60
Weekly net income	530.64	Withdrawal rate	10,541.76
Annual NIC	2,250.24		
Weekly NIC	43.27	Remaining tax credits annual	2,983.24
Total weekly deductions	130.55	remaining tax credits weekly	57.37
Weekly net income	379.06		

	2013/14		2014/15	
IS/JSA	71.70		72.40	
WPA	108.30		111.20	
CB	20.30		20.50	
UC	311.55	(standard)	314.67	(standard)
	272.08	(child)	274.58	(child)
	734.00	work allowance	734.00	work allowance
	169.38	weekly	169.38	weekly
CTC	545.00	(family)	545.00	(family)
	2720.00	(child)	2750.00	(child)
WTC	1920.00	standard	1940.00	standard
	1970.00	lone parent	1990.00	lone parent
	6370.00	childcare	6370.00	childcare
	6420.00	income threshold	6420.00	income threshold
PA	9440.00	annual	10000.00	annual
	181.53	weekly	192.30	weekly
NIC	149.00	weekly threshold	153.00	weekly threshold

Cruse Bereavement Care

Cruse / Childhood Bereavement Network response to NI Assembly Social Development Committee

Thank you for the opportunity to present our concerns to the Committee. This paper clarifies issues emerging from the evidence session of 22 January 2015. Please contact Alison Penny at the Childhood Bereavement Network apenny@ncb.org.uk for any clarifications.

Summary of changes

1. The current benefits system provides to widow(er)s and surviving civil partners
   - a one-off tax free lump sum of £2,000 (Bereavement Payment)
   - **for those with dependent children**: a taxable weekly benefit - Widowed Parent's Allowance - of up to £111.20 per week (depending on level of partner's NI contribution record), paid until the youngest child no longer qualifies for Child Benefit.
   - **for those aged between 45 and State Pension age**: a taxable weekly benefit – Bereavement Allowance - of up to £111.20 per week (depending on age and level of partner's NI contribution record) paid for up to 52 weeks
   - **for those aged under 45 with no dependent children**: no ongoing payment
2. Widowed parents are treated differently from those without children, in recognition that 'bereaved spouses with children may have greater difficulty in supporting themselves through work compared with those without dependents, because of their childcare responsibilities1'
3. The Pensions Bill represents a fundamental repurposing of the benefit. It dismantles the current safety net of ongoing support, and replaces it with the 'concertina'-ed support of a death grant. This is intended to meet the additional costs that bereavement brings, focused on the period immediately following the death. Indicative amounts are
   - An increased tax free lump sum of £5,000 for those with children, £2500 to those without
   - Monthly tax free instalments of £400 for those with children, £150 to those without, paid for one year only.
   - The new payments will be tax free and disregarded as income for calculation of Universal Credit.

Who does better or worse under the reforms?

4. Overall, the reforms benefit those under 45 with no children most, and disadvantage those with younger children the most. 96% of widowed parents will receive benefits for a shorter period than they do currently. **The proposals represent a significant redistribution of funding away from those with children to those with no children.** Currently, we calculate that 63% of the total spend on bereavement benefits goes to those with children. Under proposals, less than 40% of spend on new claimants will go on those with children.
5. **100% of those aged under 45 with no children will benefit** from the proposals, by an average of £4,500 for those out of work and £3,200 for those in work
6. **Only 25% of those with children will benefit – 75% will be worse off** (88% of those in work will be worse off, 57% of those out of work will be worse off2).

7. Claimants with younger children will be disproportionately badly affected, as they can currently claim for longer.

How much worse off will widowed parents be?

8. The current median claim for Widowed Parent's Allowance is 5-6 years. The table below shows how much worse off widowed parents making this current median claim would be, after taking into account the effect of exempting the new benefits from UC awards, and where relevant, a tax liability.

Net loss for those making current median claim of 5-6 years	**Average net loss**	**Maximum net loss**
In work, with dependent children	£12,100	£16,800
Out of work, with dependent children	£6,600	£16,800

9. Some widowed parents remain on the benefit for much longer. The most up to date figures on length of claim from DWP3 suggest that 9% of widowed parents claim for 10-11 years. For these parents, the net loss would be greater (see below). Some will claim for even longer, but as the benefit has not existed for as long as the maximum claim length, we do not yet know what proportion this will be.

Net loss for those making current claim of 10-11 years	**Average net loss**	**Maximum net loss**
In work, with dependent children	£26,100	£34,200
Out of work, with dependent children	£16,800	£34,100

10. Some of the 25% who would nominally do better under the reforms will in fact feel worse off, as DWP calculations are based on the assumption that people can 'eke out' their lump sum, whereas we believe this will be swallowed up almost immediately in funeral costs, which rose last year seven times the rate of inflation. The average cost of dying in NI is £5,8934.

How could the reforms be improved?

11. We believe that the main difficulty with the instalments is that they will be paid over a much shorter period of time for the vast majority of claimants. 96% of widowed parents claim for longer than a year, so will receive payments for a shorter time. The policy aim is for the benefit to help meet the costs associated with the death: we know that those costs **continue to emerge** for widowed parents over two to three years as their children's needs emerge. Therefore, we believe that spreading the instalments over three years rather than one would be preferable.

12. We have developed a cost neutral way of doing this. Assuming the lump sum payment remains at £5,000, £4800 remains (per claimant) for the ongoing payments. If the payment period was extended to 3 years and all claimants claimed for the full 3 years, this would equate to a cost neutral allocation of £30.77 per week (£4800 / 156 weeks).

13. However, we expect a minority of claimant to claim the BSP for a period of less than three years Based on WPA payment periods, we might estimate that the average claim period would be 2.6 years5. This would make the cost neutral rate of payment £35.55 per week (4800 / 135 weeks).

14. For low income working families, the actual value of current Widowed Parents' Allowance is currently £43 per week, and it would be important to avoid the weekly value of the new

Bereavement Support Payment being less than it is at present for this group. If the value of the Bereavement Support Payment was made £43 per week, this would cost an average of £390 per claimant per year.

15. In GB, the DWP expects there to be around 8260 BSP claimants who are parents each year. At an average claim period of 2.6 years this would mean, once the BSP is fully introduced, there would be estimated to be around 21500 BSP-claiming parents at any point in time. At an additional cost of £390 per year, this would cost a total of £8.4m per year. The Department for Social Development estimates spend in NI on bereavement benefits to be around 3.61% of spend in GB6. This would give an additional cost of approximately £303,000 per year (£8.4m x 0.0361).

16. This additional cost could be offset by reducing the proposed lump sum for new BSP claimants who are not parents by £295 (to £2205 per claimant – this still represents an increase on the current payment of £2000). In GB, DWP expects there to be 28500 such claimant each year – reducing their lump sum in this way would save £8.4m. Using the same multipliers as in the previous point, this would save £303,000 per year, making our proposal cost neutral.

Isn't this just shifting money about? How would it actually benefit widowed parents and their children?

17. By spreading the payments over three years, rather than one, but keeping the overall amount very similar, families would have greater security to meet the costs associated with having been bereaved over a longer period of time. We know that children's needs continue to emerge over the second and third years following a death, and that this makes demands on their parents which can affect their capacity to work, as well as bringing additional costs such as travel to support meetings, additional childcare costs, and other costs to help their children to settle.

18. It would be important that these three year instalments were still disregarded from Universal Credit, and not taxed.

If paid over three years, would it be taxed?

19. If the policy aim of the proposals remains the same – helping families deal with the additional costs of having been bereaved – then we do not see why spreading payments over three years rather than one would necessarily imply a change in tax status. We do not see a three year benefit as a 'long term benefit'.

If paid over three years rather than one, wouldn't this be a 'survivor pension' rather than a 'death grant'?

20. The Department for Social Development and the Department for Work and Pensions have raised concerns that if payments were made over a longer period, this would mean the benefit was likely to be classified as a survivor's pension under EU social security co-ordination, and thus exportable. It could also bring about other costs, such as passported healthcare, sickness and family benefits.

21. However, our initial research into Regulation 883/05 suggested that the UK would not have to reimburse healthcare costs etc where the surviving spouse is also getting a survivor pension from the state of residence.

22. We think it is very important that the Department provides robust estimates of the likely additional costs of the benefit being classified as a survivor pension rather than a death

grant. **Without these estimates, there is a great risk that our proposed solution to the main problem of the overall proposal - the duration of payments - will be dismissed without proper scrutiny.**

Are these matters settled in GB?

23. Our understanding is that these matters are not settled and that the Department for Work and Pensions will consult further on the regulations.

Under Universal Credit, working claimants of Widowed Parents' Allowance will be £8 per week worse off than non-widowed parents

24. The new benefits will not affect those who are currently claiming Widowed Parents' Allowance or who start a claim between now and the introduction of Bereavement Support Payment. **However, we are very concerned about the impact of move onto Universal Credit for those existing WPA claimants.** We have identified that these widows and widowers will end up **paying to receive the two benefits**.

25. For the purposes of Universal Credit, Widowed Parent's Allowance will be treated as 'income other than earnings'. This means it will be deducted at a pound for pound rate from the claimant's UC entitlement. This means that the actual value for a widowed parent with no other income will be £0 per week. However WPA will also continue to be treated as taxable income. For this reason, working claimants will not only have their WPA deducted in full from their UC entitlement, but will also pay tax on it in addition. The outcome is that working widowed parents in receipt of both WPA and UC could end up paying £7.90 per week, on account of their receipt of WPA.

26. We understand that those who are moved on to UC will get transitional protection, but this will only be until the first change in their circumstances. Nor will this protect people who are on UC and are then widowed before April 2017 (the likely date for new claims to be processed as Bereavement Support Payment rather than Widowed Parents' Allowance).

27. This anomaly could be resolved in various ways:

    a. Removing WPA from the list of benefits treated as income rather than earnings for UC entitlement

    b. Partially disregarding WPA for the purposes of UC entitlement

    c. Treating WPA as earnings rather than other income for the purposes of UC entitlement

    d. Introducing a 'widowed parents element' as an additional component within UC (a similar approach is seen in the interaction of Carers Allowance and the Carer element in Universal Credit'.

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29 January 2015
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(Endnotes)

1 CM1404, November 1998

2 DWP (2013) Further analysis on the reform of bereavement benefits for new claims from April 2016 https://www.gov.uk/government/publications/further-analysis-on-the-reform-of-bereavement-benefits-for-new-claims-from-april-2016

3 This differs from the snapshot of current caseload in the Department's Equalities Impact Assessment. P56 of this document shows for example that 14% of current claimants have been claiming for 1-2 years. Some of these current claimants will continue their claim into subsequent years: the only way to analyse overall length of claims is to go back and look at the cohort of widowers and widowers who started their claim in 2002/3, as DWP have done in https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208850/130626-ad-hoc-bereavement-benefits.pdf

4 https://www.sunlifedirect.co.uk/press-office/2014-cost-of-dying-soars/

5 Based on an average payment period for WPA of 6 years, we might assume that around a quarter of claims end within 3 years. For this 25% of claimants, we might assume that the average payment period is 1.5 years. On this basis we would estimate that for a 3 year BSP 75% of claimants would claim for the full three years, and of the remaining 25% of claimants, the average payment period would be 1.5 years. This would make the average overall claim period around 2.6 years.

6 http://www.dsdni.gov.uk/pensions-bill-draft-regulatory-impact-assessment-nov14.pdf

Helm Housing Association

Dear Sir/Madam,

On behalf of my Board I would like to express our concerns regarding the proposed ending of the National Insurance rebate under this Bill.

This change would mean additional costs for our organisation at a time when there are other pressures on our resources.

Best regards

Michael
Michael McDonnell
Chief Executive

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NILGA

From: Karen Smyth [mailto:karen.smyth@nilga.org]
Sent: 26 November 2014 13:47
To: Pelan, Dr Kevin
Cc: Derek McCallan; John Adams Subject: Pensions Bill

Hi Kevin

Thank you for your invitation to make a submission to the SD Committee in relation to the Pensions Bill. Unfortunately due to our need to prioritise our activity around local government reform at the moment, we can't send a formal written submission to you, but I would be grateful if you could ensure that the Committee notes that the main implication of the Bill for local government will be an uplift in the National Insurance contribution, adding approximately 3% to the salaries and wages bill for councils. This is an additional issue to be considered by the district rate, in the current dynamic environment for councils and council finances arising from rates convergence and transfer finance issues.

Regards

Karen
Karen Smyth
Head of Policy
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NILGOSC

NILGOSC
NORTHERN IRELAND LOCAL GOVERNMENT OFFICERS'
SUPERANNUATION COMMITTEE

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Dr Kevin Pelan
Committee Clerk
DSD Committee
Room 284,
Parliament Buildings,
Belfast, BT4 3XX

10 December 2014

Dear Dr Pelan

Pensions Bill

I welcome the opportunity to make a limited number of comments on the draft Pensions Bill on behalf of NILGOSC.

NILGOSC (the Northern Ireland Local Government Officers' Superannuation Committee) is the non-Departmental public body charged with the administration of the Local Government Pension Scheme for Northern Ireland. Currently 205 employers, ranging from the local Councils, Education Boards, NIHE, Translink, housing associations, Schools, Colleges and other private sector and public bodies, contribute to the pension scheme as well as the 52,000 contributing members.

This Bill has a significant financial impact on the largest employers in Northern Ireland and their employees. It is therefore extremely disappointing that DSD have not undertaken a specific Northern Ireland consultation, instead relying on the consultation undertaken in 2012 for the Westminster Bill. We have tried to locate the Regulatory Impact Assessment that the Department is obliged to undertake but have been unsuccessful. Such an assessment is important as it would provide details of the financial impact.

The financial impact arises from clause 24 in the Bill which ends the 'Contracted-Out' rebate applied to National Insurance contributions for those employers who currently operate a pension scheme which is 'Contracted-out' of the State Second Pension. Such employers currently receive a 3.4% rebate, and employees a 1.4% rebate. In 2012 we were able to calculate that this clause will cost the employers in our pension scheme £17m per annum and the employees £7m per annum. These figures are just for the Employers and Employees associated with the NILGOSC scheme. The change will of course affect a much greater number of employers across Northern Ireland.

The clause has the effect of increasing the National Insurance contributions paid by the employers and employees, thereby increasing the receipts of HM Treasury. It is currently unclear if there is any mechanism to allow these extra receipts to be recycled back into Northern Ireland. Even if such a mechanism was to be developed many employers who contribute to our Scheme do not receive direct government revenue funding and therefore will be left to meet this additional cost without extra funding.

NILGOSC is merely a pension administrator. We are not in a position to either estimate the costs to employers across Northern Ireland or speculate, specifically for public sector employers already facing material budget cuts, what the effect on services will be due to this additional cost. However we hope that the Committee, with the assistance of the Department, will have access to such information so that the implications of the Pensions Bill can be fully understood.

Yours sincerely

David Murphy
Chief Executive

NIPSA

nipsa

The Leading Public Service Union

Brian Campfield General Secretary

YOUR REF

OUR REF

Mr K Pelan
NI Assembly
DSD Committee Clerk
Room 284
Parliament Buildings
Stormont
BELFAST 4

26 November 2014

Dear Kevin

PENSIONS BILL – BRIEFING TO COMMITTEE FOR SOCIAL DEVELOPMENT

Thank you for your letter of 25 November, in respect of the above. I can confirm I will be attending and will be accompanied by Mr John O'Farrell of NIC-ICTU.

I am setting out below some supplementary points to the submission (attached) that was made in response to the DWP Whitepaper:- The Single-tier Pension: A simple foundation for saving of January 2013. Appended to that response was the NIPSA submission of June 2012 to the DWP Green Paper:- A State Pension for the 21st Century. Whilst there is some vintage now to those submissions they remain apposite to the content of the draft Bill.

Many of the issues in the Bill, in particular increasing the age for applying the State Pension, cover ground dealt with during the passage of the Public Sector Pensions Bill earlier this year.

Some of the key issues in the Bill that need addressing include:-

- Job displacement in the local economy.
- Impact on financial and retirement planning for those closest to retirement.
- Benefits of a flexible decade of retirement i.e an opportunity to retire before the SPA without detriment and better enhancements for deferring claiming of state pension.
- Significant disadvantages of closing down contracting out for both Public Sector and Private Sector DB Schemes, including scheme sustainability and level of future occupational pensions income.
- Unfair treatment of pre 2016 retirees and post 2016 retirees albeit many post 2016 will not get the full flat rate pension.
- The draconian change in years of NI contributions from 30 to 35. This should move incrementally on a year by year basis tied to the amended SPA.

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- Need for an underpin guarantee to increase the pension by the higher figure of earnings growth or RPI.
- Uprating to apply regardless of which country a retiree lives in.
- The pro-rated payment will need to meet an acceptable level above the pensioner poverty threshold.
- No provision for employers to unilaterally amend provisions of DB schemes to compensate for ending of contracting out.
- Remove provision to take pensions as pure cash pots.
- Full disclosure of all transaction costs.

Some other issues also arise including education/information. Pensions are complex and the proposed changes add to the complexity. There will be a need for a full but easy to understand education/awareness programme. To date what is available under NI Direct or the DWP web site falls very far short of what is needed. Furthermore rather than having to request information and entitlement details these should be provided to everyone affected by the changes.

NIPSA would also wish to see an additional clause added to the Bill. Currently the DFP committee is looking at legislative consent (to which on this occasion the trade unions agree) to prohibit transfers out of unfunded Public Sector Schemes, Defined Benefit schemes to DC Schemes and then accessing the cash pot rather than a pension (see point above). This is not the case for funded schemes, such as the LGPS/NILGOSC Scheme. Under Part 6 of the Bill we would wish to see a new clause that closes this loophole. I also attach a copy of the TUS letter to the DFP Committee Clerk on this matter.

Yours sincerely

BUMPER GRAHAM
NIPSA AGS/NICICTU PUBLIC SECTOR
PENSIONS GROUP CHAIRPERSON

Bg22115a

Mr S McAteer
NI Assembly
DFP Comm Clerk
Room 144
Parliament Buildings
Stormont
BELFAST

12 November 2014

Dear Shane

RE: LEGISLATIVE CONSENT MOTION (LCM) POWERS TO PREVENT TRANSFERS OUT OF UNFUNDED PUBLIC SERVICE DEFINED BENEFIT PENSION SCHEMES TO DEFINED CONTRIBUTION PENSION SCHEMES

I refer to your correspondence of 6 November 2014 addressed to my colleague John O'Farrell. I am letting you have this response on behalf of NIC ICTU in my capacity as Chairperson of the NIC ICTU Public Service Pensions Group.

As referred to in the correspondence there have been exchanges with DFP and sponsoring Departments of Public Service Pension Schemes via the CCWG on Public Service Pensions.

The trade unions are supportive of the legislation to prevent the switch from Defined Benefit (DB) to Defined Contribution (DC) Scheme. On this occasion we would also agree to the use of the legislative consent mechanism.

I would however wish to highlight a number of points:-

- Our concern relates to the Scheme member and the potential vunerability of their future if the loophole is not closed. A transfer from DB to DC and then accessing their pension pot via cash release(s) will damage their future security in retirement.

- The basis of the correspondence to the Committee of 21 October from the DFP Departmental Assembly Liaison Officer puts undue attention on scheme/public purse impact. Whilst this is a factor, as pointed out above the most important reason to support the legislative consent proposal is to protect the individual scheme member.

- The Trade Unions would wish to see the Westminster legislation go further and should it not do so we would wish the Assembly to pick up this point. We would wish the legislation to cover all public sector pension schemes including the funded schemes; in particular the LGPS/NILGOSC Scheme. We do so to ensure equitable protection of all public servants future pension provision. The DB to DC switch and then accessing cash pots is not dissimilar from the pension liberation scams which leave individuals in retirement with little or no ongoing occupational pensions; and

- The focus on the ability of the scheme to release cash assets vis-à-vis the unfunded schemes is also erroneous as it still represents an adverse impact on the totality of the scheme's funding position.

If you wish to discuss further please feel free to contact me.

Yours sincerely

BUMPER GRAHAM
NIC ICTU Chairperson
Public Service Pensions Group

Bg12113a

DWP WHITEPAPER: The Single-tier Pension: A Simple foundation for saving (Jan 2013)

Para No	Executive Summary
2.	NIPSA is not only opposed to the increase in State Pension Age (SPA) but in the linking of SPA to Normal Retirement Age (NRA) as prescribed for in the Public Service Pensions Bill.
4.	The proposals of the draft Pensions Bill further adversely impact on the sustainability of occupational pension schemes and in particular Defined Benefit (DB) schemes, especially public sector pension schemes. The duel impact of the Pensions Bill and the Public Service Pensions Bill will raise genuine issues of sustainability for many of the schemes.
	The termination of contracting out will also spell the death knell for many of the remaining private sector DB schemes. This will result in increased numbers of workers leaving occupational pension schemes or at best a movement to Defined Contribution/Money Purchase schemes which historically have failed to deliver decent pensions and/or resulted in either rip-off schemes or provide /lavish returns for investment managers/annuity providers and very poor value for the employee.
5.	The Turner Report made very strong recommendations as to the proportionate income percentage needed for pension value vis-à-vis pay levels. The Pensions Bill totally fails to move forward in line with the Turner recommendations on this aspect (see para 32 of Appendix 1 the NIPSA response to the Green Paper).

6. The support to people saving for retirement is highly swayed in favour of the most wealthy in society: 60 per cent of the gross tax relief – more than £22 billion a year (going) to higher rate tax payers.

7. Whilst auto-enrolment is to be welcomed the current arrangements and associated NEST provisions are very limited.

11. NIPSA was one of the organisations that submitted comments on the Green Paper (see Appendix 1). NIPSA considers that the Pensions Bill and other related initiatives such as; Public Service Pensions Bill, Welfare Reform and other aspects of the Government's Austerity Programme do nothing to improve the position of current pensioners and those who will retire (albeit delayed retirement due to increases in SPA and NRA) in forthcoming years and decades.

19. The proposals can only but undermine DB schemes (see 4 above). It is wholly unacceptable for the Government to promote the position that employers can offset additional NI contributions by "**reducing future pension benefits or by increasing employee contribution costs**".

29. The real position of the Government is made somewhat transparent by confirming that the aim of the proposals are to reduce public expenditure by bringing projected GDP expenditure down from 8.5% to 8.1% by 2060.

31. There are clear concerns as to the future of the current triple-lock approach to uprating.

<u>Para No</u>	<u>Section 1 – The Context for Reform</u>
3.	This ignores the implications of the on-going Welfare Reforms which will result in further embedding pensioner poverty.

4. NIPSA fully accepts that the current system is overly complex and off-putting resulting in low take-up of pension credit and wholly inadequate. NIPSA wishes to see a fair, simple system that eradicates pensioner poverty, these proposals fail on all counts.

5. See comments in respect of paras 5 and 31 Executive Summary. The proposed introductory flat rate pension of £144 is 13% below the current pensioner poverty rate of £165. The 18% value of mean full-time earnings is indecent and will ensure that the UK remains at the bottom of the EU and the OECD league tables for state pension values. No comfort can be taken to the references to bus passes, TV licences etc, especially as caveated by "under current plans, the Government will continue."

6. See comments on para 6 of Executive Summary. Tax relief for the top 1% of those earning more than £150,000 is more than £8bn and for all higher rate taxpayers £20bn plus. These reliefs should be ended and directed to providing additional resources to eradicate pensioner poverty. Real action is needed to restore confidence in occupational pensions not least in DC Schemes for which UK assets fell by 1/3 between September 07 and February 09.

8. It is wholly erroneous to state "that many current pensioners have access to relatively generous DB schemes." For Public Service DB Schemes over half of pensioners receive less than £5,600 pa and in the LGPS women's pension is circa £2,800. When you consider the state underpin very many of these pensioners are by and large substituting their occupational pension for pension credit entitlement.

9. See 5 above re the position of the UK in respect of other developed countries relative pension position.

10. The race away from DB schemes by private sector employers can only be exacerbated by the end of contracting-out. Between 2004 and 2007

there was a 25% fall in private sector workers in DB Schemes. Since 1967 when there were 8 million pension scheme members in the private sector we have witnessed a race to the bottom and these proposals will enhance the pace of decline.

14. NIPSA would question how the 1/3 figure has been arrived at and would suggest it will be higher and added to post 2017 when contracting-out goes with the burden mainly passed to employees (see comments para 19 Executive Summary).

15. See comments on para 7 of Executive Summary.

16. The Government has totally failed to reinvigorate workplace pensions, other than for the most wealthy. The public knows only too well what "risk-sharing" means – massive unchecked bonuses for investment bankers and their fellow travellers in the pensions industry whilst pension pots fall massively in value and the public purse accepts the total cost of the casino risk takers.

22. As the single flat rate proposals apply for those who qualify post 2017 the current inadequate flawed system will pertain for decades to come in a dual system and hence more administratively complex system. Government is therefore continuing to embed pensioner poverty and doing next to nothing to get to the 1/3 pensioners who whilst entitled are not currently claiming pension credit to avail of it.

27. The equalisation provisions are of course perverse in that women's age of SPA entitlement is extended and that for years to come the system continues to perpetuate inequality.

Section 2 – The Single-Tier Pension

33. The move to a contribution record based on 35 years represents a 16.66% increase in requirement, from the current 30 years. It would be more appropriate to move in line with the SPA increase ie from 30 – 31 in 2020 and 32 from 2026.

40. The level of means-tested pension credit support still leaves millions of UK pensioners in pension poverty.

41. The five year period will still result in a cliff edge impact.

Section 3 Managing the end of contracting out

59. NIPSA strongly objects to the potential erosion of schemes and taking certain powers away from Trustees to give to employers.

61. There can be no guarantee that the impact will not undermine DB schemes. This linked to para 59 is liable to result in higher levels of employee opt-out and hence damage scheme sustainability.

69-71. The proposed changes on top of the attacks by the government on public service pension schemes calls into question not only the purported "25 year guarantee" but also the government's position in the negotiations, as clearly removing the contracting-out provision was a well advanced policy consideration.

The government needs to be absolute at an early stage as to what it means by "Public Service employers will therefore not be able to pass the cost of increased NI contributions onto their employees . . . . et seq." Does this mean **all costs** including the additional employee NI contributions?

Section 4 The Transition to the single-tier pension

103. The costs control and the aim by 2060 to reduce GDP outlay (see para 29 Executive Summary) will therefore retain the relative levels of pensioner poverty. In addition by 2060 the impact of the employer flight away from occupational pensions of the past 20 years and the likely high levels of employee op-out will place more pensioners into being dependent upon the state pension as their sole basis for income.

109. DWP should establish immediately a robust online pension estimate calculator covering the current scheme, transitional arrangements and steady state flat rate pension scenarios.

Section 5 – Sustainability and assumptions

110. This para again confirms that what underpins the government's approach is cost cutting albeit in the medium to longer term.

113. Given that this government has proven to be wholly incapable of short-term economic forecasting no confidence can be taken from these longer term forecasts.

117. Historical approaches have resulted in the devaluation of the state pension vis-à-vis earnings growth, this is confirmed at para 119.

121. The triple lock assumption is of little value, it needs to be guaranteed via being established on the face of the bill.

122. This would go a little way to improving the value of state pensions and is a nod albeit a limited one in the direction of the Turner Report.

Section 6 – Longer-Term sustainability: State Pension Age

127. Little or no work has been carried at as to the impact on youth/graduate unemployment, women returners to the labour market as a consequence of increasing the SPA and the NRA link to it for public sector schemes. It is also likely to fuel the casualization, part-time and under utilisation of workers. Likewise the impact of the "grey pound" has not been assessed.

130. Again there has been little assessment of the labour market implications as a consequence of the removal of the default age.

134. This needs to be properly assessed taking account of the comments above on paras 127 and 130.

141-155. NIPSA as recorded in this response and in numerous other consultations strongly opposes increases in SPA and the NRA linkage. Government should provide for a more flexible approach to retirement providing people with choice, many will opt to remain in work or take flexible retirement whilst others would opt to go at existing NRAs. Such provisions should therefore retain 65 or at worst 66 as SPA and for existing NRA there should be no actuarial reductions enforced.

161. As with para 127 above there is a need to fully assess the labour market implications.

DWP Whitepaper

DWP GREEN PAPER

A STATE PENSION FOR THE 21ST CENTURY

NIPSA RESPONSE

June 2011

Introduction

1. NIPSA is concerned with the fragmented approach being taken by the Government to the issue of pensions, both in respect of the State Pension and or occupational pensions especially with regard to public service pensions.

2. Since the election of the Government in 2010 there have been numerous reviews and changes to pension provision, these include:-

   - Indexation move from RPI to CPI
   - Hutton Public Service Pensions Commission
   - Increased subscriptions for public service pension scheme employees
   - Early access to Pension Savings
   - Taxation changes
   - Changes to State Pension Age (SPA)
   - Review of the Discount rate
   - McFall Commission 'Workplace Retirement Income Commission

   and now the Green Paper – "A State Pension for the 21st Century".

3. In addition to the numerous interventions by the UK Government there has also been the European Green Paper – 'Towards Adequate, Sustainable and Safe European Pension Systems.'

4. It is clear that the UK Government's approach to the wider pension debate be that as an employer or as the provider of Social Security Benefits is to further penalise ordinary workers be they in employment or in receipt of pensions. The Government is fixated with it's deficit reduction plans and via pension reform seeks to again place the burden on working people (including the retired).

5. The Government totally fails to address the fact that in the UK 2.5m pensioners live below the official poverty line, defined as 60% median population income (based on 2007/08 figures). None of this Government's actions or its predecessor have addressed pensioner poverty in fact in 2009/10 pension poverty rose by 300,000 or by 822 people per day.

6. Approximately 61% of pensioner couples have an income of less than £15,000, whilst 45% of all single pensioners have an annual income of less than £10,000.

7. From the Minister's Foreward it is clear that the Government's objective is to place greater responsibilities on individuals providing for their retirement income. The consultation document is littered with references to the outworkings of any chance having to be 'cost neutral'.

8. At no point is there a recognition that the UK is bottom of the European League is respect of the value of the State Pension (basic and second) as a proportion of average working pay. The UK percentage is 30.6% compared to for example:- Ireland 32.5%, France 51.2% or the Netherlands at 81.9%. The UK is some 29.4% behind the EU average of 60%.

9. NIPSA believes that there is an obligation on the State to ensure that no-one lives in poverty and that the State must provide a pension that meets this requirement. This pension should be supplemented via decent occupational pensions that should be of a defined benefit (DB) nature with mandatory employer/employee contributions based around a fair ratio of contributions.

10. Whilst the above comments and in particular those that follow relate to the current debate on pension provision NIPSA does not believe that the Government's approach will lift pensioners out of poverty nor meet the Turner Commission recommendations on income replacement.

<u>**Executive Summary**</u>

11. With regard to the four guiding principles NIPSA has a number of concerns:-

- Personal responsibility – the failure to include the employers role is unacceptable
- Fairness – the right to a basic pension income that meets the poverty threshold should not be based on contributions. There is clear scope for payment over and above the poverty threshold that is based upon NI contributions.

- Affordability and sustainability – NIPSA does not accept that the approach for provision of state pensions should be cost neutral. As referred to at para 8 the UK is at the bottom of the European league with regards to the value of pensions as a proportion of average working pay. To lift pensioners out of poverty and to meet the Turner report on adequacy there is a clear requirement to increase the proportion of public expenditure on state pensions.

12. It is foolish to bank on auto-enrolment, it is likely that many people will opt-out and that the administration costs in pension schemes will rise considerably.

13. NIPSA would not dispute the difficulties created via means testing and that for many pensioners they feel stigmatized in applying for pension credit. The process also does little to address the inherent inequalities in pension provision, both state and occupational pensions. The options for a revised system as proposed in the Green Paper do little to provide for decency in retirement and seek to put more of the burden on individuals as opposed to the state and employers.

14. The Government has failed to address, in fact it has aided and abetted the retreat from decent and fair occupational pensions by employers. At the same time it has done very little to address the outlandish actions at Boardroom level in creaming off unjustifiable pension funds for the elite.

15. Regardless of the outcome of the current examination of pensions, stability must be brought back so that people, especially those within 10/15 years of the SPA know what their entitlements will be, including those in occupational schemes in order that they can make a considered plan for their retirement.

<u>**Chapter 1 – The Current Pension System**</u>

16. It is clear to the bulk of commentators that the existing system is failing working people and that the value of the state pension including pension credit and the state second pension does not provide an adequate or decent standard of living for pensioners.

17. Whilst the demographic trends have improved rapidly over recent decades they are beginning to slow, in addition no work has been carried out to assess the impact on life expectancy by the increase in SPA. This is especially so for manual employees and for those living in areas such as Northern Ireland,

Glasgow and the North East of England who have much higher mortality rates.

18. NIPSA is concerned that the recent NAPF research for YouGov identified that 34% of respondents indicated that they are relying on the state pension only. In addition 17% are dependent upon property investment at a time when a very high percentage of home owners are in negative equity.

19. The nature of British Society is also borne out by the NAPF survey with 8% banking on a lottery win and 9% on inheritance windfall to fund their retirement. As per para 9 there is a need to ensure that the state pension is supplemented by decent occupational pensions.

20. The current structure of the state pension is not only complex it also discourages participation in occupational pension schemes, especially for the low paid the bulk of whom are women and hence the endemic inequalities in UK pension provision. The variable withdrawal rates on income/savings of up to £184pa are a clear disincentive for the lower paid to participate in occupational pension schemes.

21. The current and proposed safety nets fall well below what is necessary to take pensioners out of poverty.

22. Whilst NIPSA does not accept the cost neutral policy of the Green Paper it is clear from para 53 that there is currently circa £2.9 billion that should be paid out to pensioners and that this provides some albeit limited finances to improve upon the inadequate pension rates currently paid.

23. It is clear to all that the answer to question 1 is a definitive 'no'. The current system is failing millions of pensioners and increasing the level of pensioner poverty.

Chapter 2 – Options for State Pension Reform

24. The Government seeks to cover itself with credit in respect of the comments at para 62 with regard to the "triple guarantee" whilst conveniently ignoring the impact of the indexation impact in moving from RPI to CPI.

25. At paras 75-81 the case against option 1 is compelling. Option 1 does little to provide for real improvements and takes too long to work through, thus enshrining inequalities for decades to come.

26. The dependency on the second state pension only encourages further retreat by private sector employers from provision of occupational pensions.

27. There is also a falsification of the maximum qualifying years "49/50 from 16 to 65/66" only a very small minority of the working population meet this, in fact for many who progress through the education system it will be age 24/25 before they contemplate entering the labour market. For many other young people they are deprived from building up pension entitlement due to mass youth unemployment.

28. In respect of Option 2, NIPSA does not accept that a value of £140 pa is adequate and totally rejects the cost neutral stance.

29. NIPSA is very concerned that with the changes to public service pensions, including considerable increased employee contributions, and the already announced stealth tax on pension funds via a reduction in the contracted out rebate from 5.3% to 4.8% this will exacerbate the withdrawal rates from occupational pension schemes.

30. To go further under option 2 with the abolition of the contracting out rebate will result in yet more employers closing DB schemes and employees leaving on mass. The Government should be seeking to support workplace pension schemes rather than adding extra costs unto them.

31. The Hutton Commission addressed this issue and whilst NIPSA mainly opposed the Commission's recommendations it by and large did get it right in it's comments on the contracting-out rebate.

32. NIPSA believes that there should be a single-tier pension set at a level that meets peoples needs and that via occupational pensions the combination should provide for pensioner income that is at least at the levels recommended by Turner:-

Benchmark replacement rates set out by Lord Turner's Pensions Commission

Gross income	Benchmark gross replacement rate (%)
Less than £9,500	80
£9,500 - £17,499	70
£17,500 - £24,999	67
£25,000 - £49,999	60
£50,000 and above	50

Source: Pensions Commission

33. There is an acknowledged need for the state to provide an equivalent occupational scheme for the self employed and for employers with a small workforce. This should be a funded scheme similar to the LGPS with arrangements to ensure that employers, self-employed and employees are represented on the equivalent of a Board of Trustees.

Chapter 3 – Means-Tested Safety Net For Pensioners

34. If the Government was to adopt the approach as set out by NIPSA in this response there should be no need for any safety net.

35. It is clear that as the Green Paper suggests itself e.g para 53 that the current means tested system fails.

36. The floor for pension provision should be a guarantee to all pensioners of a minimal entitlement that is at a level above the poverty line (£178 pw as per the National Pensioners Convention for 2011). The pension should increase each year via RPI. The state pension should be topped up via an occupational pension with no offsetting. The tax system should deal with income rather than offsetting via Social Security, otherwise the system is not only complex but adds to opt-outs.

Chapter 4 – State Pension Age

37. NIPSA commented on the Consultation Paper (9/8/10) on moving the SPA to age 66 and would refer to that submission.

38. It is clear from the debate in the House of Commons of 20 June that many MPs are concerned as to the impact on moving the SPA to age 66 especially

with such little notice. As per para 15 above there needs to be proper notice of such changes and transitional arrangements to ensure that people can properly plan for their retirement.

39. Changing the SPA also has wider labour market implications, especially in respect of reducing opportunities for education leavers and returnees to the labour market to find employment.

40. Increasing the SPA is also likely to adversely impact on those in manual employment, se para 17 above.

41. NIPSA broadly would endorse para 146 as this would help address the points raised above at paras 17 and 40.

Conclusions

42. NIPSA does not believe that the Green Paper will make any significant improvements to pension provision nor to adequate levels of income in retirement.

43. Some of the direction of travel eg reduction/abolition of the Contracting-Out Rebate will only further damage availability and membership of DB occupational pension schemes.

44. It is wholly unrealistic for the Government to adopt a cost neutral approach if the UK is to move from being bottom of the European league in pension provision and more importantly to see positive movement in the eradication of pensioner poverty.

45. NIPSA reiterates it call for the state to provide a flat rate state pension set at a level above the current poverty line of £178pw to be supplemented via occupational pensions (see paras 32/33 above).

46. Occupational Pensions should be DB and as such should provide for portability that does not reduce the value/acquired rights of employees on transfer from one employer scheme to another.

47. NIPSA calls on the Government to reverse its punitive decision to switch indexation from RPI to CPI, both for state pension provision and for all public sector occupational schemes.

Northern Ireland Assembly

Appendix 4

Department Correspondence

DSD Letter 28.11.14

Department for
Social Development
www.dsdni.gov.uk

Dr Kevin Pelan
Clerk to the Committee for Social Development
Northern Ireland Assembly
Room 242
Parliament Buildings
Ballymiscaw
Stormont
BELFAST BT4 3XX

28 November 2014

Dear Sir

Northern Ireland Pensions Bill

The Committee have requested clarification on issues raised during Committee Stage of the Pensions Bill on 25 November.

> *"In relation to clause 19, you noted that prisoners whose convictions were overturned would have pension payments backdated. Can you clarify whether this will apply where the Royal Prerogative of Mercy has been exercised?"*

During discussion of clause 19, which provides a power to prevent the payment of State Pension to someone who is imprisoned or detained in legal custody, the Committee noted that there are former prisoners in Northern Ireland whose State Pension entitlement would be affected as a result of time spent in prison. In that context, the Committee were advised that provision exists for the award of National Insurance credits to people whose convictions for offences are quashed. A question arose as to whether this applied in circumstances where the Royal Prerogative of mercy has been exercised.

The conditions for award of National Insurance credits are set out in the Social Security (Credits) Regulations (Northern Ireland) 1975 (SR 1975 No. 113). The regulations provide that, for the purposes of entitlement to any contributory benefit, a person shall be entitled to a credit for any week in any part of which:

- they were imprisoned or otherwise detained in legal custody by reason of conviction of an offence or convictions in respect of two or more offences; and
- the conviction has, or those convictions have, been quashed by the Crown Court or the Court of Appeal; and
- they are released from imprisonment or detention, whether prior, or pursuant, to the quashing of the conviction or convictions.

Credits, therefore, can only be awarded when a conviction is quashed by the courts. The Royal Prerogative of mercy is not equivalent to an acquittal; only the courts have power to quash convictions altogether.

In answer to the your written question, where a pensioner has their conviction quashed, the payment of arrears of State Pension withheld during imprisonment is considered on a case-by-case basis in light of any compensation, which might include lost State Pension, paid by the State.

"In discussion about Clauses 33 and 34, you noted that the indication was that the Voluntary Code of Practice was being adhered to. Can you provide details about the any monitoring / review of adherence to this Code that has been undertaken or that is planned?"

When making scheme returns to the Pensions Regulator, defined benefit and hybrid schemes are required to disclose if they have undertaken an "incentive exercise" or have made an invitation to members to transfer or modify their scheme benefits. In addition, an Incentive Exercises Monitoring Board has been established, comprised of representatives of the pensions industry, government, the actuarial profession, the Pensions Regulator, trades union, CBI, the Financial Conduct Authority, the Pensions Advisory Service etc. The Board is tasked with monitoring the effectiveness of the Code and will report by June 2015.

Following that Report, the Department in conjunction with the Department for Work and Pensions will consider the need to exercise the regulation-making power.

Yours faithfully

Anne McCleary

Anne McCleary

Director, Social Security Policy & Legislation Division

DSD Letter 05.12.14

Department for
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Dr Kevin Pelan
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5 December 2014

Dear Sir

Issues Arising – Pensions Bill Briefing 2 December 2014

The Committee have requested clarification on a number of issues raised in evidence presented by NIPSA on 2 December.

The change in years of National Insurance Contributions from 30 to 35

Under the proposed new State Pension scheme, the number of qualifying years required for a full State Pension will increase from 30 to 35. This reflects the fact that working lives are lengthening and is considered to strike a balance between:

- ensuring wide coverage;
- maintaining the contributory principle; and
- ensuring overall affordability.

The new State Pension merges two schemes; the basic State pension which requires 30 qualifying years for full entitlement and up to 52 years for the State Second Pension. Setting a qualifying period of 35 years to achieve full entitlement strikes a balance between enabling the majority of people who contribute to achieve a full State Pension and avoiding the unnecessary complexity of a phased approach in which the value of a single tier qualifying year could differ for different cohorts.

The scheme has been designed to cost no more overall by redistributing spending. Without change, spending on the State Pension and pensioner benefits is set to increase from 6.9% of GDP to 9% by 2060. The new State Pension slows the increase to 8.4%. However, no one will be disadvantaged by the increase to 35 years. Under the current scheme, 30 qualifying years provides full State Pension entitlement of £113.10; under the proposed scheme, 30 qualifying years will provide a State Pension entitlement of £127.20 (30 x (1/35 x £148.40)).

It is also the case that people reaching State Pension age from April 2010 are able to qualify for a State Pension on the basis of National Insurance credits alone; previously National Insurance contributions or a mix of contributions and credits were required. Consequently, periods spent looking after children or caring for disabled people and periods of unemployment or incapacity for work can all help build State Pension entitlement.

The impact that the change in retirement age will have on older people

The State Pension scheme operates on a “pay-as-you-go” basis; that is, today’s workers pay for today’s pensioners. Consequently, higher proportions of adult life spent receiving the State Pension increase the financial burden on the working population. State Pension age has seen a number of changes in Northern Ireland and Great Britain in recent years primarily in consequence of increases in longevity:

- The Pensions (Northern Ireland) Order 1995 provided for State Pension age for men and women to equalise at 65 between April 2010 and April 2020 in compliance with European Directive 79/7/EEC and in light of an ageing population.
- The Pensions Act (Northern Ireland) 2008 provided for State Pension age for men and women to increase to:
  - 66 between 2024 and 2026;
  - 67 by 2036; and
  - 68 by 2046.
- The Pensions Act (Northern Ireland) 2012:
  - revised the timetable established by the Pensions Act (Northern Ireland) 2008 to phase-in the increase to age 66 between December 2018 and October 2020; and
  - accelerated the rate of equalisation set out in the Pensions (Northern Ireland) Order 1995 from 2016 so that women will be on the same footing as men by November 2018.

The present Bill proposes to accelerate the timetable for phasing-in the increase to age 67; introducing it between 2026 and 2028 rather than between 2034 and 2036.

As a consequence:

- people born after 5 April 1960 but before 6 March 1961 will have a State Pension age between 66 and 67;
- people born after 5 March 1961 but before 6 April 1969 will have a State Pension age of 67.

People born between 6 April 1969 and 5 April 1977 already have a State Pension age of 67. The changes will not apply to anyone affected by the bringing forward of the increase to age 66 and the effect on any individual will be to increase their State Pension age by between one month and one year, depending on their date of birth (see appendix).

As with previous increases in the State Pension age, this proposal affects the qualifying age for all pension-age benefits and the upper age limit for receipt of working-age benefits.

The likelihood that the change in retirement age will cause labour displacement

The Department is unaware of data showing a correlation between rising State Pension age and labour displacement. It is generally accepted that the labour market does not operate on a one-out, one-in basis.

Increases in State Pension age combined with the ending of the Default Retirement Age in 2011 mean that people will be increasingly likely to continue working later in life. In 2012, the Pensions Policy Institute reported[1] that over recent decades working at older ages in the United Kingdom had increased significantly for both men and women, with women seeing a faster increase. In 1993:

- Around 64% of men aged 50 to 64 were in work. In 2011, this had increased to around 70%.
- Around 8% of men over State Pension age were in work. This had increased to around 11% by 2011.
- Around 57% of women aged between 50 and 59 were in work. In 2011, this had increased to 72%.

1 Retirement income and assets: the implications for retirement income of Government policies to extend working lives.

- Around 8% of women over State Pension age were in work. This had increased to around 13% by 2011.

In addition, those over State Pension age are free to carry on working and receive their State Pension at the same time.

Confirmation that, as noted at the meeting, this Bill does not make provision for retirement age to be increased beyond 67, and that a new Bill would be required to do this

The Bill proposes to accelerate the timetable for phasing-in the increase to age 67; introducing it between 2026 and 2028 rather than between 2034 and 2036. It does not contain a power to further increase State Pension age. Any proposals to do so would require further primary legislation.

The disadvantages of closing down contracting out of pensions schemes (including scheme sustainability and level of future occupational pensions income)

At present, in addition to the basic State Pension, many people accrue entitlement to an additional State Pension, which might comprise Graduated Retirement Benefit, State Earnings-Related Pension and State Second Pension. Since 1961, it has been possible for employers sponsoring defined-benefit occupational pension schemes to contract their employees out of the additional State Pension scheme, on condition that they provide an occupational pension meeting certain statutory requirements. In return, both the employer and employee pay reduced rates of National Insurance.

The new State Pension, proposed in the Pension Bill, will replace the current two-tier system, ending the additional State Pension. As a consequence, the option to contract-out will also end. Employers and employees who were sponsors or members of a contracted-out scheme will cease to be entitled to pay reduced rates of National Insurance. This will mean:

- an increase in the rate of contributions paid by employees equivalent to 1.4 per cent of their earnings (between the Lower Earnings Limit and the Upper Accrual Point), bringing them into line with the rate paid by other employees. Rights accrued through contracted-out schemes will be fully protected;
- the loss of the employer's rebated National Insurance contributions, currently 3.4 per cent.

Former contracted-out employees shall, in common with all employees, accrue £4.24 pension for each year worked after 6 April 2016 until they earn the full amount of the new State Pension.

For a period of five years beginning with 6 April 2016, sponsoring private sector employers of contracted-out schemes will be able to change their scheme rules to adjust members' future pension accruals or pension contributions to take account of the loss of the employer's reduced National Insurance contributions. This power can only be used to recoup the actual cost of increased National Insurance contributions.

This facility will not be available to public sector employers who will be liable for additional employer contributions. NILGA raised the matter of higher National Insurance costs for Councils in their response to the Committee of 26 November. I understand that the financial impacts on Departments will be considered as part of the next Spending Review. Any provision made for Departments in Great Britain should have a "Barnett" consequential for Northern Ireland. The estimated costs for Northern Ireland are set out below (£ million):

	2016	**2020**	**2030**	**2040**	**2050**	**2060**
Public sector employers	66	66	57.2	48.4	59.4	74.8
Public sector employees	26.4	26.4	24.2	19.8	24.2	30.8
Total	92.4	92.4	81.4	68.2	83.6	105.6

	2016	2020	2030	2040	2050	2060
Private sector employers	-	-	-	-	-	-
Private sector employees	15.4	8.8	2.2	-	-	-
Overall Total	107.8	101.2	83.6	68.2	83.6	105.6

Private sector employers who run defined-benefit pension schemes do so on an entirely voluntary basis. There is no legislative requirement for an employer to run a scheme, but those who do must comply with a number of legislative requirements. In particular, the employer is required to make good any funding shortfalls. In recent years, increasing longevity and financial volatilities mean that this can be a very considerable financial commitment for an employer. There has, therefore, been an ongoing trend for defined-benefit schemes to close or be closed to new members. In general, defined-benefit schemes are good quality schemes providing members with an assumed outcome with the risk being borne by the employer.

The proposals seek to ensure that members' rights are protected but, at the same time, ensure that regulatory burdens or costs do not encourage employers to close their defined-benefit schemes. It would not be in members' interest for remaining schemes to close. The Bill aims to ensure that employers and schemes are able to administer the changes and the transition to a new system in the most cost-effective manner, while avoiding placing additional burdens on employers who still offer schemes, which are generally very good.

The benefits of the 'flexible decade' of retirement

Increases in the State Pension age have been made in light of rising life expectancy and falling birth rates with the intention of ensuring the sustainability of the scheme. A 'flexible decade' of retirement would provide a window during which an individual could decide the date from which they receive their State Pension.

A flexible State Pension age was one option suggested in the Westminster Government's 1991 consultation *Options for Equality in State Pension Age* (Cm 1723). In reply to responses received (*Equality in State Pension* Age - Cm 2420) the Government concluded that:

- Where a person chooses to claim their pension early they would receive a lower level of pension for the rest of their life. The level would be set actuarially so that the additional years during which the pension was drawn were paid for by the permanent reduction in pension.
- This would lead to more pensioners living on lower retirement incomes and dependent on income-related benefits. This in turn would mean many more facing a disincentive to save to top up their State Pension, since modest extra retirement income would be offset and significant savings would reduce or remove entitlement to income-related benefits.
- Bringing forward the cost of paying the State Pension would be prohibitively expensive.

The current State Pension system effectively offers flexible retirement. Those who have reached State Pension age are free to:

- claim their pension and, if they wish, continue to work - the Default Retirement Age was abolished in 2011; or
- defer receiving their pension and earn increments for the period of deferment.

This will continue to be the case under the new State Pension system.

The reason for the use of the qualifying term 'some or all' in Clause 43 of the Bill

Clause 43 imposes a duty on the Department to make regulations requiring the disclosure and publication of information about some or all transaction costs of money purchase occupational pensions schemes. The “some or all” drafting formulation ensures flexibility for the future and ensures the Department is not placed under an impossible duty given the dynamic nature of the pensions field.

To avoid arguments about what constitutes a transaction cost, the intention is that the Regulations will specify the types of costs and charges to be covered. The intention is that, in effect, all transaction costs will be covered. The Regulations will be updated if new types of costs are created over time.

The wording ensures consistency with the duty of the Financial Conduct Authority under the Financial Services and Markets Act 2000 to make rules requiring the disclosure and publication of some or all transaction costs for personal pension schemes.

I hope this information is helpful.

Yours faithfully

Anne McCleary

Director, Social Security Policy & Legislation Division

Appendix

Equalisation of State Pension ages – Increase of Women's State Pension age from 60 to 65

Date of birth	SPA reached	Age SPA reached (yrs/mths)
6 April 1950 – 5 May 1950	6 May 2010	60/1 - 60
6 May 1950 – 5 June 1950	6 July 2010	60/2 - 60/1
6 June 1950 – 5 July 1950	6 September 2010	60/3 - 60/2
6 July 1950 – 5 August 1950	6 November 2010	60/4 - 60/3
6 August 1950 – 5 September 1950	6 January 2011	60/5 - 60/4
6 September 1950 – 5 October 1950	6 March 2011	60/6 - 60/5
6 October 1950 – 5 November 1950	6 May 2011	60/7 - 60/6
6 November 1950 – 5 December 1950	6 July 2011	60/8 - 60/7
6 December 1950 – 5 January 1951	6 September 2011	60/9 - 60/8
6 January 1951 – 5 February 1951	6 November 2011	60/10 - 60/9
6 February 1951 – 5 March 1951	6 January 2012	60/11 - 60/10
6 March 1951 – 5 April 1951	6 March 2012	61 - 60/11
6 April 1951 – 5 May 1951	6 May 2012	61/1 - 61
6 May 1951 – 5 June 1951	6 July 2012	61/2 - 61/1
6 June 1951 – 5 July 1951	6 September 2012	61/3 - 61/2
6 July 1951 – 5 August 1951	6 November 2012	61/4 - 61/3
6 August 1951 – 5 September 1951	6 January 2013	61/5 - 61/4
6 September 1951 – 5 October 1951	6 March 2013	61/6 - 61/5
6 October 1951 – 5 November 1951	6 May 2013	61/7 - 61/6
6 November 1951 – 5 December 1951	6 July 2013	61/8 - 61/7
6 December 1951 – 5 January 1952	6 September 2013	61/9 - 61/8
6 January 1952 – 5 February 1952	6 November 2013	61/10 - 61/9
6 February 1952 – 5 March 1952	6 January 2014	61/11 - 61/10
6 March 1952 – 5 April 1952	6 March 2014	62 - 61/11
6 April 1952 – 5 May 1952	6 May 2014	62/1 - 62
6 May 1952 – 5 June 1952	6 July 2014	62/2 - 62/1
6 June 1952 – 5 July 1952	6 September 2014	62/3 - 62/2
6 July 1952 – 5 August 1952	6 November 2014	62/4 - 62/3
6 August 1952 – 5 September 1952	6 January 2015	62/5 - 62/4
6 September 1952 – 5 October 1952	6 March 2015	62/6 - 62/5
6 October 1952 – 5 November 1952	6 May 2015	62/7 - 62/6
6 November 1952 – 5 December 1952	6 July 2015	62/8 - 62/7
6 December 1952 – 5 January 1953	6 September 2015	62/9 - 62/8

Date of birth	SPA reached	Age SPA reached (yrs/mths)
6 January 1953 – 5 February 1953	6 November 2015	62/10 - 62/9
6 February 1953 – 5 March 1953	6 January 2016	62/11 - 62/10
6 March 1953 – 5 April 1953	6 March 2016	63 - 62/11
6 April 1953 – 5 May 1953	6 July 2016	63/3 - 63/2
6 May 1953 – 5 June 1953	6 November 2016	63/6 - 63/5
6 June 1953 – 5 July 1953	6 March 2017	63/9 - 63/8
6 July 1953 – 5 August 1953	6 July 2017	64 - 63/11
6 August 1953 – 5 September 1953	6 November 2017	64/3 - 64/2
6 September 1953 – 5 October 1953	6 March 2018	64/6 - 64/5
6 October 1953 – 5 November 1953	6 July 2018	64/9 - 64/8
6 November 1953 – 5 December 1953	6 November 2018	65 - 64/11

Current legislation - Increase from age 65 to 66 – Men and Women

Date of birth	Date State Pension age reached	Age at which State Pension agereached (yrs/mths)
6 December 1953 – 5 January 1954	6 March 2019	65/3 - 65/2
6 January 1954 – 5 February 1954	6 May 2019	65/4 – 65/3
6 February 1954 – 5 March 1954	6 July 2019	65/5 – 65/4
6 March 1954 – 5 April 1954	6 September 2019	65/6 – 65/5
6 April 1954 – 5 May 1954	6 November 2019	65/7 – 65/6
6 May 1954 – 5 June 1954	6 January 2020	65/8 – 65/7
6 June 1954 – 5 July 1954	6 March 2020	65/9 – 65/8
6 July 1954 – 5 August 1954	6 May 2020	65/10 – 65/9
6 August 1954 – 5 September 1954	6 July 2020	65/11 – 65/10
6 September 1954 – 5 October 1954	6 September 2020	66 – 65/11
6 October 1954 – 5 April 1968	66th Birthday	66

Current legislation - Increase from age 66 to 67 – Men and Women

Date of birth	Date State Pension age reached	Age at which State Pension agereached (yrs/mths)
6 April 1968 – 5 May 1968	6 May 2034	66/1 - 66
6 May 1968 – 5 June 1968	6 July 2034	66/2 – 66/1
6 June 1968 – 5 July 1968	6 September 2034	66/3 – 66/2
6 July 1968 – 5 August 1968	6 November 2034	66/4 – 66/3
6 August 1968 – 5 September 1968	6 January 2035	66/5 – 66/4

Date of birth	Date State Pension age reached	Age at which State Pension agereached (yrs/mths)
6 September 1968 – 5 October 1968	6 March 2035	66/6 – 66/5
6 October 1968 – 5 November 1968	6 May 2035	66/7 – 66/6
6 November 1968 – 5 December 1968	6 July 2035	66/8 – 66/7
6 December 1968 – 5 January 1969	6 September 2035	66/9 – 66/8
6 January 1969 – 5 February 1969	6 November 2035	66/10 – 66/9
6 February 1969 – 5 March 1969	6 January 2036	66/11 – 66/10
6 March 1969 – 5 April 1969	6 March 2036	67 – 66/11
6 April 1969 – 5 April 1977	67th Birthday	67

Proposed acceleration of increase to age 67 (Pensions Bill (Northern Ireland) 2014)

Date of Birth	Proposed age at which State Pension agereached (yrs/mths)
6 April 1960 – 5 May 1960	66/1
6 May 1960 – 5 June 1960	66/2
6 June 1960 – 5 July 1960	66/3
6 July 1960 – 5 August 1960	66/4
6 August 1960 – 5 September 1960	66/5
6 September 1960 – 5 October 1960	66/6
6 October 1960 – 5 November 1960	66/7
6 November 1960 – 5 December 1960	66/8
6 December 1960 – 5 January 1961	66/9
6 January 1961 – 5 February 1961	66/10
6 February 1961 – 5 March 1961	66/11
6 March 1961 – 5 April 1977	67

Current legislation – increase from age 67 to 68 – Men and Women

Date of Birth	State Pension age reached	Age at which State Pension agereached (yrs/mths)
6 April 1977 – 5 May 1977	6 May 2044	67/1 - 67
6 May 1977 – 5 June 1977	6 July 2044	67/2 – 67/1
6 June 1977 – 5 July 1977	6 September 2044	67/3 – 67/2
6 July 1977 – 5 August 1977	6 November 2044	67/4 – 67/3
6 August 1977 – 5 September 1977	6 January 2045	67/5 – 67/4
6 September 1977 – 5 October 1977	6 March 2045	67/6 – 67/5
6 October 1977 – 5 November 1977	6 May 2045	67/7 – 67/6

Date of Birth	State Pension age reached	Age at which State Pension agereached (yrs/mths)
6 November 1977 – 5 December 1977	6 July 2045	67/8 – 67/7
6 December 1977 – 5 January 1978	6 September 2045	67/9 – 67/8
6 January 1978 – 5 February 1978	6 November 2045	67/10 – 67/9
6 February 1978 – 5 March 1978	6 January 2046	67/11 – 67/10
6 March 1978 – 5 April 1978	6 March 2046	68 – 67/11
6 April 1978 onwards	68th Birthday	68

DSD Letter 09.01.15

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9 January 2015

Dear Sir

Pensions Bill Briefing on 9 December 2014 – Payment of Voluntary National Insurance Contributions

During Committee briefing on 9 December, a question arose regarding the methods and frequency of payment of voluntary Class 3 National Insurance Contributions. We advised the Committee that it would be necessary to contact Her Majesty's Revenue and Customs (HMRC) on this point.

HMRC have advised that voluntary contributions may be paid by monthly direct debit, quarterly or annual billing or in a lump sum. There is generally a six year time limit. Contributions paid two tax years after the year to which they relate are paid at the highest rate between when they were due and when payment is made. For those who reach State Pension age on or after 6 April 2016, the time limit in respect of tax years 2006-07 to 2015-16 has been extended to 5 April 2023.

Contributions for tax years from 2006-07 to 2009-10 are payable at the rate applicable for the 2012-13 tax year if paid on or before 5 April 2019. For tax years from 2010-11 to 2015-16, contributions are payable at the rate applicable to the year to which they relate, provided payment is made on or before 5 April 2019.

Where the person concerned has already reached State Pension age and wishes to pay voluntary contributions, their State Pension is reassessed and revised going forward from the date the voluntary contributions are paid.

I hope this information is helpful.

Yours faithfully

Seamus Cassidy
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DSD Letter 28.01.15

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28 January 2015

Dear Sir

Pensions Bill Briefing on 13 January 2014 – Committee Questions

During Committee briefing on 13 January, questions arose regarding National Insurance credits for carers who are not awarded them automatically and the dissemination of information to the public. A further issue arose during briefing on 22 January in relation to co-operation between the Department for Social Development and the Department of Health, Social Services and Public Safety in relation to carers. Officials undertook to respond to the Committee in writing.

National Insurance credits

In addition to the pre-existing arrangements for credits for people receiving Carer's Allowance, which are awarded automatically, the Pensions Act (Northern Ireland) 2008 replaced Home Responsibilities Protection with a more flexible system of weekly credits for parents and carers. The new credit ensures that periods spent caring count for pension purposes in the same way as paid employment.

Section 23A of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 provides for the award of a credit for each week falling after 6 April 2010 in respect of which a person is a relevant carer, i.e. they are:

- awarded Child Benefit for any part of that week in respect of a child under the age of 12;
- a foster parent for any part of that week; or
- engaged in caring within the meaning of the Social Security (Contributions Credits for Parents and Carers) Regulations (Northern Ireland) 2010 for one or more persons for 20 hours or more a week.

Under Regulation 5(1) of the Social Security (Contributions Credits for Parents and Carers) Regulations (Northern Ireland) 2010, a person is engaged in caring in a week if they are:

- the partner of a person awarded Child Benefit for a child aged under 12 where the Child Benefit recipient has otherwise achieved a qualifying year for both basic and additional State Pension purposes;
- caring for a person, or persons, for 20 or more hours per week where those being cared for receive a disability benefit, including Attendance Allowance and Disability Living Allowance and specified Industrial Injuries Benefits;
- caring for a person, or persons, for 20 or more hours per week where the Department is satisfied that the level of care is appropriate;
- receiving Income Support where the Department has determined that they are regularly and substantially engaged in caring for the purposes of the Income Support (General) Regulations (Northern Ireland) 1987.

Credits are awarded automatically to parents if they are the main payee on a Child Benefit award, and to carers who receive Income Support because they are substantially engaged in caring. In other circumstances, an application must be made. In the case of a person providing care for 20 hours or more a week, an application must, where requested by the Department, include a declaration signed by someone involved in the health care or social care of the person cared for and considered by the Department as appropriate to make a declaration as to the level of care required.

The availability of credits was subsequently extended to grandparents and other adult relatives looking after children under the age of 12, usually where the Child Benefit recipient works. Regulation 9F(4)(b) of the Social Security (Credits) Regulations (Northern Ireland) 1975 lists those adults who may qualify (see Appendix). In these circumstances, credits are transferred from the Child Benefit recipient to the carer, provided the former does not need the protection for their State Pension. An application countersigned by the Child Benefit recipient is required.

Application packs can be obtained by phone from:

- The Disability and Carers Service, Castle Court, Royal Avenue, Belfast BT1 1HC – 028 9090 6186 (text phone 028 9031 1092);
- Social Security/Jobs and Benefits Offices;
- The Benefit Enquiry Line – Freephone 0800 200 674 (text phone 028 9031 1092).

Application forms can be downloaded from the nidirect website – nidirect.gov.uk/carers-credit.

Dissemination of information to the public

Since the Committee briefing on 13 January, the Social Security Agency Director with responsibility for Pensions, John McKervill, has spoken with the Commissioner for Older People about the Agency's strategy for communicating the proposed

changes to Pensions. The Commissioner is content that, as the strategy includes further engagement with key stakeholder groups, including her office, a separate briefing is not necessary.

Co-operation between the Department for Social Development and the Department of Health, Social Services and Public Safety

During Committee briefing on 22 January, the Commissioner for Older People referred to the importance of co-operation between the Department for Social Development and the Department of Health, Social Services and Public Safety in relation to claims to Carer's Allowance and Carer's Assessments.

A report by the Northern Ireland Human Rights Commission, entitled 'The Human Rights of Carers in Northern Ireland', published at the end of November 2014, recommended that the Department for Social Development and the Department of Health, Social Services and Public Safety should work together to ensure that successful claims to Carer's Allowance lead to the provision of advice and support regarding Carer's Assessments. The Social Security Agency is planning to explore the feasibility of such a proposal which will need to take account of the legal gateway for the sharing of information in these circumstances.

At a practical level the Improving Benefit Uptake team in the Social Security Agency has been working in partnership with care co-ordinators in all of the Health Trusts and actively promoting the "Make the Call" service. In addition care co-ordinators have been actively promoting the "Make the Call" service on their Trust website as well as promoting the Benefits Advice Line with Trust colleagues.

I hope the information provided is helpful.

Yours faithfully

Seamus Cassidy
Ext 37105

Appendix

Persons who may Qualify as Carers for a Child Under the Age of 12

(Regulation 9F(4)(b) of the Social Security (Credits) Regulations (Northern Ireland) 1975)

(1) Parent.

(2) Grandparent.

(3) Great-grandparent.

(4) Great-great-grandparent.

(5) Sibling.

(6) Parent's sibling.

(7) Spouse or former spouse of any of the persons listed in sub-paragraphs (1) to (6).

(8) Civil partner or former civil partner of any of the persons listed in sub- paragraphs (1) to (6).

(9) Partner or former partner of any of the persons listed in sub-paragraphs (1) to (8)

(10) Son or daughter of persons listed in sub-paragraphs (5) to (9).

(11) In respect of the son or daughter of a person listed in sub-paragraph (6), that person's:

(a) spouse or former spouse;

(b) civil partner or former civil partner; or

(c) partner or former partner.

For the purposes of paragraph 1(5) and (6), a sibling includes a sibling of the half blood, a step sibling and an adopted sibling.

For the purposes of paragraph 1(9) and (11)(c), a partner is the other member of a couple consisting of—

(a) a man and woman who are not married to each other but are living together as husband and wife; or

(b) two people of the same sex who are not civil partners of each other but are living together as if they were civil partners.

DSD Letter 28.01.15

Social Security Policy and Legislation Division

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Your reference:
Our reference:
Date: 28 January 2015

Dear Sir

Pensions Bill – Letter from Prospect, GMB and Unite unions

Thank you for the opportunity to comment on the concerns raised by Prospect, GMB and Unite unions in their letter of 12 January.

The letter suggests that the pension scheme purchased an annuity in 2000 on the basis of uprating in line with the RPI. As the scheme rules provide for increases in line with the Pensions Increase (Review) Order which uses the CPI (which is currently lower than the RPI), the Unions suggest that the annuity provider is profiting at the expense of the scheme members.

We have been in contact with Mr Scoggins on several occasions to try to fully understand the members' concerns. The precise status and nature of the annuities is not entirely clear. Schemes sometimes buy annuities in the member's name and the insurance company pays the member direct. Our understanding is that in these cases, the annuity normally buys out the scheme's liabilities and the person generally therefore ceases to be a member of the scheme. In this case it doesn't matter what the rules of the scheme provide by way of pension increases – the member is entitled to whatever the annuity provides. So there can never be a mismatch between what the individual is entitled to and the pay-out from the annuity.

Alternatively, a scheme may buy an annuity in its own name, in order to secure a regular income. Here, the annuity is simply a scheme asset where the income is used to pay the member what is due under the scheme rules. Although the scheme will seek to match the benefits exactly, this may be subject to changing circumstances. If there is mismatch, it will be the scheme that bears the consequences as the member will always be entitled to what the rules provide.

In both cases, however, whoever receives the income will benefit from RPI-linked increases agreed under the annuity contract, so it is difficult to see how an insurance company could benefit from the difference between RPI and CPI.

The Department therefore is not aware of a scenario in which an insurance company would be benefiting in the way outlined in the letter, and neither the Department nor the Department for Work and Pensions are aware of representations from any other scheme on this issue.

The general policy is that a scheme must uprate in line with the CPI. However, in mitigation, schemes are free if they wish to uprate by higher than the CPI. The Pensions Act (Northern Ireland) 2012 in effect allowed schemes to continue to use the RPI, if they wish, or to use CPI (or a combination of the two) depending on individual scheme rules. Where schemes continue to increase pensions by the RPI and have done so continuously since January 2011 (or when the pension came into payment, if later), the Act provided that they do not have to carry out an annual comparison of the RPI under the scheme rules and the CPI under the statutory requirements and pay the higher of the two.

Turning to the proposed dispensation, from the information it appears that the scheme is complying with the statutory requirements and its own rules. The proposed dispensation would in effect overturn the scheme rules and force the scheme to pay in excess of the statutory requirements. To do so, would be in conflict with the current policy. We are not able to assess the full implications of such action, for example, schemes may already have made forward funding and planning decisions on the basis of income from annuities and future pension liabilities based on CPI indexation. Additionally, given that many schemes operating in Northern Ireland are in effect UK-wide schemes, if Northern Ireland were to act unilaterally in this matter schemes could have to operate separate uprating regimes for members in Northern Ireland, giving rise to increased administration costs etc. perhaps acting as a disincentive to good quality schemes continuing to be available to members in Northern Ireland.

Yours faithfully

Anne McCleary

ANNE McCLEARY
Signed for the Department for Social Development

INVESTOR IN PEOPLE

Together, tackling disadvantage, building communities

DSD Letter 03.02.15

Dr Kevin Pelan
Clerk to the Committee for Social Development
Northern Ireland Assembly
Room 242
Parliament Buildings
Ballymiscaw
Stormont
Belfast
BT4 3XX

3 February 2015

Dear Sir

Pensions Bill – Committee Meeting on 29 January 2014

During the Committee meeting on 29 January, a couple of questions arose regarding National Insurance contributions and credits. Officials undertook to respond to the Committee in writing.

National Insurance contributions: earnings less than the Lower Earnings Limit in two or more jobs

People who earn less than the Lower Earnings Limit (£111 for 2014-15 and £112 2015-16) are not liable to pay National Insurance contributions and do not accrue qualifying years towards the basic State Pension during such periods. In 2013, the Department for Work and Pensions estimated that there were approximately 50,000 people in Great Britain working in two jobs with combined earnings above the Lower Earnings Limit but not accruing qualifying years for the State Pension. On the basis of that analysis, the number of people falling within this category in Northern Ireland is estimated to be in the region of 1,000.

Credits for certain periods of imprisonment or detention in legal custody

Under Regulation 9D of the Social Security (Credits) Regulations (Northern Ireland) 1975 (SR 1975 No. 113), prisoners who have had their convictions quashed are entitled to credits to ensure they have a full National Insurance contribution record for the period of their imprisonment. This measure was introduced with effect from 26 March 2001 by Reg.2 of the Social Security (Credits and Incapacity Benefit) (Amendment) Regulations (Northern Ireland) 2001 (SR 2001 No.88).

I hope the information provided is helpful.

Yours faithfully

Seamus Cassidy
Social Security Policy & Legislation Division

Northern Ireland Assembly

Appendix 5

Other papers

DSD Initial Briefing Paper

Dr Kevin Pelan
Clerk to the Committee for Social Development
Northern Ireland Assembly
Room 242
Parliament Buildings
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BELFAST BT4 3XX

6 March 2013

Dear Sir

Draft Westminster Pensions Bill

In January we forwarded a draft Pensions Bill, published by the Department for Work and Pensions, which contains measures reforming aspects of State and private pension provision and Bereavement Benefits. To assist the Committee, we have prepared the attached summary and background briefing for the Bill. If the Committee wishes, we would be happy to brief the Committee further and answer any questions.

Yours faithfully

Anne McCleary

Director, Social Security Policy & Legislation Division

Westminster Pensions Bill
Briefing for the Committee for Social Development

Synopsis

The draft Westminster Pensions Bill contains measures reforming aspects of State and private pension provision and Bereavement Benefits (Command Paper CM 8529). It sets out proposals for:

- the introduction of a single-tier State Pension and consequential matters;
- increasing State Pension age to 67;
- the introduction of the Bereavement Support Payment; and
- changes to private pensions.

The State Pension proposals were the subject of a consultation carried out in Great Britain and Northern Ireland between April and June 2011. Consultation on the reform of Bereavement Benefits was carried out in Great Britain and Northern Ireland between December 2011 and March 2012. The Committee were briefed on 23 June 2011 and 8 March 2012 respectively.

1. State Pension

The Westminster Government plan to introduce the single-tier pension from April 2017. The new scheme will replace the existing State Pension, comprising basic State Pension and additional State Pension, with a single component flat-rate pension. It will:

- simplify the pension system;
- be set above the basic level of means-tested support – the Pension Credit Standard Minimum Guarantee; currently £142.70 per week for a single pensioner;
- be increased at least in line with average growth in earnings;
- bring to an end:
  - the State Second Pension (subject to transitional provisions),
  - contracting-out,
  - the Savings Credit element of State Pension Credit for new claimants, and
  - the Category D (over 80s) pension and the Age Addition for people who attain pensionable age after the introduction of the new State Pension;
- require 35 qualifying years of National Insurance contributions or credits for the full amount. There will also be a minimum qualifying period of between 7 and 10 years. Those with less than 35 qualifying years but above the minimum qualifying period will get a proportionally smaller amount;
- be based on individual qualification, ending inheritance of, and derived rights to, a spouse’s or civil partner’s pension;
- make provision for women who paid reduced rate National Insurance contributions;
- continue to allow people to defer claiming their State Pension.

People reaching State Pension age before the introduction of the single-tier scheme will receive their State Pension in line with current rules.

2. Pensionable Age

The Pensions Act 2007 provided for State Pension age for men and women to increase to:

- 66 between 2024 and 2026;
- 67 between 2034 and 2036; and

- 68 between 2044 and 2046.

Subsequent projections revised life expectancy upwards and, as a consequence, the increase to age 66 was brought forward to October 2020 by the Pensions Act 2011. The Government now propose to phase-in the increase to 67 between 2026 and 2028. The increase was announced in the November 2011 Budget Statement.

3. **Bereavement Support Payment**

The Bereavement Support Payment will replace existing Bereavement Benefits. It will simplify the payment system by moving to a more uniform structure, and the contribution conditions with the introduction of a single rule. It will be paid as a lump sum with monthly instalments to avoid risks associated with making a large lump sum payment. The following indicative amounts were provided in the Government's response to the consultation (Command Paper CM8371):

- a lump sum of around £2,500 and monthly instalments of £150 for a year for claimants without dependent children; and
- a lump sum of around £5,000 and monthly instalments of £400 for a year for claimants with dependent children.

4. **Private Pensions.**

A number of provisions clarify existing legislation. The maximum period within which occupational pension schemes must submit scheme returns to the Pensions Regulator will be increased from three to five years and the practice of providing inducements to transfer scheme rights into another scheme or arrangement banned.

5. **Corresponding Northern Ireland Bill**

Subject to Ministerial agreement and Executive approval, a corresponding Assembly Bill could be introduced early in 2014.

Briefing Note

Background

1. The draft Westminster Pensions Bill contains measures reforming aspects of State and private pension provision and Bereavement Benefits (Command Paper CM 8529). Copies were lodged with the Assembly Business Office on 21 January 2013. The Bill sets out proposals for:

- the introduction of a single-tier State Pension and consequential matters;
- increasing State Pension age to 67;
- the introduction of the Bereavement Support Payment; and
- changes to private pensions.

2. On 14 January 2013, the Department for Work and Pensions published the Command Paper *'Single-tier pension: a simple foundation for saving'* explaining the single-tier pension scheme and consequential matters. The proposals were the subject of a consultation carried out in Great Britain and Northern Ireland between April and June 2011. The Committee were briefed on 23 June 2011. In his March 2012 Budget Statement, the Chancellor announced the Government's intention to introduce the single-tier pension and legislative proposals were outlined in the Queen's Speech in May 2012.

3. The increase in State Pension age to 67 was announced in the November 2011 Budget Statement.

4. Consultation on reform of Bereavement Benefits was carried out in Great Britain and Northern Ireland between December 2011 and March 2012. The Committee were briefed on 8 March 2012. The Government published its response to the consultation, outlining its intention to introduce the Bereavement Support Payment, in July 2012.

Bill Overview

5. The Bill has five parts:

Part 1 – State Pension

6. A single-tier pension will replace the current two-component system, comprising basic State Pension and additional State Pension, with a single-component flat-rate pension. Transitional measures provide for:

- people who have paid, been treated as having paid or been credited with National Insurance contributions in respect of tax years before the introduction of the new State Pension;
- inheriting entitlement from a late spouse or civil partner who had made National Insurance contributions in respect of tax years before the introduction of the new State Pension;
- women who, before 1977, elected to pay a reduced rate of National Insurance contributions;
- sharing pension with a former spouse or civil partner upon divorce.

7. Provision is made to allow people to postpone or suspend their entitlement to a State Pension. The Bill also contains provisions for a number of changes arising from the introduction of the new State Pension, including the abolition of contracting-out for salary-related occupational pension schemes and the abolition of the savings credit element of State Pension Credit for those people who reach pensionable age on or after the introduction of the new State Pension.

Part 2 – Pensionable Age

8. This Part contains two measures relating to pensionable age. The first brings forward the increase of pensionable age from 66 to 67 - eight years earlier than under existing legislation. The increase will begin in 2026 and end in 2028.

9. The second measure provides for a periodic review of pensionable age and for the review to be informed by reports from the Government Actuary's Department, in relation to life expectancy, and from an independently-led body on other factors specified by the Secretary of State at the time.

Part 3 – Bereavement Support Payment

10. This Part of the Bill contains provisions to reform bereavement benefits and introduce a new Bereavement Support Payment.

Part 4 – Private Pensions

11. This Part contains a number of measures related to private pension legislation, including:

- various technical amendments to the Pensions Act 2004 and the Pensions Act 2008 designed to improve operational processes for the Pensions Regulator and correct anomalies in relation to the automatic re-enrolment duties for employers and the Regulator's penalty powers;
- a provision for regulations to be made banning the practice of providing incentives which encourage individuals to transfer a cash equivalent value of their accrued rights from a salary-related occupational scheme to an alternative arrangement; and

- an amendment to companies legislation to make it clear that the body preparing guidance in relation to pension illustrations may benefit from the exemption from liability for damages.

Part 5 – Final provisions

12. These five clauses relate to the power to make consequential amendments, general provision in respect of regulations and orders under the Bill, the Territorial Extent of the Bill, commencement of provisions in the Bill and the short title.

Summary of Main Provisions

Part 1 – State Pension

13. The draft Westminster Pensions Bill contains proposals for:

- the introduction of a single-tier State Pension and consequential matters; and
- increasing State Pension age to 67.

Single-tier Pension

14. The Westminster Government plans to introduce the single-tier pension in April 2017. People reaching State Pension age before then will receive their pension in line with current rules. The new scheme will replace the present scheme, comprising basic State Pension and additional State Pension, with a single component flat-rate pension. It will:

- simplify the pension system;
- be set above the basic level of means-tested support – the Pension Credit Standard Minimum Guarantee; currently £142.70 per week for a single pensioner;
- be increased at least in line with average growth in earnings;
- require 35 qualifying years of National Insurance contributions or credits for the full amount. There will also be a minimum qualifying period of between 7 and 10 years. Those with less than 35 qualifying years but above the minimum qualifying period will get a proportionally smaller amount;
- bring to an end:
  - the State Second Pension (subject to transitional provisions),
  - contracting-out,
  - the Savings Credit element of State Pension Credit for new claimants, and
  - the Category D (over 80s) pension and the Age Addition for people who attain pensionable age after the introduction of the new State Pension;
- be based on individual qualification, ending inheritance of, and derived rights to, a spouse's or civil partner's pension;
- make provision for women who paid reduced rate National Insurance contributions;
- continue to allow people to defer claiming their State Pension.

15. The Government's stated aim is to provide a simple State Pension system for future pensioners; providing clarity and confidence about the support they can expect from the State. The reforms will provide a foundation to enable planning and saving for retirement and reduce the number of people reliant on Pension Credit by half by 2020.

16. The reforms will modernise the State Pension system to reflect the lives and contributions of today's working-age people: the large majority of people will build up a sufficient National Insurance record to become entitled to the full single-tier pension in their own right, instead of relying on their spouse's or civil partner's contributions.

Qualifying Years

17. Currently, thirty qualifying years are required for a full basic State Pension. Under the proposed Single-tier pension, the number of qualifying years required will increase to 35. This measure reflects the fact that working lives are lengthening and is considered to strike a balance between:

- ensuring wide coverage;
- maintaining the contributory principle; and
- ensuring overall affordability.

18. A minimum number of qualifying years, between 7 and 10, will be introduced to ensure that State Pension expenditure is targeted at those who make a significant economic or social contribution to the country. This is expected to affect people who have spent significant periods of their working lives outside the UK, the EEA and countries with which the UK has reciprocal agreements for social security.

19. Those with fewer than 35 qualifying years, but who satisfy the minimum qualifying period, will receive a proportionately reduced amount of single-tier pension.

State Second Pension

20. In addition to the basic State Pension, many people accrue entitlement to an additional State Pension which might comprise of Graduated Retirement Benefit, State Earnings-Related Pension and State Second Pension.

21. The single-tier pension will replace the current two-tier system, ending the additional State Pension. People reaching State Pension age after the introduction of the new scheme whose contributions are made entirely after its introduction will not be entitled to an amount of State Pension higher than the full level of the single-tier pension. Where contributions or credits exist for periods before the introduction of the new scheme, a higher amount may be payable under transitional provisions.

Contracting-out

22. Since 1961 it has been possible for employers sponsoring defined-benefit occupational pension schemes to contract their employees out of the State additional pension scheme on the condition that they provide an occupational pension meeting certain statutory requirements. In return, both the employer and employee pay reduced rates of National Insurance.

23. In conjunction with the ending of the State Second Pension, the option to contract-out for defined-benefit occupational pension schemes will also end. On commencement of the new scheme, employees who were members of a contracted-out scheme will cease to be entitled to pay reduced rates of National Insurance. This will mean an increase in the rate of contributions they pay equivalent to 1.4 per cent of their earnings (between the Lower Earnings Limit and the Upper Accrual Point), bringing them into line with the rate of National Insurance paid by other employees.

24. All employees will pay the same rate and become entitled to State Pension in the same way. Rights accrued through defined-benefit contracted-out schemes will be fully protected.

State Pension Credit

25. State Pension Credit has two elements:

- a guarantee credit; and
- a savings credit intended to reward people who have made modest savings for their retirement.

26. The single-tier pension will be set at a rate above the basic level of the means test. As a result, there will no longer be a need for a complex savings reward. Removing the Savings Credit element of Pension Credit will simplify means-tested support and help to ensure Pension Credit is re-focused on providing a safety net for the poorest.

Category D pension and the Age Addition

27. The Category D pension is a non-contributory pension paid at around 60 per cent of full basic State Pension to eligible pensioners over age 80. It was introduced in 1971 to provide age-related support to particular groups who did not have sufficient qualifying years to be entitled to a basic State Pension; in particular those who had worked in the former colonies and returned in the 1950s too late to build up entitlement.

28. Under the single-tier system, the majority of pensioners will be eligible for a State Pension above the basic level of the means test based on their own National Insurance records. The Category D pension will, therefore, be withdrawn for people reaching State Pension age under the single-tier system.

29. The Age Addition is an additional payment on top of the basic State Pension for people aged 80 and above. When introduced in 1971, when the full basic State Pension was £6 per week, it was set at 25p per week. It has remained at that level ever since. It no longer represents a meaningful addition and will be removed under the single-tier system.

Inheritance of and derived rights to a spouse's or civil partner's pension

30. Under current rules, a person who is, or has been, married or in a civil partnership may qualify for a basic State Pension, or an increase to their own basic State Pension, based on their spouse's or civil partner's National Insurance record. These provisions go back to the establishment of the State Pension system in the post-war period. They were designed to ensure a pension would be paid to a dependent wife when her husband retired or she was widowed or divorced, on the assumption that she would have no State Pension in her own right.

31. These provisions no longer reflect today's society where most individuals will qualify for a full State Pension on their own National Insurance record. For a person reaching State Pension age under single tier, there will be no provision for using a spouse's or civil partner's National Insurance record other than in limited circumstances.

32. People who retire under the current system will continue to be able to use these provisions, even if their spouse or civil partner is in the single-tier system. However, contributions which a person pays or is credited with into the new system will only count towards their own State Pension. This means that only the spouse's or civil partner's National Insurance records up to and including the tax year before the implementation of single tier will be used to calculate any derived entitlement.

Provision for women who paid reduced rate National Insurance contributions

33. From 1948 to 1977 married women (and certain widows) who were employed could opt to pay lower National Insurance contributions in exchange for relying on their husband's contributions for State Pension entitlement. Self-employed women could opt not to pay the flat-rate self-employed stamp. This option was known as a Reduced Rate Election.

34. Fully removing the potential to derive basic State Pension from a spouse under the single-tier pension would disadvantage those women who elected to pay reduced rate National Insurance contributions. They may have few or no qualifying years as a result of their election, which would leave them with potentially no State Pension under single-tier rules, despite a long history of paying National Insurance contributions and engaging with the system.

35. The Government, therefore, intends to make provision for married women and widows who paid reduced rate contributions. Where a valid election existed at the start of the 35 year period before State Pension age, they will be able to access a single-tier pension based on

their own contributions to 5 April 2017 that includes an amount equivalent to the full rate of the ‘married woman’s’ lower-rate basic pension or, if widowed or divorced, the full rate of the basic State Pension. If they would also qualify for a single-tier pension based just on their own contributions, they will receive the higher of the two.

Part 2: Pensionable Age

36. The Pensions Act 2007 provided for State Pension age for men and women to increase to:

- 66 between 2024 and 2026;
- 67 between 2034 and 2036; and
- 68 between 2044 and 2046.

37. Subsequent projections revised life expectancy upwards and, as a consequence, the increase to age 66 was brought forward to October 2020 by the Pensions Act 2011. The Government now propose to phase-in the increase to 67 between 2026 and 2028. The increase was announced in the November 2011 Budget Statement.

Proposed Timetable

Period within which birthday falls	**Age State Pension agereached**
6 April 1960 – 5 May 1960	66 years and 1 month
6 May 1960 – 5 June 1960	66 years and 2 months
6 June 1960 – 5 July 1960	66 years and 3 months
6 July 1960 – 5 August 1960	66 years and 4 months
6 Aug 1960 – 5 Sept 1960	66 years and 5 months
6 Sept 1960 – 5 Oct 1960	66 years and 6 months
6 Oct 1960 – 5 Nov 1960	66 years and 7 months
6 Nov 1960 – 5 Dec 1960	66 years and 8 months
6 Dec 1960 – 5 Jan 1961	66 years and 9 months
6 Jan 1961 – 5 Feb 1961	66 years and 10 months
6 Feb 1961 – 5 Mar 1961	66 years and 11 months
6 Mar 1961 – 5 April 1969	67

38. The proposals mean that people born after 5 April 1960 but before 6 March 1961 will have a State Pension age between 66 and 67. People born after 5 March 1961 but before 6 April 1969 will have a State Pension age of 67. People born between 6 April 1969 and 5 April 1977 already have a State Pension age of 67. The changes will not apply to anyone affected by the bringing forward of the increase to age 66.

39. As with previous increases in the State Pension age, this proposal will affect the qualifying age for all pension-age benefits and the upper age limit for receipt of working-age benefits.

Future changes to State Pension age

40. As life expectancy continues to increase, the Government believe there is a need for a more structured framework within which to consider changes to State Pension age to help ensure that the costs of increasing longevity are shared fairly between generations.

41. The consultation on the single-tier State Pension, carried out in Great Britain and Northern Ireland between April and June 2011, sought views on a framework for considering future increases. The Westminster Government proposes that:

- State Pension age will be reviewed every five years, with the first review taking place in the next Parliament;
- the review will be based on the principle that people should expect to spend a certain proportion of their adult life in retirement; and
- the review will be informed by reports from -
  - the Government Actuary's Department analysing the proportion of adult life people reaching State Pension age within a specified time period can expect to spend in retirement, and
  - from an independently-led body on other factors to be taken into account when setting State Pension age.

Part 3: Bereavement Support Payment

42. The Government believe that the payment structure and eligibility conditions of the current system of Bereavement Benefits make it difficult for people to understand what they are entitled to receive in the event of bereavement.

43. While acknowledging that it has a role in providing relief from the pressures associated with spousal/civil partner bereavement, the Government believes that the financial support provided via Bereavement Benefits should be short term, designed to aid the process of readjustment and support those without employment in making a return to work.

44. The Bereavement Support Payment will simplify the payment system by moving to a more uniform structure, and the contribution conditions with the introduction of a single rule. It will be paid as a lump sum with monthly instalments to avoid risks associated with making a large lump sum payment. The following indicative amounts were provided in the Government's response to the consultation (Command Paper CM8371):

- a lump sum of around £2,500 and monthly instalments of £150 for a year for claimants without dependent children; and
- a lump sum of around £5,000 and monthly instalments of £400 for a year for claimants with dependent children.

Part 4: Private Pensions

45. A number of measures relate to private and workplace pension schemes, the majority of which strengthen existing legislation relating to regulation and automatic enrolment. In summary, these are:

- a new power to make regulations to prohibit the offer of non-pension incentives to transfer pension scheme rights;
- measures relating to the prohibition of corporate trustees, the operation of automatic re-enrolment where a member has deferred and the powers of the Pensions Regulator to issue penalty notices;
- an amendment to the Companies Act 2004 so that a body preparing guidance in relation to pension illustrations may benefit from the exemption from liability for damages (such as financial loss); and
- a reduction in the minimum period between scheme returns for micro schemes (4 members or fewer).

Part 5: Final Provisions

46. These clauses relate to the power to make consequential amendments, general provision in respect of regulations and orders under the Bill, the Territorial Extent of the Bill, commencement of provisions in the Bill and the short title.

Financial Implications

47. The following estimates have been made by the Department for Work and Pensions:

State Pension

48. The cost of the State Pension system is one of the main pressures driving up the costs of supporting an ageing society. State Pension expenditure is expected to rise from 6.9 per cent of GDP in 2012/13 to 8.5 per cent in 2060/61 according to Department for Work and Pensions forecasts, despite direct action to help keep the pension system sustainable through changes to the State Pension age.

49. The single-tier reform package has elements that increase costs to the Exchequer, such as the value of each qualifying year being worth more under single-tier than basic State Pension, but also elements that decrease costs, for example the removal of Savings Credit and changes to inheritance rules.

50. The overall cost of the State Pension reforms will, therefore, remain broadly in line with current pension system expenditure as a proportion of GDP. In the short to medium term, some modest expenditure above the baseline will occur. In the long-term, savings to the Exchequer will be delivered as spending on pensioner benefits will increase at a slightly slower rate than under the current system. The end of contracting-out for salary-related occupational pension schemes means that the Exchequer accrues additional National Insurance contributions.

Pensionable Age

51. Bringing forward the increase in pensionable age to 67 to between 2026 and 2028 delivers approximately £63 billion savings in Annually Managed Expenditure when compared to the existing legislated baseline (the timetable set by the Pensions Act 2007).

Periodic review of pensionable age

52. There will be a comparatively small administrative cost to undertake the review. However, any decision to change pensionable age as a result of a review will have a significant financial effect; the Government will need to bring forward primary legislation to change pensionable age and an estimate of the financial impacts will be produced at that time.

Bereavement Support Payment

53. Reforming the bereavement benefit system will incur a cost to the Exchequer of approximately £1.48 billion over the first four years.

Private Pensions

54. Increasing from three to five years the requirement for occupational pension schemes to submit scheme returns to the Pensions Regulator will deliver savings to business equivalent to £292,000 per annum.

Corresponding Northern Ireland Bill

55. Subject to Ministerial agreement and Executive approval, a corresponding Assembly Bill could be introduced early in 2014.

DSD Letter 26.02.14

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Dr Kevin Pelan
Committee for Social Development
Room 284
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Date: 26 February 2014

Dear Kevin

Briefing – Proposed Pensions Bill Equality Impact Assessment

Officials from Social Security, Policy & Legislation Division are scheduled to brief the Committee on 6 March in relation to the proposed Pensions Bill Equality Impact Assessment.

The consultation period ran from 21 November 2013 to 14 February 2014 and responses were received from:

- Advice NI
- Northern Ireland Public Sector Alliance
- Women's Support Network

In general, the respondents expressed concerns about the impact of the proposed changes to State pension age, the frequency of pension payments, pensioner poverty and the impact of the changes on women.

In advance of the briefing session please find attached:

- An outline of the main provisions in the Bill;
- A summary of the impacts;
- A summary of the issues raised; and
- Copies of the responses received.

Yours faithfully

Anne McCleary

Director, Social Security Policy & Legislation Division

DSD Briefing Paper EQIA

Draft Pensions Bill - Outline of main provisions

Single-tier State Pension

1. The Bill provides the legislative framework for the single-tier pension which will replace the existing State pension, comprising Basic State pension and additional State pension. The single-tier pension will:

- simplify the pension system;
- be set above the basic level of means-tested support – the Pension Credit Standard Minimum Guarantee;
- be increased at least in line with average growth in earnings;
- bring to an end:
  - the State second pension (subject to transitional provisions),
  - contracting-out of the State second pension,
  - the Savings Credit element of State Pension Credit for people who attain pensionable age after 6 April 2016, and
  - the Category D (over 80s) pension and the Age Addition for people who attain pensionable age after 6 April 2016;
- require 35 qualifying years of National Insurance contributions or credits for the full amount. There will also be a minimum qualifying period of not more than 10 years. Those with less than 35 qualifying years but above the minimum qualifying period will get a proportionally smaller amount;
- be based on individual qualification, ending inheritance of, and derived rights to, a spouse’s or civil partner’s pension;
- make provision for women who paid reduced rate National Insurance contributions;
- continue to allow people to defer claiming their State pension.

2. People reaching State pension age before the introduction of the single-tier scheme will receive their State pension in line with current rules.

Option to Boost Old Retirement Pensions

3. The Westminster Bill includes provisions to allow people who reach State pension age prior to 6 April 2016 to pay a new class of voluntary National Insurance contribution – Class 3A. Payment of Class 3A contributions would enable people to boost their retirement income by gaining extra additional State Pension. The Assembly Bill will make provision for the payment of extra additional State pension.

4. Class 3A contributions will be introduced in October 2015 and are primarily aimed at groups such as women, the self-employed and low earners who tend to have low additional State pension outcomes.

Pensionable Age

5. Under existing legislation, State pension age will increase to 67 between 2034 and 2036. The Bill brings forward the increase in State pension age to 67 by eight years to between 2026 and 2028.

State Pension Credit

6. The Bill contains provisions to phase out assessed income periods within the Pension Credit system and require claimants to report material changes in circumstances as they occur. This will trigger an immediate review and, where appropriate, a change in the benefit award so that it reflects the claimant's current circumstances.

Bereavement Support Payment

7. Currently, bereavement benefits consist of three different payments, each of which has a different function.

- Bereavement Payment – a one-off tax-free payment of £2,000 payable to someone after their spouse or civil partner has died.
- Bereavement Allowance – a taxable weekly benefit which can be paid to someone for up to 52 weeks from the date of death of their spouse or civil partner if they are over 45 and under State pension age.
- Widowed Parent's Allowance – a taxable weekly benefit which may be payable to a parent whose spouse or civil partner has died if they have at least one child for whom they receive Child Benefit. It is payable until the claimant reaches State pension age or upon cohabiting or remarriage/formation of civil partnership.

8. The Bill provides the legislative framework for the introduction of a new benefit, Bereavement Support Payment, to replace the existing bereavement benefits for new claimants. The intention is that support will be focused in the period immediately after bereavement.

9. The actual values and details of how instalments will be paid will be finalised in regulations. Indicative values are in the region of £4,300 (£2,500 lump sum and £150 in monthly instalments for 1 year) for recipients without dependent children and £9,800 (£5,000 lump sum and £400 in monthly instalments for 1 year) for those with dependants.

Private Pensions

10. Following on from recent reforms, such as the requirement to automatically enrol employees into a qualifying pension scheme, the Bill changes the regulatory framework further to:

- Provide for a system of automatic transfers of small pension pots so that an individual's pension would follow them when they change jobs;
- Enable the Department to make regulations prohibiting the offer of incentives to induce an individual to transfer pension rights out of a salary-related scheme to another pension scheme or arrangement;
- Provide for the abolition of short-service refunds in Defined Contribution schemes for people who leave within two years;
- Extend an existing power in the Pensions (No. 2) Act (NI) 2008 to limit administration charges in qualifying schemes;
- Enable the Department to make regulations to prescribe alternative ways for pension schemes to satisfy the "quality requirement";
- Enable the Department to make regulations allowing the collection of Pension Protection Fund levies in respect of past periods; and
- Increase the Pension Protection Fund's compensation cap for those with more than 20 years service.

11. The Bill also adds a new objective for the Pensions Regulator stating that it should "minimise any adverse impact on the sustainable growth of an employer" when exercising its functions in relation to scheme funding.

Draft Pensions Bill - Summary of main impacts

Age

Under the current system individuals may be entitled to an additional State pension as well as their basic State pension. There is no fixed amount for the additional State pension as it depends on a number of factors, including, how many years of National Insurance contributions the individual has and their earnings. The introduction of single-tier may have a greater impact on younger workers who will not be able to build entitlement to large amounts of additional state pension in the way that those closer to retirement age prior to implementation were able to.

The acceleration of the timetable for increasing State Pension age to 67 could affect 234,340 people born between 6 April 1960 and 5 April 1969. The affected group would see their State pension age increase by between one month and one year depending on their date of birth.

The proposals to introduce a new Bereavement Support Payment to replace existing bereavement benefits may have a beneficial impact on younger working age claimants who do not qualify for the current Bereavement Allowance. Older recipients may experience a notional loss under the proposed reforms.

Gender

In terms of the numbers affected, the single-tier pension has no adverse differential impacts on the grounds of gender.

However, an implementation date of 6 April 2016 means that there is a group of women born between 6 April 1951 and 5 April 1953 who will not be eligible for the single-tier pension, although a man born on the same date may be. This is because the state pension age is still unequal in 2016. In Northern Ireland it is estimated that 19,055 women will fall into this category.

Marital Status

Under single-tier, pension entitlement will be awarded on an individual basis and generally it will not be possible to obtain a state pension based on the contributions of a spouse or civil partner.

Religious Belief / Political Opinion

The ending of contracting out as a result of introducing single-tier may impact more on Protestants than on Catholics. This assumption is based on the composition of the public sector workforce which accounts for 89% of contracted out schemes in Northern Ireland.

Census data suggests that the acceleration of the timetable for increasing State pension age to 67 could affect more Protestants than Catholics.

Racial Group

The contribution criteria for entitlement to the proposed Bereavement Support Payment have been eased with the deceased being required to have paid sufficient contributions in any one year. This may assist ethnic minorities who have recently moved to Northern Ireland who would not have had a full National Insurance record and would not have been entitled to full support under the current system.

Sexual Orientation

The proposals are not expected to have any adverse impacts on the basis of sexual orientation.

Persons with a disability and persons without

The proposals to introduce a single-tier pension may have a greater impact on disabled persons who are more likely to be economically inactive and less able to accrue a private pension.

Persons with dependants and persons without

People with dependants are more likely to be affected by the proposed changes. The introduction of the Bereavement Support Payment will mean that in future bereaved parents with younger children will receive notionally less benefit than would be the case under the existing system.

Summary of responses

Responses were received from Advice NI, Northern Ireland Public Service Alliance (NIPSA) and the Women's Support Network.

Advice NI

- Although the Pensions Bill makes no changes with regards to "frequency of payments" it does allow the Department to make provision in subsequent regulations in relation to claims and payments for single-tier pensions.
- There needs to be a proper debate about this issue at an early stage.

NIPSA

- The linkage of normal scheme retirement age in the Public Service Pensions Bill to State pension age has very significant implications for public servants.
- Ending contracting-out may have an impact on scheme opt-out rates.
- The proposals have an adverse impact on women and in terms of age.
- Bereavement benefit reform can't be assessed until the position on Welfare Reform is known.
- Welcome the automatic transfer of pension benefits.
- Supports the prohibition of incentives being offered to transfer pension rights.

Women's Support Network

- Pensioner poverty is greater in NI than in GB.
- The single-tier pension should be extended to current pensioners as economic circumstances permit.
- Cross departmental measures are required to track, evaluate and address pensioner poverty in NI.
- Any review of State pension age should consider healthy life expectancy, job opportunities in later life and socio-economic status
- Measures should be introduced to properly gauge the uptake rates for benefits among pensioners.
- Women born between 6 April 1951 and 5 April 1953 should have the option to be treated as a man with the same date of birth
- Part-time workers with more than one job may be disadvantaged.
- People on low incomes, especially women, are unable to save for retirement.

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Gillian McMaster

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27th January 2014

Dear Gillian,

Re Proposals for a Pensions Bill: Equality Impact Assessment
'Claims & Payments'

I would be grateful if you could place on record our concerns as regards the Pensions Bill EQIA particularly on the issue of 'claims and payments'.

Whilst we accept that that the Pensions Bill does not make any changes regarding 'frequency of payments'; we note that the Bill amends the Social Security Administration (NI) Act 1992 and adds "State pension or a lump sum under Part 1 of the Pensions Act (NI) 2014" to the list of benefits in section 5(2) of that Act. Effectively this means the Department can make provision in subsequent Regulations in relation to claims and payments for single-tier pensions.

We are very aware of the issues associated with the 'frequency of payment' relating to Universal Credit and I would be concerned about any similar issues that might arise and impact upon recipients of any new single-tier state pension. Whilst I understand that no decisions have been made in relation to 'frequency of payment', it would appear that this issue is currently under consideration.

In the interests of transparency and fairness, Advice NI believes that there needs to be a proper debate on the important issue of 'frequency of payment' at an early stage. This will be important in order to inform IT requirements (for example if people will have the right to choose their preferred 'frequency of payment') and indeed to raise awareness on the issue.

The debate would be informed with information relating to the numbers of people currently paid weekly / fortnightly / monthly etc as regards current state pensions (state pension credit and state retirement pension). Some research might also be helpful.

Hoping you find these comments helpful,

Yours sincerely

Kevin Higgins

(Head of Policy)

nipsa

The Leading Public Service Union

Brian Campfield General Secretary

YOUR REF

OUR REF

Ms Gillian McMaster
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4 February 2014

Dear Gillian

PROPOSALS FOR PENSION REFORM – CONSULTATION ON EQIA

I refer to your correspondence of 21 November and 19 December 2013, in respect of the above matter.

I am providing this response on behalf of NIPSA, the largest trade union in Northern Ireland with circa 46,000 members. The very vast majority of these members are currently in the main public service occupational pension schemes which are of course subject to reform as a consequence of the Westminster Governments implementation of the Hutton reforms eg contribution increases and also the proposals contained in the NI Assembly's Public Service Pensions Bill which is currently in passage at Stormont.

The impact of a Pensions Bill therefore has dual implications, (i) the content of the Bill per se and (ii) the linkage between the Public Service Pensions Bill and the general Pensions Bill on the proposed link between normal Scheme retirement age and state pension age. The proposition of a DSD Pensions Bill to mirror the Westminster Bill therefore has very significant and specific implications for public servants.

Aside from the specific issue of the link to public service occupational pension schemes there are the other aspects of the pensions proposals that would, if introduced, impact on our members, including the proposed single-tier pension scheme with the associated implications for contracting out and what impact this may have on scheme opt-outs.

It is NIPSA's view that such a major change to state pension provision and the consequential impact on public service occupational pension schemes require a full equality impact assessment to be conducted. The Westminster Government has

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described its proposals as the most radical re-shaping of state pension provision since its inception, it therefore, if it is to be applied to Northern Ireland, requires the fullest examination and as such a full EQIA must be the starting point of such an examination.

The proposals clearly impact on many different elements of the Section 75 cohort in particular gender and age are the two clearest groups. The proposal to have a two-tier system ie those retired pre 2016 introduction and the new scheme for post 2016 retirements is a clear area of potential conflict on age grounds.

The consultation document at certain points identifies areas of adverse impact eg Section 2 paras 5 and 21, likewise the move to a 35 year qualifying National Insurance contribution requirement is likely to discriminate against women.
With the Westminster Government's Autumn statement of early December 2013 which included further proposed changes to State Pension Age, events have clearly overtaken the consultation and a full EQIA may assist in dealing with this subsequent change.

The proposals for Bereavement Allowance do have a linkage to Welfare Reform and the final position of the NI Assembly on the introduction or otherwise of Welfare Reform to Northern Ireland should be known before any detailed assessment of the Bereavement Allowance proposals can be fully considered.

The AIP proposals are more likely to impact on existing pensioners and those who qualify before the 2016 changes and this may have a differential impact on this group.

The proposals for portability of private DC pensions are to be broadly welcomed, however it is essential that this does not further expose these pensions to pension liberation scams. NIPSA would support the principle to exclude ETV exercises for DB schemes.

Yours sincerely

BUMPER GRAHAM
Assistant General Secretary

Bg04021a

Consortium for the Regional Support for Women in Disadvantaged and Rural Areas

Response to: Proposals for a Pensions Bill – Equality Impact Assessment

Issued by: Department for Social Development in Northern Ireland

February 2014

Foyle Women's
Information
Network

Women's Regional Consortium: Working to Support Women in Rural Communities and Disadvantaged Urban Areas

1. Introduction

1.1 This response has been undertaken collaboratively by the members of the Consortium for the Regional Support for Women in Disadvantaged and Rural Areas, which is funded by the Department for Social Development in Northern Ireland (hereafter, DSD) and the Department of Agriculture and Rural Development in Northern Ireland.

1.2 The Women's Regional Consortium consists of seven established women's sector organisations that are committed to working in partnership with each other, government, statutory organisations and women's organisations, centres and groups working in disadvantaged and rural areas, to ensure that organisations working for women are given the best possible support in the work they do in tackling disadvantage and social exclusion.[1] The seven groups are as follows:

- Training for Women Network (TWN) – Project Lead
- Women's Resource and Development Agency (WRDA)
- Women's Support Network (WSN)
- Northern Ireland's Rural Women's Network (NIRWN)
- Women's TEC
- Women's Centre Derry (WCD)
- Foyle Women's Information Network (FWIN)

1.3 The Consortium will be the established link and strategic partner between government and statutory agencies and women in disadvantaged and rural areas, including all groups, centres and organisations delivering essential frontline services, advice and support. The Consortium will ensure that there is a continuous two way flow of information between government and the sector. It will ensure that organisations/centres and groups are made aware of consultations, government planning and policy implementation. In turn, the Consortium will ascertain the views,

[1] Sections 1.2-1.3 represent the official description of the Consortium's work, as agreed and authored by its seven partner organisations.

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needs and aspirations of women in disadvantaged and rural areas and take these views forward to influence policy development and future government planning, which will ultimately result in the empowerment of local women in disadvantaged and rurally isolated communities.

2. General comments

2.1 The Women's Regional Consortium appreciates the opportunity to respond to DSD's *Proposals for a Pensions Bill – Equality Impact Assessment*.

2.2 The Consortium welcomes this consultation exercise as affirmation of the Executive's intent to promote 'a better foundation for [pension] saving and ensure the [pension] system is sustainable for future generations'.[2]

However, in a context of increasing levels of vulnerability in Northern Ireland and associated actual/projected increases in poverty,[3] especially pensioner poverty, we are concerned at uncertainty about the potential impact of the proposals on the welfare and well-being of vulnerable women and households in rural and disadvantaged areas.

The remainder of this paper outlines these concerns and other associated gender-specific issues.

3. Specific comments

Pensioners and poverty

3.1 It is a matter of some concern that the pension proposals do not contain any measures to explicitly address pensioner poverty in Northern Ireland, particularly that experienced by older and more vulnerable pensioners.

Research by the Joseph Rowntree Foundation (hereafter, JRF) indicates that pensioner poverty in Northern Ireland is higher than in Great Britain (21 per cent

[2] DSD, Proposals for a Pensions Bill: Equality Impact Assessment, Belfast: DSD, 2013, p.6.
[3] See, for example, G. Horgan, Welfare reform: implications and options for Northern Ireland, University of Ulster: Belfast, 2013, p. 2.

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versus 16 per cent) and that this differential has grown over recent years.[4] According to the latest available government statistics, in 2011/12, around 25 per cent of pensioners in Northern Ireland were in relative poverty (i.e. 72,000) while approximately 27 per cent (i.e. 79,000) were in absolute poverty before housing costs, representing a 5 percentage point rise on the previous year.[5]

Part of the reason for this Great Britain-Northern Ireland disparity in pensioner poverty is that Northern Ireland pensioners are more likely than their Great Britain counterparts to depend entirely on benefits for their income. For example, while 40 per cent of single pensioners in Northern Ireland rely wholly on state pension and pension credits, the comparable figure for the entire UK is 20 per cent.[6] Of course, pensioner poverty in Northern Ireland does not only affect those on benefits. For instance, as government research on fuel poverty has observed, 'many pensioners [in Northern Ireland] just above the benefits line are also facing major difficulties in paying for the necessities of heating and eating'.[7] Pensioners in this category can in fact often be financially worse off than those wholly reliant on state support.[8]

This situation is compounded by the fact that the high level of pensioner benefit dependency in Northern Ireland 'is likely to continue' in the foreseeable future, in large part because the proportion of employed persons in Northern Ireland who contribute to a pension is likely to remain less than the Great Britain equivalent.[9] Accordingly, the risk of poverty for pensioners in Northern Ireland is also greater than in Great Britain.[10]

Research from the Department for Work and Pensions (hereafter, DWP) provides an insight into the egregious impact of pensioner poverty on everyday living conditions. According to DWP findings, around 28 per cent of materially deprived pensioners in

[4] T. MacInnes et al. Monitoring poverty and social exclusion in Northern Ireland, London: Joseph Rowntree Foundation, 2012.
[5] NISRA, Poverty in Northern Ireland: 2011/12, Belfast: NISRA, 2013.
[6] MacInnes et. al., op. cit
[7] NIA, Report on Fuel Poverty, Together with the Minutes of Proceedings of the Committee relating to the Report Ordered by the Committee for Social Development, Report: NIA 36/11-15 (Committee for Social Development), 2012, p.43.
[8] Ibid.
[9] MacInnes et. al., op. cit, p.12.
[10] Ibid.

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the UK 'lacked basic items', for example, having a warm coat, while financial pressures caused some 'to cut back on essential care or support with the most basic of tasks such as bathing, dressing and shopping'.[11] This predicament is exacerbated because such pensioners can also tend to cut back on social activities, which can lead to social isolation and deepen deprivation by precluding external opportunities to gain support from others.[12]

Rural pensioner poverty

Clearly, some categories of pensioners are more at risk of poverty than others. For example, some rural pensioners can be at particular risk of poverty given the association between social isolation, material deprivation and unsatisfactory rural infrastructural provision, such as inadequate public transport. This causal association is affirmed by DWP research, which concluded that 'having a good local community and good access to public transport and local amenities were important in reducing living costs [for], and material deprivation' among, pensioners.[13] By increasing opportunities for rural pensioners to gain vital support from family and friends, affordable/accessible public transport and access to adequate local amenities are crucial factors in helping to reduce their experience of rural isolation and the hardship that can accompany it. Yet rural public transport can, of course, tend to prioritise availability at peak times to accommodate commuter travel, while variable availability at other times can exclude vulnerable groups such as pensioners. Furthermore, local amenities may be deficient or even non-existent in rurally isolated areas.

While both the Northern Ireland Executive's Programme for Government and Delivering Social Change framework commit it to tackling poverty and social exclusion in general terms,[14] this is supported by a specific commitment to tackling

[11] M. Kotecha et. al., Research Summary: Understanding the relationship between pensioner poverty and material deprivation – a synthesis of findings, London: DWP, 2013.
[12] Ibid.
[13] Ibid.
[14] OFMDFM, Delivering Social Change. [Online]. Available at: http://www.ofmdfmni.gov.uk/index/delivering-social-change.htm

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rural poverty. In addition, the Executive's new older people's strategy, which is currently under development, targets pensioner poverty.[15]

From this perspective, it is not unreasonable to expect that pensioner poverty, whether rural or urban, should be explicitly and directly addressed by any public debate on the reform of the current pension system. And, as leading UK charities have rightly claimed, in taking forward the Pensions Bill, there is a range of remedial measures that government could potentially adopt to address this glaring omission. For example, it could take better account of pensioner poverty by extending the single tier pension to current pensioners, as economic circumstances permit, and fixing the single tier rate at an appropriate level above the pension credit guarantee level.[16]

However, the consultation document fails to even acknowledge pensioner poverty as a fundamental factor in this debate. In short, it is strategically remiss of government to formulate proposals that seek to reform the current pension system without also explicitly seeking to take proper and concurrent account of the relationship between that system and actual/projected pensioner poverty levels in Northern Ireland.

Parity principle

The document states that, in large part, the Executive intends pursuing the UK government's pension proposals for reasons to do with the parity principle:

> as there is a long-standing principle of parity between Northern Ireland and Great Britain in relation to pension matters, it is anticipated that a corresponding Northern Ireland Bill will be introduced in the Assembly early in 2014.[17]

It is implied that the application of this principle in effect means that the Executive has no actual scope for variation with the UK government on pension matters.

[15] This Active Ageing Strategy is being developed by the Office of the First Minister and Deputy First Minister.
[16] Age UK, Pensions Bill Second Reading Briefing, House of Commons June 2013, London: Age UK, 2013.
[17] DSD, op. cit., p.6.

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We appreciate the budgetary import of the parity principle in respect of welfare payments, i.e. that 'any decision to make differential payments would have to be met from the Block Grant'.[18] But its application in the pension debate should not exclude the Executive taking due and concurrent cross-departmental account of pertinent particularities of the Northern Ireland case, including the context-specific level and risk of pensioner poverty outlined above. Because, as JRF research affirms, in spite of the parity principle, *'the power to vary some welfare rules exists'* in Northern Ireland.[19] Recent examples of such welfare variation include the Executive's reported concession on restricting the bedroom tax to new claimants and some variation on the design of universal credit.[20]

Recommendation

- The Women's Regional Consortium urges DSD to develop and implement sufficient cross-departmental measures to properly track, evaluate and address the relationship between the proposals and current/projected pensioner poverty in Northern Ireland.

Increased state pension age

3.2 A key dimension of the stated rationale for the proposals is that life expectancy in the UK is increasing faster than projected. It is anticipated that the planned increase in state pension age to 67 by eight years between 2026 and 2028 should address this demographic thus 'help[ing to] keep the cost of the state pension system sustainable in the long-term'.[21]

Yet, as commentators have rightly noted, this manoeuvre 'unfairly penalises those groups who have lower life expectancy'.[22] Clearly, as life expectancy increases, the extension of working lives is a legitimate subject for public debate. However, for the sake of fairness, this debate should include a full and proper consideration of key disparities in healthy life expectancy across different population categories, notably

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[18] J. McCormick, Joseph Rowntree Foundation Programme Paper, Anti Poverty Strategies for the UK: A Review of Devolved Approaches to Child Poverty, JRF: London, 2013.
[19] Ibid.
[20] Ibid.
[21] DSD, op. cit., p.7.
[22] Prospect, House of Commons Public Bill Committee on the Pensions Bill 2013-14: Submission by Prospect. London: Prospect, 2013.

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socio-economic status and gender, as well as key disparities in the availability of employment opportunities in later life across similar categories.[23] For example, the tendency of women to live longer than men could hold gendered implications for pension planning and saving.

Recommendation

- The document includes plans to introduce future periodic reviews of the state pension age to take into account increases in longevity. Any review of this kind should statistically track and seek to address key variations in healthy life expectancy and job opportunities in later life across pertinent demographic categories such as gender and socio-economic status.[24]

Awareness raising campaign

3.3 According to the consultation document, the proposed reform of the state pension system 'is intended to make the system simpler so that individuals have a better understanding of their state pension entitlement and therefore actively engage with planning for retirement'.[25]

We welcome the intent to simplify the current system given the link between bureaucratic complexity and reduced uptake rates of benefits among pensioners. Complicated bureaucratic systems can thwart benefit uptake by generating the following barriers:

> perceptions of non-eligibility, difficulties understanding benefit systems, concerns as to how receipt of one benefit impacts on continued eligibility for another benefit, complexities of application forms and the belief of many pensioners that they have sufficient funds to live on.[26]

Research indicates that benefit agencies in Northern Ireland and across the UK do not currently tend to have effective mechanisms in place to accurately gauge the uptake rate of benefits among pensioners.[27] So, for example, for the period 2004-06, estimates of unclaimed state pension credit ranged from £26 million to £168

[23] See Age UK, op. cit.
[24] Ibid.
[25] DSD, op. cit., p.6.
[26] Northern Ireland Audit Office, Uptake of Benefits by Pensioners. Belfast: Stationery Office, 2011, p.11.
[27] Ibid.

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million.[25] Diminished uptake rates for pension credit can, of course, contribute to pensioner poverty, which may be compounded by overlapping reduced uptake levels for other benefits among the same cohort. For instance, for the same period, estimates of unclaimed housing benefit for pensioners ranged from £5 million to £29 million.[29]

This absence of accurate information on benefit uptake rates among pensioners is obviously problematic for policy planning, since it means that the proposed reform of the pension system is not properly informed by a suitably robust and comprehensive evidence base of pertinent pensioner variables.

We recognise that the Executive intends addressing this controversy of suppressed benefit uptake rates among pensioners in its new older people's strategy, which as aforementioned is currently under development. Clearly, if the Executive is serious in its intent to simplify the state pension system so that pensioners more actively engage with that system, then it must put in place more effective cross-departmental mechanisms that allow government and agencies to better understand, and more fully address, the key factors underlying the current/projected low uptake of pensioner benefits.

Recommendation

- As the Executive moves forward with these proposals, it should seek to develop effective cross-departmental mechanisms to help it more accurately gauge the uptake rates for benefits among pensioners. Furthermore, it should also take steps, including a properly coordinated awareness-raising campaign, to ensure that pensioners are fully informed about the proposals and to stimulate greater levels of benefit uptake.[30]

Women as losers

3.4 As the consultation document notes, there is a group of women born between April 1951 and April 1953 who will not be eligible for the proposed single-tier pension, although men in the same period might not be similarly disadvantaged. In

[28] Ibid.
[29] Ibid., p.19.
[30] Ibid.

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Northern Ireland, it is estimated that 19,055 women will fall into this category.[31] Of course, these women are additionally disadvantaged by the rise in the state pension age.

The document cites certain possible mitigating factors in respect of this gendered discrepancy. However, the Consortium is disappointed that this account of mitigation does not include any actual measures to deal directly with the discrepancy as follows. We would support the suggestion that, for the sake of fairness and gender equality, government should permit women who fall within this cohort to automatically have *'the option to be treated as a man with the same date of birth'*.[32]

A second group of anticipated losers from the pension reform comprises part-time workers with more than one job. Such workers might be adversely impacted by the proposals where earnings from each job fall below the national insurance earnings limit for entitlement to a future state pension *and* consequently exclude them from automatic pension enrolment.[33] There is a significant gendered dimension to this exclusion, since it is projected that it will disproportionately impact women who, as compared to men, continue to participate more in part-time, low paid and sporadic work in Northern Ireland. For example, latest figures for Northern Ireland indicate that 92 per cent of female employees work in the traditionally low paid service sector;[34] that 80 per cent of part-time employees are female;[35] and, that median female hourly earnings, excluding overtime, of part-time workers are 69.9 per cent of full-time workers.[36]

Recommendation

- The Consortium recommends that the Executive give further consideration to the specific impact of the proposals on the two cohorts of women described in this section, seeking to take explicit account of any unfair disadvantage to their pension accrual attributable to the peculiarity of their date of birth and/or employment status.

[31] DSD, op. cit., p.20.
[32] Age UK, op. cit.
[33] Ibid.
[34] NISRA, Women in Northern Ireland September 2012, Belfast: NISRA, 2012.
[35] Ibid.
[36] Ibid.

Personal responsibility for saving

3.5 A further part of the stated rationale behind the Pensions Bill is that the current system 'does not encourage people to take personal responsibility for saving for their retirement'.[37] Evidence provided for this conclusion in the equality assessment document comprises declining levels of private saving for pensions and the estimate that 11 million people in the UK are 'not saving enough for an adequate retirement income'.[38] So the proposals are specifically premised on the individual's personal responsibility to save.

This fundamental framing assumption takes no account of the predicament of persons on low incomes, particularly women, who are unable to save and those individuals whose working lives might be truncated due to poor health.[39] More specifically, it fails to take account of the relationship between the gender pay gap, women's role as primary carers and the reduced capacity of women to save for pensions.

The nature of the gender pay gap in Northern Ireland is such that women continue to earn less than men across a range of sectors. Latest figures, for the period 2011-2012, indicate a widening of the gender pay gap of all employees.[40] Because of temporary and part-time working patterns, women can be less likely to have pensions or experience of dealing with pensions. The role of women as primary care-givers is a key factor underlying these working patterns. Research by Carers' UK has indicated that women constitute 64 per cent of the 207,000 carers in Northern Ireland.[41]

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[37] DSD, op. cit., p.10.
[38] Ibid., loc.cit.
[39] DWP, A state pension for the 21st century: a summary of responses to the public consultation. London: DWP, 2011.
[40] NISRA, Results from the Northern Ireland Annual Survey of Hours and Earnings 2012, NISRA: 2012.
[41] Carers' UK, Valuing carers: calculating the value of carers' support, CUK: London, 2011.

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The time-burden on women as primary care-givers can obstruct and even preclude their participation in the formal employment sector by severely restricting their options. Some of these women may look for part-time work to fit around their caring responsibilities, yet such positions can be precarious, low-paid and temporary. In other cases, part-time work outside the home may be impractical for women as primary carers. So by undertaking the role of unpaid primary carers, women can be left with no option but to withdraw altogether from paid work outside the home. The interplay between the gender pay gap, the nature of participation of women in the labour market and women's role as primary carers is affirmed by government research, which shows that 16 per cent of the gender pay gap is attributable to 'the negative effect on wages of having previously worked part-time or of having taken time out of the labour market to look after family'.[42]

In addition, women can also face poverty on the death of a spouse, and this hardship holds obvious negative implications for their capacity to save for pensions.[43] Finally, women in Northern Ireland also face an increased risk of financial vulnerability and inability to save for pensions associated with lone parenting: of the 63,900 lone parent households with dependent children recorded in the 2011 Census, 91 per cent were female-headed.[44]

In sum, in so far as they can further financially disempower women, the gendered factors outlined in this section can leave women more vulnerable and at risk as potential pension savers/holders.

Recommendation

- As it progresses these proposals, the Executive should seek to statistically track (through the collation of pertinent gendered disaggregated data), and take due account of, the relationship between the gender pay gap, the constrained nature of the participation of women in the labour market,

[42] Government Equalities Office, The Gender Pay Gap in the UK: 1995 to 2007, Research Findings No. 2010/2. London: GEO, 2010.
[43] D. Weir, and R. Willis, Prospects for widow poverty in the finances of married couples in the HRS, in O. Mitchell, P.B. Hammond, and A. Rappaport (eds). *Forecasting Retirement Needs and Retirement Wealth*, University of Pennsylvania Press: Philadelphia, 2000.
[44] R. Russell, Northern Ireland Assembly, Research and Information Service Research Paper - Census 2011: Key Statistics at Northern Ireland and LGD level, NIA: Belfast, 2013.

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women's role as primary carers, the financial vulnerability of women and their reduced capacity to save for pensions.

4. Conclusion

If, as forecast, '*just about everyone'* will be less well-off in the longer term under the single tier pension proposals than under the current system,[45] and those in 'greatest need' will face a reduction in entitlement compared to those with decent occupational pensions, then government needs to fundamentally rethink the substance of these proposals.[46] In particular, the Consortium would strongly urge the Executive to give further consideration to the potential egregious impact of the relationship between the proposals, pensioner poverty and associated gender-specific concerns articulated in this paper.

[45] R. Crawford, S. Keynes and G. Tetlow, Single-Tier Pension: What Does It Really Mean? London: Institute of Fiscal Studies, 2013, p.2.
[46] Prospect, op. cit.

DSD Briefing Paper

Proposed Northern Ireland Pensions Bill
Briefing for the Committee for Social Development

Synopsis

Synopsis

1. The Pensions Bill makes provision for Northern Ireland corresponding to the Pensions Act 2014 which received Royal Assent on 14 May 2014. It proposes changes to the State Pension, private pension provision and Bereavement Benefits, specifically:

   - the introduction of a new State Pension and consequential matters;
   - an option to boost additional State Pension under the current scheme;
   - accelerating the increase in State Pension age to 67;
   - phasing out the Assessed Income Period in State Pension Credit;
   - the introduction of Bereavement Support Payment; and
   - changes to private pensions.

2. The State Pension proposals were the subject of a consultation carried out in Great Britain and Northern Ireland between April and June 2011. Consultation on a new system of support following bereavement was carried out in Great Britain and Northern Ireland between December 2011 and March 2012. The Committee were briefed on 23 June 2011 and 8 March 2012 respectively. Acceleration of the increase in State Pension age to 67 in Great Britain was announced In the November 2011 Budget Statement.

3. A draft Pensions Bill was published by the Department for Work and Pensions on 18 January 2013 and issued to Northern Ireland interest groups by the Department for Social Development. The Committee were briefed on the content of the Westminster Pensions Bill on 27 June 2013.

4. An Equality Impact Assessment examined corresponding Northern Ireland proposals in the context of the promotion of equality of opportunity and good relations as required by section 75 of the Northern Ireland Act 1998. A consultation exercise was carried out from 21 November 2013 to 14 February 2014. Three substantive responses were received. Officials briefed the Committee on 6 March 2014. The Committee decided not to make a formal response.

New State Pension

5. From April 2016, the proposed new State Pension will replace the existing scheme, comprising basic State Pension and additional State Pension, with a single component flat-rate pension. The new pension will be set above the basic level of means-tested support – the Pension Credit Standard Minimum Guarantee; currently £148.35 per week for a single pensioner.

6. The aim is to provide a simpler, clearer State Pension system for future pensioners, a foundation to enable planning and saving for retirement and reduce the number of people who have to rely on means-tested benefits. People reaching State Pension age before the introduction of the new scheme will receive their State Pension in line with current rules.

7. Transitional measures will provide for:

   - people who have paid, been treated as having paid or been credited with National Insurance contributions in respect of tax years before the introduction of the new scheme;
   - inheriting entitlement from a late spouse or civil partner who made National Insurance contributions in respect of tax years before the introduction of the new scheme;
   - women who before 1977 elected to pay a reduced rate of National Insurance Contributions; and
   - sharing a pension with a former spouse or civil partner on divorce.

8. Consequential changes include:

- provision to allow people to postpone or suspend entitlement to a State Pension;
- the abolition of contracting-out for salary-related occupational pension schemes; and
- the abolition of the savings credit element of State Pension Credit for people who reach pensionable age on or after the introduction of the new State Pension.

Option to boost additional State Pension

9. The Pensions Act 2014 introduced a new class of voluntary National Insurance contribution, Class 3A, to allow people who reach State Pension age before the introduction of the new State Pension scheme to increase their additional State Pension. As National Insurance contributions are an excepted matter, these measures extend to Northern Ireland. The Bill makes consequential provision for the payment of extra units of additional State Pension to those who have paid Class 3A contributions.

Pensionable age

10. The Pensions Act (Northern Ireland) 2008 provided for State Pension age for men and women to increase to:

- 66 between 2024 and 2026;
- 67 between 2034 and 2036; and
- 68 between 2044 and 2046.

11. Subsequent projections revised life expectancy upwards and, as a consequence, the increase to age 66 was brought forward to October 2020 by the Pensions Act (Northern Ireland) 2012. The present Bill proposes to phase- in the increase to 67 between 2026 and 2028.

State Pension Credit

12. Assessed Income Periods (AIPs) in State Pension Credit remove the requirement for certain individuals to notify the Department of changes to retirement income within a defined period. The Bill proposes to abolish AIPs for new claims from April 2016. From that date, changes should be reported when they occur, triggering a review and change of award where appropriate.

13. Provision is also made to preserve existing indefinite AIPs introduced by the Pensions (No. 2) Act (Northern Ireland) 2008 for persons aged 80 or over or those with an AIP spanning their 80th birthday.

Bereavement Support Payment

14. The Bereavement Support Payment will replace existing Bereavement Benefits. It will simplify:

- the payment system by moving to a more uniform structure; and
- the contribution conditions with the introduction of a single rule.

15. Bereavement Support Payment will be paid as an initial lump sum followed by monthly instalments for one year.

Private Pensions

16. A number of the proposed measures relate to private and workplace pension schemes, the majority of which strengthen existing legislation relating to regulation and automatic enrolment.

Briefing Note

Background

1. The Pensions Bill makes provision for Northern Ireland corresponding to the Pensions Act 2014. It proposes changes to the State Pension, private pension provision and Bereavement Benefits, specifically:

- the introduction of a new State Pension and consequential matters;
- an option to boost additional State Pension under the current scheme;
- accelerating the increase in State Pension age to 67;
- phasing out the Assessed Income Period in State Pension Credit;
- the introduction of the Bereavement Support Payment; and
- changes to private pensions.

2. On 14 January 2013, the Department for Work and Pensions published the Command Paper 'Single-tier pension: a simple foundation for saving' explaining the proposed new State Pension and consequential matters. The proposals were the subject of a consultation carried out in Great Britain and Northern Ireland between April and June 2011. The Committee were briefed on 23 June 2011.

3. The acceleration of the increase in State Pension age to 67 in Great Britain was announced in the November 2011 Budget Statement.

4. Consultation on a new system of support following bereavement was carried out in Great Britain and Northern Ireland between December 2011 and March 2012. The Committee were briefed on 8 March 2012. The Westminster Government published its response to the consultation in July 2012 outlining its intention to introduce the Bereavement Support Payment.

5. In his March 2012 Budget Statement, the Chancellor announced the Westminster Government's intention to introduce the new State Pension and legislative proposals were outlined in the Queen's Speech in May 2012. A draft Pensions Bill was published by the Department for Work and Pensions on 18 January 2013 and issued to Northern Ireland interest groups by the Department for Social Development. The Committee were briefed on the content of the Westminster Pensions Bill on 27 June 2013. The Bill received Royal Assent on 14 May 2014.

6. An Equality Impact Assessment examined corresponding Northern Ireland proposals in the context of the promotion of equality of opportunity and good relations, as required by section 75 of the Northern Ireland Act 1998. A consultation exercise was carried out from 21 November 2013 to 14 February 2014. Three substantive responses were received from interest groups. Officials briefed the Committee on 6 March 2014. The Committee decided not to make a formal response.

Bill Overview

7. The Bill has seven parts:

- Part 1 (which includes Schedules 1 to 14) creates a new State Pension scheme for persons attaining pensionable age on or after 6 April 2016.
- Part 2 (which includes Schedule 15) makes provision for people who reach State Pension age before the introduction of the new scheme and pay voluntary Class 3A National Insurance contributions to increase their additional State Pension.
- Part 3 provides for the acceleration of the timetable for phasing-in the increase in State Pension age to 67.
- Part 4 provides for the abolition of the Assessed Income Period in State Pension Credit.
- Part 5 (which includes Schedule 16) provides for the introduction of Bereavement Support Payment to replace existing Bereavement Benefits for new claimants.
- Part 6 (which includes Schedules 17, 18, 19 and 20) contains a number of provisions relating to private pensions.
- Part 7 contains provision for consequential amendments and technical measures.

Summary of Main Provisions

Part 1: State Pension

New State Pension

8. It is proposed that, from April 2016, the current State Pension, comprising basic State Pension and additional State Pension, will be replaced with a single component flat-rate pension. People reaching State Pension age before the introduction of the new scheme will receive their State Pension in line with current rules.

9. The new scheme will:

- simplify the pension system;
- be set above the basic level of means-tested support – the Pension Credit Standard Minimum Guarantee; currently £148.35 per week for a single pensioner;
- be increased at least in line with average growth in earnings;
- require 35 qualifying years of National Insurance contributions or credits for the full amount. There will also be a minimum qualifying period of 10 years. Those with less than 35 qualifying years but more than the minimum qualifying period will get a proportionally smaller amount;
- bring to an end:
  - the State Second Pension (subject to transitional provisions),
  - contracting-out,
  - the Savings Credit element of State Pension Credit for new claimants, and
  - the Category D (over 80s) pension and the Age Addition for people who attain pensionable age after the introduction of the new State Pension;
- be based on individual qualification, ending inheritance of, and derived rights to, a spouse's or civil partner's pension;
- make provision for women who paid reduced rate National Insurance contributions;
- continue to allow people to defer claiming their State Pension.

10. The aim is to provide a simple State Pension system for future pensioners, providing clarity and confidence about the support they can expect from the State. The reforms will provide a foundation to enable planning and saving for retirement and reduce the number of people reliant on State Pension Credit.

11. The proposed changes reflect the lives and contributions of today's working- age people; the majority of people will build up a sufficient National Insurance record to become entitled to a full State Pension in their own right, instead of relying on the contributions of a spouse or civil partner.

Qualifying Years

12. Currently, thirty qualifying years are required for a full basic State Pension. Under the proposed new scheme, the number of qualifying years required will increase to 35. This reflects the fact that working lives are lengthening and is considered to strike a balance between:

- ensuring wide coverage;
- maintaining the contributory principle; and

- ensuring overall affordability.

13. A minimum number of 10 qualifying years will be introduced to ensure that State Pension expenditure is targeted at those who make a significant economic or social contribution to the country. This is expected to affect people who have spent significant periods of their working lives outside the UK, the EEA or countries with which the UK has reciprocal agreements for social security.

14. Those with fewer than 35 qualifying years but who satisfy the minimum qualifying period will receive a proportionately reduced amount of pension.

State Second Pension

15. In addition to the basic State Pension, many people accrue entitlement to an additional State Pension which might comprise of Graduated Retirement Benefit, State Earnings-Related Pension and State Second Pension.

16. The new State Pension will replace the current two-tier system, ending the additional State Pension. People who reach State Pension age after the introduction of the new scheme and whose contributions are made entirely after its introduction will not be entitled to an amount of State Pension higher than the full level of the new State Pension.

17. Where contributions or credits exist for periods before the introduction of the new scheme, a higher amount of pension may be payable under transitional provisions.

Contracting-out

18. Since 1961 it has been possible for employers sponsoring defined-benefit occupational pension schemes to contract their employees out of the additional State Pension scheme on condition that they provide an occupational pension meeting certain statutory requirements. In return, both the employer and employee pay reduced rates of National Insurance (National Insurance contributions rebate).

19. In conjunction with the ending of the State Second Pension, the option to contract-out for defined-benefit occupational pension schemes will also end. On commencement of the new scheme, employees who were members of a contracted-out scheme will cease to be entitled to pay reduced rates of National Insurance. This will mean an increase in the rate of contributions they pay equivalent to 1.4 per cent of their earnings (between the Lower Earnings Limit and the Upper Accrual Point), bringing them into line with the rate of National Insurance paid by other employees.

20. All employees will pay the same rate and become entitled to State Pension in the same way. Rights accrued through defined-benefit contracted-out schemes will be fully protected.

21. For a period of five years beginning with 6 April 2016, sponsoring employers of contracted-out schemes will be able change their scheme rules (where they are prevented from doing so) to adjust members' future pension accruals or pension contributions to take account of the loss of the employer's rebated National Insurance contributions, currently 3.4 per cent. This power cannot be used to change the rules of public service pension schemes, other types of scheme which may be prescribed in regulations or in relation to protected persons.

State Pension Credit

22. State Pension Credit has two elements:

- a guarantee credit; and
- a savings credit intended to reward people who have made modest savings for their retirement.

23. The new State Pension will be set at a rate above the basic level of the means test. As a result, there will no longer be a need for a complex savings reward. Removing the Savings Credit element of Pension Credit will simplify means-tested support and help to ensure Pension Credit is re-focused on providing a safety net for the poorest.

Category D pension and the Age Addition

24. The Category D pension is a non-contributory pension paid at around 60 per cent of full basic State Pension to eligible pensioners over age 80. It was introduced in 1971 to provide age-related support to particular groups who did not have sufficient qualifying years to be entitled to a basic State Pension; in particular those who had worked in the former colonies and returned in the 1950s too late to build up entitlement.

25. Under the new scheme, the majority of pensioners will be eligible for a State Pension above the basic level of the means test based on their own National Insurance records. The Category D pension will, therefore, be withdrawn for people reaching State Pension age under the new system.

26. The Age Addition is an additional payment on top of the basic State Pension for people aged 80 and above. When introduced in 1971, when the full basic State Pension was £6 per week, it was set at 25p per week. It has remained at that level ever since. It no longer represents a meaningful addition and will be removed.

Inheritance of and derived rights to a spouse's or civil partner's pension

27. Under current rules, a person who is, or has been, married or in a civil partnership may qualify for a basic State Pension, or an increase to their own basic State Pension, based on the National Insurance record of their spouse or civil partner. These provisions go back to the establishment of the State Pension system in the post-war period. They were designed to ensure a pension would be paid to a dependent wife when her husband retired or she was widowed or divorced on the assumption that she would have no State Pension in her own right.

28. These provisions no longer reflect today's society where most individuals will qualify for a full State Pension on their own National Insurance record. For a person reaching State Pension age under the new scheme, there will be no provision for using a spouse's or civil partner's National Insurance record other than in limited circumstances.

29. People who retire under the existing system will continue to be able to use these provisions, even if their spouse or civil partner is in the new scheme. However, contributions which a person pays or is credited with into the new scheme will only count towards their own State Pension. This means that only the spouse's or civil partner's National Insurance records up to and including the tax year before the implementation of the new State Pension will be used to calculate any derived entitlement.

Provision for women who paid reduced rate National Insurance contributions

30. From 1948 to 1977, married women (and certain widows) who were employed could opt to pay lower rate National Insurance contributions in exchange for relying on their husband's contributions for State Pension entitlement. Self-employed women could opt not to pay the flat-rate self-employed contribution. This option was known as a Reduced Rate Election.

31. Fully removing the potential to derive basic State Pension from a spouse under the new scheme would disadvantage those women who elected to pay reduced rate National Insurance contributions. They may have few or no qualifying years as a result of their election, which would leave them with potentially no State Pension under the new scheme, despite a long history of paying National Insurance contributions and engaging with the system.

32. The Bill makes provision for married women and widows who paid reduced rate contributions. Where a valid election existed at the start of the 35 year period before State Pension age,

they will be able to access a pension based on their own contributions to 5 April 2017 that includes an amount equivalent to the full rate of the 'married woman's' lower-rate basic pension or, if widowed or divorced, the full rate of the basic State Pension. If they would also qualify for a new State Pension based on their own contributions, they will receive the higher of the two.

Part 2: Option to Boost Additional State Pension

33. The Pensions Act 2014 introduced a new class of voluntary National Insurance contribution, Class 3A. As National Insurance contributions are an excepted matter, these measures extend to Northern Ireland. Payment of Class 3A contributions will allow people who reach State Pension age before the introduction of the new State Pension scheme to increase their additional State Pension. The Bill makes consequential provision for the payment of extra units of additional State Pension to those who have paid Class 3A contributions.

Part 3: Pensionable Age

34. The Pensions Act (Northern Ireland) 2008 provided for State Pension age for men and women to increase to:

- 66 between 2024 and 2026;
- 67 between 2034 and 2036; and
- 68 between 2044 and 2046.

35. Subsequent projections revised life expectancy upwards and, as a consequence, the increase to age 66 was brought forward to October 2020 by the Pensions Act (Northern Ireland) 2012. In the November 2011 Budget Statement, the Chancellor announced that State Pension age in Great Britain would increase to 67 between 2026 and 2028.

Proposed Timetable

Period within which birthday falls	Age State Pension agereached
6 April 1960 – 5 May 1960	66 years and 1 month
6 May 1960 – 5 June 1960	66 years and 2 months
6 June 1960 – 5 July 1960	66 years and 3 months
6 July 1960 – 5 August 1960	66 years and 4 months
6 Aug 1960 – 5 Sept 1960	66 years and 5 months
6 Sept 1960 – 5 Oct 1960	66 years and 6 months
6 Oct 1960 – 5 Nov 1960	66 years and 7 months
6 Nov 1960 – 5 Dec 1960	66 years and 8 months
6 Dec 1960 – 5 Jan 1961	66 years and 9 months
6 Jan 1961 – 5 Feb 1961	66 years and 10 months
6 Feb 1961 – 5 Mar 1961	66 years and 11 months
6 Mar 1961 – 5 April 1969	67

36. As a consequence:

- people born after 5 April 1960 but before 6 March 1961 will have a State Pension age between 66 and 67;

- people born after 5 March 1961 but before 6 April 1969 will have a State Pension age of 67.

37. People born between 6 April 1969 and 5 April 1977 already have a State Pension age of 67. The changes will not apply to anyone affected by the bringing forward of the increase to age 66.

38. The Bill proposes corresponding measures for Northern Ireland. As with previous increases in the State Pension age, this proposal affects the qualifying age for all pension-age benefits and the upper age limit for receipt of working-age benefits.

Part 4: State Pension Credit

39. The assessed income period (AIP) in State Pension Credit claims removes the requirement for certain individuals to notify the Department of changes to retirement provision (broadly defined as capital, annuities and retirement pension), for a specified period, for the purposes of assessing entitlement to State Pension Credit.

40. The Bill proposes to abolish AIPs from April 2016. This will affect new claimants, but a power is provided to apply it to existing claimants with a five year assessed income period in place at April 2016. From this date, any change in retirement provision should be reported when it occurs, triggering an immediate review and change of award where appropriate.

41. Provision is also made to preserve existing indefinite assessed income periods. These were introduced by the Pensions (No. 2) Act (Northern Ireland) 2008 for persons aged 80 or over or those with an assessed income period spanning their 80th birthday.

Part 5: Bereavement Support Payment

42. Currently, Bereavement Benefits consist of three different payments, each of which has a different function:

- Bereavement Payment – a one-off tax-free payment of £2,000 payable to someone after their spouse or civil partner has died;
- Bereavement Allowance – a taxable weekly benefit which can be paid to someone for up to 52 weeks from the date of death of their spouse or civil partner if they are over 45 and under State pension age;
- Widowed Parent's Allowance – a taxable weekly benefit which may be payable to a parent whose spouse or civil partner has died if they have at least one child for whom they receive Child Benefit. It is payable until the claimant reaches State pension age or upon cohabiting or remarriage/formation of civil partnership.

43. The Bill provides the legislative framework for the introduction of a new benefit, Bereavement Support Payment, to replace the existing Bereavement Benefits for new claimants. The intention is that support will:

- be focused in the period immediately after bereavement;
- designed to aid the process of readjustment; and
- support those without employment in making a return to work.

44. The Bereavement Support Payment will simplify:

- the payment system by moving to a more uniform structure; and
- the contribution conditions with the introduction of a single rule.

45. It will be paid as a lump sum with monthly instalments. The actual values and details of how instalments will be paid will be finalised in regulations. Indicative values are in the region of:

- £4,300 (£2,500 lump sum and £150 in monthly instalments for 1 year) for recipients without dependent children; and
- £9,800 (£5,000 lump sum and £400 in monthly instalments for 1 year) for those with dependants.

46. Longer term support will be provided through other benefits as appropriate. Bereavement support payment will not be payable to anyone over pensionable age; if a person is entitled when reaching pensionable age, entitlement will cease.

Part 6: Private Pensions

47. A number of measures relate to private and workplace pension schemes, the majority of which strengthen existing legislation relating to regulation and automatic enrolment. In summary, these are:

- power to provide for automatic transfer of small pension pots when a person moves to another scheme, for example, on changing jobs;
- provision for regulations to be made banning the practice of providing incentives that encourage individuals to transfer a cash equivalent value of their accrued rights from a salary-related occupational scheme to an alternative arrangement;
- withdrawal of the existing power to refund contributions to a person who leaves a pension scheme within 2 years of joining;
- provision for regulations restricting charges in specified schemes and imposing governance and administration requirements;
- amendments to the Pensions (No. 2) Act (Northern Ireland) 2008 relating to automatic enrolment, including a power to specify certain groups that employers will not be required to enrol or re-enrol;
- changes regarding the payment of a limited amount of unpaid pension contributions from the National Insurance Fund where an employer becomes insolvent so that all those who become members of a pension scheme under the workplace pension reforms are entitled to protection;
- power to require pension levies to be paid in respect of past periods;
- technical amendments designed to improve operational processes for the Pensions Regulator; and
- a new objective for the Pensions Regulator which sets out that the Regulator must consider how it can minimise any adverse impacts on an employer's sustainable growth when exercising its functions under Part 4 of Pensions (Northern Ireland) Order 2005.

Part 7: Final Provisions

48. These clauses relate to the power to make consequential amendments, general provision in respect of regulations and orders under the Bill, interpretation of terms used in the Bill, commencement of provisions in the Bill and the short title.

Financial Implications

49. The overall costs for the new State Pension are broadly in line with expenditure on the current system as a proportion of GDP until around 2040. However, by 2060 pensions expenditure will have fallen from 9.0% to 8.4% of GDP.

50. The introduction of policy changes in the State Pension system, including changes to Pension Credit, may generate AME savings of £26m over the life of the business case. This has been determined via a read across from Department for Work and Pensions forecasts, with demographic adjustments for Northern Ireland which are highly sensitive to economic assumptions and are subject to change. It is estimated that the abolition of reduced rate National Insurance contributions will generate around £110 million in 2016-17. The implementation costs are estimated at £14.6m.

51. Bringing forward the planned increase in State Pension age to 67 by eight years will deliver net benefits-related savings in Northern Ireland of £1.88 billion in real terms. It is estimated that a further £0.24 billion in increased income tax receipts and National Insurance contributions will result from people working for longer.

52. Introducing the new Bereavement Support Payment would result in an increase in the forecasted spend on bereavement benefits in 2016/17 and 2017/18 by £1.08m and £0.36m respectively. The forecasted costs for both the current system and the proposed Bereavement Support Payment are the same for 2018/19. In 2019/20 it is expected to reduce spending by £1.09m.

Minister's letter 24.10.14

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Date: 24 October 2014

Pensions Bill

I attach, on an in-confidence basis, a copy of the draft Pensions Bill and Explanatory and Financial Memorandum. I understand my officials have already briefed the Committee both in the context of the corresponding Westminster Bill and more recently in relation to the outcome of the consultation on the Equality Impact Assessment.

I understand that my officials are scheduled to brief the Committee on 6 November 2014.

MERVYN STOREY MLA
Minister for Social Development

Together, tackling disadvantage, building communities

INVESTOR IN PEOPLE

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23 October 2014

Dear Sir

Proposed Northern Ireland Pensions Bill – Committee Briefing

On 27 June 2013, the Committee were briefed on the content of a Westminster Pensions Bill proposing reforms to the State Pension, private pensions and Bereavement Benefits. The Bill received Royal Assent on 14 May 2014 (the Pensions Act 2014). The Executive approved the introduction of a corresponding Northern Ireland Bill today. Subject to the Speaker's agreement, it is anticipated that the Bill will be introduced in the Assembly on 10 November 2014. Committee briefing has been scheduled for 6 November 2014. A copy of the draft Bill and background briefing are attached.

Yours faithfully

Anne McCleary

Anne McCleary
Director
Social Security Policy & Legislation Division

Draft Pensions Bill

Pensions Bill

[9/10/2014 14:57:44]

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BILL

TO

Make provision about pensions and about benefits payable to people in connection with bereavement; and for connected purposes.

BE IT ENACTED by being passed by the Northern Ireland Assembly and assented to by Her Majesty as follows:

PART 1

STATE PENSION

Introduction

State pension

1.—(1) This Part creates a benefit called state pension.

(2) A person who reaches pensionable age before 6 April 2016 is not entitled to benefits under this Part (but may be entitled to similar benefits under Part 2 of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 (in this Act referred to as “the Contributions and Benefits Act”)).

State pension at the full or reduced rate

Entitlement to state pension at full or reduced rate

2.—(1) A person is entitled to a state pension payable at the full rate if—

(a) the person has reached pensionable age, and

(b) the person has 35 or more qualifying years.

(2) A person is entitled to a state pension payable at the reduced rate if—

(a) the person has reached pensionable age, and

(b) the person has at least the minimum number of qualifying years but fewer than 35 qualifying years.

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(3) The minimum number of qualifying years for a state pension payable at the reduced rate is to be specified in regulations and may not be more than 10.

(4) In this Part "qualifying year" means a tax year, during a person's working life, in which the person's earnings factor (or the sum of the person's earnings factors) is equal to or greater than the qualifying earnings factor for the year.

(5) "Earnings factor" is to be construed in accordance with sections 22 and 23 of the Contributions and Benefits Act.

(6) For transitional cases in which a person may be entitled to a different state pension (instead of a state pension under this section), see sections 4 and 12.

(7) There are provisions elsewhere that affect a person's entitlement to a state pension under this section or the rate at which it is payable.

Full and reduced rates of state pension

3.—(1) The full rate of the state pension is the weekly rate for the time being specified in regulations.

(2) The reduced rate of the state pension for a person is the following proportion of the full rate—

$\frac{1}{35} \times$ the person's number of qualifying years.

(3) Once the full rate has been specified, the power to make regulations under subsection (1) may not be re-exercised so as to reduce the rate.

State pension at the transitional rate

Entitlement to state pension at transitional rate

4.—(1) A person is entitled to a state pension payable at the transitional rate if—

(a) the person has reached pensionable age,

(b) the person has at least the minimum number of qualifying years, and

(c) the person has at least one pre-commencement qualifying year.

(2) The minimum number of qualifying years for a state pension payable at the transitional rate is to be specified in regulations and may not be more than 10.

(3) A person entitled to a state pension payable at the transitional rate is not entitled to a state pension under section 2.

(4) In this Part—

"post-commencement qualifying year" means a qualifying year beginning on or after 6 April 2016;

"pre-commencement qualifying year" means—

(a) a qualifying year beginning on or after 6 April 1978 and ending before 6 April 2016, or

(b) a reckonable year that would have been treated under regulation 13(1) of the Social Security (Widow's Benefit, Retirement Pensions and Other Benefits) (Transitional) Regulations (Northern Ireland) 1979 as a qualifying year for the purposes of determining the person's entitlement to an old state pension that is a Category A retirement pension.

(5) A reckonable year mentioned in paragraph (b) of the definition of "pre-commencement qualifying year" in subsection (4) counts towards the minimum number of qualifying years required by subsection (1)(b) (even though it does not come within the definition of "qualifying year" for the purposes of this Part).

(6) "Earnings factor" is to be construed in accordance with sections 22 and 23 of the Contributions and Benefits Act.

(7) There are provisions elsewhere that affect a person's entitlement to a state pension under this section or the rate at which it is payable.

Transitional rate of state pension

5.—(1) The transitional rate of the state pension for a person is a weekly rate equal to—

(a) the sum of the amounts calculated under Schedule 1 for the person's pre-commencement and post-commencement qualifying years capped at the full rate of the state pension on the day on which the person reaches pensionable age, or

(b) if higher, the amount for the person's pre-commencement qualifying years alone.

(2) The transitional rate of the state pension for a person is to be increased from time to time in accordance with the applicable paragraph of Schedule 2.

(3) Section 6 requires the transitional rate of the state pension for a person to be recalculated in certain circumstances.

(4) There are special rules about the transitional rate for certain women: see section 11 (reduced rate elections).

Recalculation and backdating of transitional rate in special cases

6.—(1) This section modifies the transitional rate of the state pension for a person if, after the person has reached pensionable age, a determination is made under section 44A(2) of the Pension Schemes (Northern Ireland) Act 1993 (in this Act referred to as "the Pension Schemes Act") (contracting-out: reinstatement in state scheme following payment of contributions equivalent premium).

(2) The person's transitional rate is to be recalculated (taking the determination into account under paragraph 3(8) of Schedule 1).

(3) The recalculated rate has effect as from the day on which the person reached pensionable age (and the other provisions of this Part apply accordingly).

Transitional entitlement based on contributions of others

Survivor's pension based on inheritance of additional old state pension

7.—(1) A person is entitled to a state pension under this section if—

(a) the person has reached pensionable age,

(b) the person's spouse died while they were married or the person's civil partner died while they were civil partners of each other, and

(c) the person is entitled to an inherited amount under Schedule 3.

(2) A state pension under this section is payable at a weekly rate equal to the inherited amount.

(3) The rate of the state pension for a person under this section is to be increased from time to time in accordance with the applicable paragraph of Schedule 4.

(4) Regulations may provide that if at any time the sum of the relevant state pensions for a person exceeds an amount provided for by regulations, the rate of any state pension payable to the person under this section is to be reduced by the amount of the excess.

(5) The "sum of the relevant state pensions" for a person is the sum of—

(a) the rate of any state pension payable to the person under this section (ignoring any reduction under subsection (4)), and

(b) the rate of any state pension payable to the person under section 2, 4 or 12.

(6) In subsections (4) and (5) a reference to the rate of a person's state pension is to the rate—

(a) taking into account any reduction under section 14 (in the case of a state pension under section 4), but

(b) ignoring any increase under section 17.

(7) There are provisions elsewhere that affect a person's entitlement to a state pension under this section or the rate at which it is payable.

Choice of lump sum or survivor's pension under section 9 in certain cases

8.—(1) A person is entitled to a choice under this section if—

(a) the person has reached pensionable age,

(b) the person's spouse died while they were married or the person's civil partner died while they were civil partners of each other,

(c) the spouse's or civil partner's entitlement to an old state pension was deferred at the time of death and throughout the period of 12 months ending with the day before the death,

(d) either—

(i) the person was under pensionable age when the spouse or civil partner died and did not marry or form a civil partnership after the death and before reaching pensionable age, or

(ii) the person was over pensionable age when the spouse or civil partner died, and

(e) the person would, on reaching pensionable age or on the death of the spouse or civil partner, have been entitled to an old state pension if in the relevant provisions of the Contributions and Benefits Act—

(i) the words "before 6 April 2016" were omitted, and

(ii) any reference to a bereavement allowance included a reference to bereavement support payment under section 29 of this Act.

(2) The person may choose—

(a) to be paid a lump sum under this section, or

(b) to be paid a state pension under section 9.

(3) Regulations are to set out the manner in which, and the period within which, that choice is to be made.

(4) A person who chooses to be paid a lump sum under this section, or who fails to choose within that period, is entitled to a "widowed person's or surviving civil partner's lump sum" calculated under paragraph 7B of Schedule 5 to the Contributions and Benefits Act.

(5) In that paragraph as it applies for the purposes of this section—

(a) read the references to "W" as references to the person,

(b) read sub-paragraph (5) as if it required increases under paragraph 4 of the Schedule to be excluded, and

(c) read the reference in sub-paragraph (7)(a) to the date on which W becomes entitled to a Category A or Category B retirement pension as a reference to the date on which the person becomes entitled to make a choice under this section.

(6) There are provisions elsewhere that affect a person's entitlement to a lump sum under this section.

(7) Regulations may allow a person, in specified circumstances—

(a) to alter his or her choice under this section;

(b) to make a late choice.

(8) Regulations under subsection (7) may, for the purpose of avoiding the duplication of payment—

(a) enable recovery of an amount paid to the person, or

(b) reduce the amount of a lump sum to be paid to the person.

(9) For the purposes of this section—

(a) "deferred" has the meaning given by section 55(3) of the Contributions and Benefits Act,

(b) "the relevant provisions" of the Contributions and Benefits Act are—

section 44(1)(a);

section 48(1);

section 48A(1) and (3);

section 48B(1), (1A), (4) and (4A);

section 48BB(1) and (3), and

(c) in determining whether a person would have been entitled to an old state pension as mentioned in subsection (1)(e) ignore any requirement to make a claim.

Survivor's pension based on inheritance of deferred old state pension

9.—(1) A person is entitled to a state pension under this section if—

(a) the person has reached pensionable age,

(b) the person's spouse died while they were married or the person's civil partner died while they were civil partners of each other,

(c) either—

(i) the person was under pensionable age when the spouse or civil partner died and did not marry or form a civil partnership after the death and before reaching pensionable age, or

(ii) the person was over pensionable age when the spouse or civil partner died,

(d) the person is entitled to an inherited deferral amount under Schedule 5, and

(e) in the case of a person entitled to a choice under section 8, the person has chosen to be paid a state pension under this section.

(2) A state pension under this section is payable at a weekly rate equal to the inherited deferral amount.

(3) But if at any time an order under section 133A of the Social Security Administration (Northern Ireland) Act 1992 (in this Act referred to as "the Administration Act") comes into operation, the rate of the person's state pension under this section is increased (at that time) by the percentage specified in the order.

(4) A person may be entitled to more than one state pension under this section.

(5) There are provisions elsewhere that affect a person's entitlement to a state pension under this section or the rate at which it is payable.

Inheritance of graduated retirement benefit

10.—(1) Regulations may make provision corresponding or similar to any provision of sections 7 to 9 and Schedules 3 to 5 for the purpose of conferring benefits on a person whose dead spouse or civil partner paid graduated contributions as an insured person.

(2) The regulations may—

(a) include provision corresponding or similar to any provision that may be made by regulations under section 7 or 8;

(b) amend or otherwise modify this Act or any other statutory provision (whenever passed or made).

(3) In this section "graduated contributions" and "insured person" have the meanings given by section 35(8) of the National Insurance Act (Northern Ireland) 1966.

Transition: women who have had a reduced rate election

Reduced rate elections: effect on section 4 pensions

11.—(1) Section 4(1)(b) (minimum number of qualifying years for state pension at the transitional rate) does not apply to a woman if a reduced rate election was in force in respect of her at the beginning of the relevant 35-year period.

(2) Schedule 6 modifies the rules about the transitional rate of the state pension for a woman if a reduced rate election was in force in respect of her at the beginning of the relevant 35-year period.

(3) In this section—

"reduced rate election" means an election made, or treated as having been made, under regulations under section 19(4) of the Contributions and Benefits Act;

"relevant 35-year period" means the 35-year period ending with the tax year before the one in which the woman reached pensionable age.

Reduced rate elections: pension for women with no section 4 pension

12.—(1) A woman is entitled to a state pension under this section if—

(a) she has reached pensionable age,

(b) a reduced rate election was in force in respect of her at the beginning of the relevant 35-year period,

(c) she does not have any pre-commencement qualifying years, and

(d) she is entitled to a basic amount under Schedule 7.

(2) A state pension under this section is payable at a weekly rate equal to the basic amount.

(3) But if at any time the full rate of the state pension is increased, the rate of the woman's state pension under this section is increased (at that time) by the same percentage as the increase in the full rate.

(4) In subsection (3) the reference to the rate of the woman's state pension is to the rate ignoring any increase under section 17.

(5) A woman is not entitled to a state pension under this section and section 2 at the same time: she is only entitled to the one with the higher rate.

(6) There are provisions elsewhere that affect a woman's entitlement to a state pension under this section or the rate at which it is payable.

(7) In this section—

"reduced rate election" means an election made, or treated as having been made, under regulations under section 19(4) of the Contributions and Benefits Act;

"relevant 35-year period" means the 35-year period ending with the tax year before the one in which the woman reached pensionable age.

Transition: pension sharing on divorce etc

Shared state pension on divorce etc

13.—(1) A person is entitled to a state pension under this section if—

(a) the person has reached pensionable age, and

(b) the person is entitled to a state scheme pension credit.

(2) A state pension under this section is payable at the appropriate weekly rate set out in Schedule 8.

(3) The rate of the state pension for a person under this section is to be increased from time to time in accordance with the applicable paragraph of Schedule 9.

(4) A person may be entitled to more than one state pension under this section.

(5) There are provisions elsewhere that affect a person's entitlement to a state pension under this section or the rate at which it is payable.

(6) In this Part—

"state scheme pension credit" means—

(a) a new state scheme pension credit, or

(b) an old state scheme pension credit;

"new state scheme pension credit" means a credit under Article 46A(2)(b) of the Welfare Reform and Pensions (Northern Ireland) Order 1999;

"old state scheme pension credit" means a credit under Article 46(1)(b) of that Order.

Pension sharing: reduction in the sharer's section 4 pension

14.—(1) The rate of a person's state pension under section 4 is reduced under this section if the person is subject to a state scheme pension debit.

(2) The amount by which the rate is reduced is the amount of the appropriate weekly reduction set out in Schedule 10.

(3) A person's state pension may be reduced more than once under this section.

(4) In this Part—

"state scheme pension debit" means—

(a) a new state scheme pension debit, or

(b) an old state scheme pension debit;

"new state scheme pension debit" means a debit under Article 46A(2)(a) of the Welfare Reform and Pensions (Northern Ireland) Order 1999;

"old state scheme pension debit" means a debit under Article 46(1)(a) of that Order.

Pension sharing: amendments

15. Schedule 11 contains amendments to do with pension sharing.

Postponing or suspending state pension

Pensioner's option to suspend state pension

16.—(1) A person who has become entitled to a state pension under this Part may opt to suspend his or her entitlement in accordance with regulations.

(2) A person is not entitled to any state pension under this Part for the period for which the person has opted to suspend his or her entitlement.

(3) For other effects of a person exercising the option, see section 17.

(4) A person may not opt to suspend his or her entitlement to a state pension under this Part on more than one occasion.

(5) Regulations may specify other circumstances in which a person may not opt to suspend his or her entitlement to a state pension under this Part.

(6) Regulations may allow a person who has opted to suspend his or her entitlement to a state pension under this Part to cancel the exercise of that option (in whole or in part) in relation to a past period.

Effect of pensioner postponing or suspending state pension

17.—(1) If a person's entitlement to a state pension under this Part has been deferred for a period, the weekly rate of the person's state pension is increased by an amount equal to the sum of the increments to which the person is entitled.

(2) But the weekly rate is not to be increased under subsection (1) if the increase would be less than 1% of the person's weekly rate ignoring that subsection.

(3) A person is entitled to one increment for each whole week in the period during which the person's entitlement to a state pension was deferred.

(4) The amount of an increment is equal to a specified percentage of the weekly rate of the state pension to which the person would have been entitled immediately before the end of that period if the person's entitlement had not been deferred.

(5) In subsection (4) "specified" means specified in regulations.

(6) The amount of an increase under this section is itself to be increased from time to time in accordance with any order made under section 132 of the Administration Act (annual up-rating of benefits).

(7) For the purposes of this section and section 18 a person's entitlement to a state pension under this Part is deferred for a period if the person has opted under section 16 to suspend his or her entitlement for that period.

(8) For the purposes of this section and section 18 a person's entitlement to a state pension under this Part is also deferred for a period if the person is not entitled to it for that period by reason only of—

(a) not satisfying the conditions in section 1 of the Administration Act (entitlement dependent on claim etc), or

(b) subsection (9).

(9) A person is not entitled to a state pension under this Part for any period during which his or her entitlement to any other state pension under this Part is deferred.

Section 17 supplementary: calculating weeks, overseas residents, etc

18.—(1) Regulations may—

(a) provide for circumstances in which a part of a week is to be treated for the purposes of section 17(3) as a whole week, and

(b) provide for circumstances in which a day does not count in determining a number of whole weeks for the purposes of section 17(3) (for example if the person is receiving other benefits).

(2) Regulations may modify section 17(4) in cases where, at any time in the period during which a person's entitlement to a state pension is deferred, the rate for the person would have changed otherwise than because of an up-rating increase.

(3) Regulations may modify section 17(4) in relation to a person who has been an overseas resident during any part of the period for which the person's entitlement to a state pension has been deferred.

(4) In subsection (3) "overseas resident" means a person who is not ordinarily resident in Northern Ireland or any other territory specified in the regulations.

(5) Regulations may amend the percentage specified in section 17(2).

Prisoners and overseas residents

Prisoners

19.—(1) Regulations may provide that a person is not to be paid a state pension under this Part for any period during which the person is a prisoner.

(2) "Prisoner" means a person (in Northern Ireland or elsewhere) who is—

(a) imprisoned or detained in legal custody, or

(b) unlawfully at large.

(3) In the case of a person remanded in custody for an offence, regulations under subsection (1) may be made so as to apply only if a sentence of a specified description is later imposed on the person for the offence.

Overseas residents

20.—(1) Regulations may provide that an overseas resident who is entitled to a state pension under this Part is not entitled to up-rating increases.

(2) In this section "overseas resident" means a person who is not ordinarily resident in Northern Ireland or any other territory specified in the regulations.

(3) Regulations under this section do not affect the rate of an overseas resident's state pension for any period during which he or she is in Northern Ireland or a territory specified in the regulations (but once the overseas resident ceases to be in Northern Ireland or a specified territory the rate reverts to what it would have been had he or she not been in Northern Ireland or a specified territory).

(4) Regulations under this section do not affect the rate of a person's state pension once the person stops being an overseas resident.

Definitions

"Old state pension"

21.—(1) In this Part "old state pension" means a Category A retirement pension or a Category B retirement pension.

(2) A reference in this Part to the rate of an old state pension (however expressed) does not include—

(a) graduated retirement benefit under the National Insurance Act (Northern Ireland) 1966, or

(b) any increase in the rate because of Schedule 5 to the Contributions and Benefits Act (deferral increases).

General definitions etc

22.—(1) In this Part—

"Category A retirement pension" means a Category A retirement pension under Part 2 of the Contributions and Benefits Act;

"Category B retirement pension" means a Category B retirement pension under Part 2 of the Contributions and Benefits Act;

"full rate" means the rate mentioned in section 3(1);

"old state pension" has the meaning given by section 21 (and references to the rate of an old state pension are to be read in accordance with that section);

"pensionable age" has the meaning given by section 121(1) of the Contributions and Benefits Act; and a person is "over" pensionable age if the person has reached that age (and is otherwise "under" that age);

"post-commencement qualifying year" has the meaning given by section 4(4);

"pre-commencement qualifying year" is to be read in accordance with section 4(4) and (5);

"qualifying earnings factor" has the meaning given by section 121(1) of the Contributions and Benefits Act;

"qualifying year" has the meaning given by section 2(4);

"reduced rate" means the rate mentioned in section 3(2);

"regulations" means regulations made by the Department;

"state scheme pension credit", and related expressions, have the meanings given by section 13;

"state scheme pension debit", and related expressions, have the meanings given by section 14;

"tax year" has the meaning given by section 121(1) of the Contributions and Benefits Act;

"transitional rate" means the rate mentioned in section 5;

"up-rating increase", in relation to a state pension under this Part, means—

(a) an increase in the rate of the state pension because of an increase in the amount specified in regulations under section 3(1), or

(b) an increase in the rate of the state pension because of section 9(3), 12(3) or 17(6) or Schedule 2, 4 or 9;

"working life" has the meaning given by section 121(1) of the Contributions and Benefits Act.

(2) For the purposes of any other provision of this Part two people are to be treated as if they are not married to each other in relation to times when either of them is married to a third person.

Consequential and other amendments

Amendments

23. In Schedule 12—

Part 1 contains amendments to do with state pensions under this Part;

Part 2 contains key amendments to do with the old state pension system;

Part 3 contains amendments to do with state pension credit;

Part 4 contains other amendments to do with this Part.

Abolition of contracting-out for salary related schemes etc

24.—(1) Schedule 13 contains amendments to abolish contracting-out for salary related schemes.

(2) An employer may amend an occupational pension scheme in relation to some or all of its members to take account of increases in the employer's national insurance contributions in respect of some or all of the members to whom the amendments apply because of the repeal of section 37 of the Pension Schemes Act (by Schedule 13).

(3) The power may be used to make amendments that will apply in relation to future members and correspond to the amendments being made in relation to current members.

(4) The power may not be used—

(a) to make amendments that apply to a member who is a protected person in relation to a scheme, or

(b) to amend a public service pension scheme or a scheme of a description specified in regulations under this paragraph.

(5) Regulations must define what is meant by a protected person in relation to a scheme for the purposes of subsection (4)(a).

(6) Schedule 14 contains more detail about the power.

(7) In this section and Schedule 14—

"current member", in relation to a scheme, means a person who is a member of the scheme at the time that the power is used (and "future member" is to be read accordingly);

"employer", in relation to a scheme, means the employer of persons in the description of employment to which the scheme relates;

"member" has the meaning given by Article 121(1) of the Pensions (Northern Ireland) Order 1995 (in this Act referred to as "the 1995 Order");

"national insurance contributions", in relation to an employer, means secondary Class 1 national insurance contributions payable by the employer;

"occupational pension scheme" has the meaning given by section 1 of the Pension Schemes Act;

"public service pension scheme" has the meaning given by that section.

(8) Subsections (2) to (7) and Schedule 14 are repealed at the end of the period of 5 years beginning with 6 April 2016.

(9) The Department may by order amend subsection (8) to extend the period for the time being mentioned there.

PART 2

OPTION TO BOOST OLD RETIREMENT PENSIONS

Option to boost old retirement pensions

25. Schedule 15 (option to boost old retirement pensions) contains amendments to make provision in relation to people who have paid additional contributions to boost their retirement pensions.

Pensions

PART 3

PENSIONABLE AGE

Increase in pensionable age to 67

26.—(1) Paragraph 1 of Schedule 2 to the 1995 Order is amended as follows.

(2) In sub-paragraph (7) for "6th April 1968" substitute "6th April 1960".

(3) For sub-paragraph (8) and table 3 substitute—

"(8) A person born on any day in a period mentioned in column 1 of table 3 attains pensionable age when the person attains the age shown against that period in column 2.

TABLE 3

(1) *Period within which birthday falls*	*(2)* *Age pensionable age attained*
6th April 1960 to 5th May 1960	66 years and 1 month
6th May 1960 to 5th June 1960	66 years and 2 months
6th June 1960 to 5th July 1960	66 years and 3 months
6th July 1960 to 5th August 1960	66 years and 4 months
6th August 1960 to 5th September 1960	66 years and 5 months
6th September 1960 to 5th October 1960	66 years and 6 months
6th October 1960 to 5th November 1960	66 years and 7 months
6th November 1960 to 5th December 1960	66 years and 8 months
6th December 1960 to 5th January 1961	66 years and 9 months
6th January 1961 to 5th February 1961	66 years and 10 months
6th February 1961 to 5th March 1961	66 years and 11 months

(8A) For the purposes of table 3—

(a) a person born on 31st July 1960 is to be taken to attain the age of 66 years and 4 months at the commencement of 30th November 2026;

(b) a person born on 31st December 1960 is to be taken to attain the age of 66 years and 9 months at the commencement of 30th September 2027;

(c) a person born on 31st January 1961 is to be taken to attain the age of 66 years and 10 months at the commencement of 30th November 2027".

(4) In sub-paragraph (9) for "5th April 1969" substitute "5th March 1961".

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Pensions

PART 4

STATE PENSION CREDIT

State pension credit: phasing out assessed income periods

27.—(1) In section 6 of the State Pension Credit Act (Northern Ireland) 2002 (duty to specify assessed income period), in subsection (1), after “subsection (3) or (4)” insert “where the relevant decision takes effect before 6 April 2016”.

(2) At the end of the heading to that section insert “for pre-6 April 2016 awards”.

(3) Regulations under section 9(5) of the State Pension Credit Act (Northern Ireland) 2002 may in particular be made for the purpose of phasing out, on or after 6 April 2016, any remaining assessed income period that is 5 years or shorter than 5 years.

Preserving indefinite status of certain existing assessed income periods

28.—(1) Section 84(6) of the Pensions (No. 2) Act (Northern Ireland) 2008 (in this Act referred to as “the Pensions (No. 2) Act”) (which provides that section 9(6) of the State Pension Credit Act (Northern Ireland) 2002 ceases to have effect on 6th April 2014) is repealed and is to be treated as never having had effect.

(2) In section 9(6)(a) of the State Pension Credit Act (Northern Ireland) 2002 (duration of assessed income period for certain transitional cases to be treated as indefinite) as restored by this section, after “brought to an end” insert “, on or after 6 April 2009 but before 6 April 2014,”.

PART 5

BEREAVEMENT SUPPORT PAYMENT

Bereavement support payment

29.—(1) A person is entitled to a benefit called bereavement support payment if—

(a) the person’s spouse or civil partner dies,

(b) the person is under pensionable age when the spouse or civil partner dies,

(c) the person is ordinarily resident in Northern Ireland, or a specified territory, when the spouse or civil partner dies, and

(d) the contribution condition is met (see section 30).

(2) The Department must by regulations specify—

(a) the rate of the benefit, and

(b) the period for which it is payable.

(3) The regulations may specify different rates for different periods.

(4) In the case of a person who is pregnant or entitled to child benefit in specified circumstances, the regulations may—

(a) specify a higher rate;

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(b) provide for the allowance to be payable for a longer period.

(5) A person is not entitled to bereavement support payment for periods after the person has reached pensionable age.

(6) A person is not entitled to bereavement support payment if the death occurred before this section came fully into operation.

(7) In this section—

"pensionable age" has the meaning given by the rules in paragraph 1 of Schedule 2 to the 1995 Order;

"specified territory" means a territory specified in regulations made by the Department.

Bereavement support payment: contribution condition and amendments

30.—(1) For the purposes of section 29(1)(d) the contribution condition is that, for at least one tax year during the deceased's working life—

(a) he or she actually paid Class 1 or Class 2 national insurance contributions, and

(b) those contributions give rise to an earnings factor (or total earnings factors) equal to or greater than 25 times the lower earnings limit for the tax year.

(2) "Earnings factor" is to be construed in accordance with sections 22 and 23 of the Contributions and Benefits Act.

(3) For the purposes of section 29(1)(d) the contribution condition is to be treated as met if the deceased was an employed earner and died as a result of—

(a) a personal injury of the kind mentioned in section 94(1) of the Contributions and Benefits Act, or

(b) a disease or personal injury of the kind mentioned in section 108(1) of that Act.

(4) In this section the following expressions have the meanings given by section 121(1) of the Contributions and Benefits Act—

"employed earner",

"lower earnings limit",

"tax year", and

"working life".

(5) Schedule 16 contains amendments to do with bereavement support payment.

Bereavement support payment: prisoners

31.—(1) The Department may by regulations provide that a person is not to be paid bereavement support payment for any period during which the person is a prisoner.

(2) "Prisoner" means a person (in Northern Ireland or elsewhere) who is—

(a) imprisoned or detained in legal custody, or

(b) unlawfully at large.

(3) In the case of a person remanded in custody for an offence, regulations under subsection (1) may be made so as to apply only if a sentence of a specified description is later imposed on the person for the offence.

PART 6

PRIVATE PENSIONS

Transfer of pension benefits

Automatic transfer of pension benefits etc

32. Schedule 17—

(a) requires the Department to make regulations under which, in certain circumstances, the cash equivalent of a person's accrued rights to benefits under a pension scheme must be transferred to another scheme of which the person is an active member;

(b) permits the Department to make regulations requiring accounts relating to a person's accrued rights to benefits under a pension scheme to be merged in certain circumstances.

Power to prohibit offer of incentives to transfer pension rights

33.—(1) The Department may by regulations make provision prohibiting a person from offering an incentive to another person with the intention of inducing a member of a salary related occupational pension scheme to—

(a) exercise a right to require a pensions transfer, or

(b) agree to a pensions transfer.

(2) "Pensions transfer" means a transfer of sums or assets representing any of the member's pension rights to be used for one or more of the following—

(a) acquiring rights (whether to present or future benefit) for the member under the rules of another occupational pension scheme or a personal pension scheme;

(b) purchasing one or more annuities for the member;

(c) subscribing to other pension arrangements for the member.

(3) "Pension right" means, at any time—

(a) any right which at that time has accrued to or in respect of the member to future benefits under the scheme rules, or

(b) any entitlement to the present payment of a pension or other benefit which the member has at that time, under the scheme rules;

and for this purpose "right" includes a pension credit right.

(4) Regulations under this section may in particular—

(a) provide for the prohibition to apply whether the incentive offered is to be provided by the person making the offer or another person;

(b) create exceptions to the prohibition;

(c) provide for Article 10 of the 1995 Order (civil penalties) to apply to a person who contravenes the regulations.

(5) Regulations made by virtue of subsection (4)(c) may in particular provide that for the purposes of Article 10 of the 1995 Order the offer of an incentive is to be regarded as a separate act in relation to each member of a scheme to whom the incentive relates.

(6) Nothing in any regulations made under this section affects the validity of a pensions transfer (or of the exercise of a right to require a transfer or of an agreement to a transfer).

(7) In this section—

"incentive" means a financial or other advantage;

"member" has the meaning given by Article 121(1) of the 1995 Order;

"occupational pension scheme" and "personal pension scheme" have the meanings given by section 1 of the Pension Schemes Act;

"pension credit right" has the meaning given by Article 121(1) of the 1995 Order;

"salary related occupational pension scheme" has the meaning given by section 89(1A) of the Pension Schemes Act;

"scheme rules" has the meaning given by Article 67A(8) of the 1995 Order.

(8) This section binds the Crown.

Expiry of power in section 33

34. If no regulations have been made under section 33 by the end of the period of 7 years beginning with the day on which it comes into operation, that section is repealed at the end of that period.

Short service benefit for scheme member with money purchase benefits

35.—(1) Section 67 of the Pension Schemes Act (basic principle as to short service benefit) is amended as follows.

(2) In subsection (1)(a), after "service," insert—

"(aa) he has at least 30 days' qualifying service and, if he were entitled to benefit because of this paragraph, all of it would necessarily be money purchase benefit,".

(3) After subsection (9) insert—

"(10) Subsections (7) to (9) apply, with the substitution for references to 2 years of references to 30 days, for determining whether a person has at least 30 days' qualifying service for the purposes of subsection (1).

(11) Subsection (1)(aa) does not apply in relation to a person's membership of a scheme if any period of relevant service began before the day on which section 35 of the Pensions Act (Northern Ireland) 2014 came into operation (whether or not it also ended before that date).

"Relevant service" means service that counts towards the 30 days' qualifying service for the purposes of subsection (1).".

(4) In section 97AA of the Pension Schemes Act (early leavers: cash transfer sums and contribution refunds), in subsection (4)(b), after "(a)" insert ", (aa)".

Automatic enrolment

Automatic re-enrolment: exceptions where automatic enrolment deferred

36.—(1) The Pensions (No. 2) Act is amended as follows.

(2) In section 5 (automatic re-enrolment), after subsection (3) insert—

"(3A) Subsection (2) does not apply if the jobholder's automatic enrolment date is deferred under section 4 from a date before the automatic re-enrolment date to a date after the automatic re-enrolment date.".

(3) In section 30(7) (transitional period for defined benefits and hybrid schemes), at the end insert—

"(c) section 5(2) does not apply in relation to an automatic re-enrolment date that falls before the day with effect from which arrangements would by virtue of this section fall to be made in respect of the jobholder.".

Automatic enrolment: powers to create general exceptions

37.—(1) In section 10 of the Pensions (No. 2) Act (information to be given to workers)—

(a) in subsection (1)—

(i) for "must" substitute "may";

(ii) in paragraphs (a) and (b), omit "all";

(b) in subsection (2) for "must state" substitute "may in particular make provision about".

(2) In Chapter 7 of Part 1 of the Pensions (No. 2) Act, before section 70 (and the heading "Workers" above it) insert—

"Exceptions

Power to create exceptions from the employer duties etc

69A.—(1) The Department may by regulations provide for exceptions to the employer duties; and an exception may in particular—

(a) turn an employer duty into a power;

(b) be framed by reference to a description of worker, particular circumstances or in some other way.

(2) But the regulations may not provide for an exception for employers of a particular size.

(3) Regulations which make provision under subsection (1)(a) may make provision modifying this Part or regulations made under it in connection with that provision.

(4) The regulations may make provision in connection with the coming to an end of the state of affairs that caused an exception to apply, including provision—

(a) modifying this Part or regulations made under it in relation to a person;

(b) for the purpose of putting a person, wholly or partly, in the position he or she would have been in if the exception had never applied.

(5) In this section "employer duties" means any duty of an employer under any provision of sections 2 to 11 and 54 or of regulations made under those sections.".

(3) In consequence of subsection (2), the following are repealed—

(a) Article 268A of the Pensions (Northern Ireland) Order 2005 (in this Act referred to as "the 2005 Order");

(b) section 5(4) of the Pensions (No. 2) Act;

(c) section 19 of the Pensions Act (Northern Ireland) 2012.

Alternative quality requirements for UK defined benefits scheme

38.—(1) The Pensions (No. 2) Act is amended as follows.

(2) After section 23 insert—

"**Alternative quality requirements for UK defined benefits schemes**

23A.—(1) The Department may by regulations provide that a defined benefits scheme that has its main administration in the United Kingdom satisfies the quality requirement in relation to a jobholder if any one or more of the following is satisfied—

(a) the scheme is of a prescribed description and satisfies the quality requirement under section 20 in relation to that jobholder;

(b) the cost of providing the benefits accruing for or in respect of the relevant members over a relevant period would require contributions to be made of a total amount equal to at least a prescribed percentage of the members' total relevant earnings over that period;

(c) in the case of each of at least 90% of the relevant members, the cost of providing the benefits accruing for or in respect of the member over a relevant period would require contributions to be made of a total amount equal to at least a prescribed percentage of the member's total relevant earnings over that period.

(2) For this purpose—

"contributions" means contributions to the scheme by, or on behalf or in respect of, a relevant member;

"relevant earnings" means earnings of a prescribed description;

"relevant members" means members of the scheme of a prescribed description;

"relevant period" means a period specified in or determined in accordance with the regulations.

(3) A percentage prescribed under subsection (1)(b) or (c) must be at least 8%.

(4) Regulations under subsection (1)(b) or (c) may make provision—

(a) about how to calculate whether the requirement is satisfied, including provision requiring the calculation to be made in accordance with prescribed methods or assumptions;

(b) requiring benefits of a prescribed description to be disregarded in determining whether the requirement is satisfied;

(c) that a scheme only satisfies the requirement if the scheme actuary certifies that it does; and for this purpose "scheme actuary" has the prescribed meaning.

(5) Section 13(3) (meaning of "earnings") applies for the purposes of this section as it applies for the purposes of that section.".

(3) In section 24 (quality requirement: UK hybrid schemes), in subsection (1)(b), for "23" substitute "23A".

(4) In section 28 (certification that quality requirement or alternative requirement is satisfied)—

(a) after subsection (3A) insert—

"(3B) This section also applies to a defined benefits scheme that has its main administration in the United Kingdom and is of a description prescribed under section 23A(1)(a).";

(b) in subsection (4), after paragraph (d) insert—

"(e) for a scheme within subsection (3B), means the quality requirement under section 23A(1)(a).".

(5) In section 29 (transitional periods for money purchase and personal pension schemes), in subsections (1) and (3) omit "for money purchase and personal pension schemes".

(6) Section 30 (transitional period for defined benefits and hybrid schemes) is amended as follows.

(7) In subsection (3), at the end of the substituted subsection (2) insert—

"A reference in this subsection to a scheme does not include a scheme to which section 30(11)(a) or (b) applies.".

(8) In subsection (5), in the substituted subsection (2)—

(a) in paragraph (a), after "defined benefits scheme" insert "other than a scheme to which section 30(11)(a) applies";

(b) in paragraph (aa) (inserted by section 39), after "a hybrid scheme" insert "other than a scheme to which section 30(11)(b) applies";

(c) after paragraph (c) (inserted by section 39), insert—

"(d) becomes an active member, with effect from the automatic enrolment date, of an automatic enrolment scheme which is a defined benefits scheme to which section 30(11)(b) applies, or

(e) becomes a defined benefits member, with effect from the automatic enrolment date, of an automatic enrolment scheme which is a hybrid scheme to which section 30(11)(b) applies.".

(9) After subsection (10) (added by section 39) add—

"(11) In subsection (2) references to a scheme do not include—

(a) a defined benefits scheme that satisfies the quality requirement in relation to the jobholder by reason only of section 23A(1)(a), or

(b) a hybrid scheme if—

(i) the appropriate paragraph of section 24(1) for any provisions of the scheme is paragraph (b) (those provisions are referred to below as "the defined benefits section"),

(ii) the defined benefits section satisfies section 23A(1)(a) as applied by section 24(1)(b), and

(iii) the defined benefits section does not satisfy any of the other requirements mentioned in section 24(1)(b).”.

Automatic enrolment: transitional period for hybrid schemes

39.—(1) Section 30 of the Pensions (No. 2) Act (transitional period for defined benefits and hybrid schemes) is amended as follows.

(2) In subsection (2)(b) and (c), for “a hybrid scheme” substitute “a defined benefits member of a hybrid scheme”.

(3) In subsection (3), in the substituted subsection (2)—

(a) after “becomes” insert “(a)”;

(b) for “or a hybrid scheme” substitute “, or

(b) a defined benefits member, with effect from the end of that period, of an automatic enrolment scheme which is a hybrid scheme.”.

(4) In subsection (5), in the substituted subsection (2)—

(a) in paragraph (a), for “a hybrid scheme, or” substitute—

“(aa) becomes a defined benefits member, with effect from the closure date of an automatic enrolment scheme which is a hybrid scheme;”;

(b) after paragraph (b) insert—

“(c) becomes a money purchase member, with effect from the automatic enrolment date, of an automatic enrolment scheme which is a hybrid scheme.”.

(5) After subsection (9) add—

“(10) For the purposes of this section—

(a) a person is a “money purchase member” of a hybrid scheme if—

(i) the person is an active member of the scheme, and

(ii) all the benefits accruing in respect of his or her membership are money purchase benefits, and

(b) a person is a “defined benefits member” of a hybrid scheme if the person is an active member of the scheme other than a money purchase member.”.

(6) Subsection (7) applies if—

(a) an employer whose first enrolment date is before the date on which the amendments made by this section come into operation (“the commencement date”) has given a jobholder notice under section 30(3) of the Pensions (No. 2) Act,

(b) the conditions in section 30(2) of that Act have continued to be satisfied during the period beginning with the employer’s first enrolment date and ending with the day before the commencement date, and

(c) had the amendments made by this section come into operation on 19 December 2012, the condition in section 30(2)(c) of that Act would not have been satisfied at a time during that period.

(7) Section 30(5) to (7) of the Pensions (No. 2) Act (as amended by this section) applies in relation to the jobholder with the following modifications—

(a) references in section 30(5) and (6) of that Act to the closure date are to be read as references to the commencement date, and

(b) references in section 30(5) and (6) of that Act to the automatic enrolment date are to be read as references to—

(i) 19 December 2012, or

(ii) if later, the employer's first enrolment date;

and section 30(3) and (4) of that Act does not apply.

(8) Expressions used in this section and in section 30 of the Pensions (No. 2) Act have the same meaning in this section as in that section.

Penalty notices under sections 40 and 41 of the Pensions (No. 2) Act etc

40.—(1) In sections 40(1)(d) and 41(1)(d) of the Pensions (No. 2) Act (fixed and escalating penalty notices), at the end insert ", so far as relevant to the exercise of any of its functions under or by virtue of this Part".

(2) In Article 67 of the 2005 Order (powers to require information), in paragraph (1A), for "Chapter 2 of Part 1 of the Pensions (No. 2) Act (Northern Ireland) 2008 or section 51 of that Act" substitute "or by virtue of Part 1 of the Pensions (No. 2) Act (Northern Ireland) 2008".

Unpaid scheme contributions

41.—(1) The Pension Schemes Act is amended as follows.

(2) In section 119 (payment by Department for Employment and Learning of unpaid scheme contributions on employer insolvency: interpretation)—

(a) in subsection (2), for the definition of "contract of employment" and related expressions substitute—

""employer", "employment", "worker" and "worker's contract" and other expressions which are defined in the Employment Rights (Northern Ireland) Order 1996 have the same meaning as in that Order (see further subsections (2A) and (2B));";

(b) in subsection (2), in paragraph (b) of the definition of "holiday pay", for "the employee's contract of employment" substitute "the worker's contract";

(c) after subsection (2) insert—

"(2A) Section 71 of the Pensions (No. 2) Act (Northern Ireland) 2008 (agency workers) applies for the purposes of this Chapter as it applies for the purposes of Part 1 of that Act.

(2B) References in this Chapter to a worker include references to an individual to whom Part 1 of the Pensions (No. 2) Act (Northern Ireland) 2008 applies as if the individual were a worker because of regulations made under section 77 of that Act; and related expressions are to be read accordingly.".

(3) In section 120 (Department for Employment and Learning's duty to pay unpaid contributions)—

(a) for "an employee", in each place, substitute "a worker";

(b) for "the employee", in each place, substitute "the worker";

(c) for "the employee's" substitute "the worker's";

(d) for "employees", in each place, substitute "workers".

(4) In section 157, for “contract of employment” substitute “worker’s contract”.

(5) In section 161(6)—

(a) in paragraph (a), for “contract of employment the employee” substitute “worker’s contract the worker”;

(b) in paragraph (b), for “employee” substitute “worker”.

Other

Power to restrict charges or impose requirements in relation to schemes

42. Schedule 18 permits the Department to make regulations—

(a) restricting the charges that may be imposed on members of certain pension schemes;

(b) imposing requirements relating to administration or governance that must be satisfied in relation to certain pension schemes.

Disclosure of information about transaction costs to members etc

43. In section 109 of the Pension Schemes Act (disclosure of information about schemes to members etc), after subsection (4) insert—

“(5) The Department must make regulations under subsection (1) requiring information about some or all of the transaction costs of a relevant scheme to be given to some or all of the persons mentioned in subsection (2).

(6) The Department must by regulations make provision requiring the publication of information about—

(a) some or all of the transaction costs of a relevant scheme, and

(b) some or all of the administration charges imposed on members of a relevant scheme.

(7) Regulations under subsection (6) may require other relevant information to be published along with information about transaction costs or administration charges in relation to a scheme.

(8) “Other relevant information” means other information which would or may assist in making comparisons between those costs or charges and costs or charges in relation to other schemes.

(9) In this section—

“administration charge” has the meaning given by paragraph 1(5) of Schedule 18 to the Pensions Act (Northern Ireland) 2014;

“relevant scheme” means a money purchase scheme that is an occupational pension scheme.”.

Power to require pension levies to be paid in respect of past periods

44.—(1) The Department may by regulations provide for the 2005 Order, and regulations made under it, to have effect, so far as relating to the requirement to pay pension levy, as if the amendments made by the 2010 regulations had always had effect.

(2) Regulations under this section may in particular—

(a) modify the application of the 2005 Order, or regulations made under it, in relation to amounts of pension levy required to be paid because of regulations under this section;

(b) provide for interest to be charged at a specified rate on such amounts (including in respect of periods before the coming into operation of regulations under this section).

(3) In this section—

"the 2010 regulations" means—

(a) regulations 2, 3 and 8 of the Pension Protection Fund and Occupational Pension Schemes (Miscellaneous Amendments) Regulations (Northern Ireland) 2010, and

(b) regulation 2 of the Occupational Pension Schemes (Levies) (Amendment) Regulations (Northern Ireland) 2010;

"pension levy" means—

(a) a levy under regulations made under Article 103 of the 2005 Order (administration levy),

(b) a levy under regulations made under Article 157 of that Order (initial levy), or

(c) a levy under Article 158 of that Order (pension protection levies).

Prohibition and suspension orders: directors of corporate trustees

45.—(1) The 1995 Order is amended as follows.

(2) After Article 3 insert—

"**Prohibition orders: directors of corporate trustees etc**

3A.—(1) A company is prohibited from being a trustee of a trust scheme at any time when an individual who is a director of the company is prohibited from being a trustee of the scheme by an order under Article 3.

(2) Where a company which is a trustee of a trust scheme becomes prohibited under paragraph (1) in relation to the scheme, that paragraph has the effect of removing the company as a trustee.

(3) The Authority may, on the application of a company, give notice in writing to the applicant waiving the prohibition under paragraph (1)—

(a) in relation to an individual against whom an order under Article 3 has been made, and

(b) either generally or in relation to a particular scheme or particular description of schemes.

(4) A notice may be given under paragraph (3) only if the Authority is satisfied that the applicant would be a fit and proper person to be a trustee of the scheme or schemes to which the notice relates despite the individual being, or even if the individual were to become, a director of the applicant.

(5) A notice given at any time under paragraph (3) cannot affect anything done before that time.

(6) An application under paragraph (3) may not be made—

(a) during the period within which the determination to exercise the power to make the order against the individual may be referred to the Tribunal under Article 91(3) or 94(7) of the Pensions (Northern

Ireland) Order 2005 (whether by a company which became prohibited under paragraph (1) on the making of the order or by another person), and

(b) if the determination is so referred, until the reference, and any appeal against the Tribunal's determination, has been finally disposed of.

(7) The Authority must prepare and publish a statement of the policies they intend to adopt in relation to the exercise of their powers under this Article.

(8) The Authority may revise any statement published under paragraph (7) and must publish any revised statement.

(9) References in this Article to an order under Article 3 are to an order under that Article made on or after the date on which section 45(2) of the Pensions Act (Northern Ireland) 2014 comes fully into operation.".

(3) Article 4 (Pensions Regulator's power to suspend trustee of occupational pension scheme) is amended as follows.

(4) In paragraph (1)(f), after "sub-paragraph" insert "(aa),".

(5) In paragraph (2)(a), after "or (aa)" insert "or, in a case where the Authority would have power to suspend a director under sub-paragraph (aa), by virtue of sub-paragraph (f)".

(6) Schedule 19 contains consequential amendments.

Pensions Regulator's objectives

46. In Article 4(1) of the 2005 Order, after sub-paragraph (c) insert—

"(cza) in relation to the exercise of its functions under Part 4 only, to minimise any adverse impact on the sustainable growth of an employer,".

Maximum period between scheme returns to be 5 years for micro schemes

47.—(1) Article 58 of the 2005 Order (duty of the Regulator to issue scheme return notices) is amended as follows.

(2) After paragraph (3) insert—

"(3A) But paragraph (3)(a) has effect as if the reference to three years were a reference to five years if—

(a) the trustees or managers have complied with sub-paragraph (b) of Article 57(2),

(b) the information they provided under that sub-paragraph included the number of members of the scheme, and

(c) that number was no more than 4.".

(3) After paragraph (4) insert—

"(4A) But paragraph (4)(a) has effect as if the reference to three years were a reference to five years if—

(a) on the date on which the previous scheme return notice was issued, the number of members of the scheme was recorded in the register, and

(b) that number was no more than 4.".

Pension Protection Fund: increased compensation cap for long service

48. See Schedule 20 for amendments increasing the Pension Protection Fund compensation cap for persons with long pensionable service.

Pension Protection Fund: compensation cap to apply separately to certain benefits

49.—(1) Paragraph 26 of Schedule 6 to the 2005 Order (Pension Protection Fund: compensation cap) is amended as follows.

(2) In sub-paragraph (1)(b), for "sub-paragraph (2)(a) or (b)" substitute "sub-paragraph (2)(a), (b) or (c)".

(3) In sub-paragraph (2)(a)(ii), for "paragraph (b)(i) does not apply" substitute "neither of paragraphs (b) and (c) applies".

(4) In sub-paragraph (2)(b)—

(a) before paragraph (i) insert—

"(zi) benefit A is attributable to the person's pensionable service,";

(b) in paragraph (i), after "one or more other benefits" insert "that are attributable to his pensionable service".

(5) In sub-paragraph (2), after paragraph (b) insert ", and

(c) this paragraph applies if—

(i) benefit A is attributable to a pension credit from a transferor,

(ii) at the same time as the person becomes entitled to relevant compensation in respect of benefit A he also becomes entitled to relevant compensation in respect of one or more other benefits that are—

(iia) under the scheme or a connected occupational pension scheme, and

(iib) attributable to a pension credit from the same transferor, ("benefit or benefits B"), and

(iii) the aggregate of the annual values of benefit A and benefit or benefits B exceeds the compensation cap.".

(6) In sub-paragraph (5), after "sub-paragraph (2)(b)" insert "or (c)".

(7) The amendments made by this section are to be treated as always having had effect.

(8) Regulations under paragraph 26(9) of Schedule 6 to the 2005 Order (modifications for cases where compensation becomes payable on different occasions) made in consequence of this section may be made with retrospective effect.

PART 7

FINAL PROVISIONS

Power to make consequential amendments etc

50.—(1) The Department or the Department of Finance and Personnel may by order make consequential, incidental or supplementary provision in connection with any provision made by this Act.

(2) An order under this section may amend, repeal, revoke or otherwise modify any statutory provision (whenever passed or made).

Regulations and orders

51.—(1) Subject to the following provisions of this section, any orders or regulations made by the Department or the Department of Finance and Personnel under this Act are subject to negative resolution.

(2) Subsection (1) does not apply to an order under section 53(1) or (5).

(3) Orders or regulations (whether alone or with other provisions) to which this subsection applies—

(a) must be laid before the Assembly after being made; and

(b) take effect on such date as may be specified in the order or regulations, but (without prejudice to the validity of anything done thereunder or to the making of a new order or regulations) cease to have effect upon the expiration of a period of six months from that date unless at some time before the expiration of that period the order or regulations are approved by a resolution of the Assembly.

(4) Subsection (3) applies to—

(a) regulations under section 3, 17, 18(3) or (5), 19, 20, 29, 31 or 33,

(b) the first regulations under section 10,

(c) an order under section 50 that amends or repeals any relevant statutory provision,

(d) regulations under Schedule 17,

(e) regulations under paragraph 2 of Schedule 18 or regulations under paragraph 7 of that Schedule that amend any relevant statutory provision, or

(f) the first regulations under paragraph 1 or 3 of that Schedule.

(5) In this section "relevant statutory provision" means a statutory provision contained in—

(a) an Act of the Parliament of Northern Ireland;

(b) an Order in Council under Schedule 1 to the Northern Ireland Act 1974 or the Schedule to the Northern Ireland Act 2000;

(c) an Act of the Assembly; or

(d) an Act of the Parliament of the United Kingdom.

(6) Regulations or orders under this Act may include incidental, supplementary, consequential, transitional, transitory or saving provision.

Interpretation

52.—(1) In this Act—

"the 1995 Order" means the Pensions (Northern Ireland) Order 1995;

"the 2005 Order" means the Pensions (Northern Ireland) Order 2005;

"the Administration Act" means the Social Security Administration (Northern Ireland) Act 1992;

"the Contributions and Benefits Act" means the Social Security Contributions and Benefits (Northern Ireland) Act 1992;

"the Department" means the Department for Social Development;

"the Pension Schemes Act" means the Pension Schemes (Northern Ireland) Act 1993;

"the Pensions (No. 2) Act" means the Pensions (No. 2) Act (Northern Ireland) 2008;

"statutory provision" has the meaning assigned to it by section 1(f) of the Interpretation Act (Northern Ireland) 1954.

(2) In the application, for the purposes of this Act, of—

(a) section 24(1) of the Interpretation Act (Northern Ireland) 1954 (service of documents by post), omit the word "registering";

(b) section 39(2) of that Act (time beginning on a particular day), omit the word "not".

Commencement

53.—(1) Subject to the following provisions of this section, this Act comes into operation on such day or days as the Department may by order appoint.

(2) The following come into operation on the day after this Act receives Royal Assent—

(a) Part 3;

(b) section 28;

(c) sections 33 and 34;

(d) section 40;

(e) section 46;

(f) section 49; and

(g) this Part.

(3) Part 1 comes into operation on 6 April 2016, so far as not brought into operation earlier by an order under subsection (1).

(4) The Department may by order—

(a) amend subsection (3) so as to replace the reference to 6 April 2016 with a later date, and

(b) make corresponding amendments in Part 1 or any statutory provision amended by it.

(5) The Department may by order make transitional, transitory or saving provision in connection with the coming into operation of any provision of this Act.

Short title

54. This Act may be cited as the Pensions Act (Northern Ireland) 2014.

Pensions

SCHEDULES

SCHEDULE 1

Section 5

TRANSITIONAL RATE OF STATE PENSION: CALCULATING THE AMOUNT

PART 1

INTRODUCTION

1.—(1) This Schedule sets out how to calculate the amounts used to work out the transitional rate of a person's state pension.

(2) Part 2 of the Schedule sets out how to calculate the amount for a person's pre-commencement qualifying years.

(3) Part 3 of the Schedule sets out how to calculate the amount for a person's post-commencement qualifying years (if any).

PART 2

AMOUNT FOR PRE-COMMENCEMENT QUALIFYING YEARS

How to calculate the amount for pre-commencement qualifying years

2. A person's amount for pre-commencement qualifying years is calculated as follows.

Step 1 - calculate the person's pension under the old system

Calculate the weekly rate based on the old state pension and graduated retirement benefit (see paragraph 3 for more about this).

Step 2 - calculate a pension based on the new system

Calculate the weekly rate based on the new state pension (see paragraph 4 for more about this).

Step 3 - take whichever rate is higher (the foundation amount)

Take whichever of the rates found under Steps 1 and 2 is higher.

Step 4 - revalue to date when the person reached pensionable age

Revalue the amount of that rate in accordance with paragraph 6.

The amount for the person's pre-commencement qualifying years is the amount as revalued under Step 4.

Step 1: calculation of the person's pension under the old system

3.—(1) For the purposes of Step 1 of the calculation in paragraph 2, the weekly rate based on the old state pension and graduated retirement benefit is—

(a) the rate of any Category A retirement pension and graduated retirement benefit to which the person would have been entitled if the person had reached pensionable age on 6 April 2016, or

(b) the rate of any graduated retirement benefit to which the person would have been entitled under section 35(7) of the National Insurance Act (Northern Ireland) 1966 (persons not entitled to retirement pension) if the person had reached pensionable age on that date.

(2) The following rules apply for the purposes of calculating that rate.

(3) Calculate the rate that would have had effect on 6 April 2016 (but see sub-paragraph (6)).

(4) Ignore—

(a) the amendments made by paragraphs 45 and 47 of Schedule 12 (which limit Category A retirement pensions and graduated retirement benefit to people who reach pensionable age before 6 April 2016);

(b) any requirement to make a claim;

(c) any provision suspending payment of, or disqualifying a person from receiving, any amount;

(d) section 45B of the Contributions and Benefits Act (reduction of additional pension because of pension sharing);

(e) section 36 of the National Insurance Act (Northern Ireland) 1966 (graduated retirement benefit for widows etc).

(5) Read the reference in section 45(4)(b) of the Contributions and Benefits Act (additional pension) to a person's working life as a reference to the period—

(a) beginning with the tax year in which the person reached 16, and

(b) ending with the tax year before the one in which the person actually reached pensionable age.

(6) If an order under section 132 or 132A of the Administration Act (up-rating) is made before 6 April 2016 and it provides for an increase to come into operation after that date, it is to be treated for the purposes of calculating the rate under this paragraph as having already come into operation.

(7) Where regulations under section 22(5ZA) of the Contributions and Benefits Act have the effect that a person is credited, on or after 6 April 2016, with earnings or contributions for a tax year starting before that date, the earnings or contributions are to be treated for the purposes of calculating the rate under this paragraph as having been credited before 6 April 2016.

(8) A determination under section 44A(2) of the Pension Schemes Act (contracting-out: reinstatement in state scheme following payment of contributions equivalent premium) made on or after 6 April 2016 is to be treated for the purposes of calculating the rate under this paragraph as having been made before 6 April 2016.

Step 2: calculation of a pension based on the new system

4.—(1) For the purposes of Step 2 of the calculation in paragraph 2, the weekly rate based on the new state pension is as follows.

(2) If the person has 35 or more pre-commencement qualifying years, the rate is equal to—

(a) the full rate of the state pension on 6 April 2016, less

(b) any amount to reflect contracting out under the old system (see paragraph 5).

(3) If the person has fewer than 35 pre-commencement qualifying years, the rate is equal to—

(a) the appropriate proportion of the full rate of the state pension on 6 April 2016, less

(b) any amount to reflect contracting out under the old system (see paragraph 5).

(4) The "appropriate proportion", in relation to a person, is—

$$\frac{1}{35} \times \text{ the person's number of pre-commencement qualifying years.}$$

5.—(1) In paragraph 4(2) and (3) references to an "amount to reflect contracting out under the old system" are to an amount equal to any difference between—

(a) the amount of any additional pension included in the Category A retirement pension calculated for the purposes of Step 1 of the calculation in paragraph 2, and

(b) the amount of any additional pension that would have been included if—

(i) sections 42 and 44A of the Pension Schemes Act were ignored, and

(ii) for the purposes of calculating the amounts referred to in section 45(2)(c) and (d) of the Contributions and Benefits Act any earnings paid to or for the benefit of the person in respect of contracted-out employment were treated as if they were not in respect of contracted-out employment.

(2) "Contracted-out employment" means employment qualifying a person for a pension provided by a salary related contracted-out scheme, a money purchase contracted-out scheme or an appropriate personal pension scheme (and expressions used in this definition have the same meaning as in the Pension Schemes Act).

Step 4: revaluation

6.—(1) This paragraph determines how the amount mentioned in Step 4 of the calculation in paragraph 2 is to be revalued for the purposes of that Step.

(2) If the amount is equal to or less than the full rate of the state pension on 6 April 2016, the amount is to be revalued in accordance with increases in the full rate of the state pension (see sub-paragraph (4)).

(3) If the amount is greater than the full rate of the state pension on 6 April 2016—

(a) so much of the amount as is equal to the full rate of the state pension on 6 April 2016 is to be revalued in accordance with increases in the full rate of the state pension (see sub-paragraph (4)), and

(b) so much of the amount as exceeds the full rate of the state pension on that date is to be revalued in accordance with increases in the general level of prices (see sub-paragraph (5)).

(4) For the purposes of sub-paragraphs (2) and (3)(a), an amount is revalued in accordance with increases in the full rate of the state pension by increasing it by the same percentage as any increase in the full rate of the state pension in the period—

(a) beginning with 6 April 2016, and

(b) ending with the day on which the person reached pensionable age.

(5) For the purposes of sub-paragraph (3)(b), an amount is revalued in accordance with increases in the general level of prices by adding—

(a) the amount, and

(b) the amount multiplied by the revaluing percentage specified in the last order under section 130AC of the Administration Act to come into operation before the person reached pensionable age.

PART 3

AMOUNT FOR POST-COMMENCEMENT QUALIFYING YEARS

7.—(1) A person's amount for post-commencement qualifying years, (if any) is calculated as follows.

(2) If the person has 35 or more post-commencement qualifying years, the amount is equal to the full rate of the state pension on the day on which the person reached pensionable age.

(3) If the person has fewer than 35 post-commencement qualifying years, the amount is equal to the following proportion of the full rate of the state pension on the day on which the person reached pensionable age—

$$\frac{1}{35} \times \text{ the person's number of post-commencement qualifying years.}$$

SCHEDULE 2

Section 5

TRANSITIONAL RATE OF STATE PENSION: UP-RATING

1. This Schedule sets out how to up-rate the transitional rate of a person's state pension.

2. In this Schedule a reference to the transitional rate of a person's state pension is to the rate—

(a) taking into account any reduction under section 14, but

(b) ignoring any increase under section 17.

3.—(1) The transitional rate of a person's state pension is to be increased under this paragraph if it is equal to or less than the full rate.

(2) If at any time the full rate of the state pension is increased, the person's transitional rate is increased (at that time) by the same percentage as the increase in the full rate.

4.—(1) The transitional rate of a person's state pension is to be increased under this paragraph if it exceeds the full rate.

(2) If at any time the full rate of the state pension is increased, the person's transitional rate is increased (at that time) by the same amount as the amount by which the full rate is increased.

(3) If at any time an order under section 133A of the Administration Act comes into operation, the person's transitional rate is increased (at that time) by an amount equal to the appropriate percentage of the excess.

(4) In sub-paragraph (3)—

"the appropriate percentage" means the percentage specified in the order, and

"the excess" means the amount by which the transitional rate exceeded the full rate immediately before the order came into operation.

SCHEDULE 3

Section 7

SURVIVOR'S PENSION UNDER SECTION 7: INHERITED AMOUNT

Introduction

1. This Schedule—

(a) sets out the circumstances in which a person (the "pensioner") is entitled to an inherited amount for the purpose of section 7, and

(b) determines that amount.

Dead spouse or civil partner in old state pension system etc

2.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited amount under this paragraph if—

(a) the marriage took place or the civil partnership was formed before 6 April 2016,

(b) the spouse or civil partner died before 6 April 2016,

(c) the pensioner was under pensionable age when the spouse or civil partner died, and

(d) the pensioner would, on reaching pensionable age, have been entitled to a Category B retirement pension under section 48B(4) or (4A) or 48BB of the Contributions and Benefits Act if the words "before 6 April 2016" were omitted.

(2) The inherited amount is equal to the weekly rate at which that Category B retirement pension would have been payable on the day on which the pensioner reached pensionable age if any element of the rate attributable to the basic pension were ignored.

3.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited amount under this paragraph if—

(a) the marriage took place or the civil partnership was formed before 6 April 2016,

(b) the spouse or civil partner reached pensionable age before 6 April 2016 but died on or after that date,

(c) the pensioner was under pensionable age when the spouse or civil partner died, and

(d) the pensioner would, on reaching pensionable age, have been entitled to a Category B retirement pension under section 48BB of the Contributions and Benefits Act if in subsection (3) of that section—
  (i) the words "before 6 April 2016" were omitted, and
  (ii) the reference to a bereavement allowance were a reference to bereavement support payment under section 29 of this Act.

(2) The inherited amount is equal to the weekly rate at which that Category B retirement pension would have been payable on the day on which the pensioner reached pensionable age if section 48BB(8) and (9) of the Contributions and Benefits Act were ignored.

4.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited amount under this paragraph if—

(a) the marriage took place or the civil partnership was formed before 6 April 2016,

(b) the spouse or civil partner reached pensionable age before 6 April 2016 but died on or after that date,

(c) the pensioner was over pensionable age when the spouse or civil partner died, and

(d) the pensioner would, when the spouse or civil partner died, have been entitled to a Category B retirement pension under section 48B(1) or (1A) of the Contributions and Benefits Act if the words "before 6 April 2016" were omitted.

(2) The inherited amount is equal to the weekly rate at which that Category B retirement pension would have been payable on the day on which the spouse or civil partner died if any element of the rate attributable to the basic pension were ignored.

Dead spouse or civil partner in new state pension system

5.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited amount under this paragraph if—

(a) the marriage took place or the civil partnership was formed before 6 April 2016,

(b) the pensioner was over pensionable age when the spouse or civil partner died,

(c) the spouse or civil partner was, immediately before his or her death, entitled to a state pension payable at the transitional rate, and

(d) that transitional rate exceeded the full rate of the state pension.

(2) The inherited amount is half of the amount by which the transitional rate of the state pension for the spouse or civil partner exceeded the full rate of the state pension immediately before the death.

6.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited amount under this paragraph if—

(a) the marriage took place or the civil partnership was formed before 6 April 2016,

(b) the pensioner was under pensionable age when the spouse or civil partner died,

(c) the spouse or civil partner was, immediately before his or her death, entitled to a state pension payable at the transitional rate,

(d) that transitional rate exceeded the full rate of the state pension, and

(e) the pensioner did not marry or form a civil partnership after the death and before reaching pensionable age.

(2) The inherited amount is half of the amount by which the transitional rate of the state pension for the spouse or civil partner would have exceeded the full rate of the state pension if he or she had been alive on the day on which the pensioner reached pensionable age.

7.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited amount under this paragraph if—

(a) the marriage took place or the civil partnership was formed before 6 April 2016,

(b) the pensioner was over pensionable age when the spouse or civil partner died,

(c) the spouse or civil partner was under pensionable age when he or she died but would have been entitled to a state pension payable at the transitional rate if he or she had reached pensionable age on the day of the death, and

(d) that transitional rate would have exceeded the full rate of the state pension.

(2) The inherited amount is half of the amount by which the transitional rate of the state pension for the spouse or civil partner would have exceeded the full rate of the state pension if he or she had reached pensionable age on the day of the death.

8.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited amount under this paragraph if—

(a) the marriage took place or the civil partnership was formed before 6 April 2016,

(b) the pensioner was under pensionable age when the spouse or civil partner died,

(c) the spouse or civil partner died on or after 6 April 2016,

(d) the spouse or civil partner was under pensionable age when he or she died,

(e) the spouse or civil partner would have been entitled to a state pension payable at the transitional rate if he or she had reached pensionable age on the same day as the pensioner,

(f) that transitional rate would have exceeded the full rate of the state pension, and

(g) the pensioner did not marry or form a civil partnership after the death and before reaching pensionable age.

(2) The inherited amount is half of the amount by which the transitional rate of the state pension for the spouse or civil partner would have exceeded the full rate of the state pension if he or she had reached pensionable age on the same day as the pensioner.

Supplementary

9. When determining entitlement to, or calculating, an inherited amount under this Schedule based on entitlement to an old state pension or a state pension under this Part ignore—

(a) any requirement to make a claim for that pension;

(b) any provision suspending payment of, or disqualifying a person from receiving, any amount of that pension.

SCHEDULE 4

Section 7

SURVIVOR'S PENSION UNDER SECTION 7: UP-RATING

Introduction

1. This Schedule sets out how to up-rate the rate of a person's state pension under section 7.

2. In this Schedule a reference to the rate of a person's state pension is to the rate—

(a) ignoring any reduction under section 7(4) (in the case of a state pension under section 7),

(b) taking into account any reduction under section 14 (in the case of a state pension under section 4), and

(c) ignoring any increase under section 17.

3. In this Schedule a reference to "the amount of any state pension that has priority" means the rate of any state pension to which the person is entitled under section 2, 4 or 12.

Rate of section 7 pension, when added to any priority pension, is less than the full rate

4.—(1) The rate of the person's state pension under section 7 is to be increased under this paragraph if, when added to the amount of any state pension that has priority, it is equal to or less than the full rate of the state pension.

(2) If at any time the full rate is increased, the rate of the person's state pension under section 7 is increased (at that time) by the same percentage as the increase in the full rate.

Rate of section 7 pension, when added to any priority pension, straddles the full rate

5.—(1) The rate of the person's state pension under section 7 is to be increased under this paragraph if—

(a) the amount of any state pension that has priority is less than the full rate of the state pension, but

(b) the rate of the state pension under section 7, when added to the amount of any state pension that has priority, exceeds the full rate.

(2) If at any time the full rate of the state pension is increased, the rate of the person's state pension under section 7 is increased (at that time) by an amount equal to the appropriate percentage of the shortfall immediately before that time.

(3) If at any time an order under section 133A of the Administration Act comes into operation, the rate of the person's state pension under section 7 is increased (at that time) by an amount equal to the appropriate percentage of the excess immediately before the order comes into operation.

(4) In this paragraph—

"the appropriate percentage"—

(a) in sub-paragraph (2), means the percentage by which the full rate is increased;

(b) in sub-paragraph (3), means the percentage specified in the order;

"the excess" means the amount by which the rate of the state pension under section 7, when added to the amount of any state pension that has priority, exceeds the full rate;

"the shortfall" means the amount by which the amount of any state pension that has priority is less than the full rate.

Priority pension alone is equal to or higher than the full rate

6.—(1) The rate of the person's state pension under section 7 is to be increased under this paragraph if the amount of any state pension that has priority is equal to or higher than the full rate of the state pension.

(2) If at any time an order under section 133A of the Administration Act comes into operation, the rate of the person's state pension under section 7 is increased (at that time) by the percentage specified in the order.

SCHEDULE 5

Section 9

SURVIVOR'S PENSION UNDER SECTION 9: INHERITED DEFERRAL AMOUNT

Introduction

1. This Schedule—

(a) sets out the circumstances in which a person (the "pensioner") is entitled to an inherited deferral amount for the purpose of section 9, and

(b) determines that amount.

Dead spouse or civil partner entitled to old state pension with deferral increase

2.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited deferral amount under this paragraph if—

(a) the spouse or civil partner was entitled to an old state pension with an increase under paragraph 1 or 2A of Schedule 5 to the Contributions and Benefits Act, and

(b) the pensioner would, on reaching pensionable age or on the death of the spouse or civil partner, have been entitled to an old state pension if in the relevant provisions of the Contributions and Benefits Act—

(i) the words "before 6 April 2016" were omitted, and

(ii) any reference to a bereavement allowance included a reference to bereavement support payment under section 29 of this Act.

(2) The inherited deferral amount is equal to the amount by which the weekly rate of the old state pension for the pensioner would have been increased under paragraph 4 of Schedule 5 to the Contributions and Benefits Act on the day on which the pensioner became entitled to the inherited deferral amount.

(3) For the purposes of calculating the amount of that increase, paragraph 4(1A) of Schedule 5 to the Contributions and Benefits Act has effect as if after the words "apart from" (in each place) there were inserted "this paragraph and".

Dead spouse's or civil partner's entitlement to old state pension deferred at time of death

3.—(1) A pensioner whose spouse or civil partner has died is entitled to an inherited deferral amount under this paragraph if—

(a) the spouse's or civil partner's entitlement to an old state pension was deferred when he or she died, and

(b) the pensioner would, on reaching pensionable age or on the death of the spouse or civil partner, have been entitled to an old state pension if in the relevant provisions of the Contributions and Benefits Act—

(i) the words "before 6 April 2016" were omitted, and

(ii) any reference to a bereavement allowance included a reference to bereavement support payment under section 29 of this Act.

(2) The inherited deferral amount is equal to the amount by which the weekly rate of the old state pension for the pensioner would have been increased under paragraph 4 of Schedule 5 to the Contributions and Benefits Act on the day on which the pensioner became entitled to the inherited deferral amount.

(3) For the purposes of calculating the amount of that increase—

(a) a pensioner who is not entitled to a choice under section 8 is to be treated as having met the condition in paragraph 4(1)(c) of Schedule 5 to the Contributions and Benefits Act,

(b) a pensioner who has chosen under section 8 to be paid a state pension under section 9 is to be treated as having met the condition in paragraph 4(1)(b) of Schedule 5 to the Contributions and Benefits Act, and

(c) paragraph 4(1A) of Schedule 5 to the Contributions and Benefits Act has effect as if after the words "apart from" (in each place) there were inserted "this paragraph and".

(4) In this paragraph "deferred" has the meaning given by section 55(3) of the Contributions and Benefits Act.

"The relevant provisions" of the Contributions and Benefits Act

4. For the purposes of this Schedule "the relevant provisions" of the Contributions and Benefits Act are those mentioned in section 8(9)(b).

Supplementary

5. When determining entitlement to, or calculating, an inherited deferral amount under this Schedule based on entitlement to an old state pension ignore—

(a) any requirement to make a claim for that pension;

(b) any provision suspending payment of, or disqualifying a person from receiving, any amount of that pension.

SCHEDULE 6

Section 11

REDUCED RATE ELECTIONS: EFFECT ON RATE OF SECTION 4 PENSION

Introduction

1. This Schedule modifies the rules about the transitional rate of the state pension for a woman if a reduced rate election was in force in respect of her at the beginning of the relevant 35-year period (and expressions used in this paragraph have the same meaning as in section 11).

Increased transitional rate for woman married to person over pensionable age etc

2.—(1) This paragraph applies to the woman if on reaching pensionable age—

(a) she is married to a person who has reached pensionable age, or

(b) she is in a civil partnership with a person who has reached that age.

(2) The transitional rate of the state pension for the woman is—

(a) the rate determined for her under section 5, or

(b) if higher, a weekly rate equal to the modified amount for her pre-commencement qualifying years alone.

(3) The modified amount for the woman's pre-commencement qualifying years alone is the amount that would be calculated under Schedule 1 for her pre-commencement qualifying years alone if the basic pension in any Category A retirement pension calculated for her for the purposes of paragraph 3 of that Schedule were equal to the basic Category B amount.

(4) "The basic Category B amount" is the amount specified in paragraph 5 of Part 1 of Schedule 4 to the Contributions and Benefits Act on 6 April 2016.

Increased transitional rate for widows or divorcees etc

3.—(1) This paragraph applies to the woman if on reaching pensionable age she is not married or in a civil partnership but she has been married or in a civil partnership before.

(2) The transitional rate of the state pension for the woman is—

(a) the rate determined for her under section 5, or

(b) if higher, a weekly rate equal to the modified amount for her pre-commencement qualifying years alone.

(3) The modified amount for the woman's pre-commencement qualifying years alone is the amount that would be calculated under Schedule 1 for her pre-commencement qualifying years alone if the basic pension in any Category A retirement pension calculated for her for the purposes of paragraph 3 of that Schedule were equal to the full amount of the basic pension.

(4) "The full amount of the basic pension" is the amount of the basic pension specified in section 44(4) of the Contributions and Benefits Act on 6 April 2016.

Recalculation of transitional rate where circumstances change

4. If the woman is married or in a civil partnership on reaching pensionable age but the marriage or civil partnership comes to an end (because of the death of her spouse or civil partner or otherwise)—

(a) her transitional rate is to be recalculated applying paragraph 3(2), and

(b) Schedule 2 (up-rating) applies as if the recalculated rate had been the woman's transitional rate on the day on which she reached pensionable age.

5.—(1) If neither of paragraphs 2 and 3 applies to the woman but she subsequently comes within paragraph (a) or (b) of paragraph 2(1)—

(a) her transitional rate is to be recalculated applying paragraph 2(2), and

(b) Schedule 2 (up-rating) applies as if the recalculated rate had been the woman's transitional rate on the day on which she reached pensionable age.

(2) But the woman's rate is not to be recalculated under sub-paragraph (1) if it has already been recalculated under paragraph 4.

6. Nothing in paragraph 4 or 5 affects—

(a) the amount of state pension to which a woman is entitled for periods before that paragraph applies to her, or

(b) the amount of any increase under section 17 in a case where the period for which the woman's state pension is deferred has ended before that paragraph applies to her.

SCHEDULE 7

Section 12

REDUCED RATE ELECTIONS: BASIC AMOUNT OF STATE PENSION UNDER SECTION 12

1. This Schedule—

(a) sets out the circumstances in which a woman is entitled to a basic amount for the purpose of section 12, and

(b) determines that basic amount.

2.—(1) A woman is entitled to a basic amount under this paragraph if she has reached pensionable age, and—

(a) she is married to a person who has reached pensionable age, or

(b) she is in a civil partnership with a person who has reached that age.

(2) The basic amount is the amount specified in paragraph 5 of Part 1 of Schedule 4 to the Contributions and Benefits Act on the day on which the woman became entitled under this paragraph.

3.—(1) A woman is entitled to a basic amount under this paragraph if—

(a) on reaching pensionable age she is not married or in a civil partnership but she has been married or in a civil partnership before, or

(b) on reaching pensionable age she was married or in a civil partnership and the marriage or civil partnership has come to an end (because of the death of her spouse or civil partner or otherwise).

(2) The basic amount is the amount of the basic pension specified in section 44(4) of the Contributions and Benefits Act on the day on which the woman became entitled under this paragraph.

4. A woman who is entitled to a basic amount under paragraph 3 is not entitled to a basic amount under paragraph 2.

SCHEDULE 8

Section 13

PENSION SHARING: APPROPRIATE WEEKLY RATE UNDER SECTION 13

Introduction

1. This Schedule sets out the appropriate weekly rate of a person's state pension under section 13.

Appropriate weekly rate for pensioner with old state scheme pension credit

2.—(1) This paragraph sets out the appropriate weekly rate if the person is entitled to a state pension under section 13 because of an old state scheme pension credit.

(2) If the person became entitled to the old state scheme pension credit in or after the final relevant year, the appropriate weekly rate is a weekly rate equal to the person's notional rate.

(3) If the person became entitled to the old state scheme pension credit before the final relevant year, the appropriate weekly rate is a weekly rate equal to the person's notional rate multiplied by the appropriate revaluation percentage.

(4) For the purposes of sub-paragraphs (2) and (3), a person's "notional rate" is the weekly rate of a notional pension under section 13 the cash equivalent of which would, on the valuation day, have been equal to the amount of the old state scheme pension credit.

(5) For the purposes of sub-paragraph (4) assume that the notional pension becomes payable on the later of—

(a) the day on which the person reaches pensionable age, and

(b) the valuation day.

(6) The "appropriate revaluation percentage" is the percentage specified, in relation to earnings factors for the tax year in which the person became entitled to the old state scheme pension credit, by the last order under section 130 of the Administration Act to come into operation before the end of the final relevant year.

(7) In this paragraph—

"final relevant year" means the tax year immediately before that in which the person reaches pensionable age;

"valuation day" means the day on which the person became entitled to the old state scheme pension credit.

Appropriate weekly rate for pensioner with new state scheme pension credit

3.—(1) This paragraph sets out the appropriate weekly rate if the person is entitled to a state pension under section 13 because of a new state scheme pension credit.

(2) If the person was over pensionable age when he or she became entitled to the new state scheme pension credit, the appropriate weekly rate is a weekly rate equal to the amount of the credit.

(3) If the person was under pensionable age when he or she became entitled to the new state scheme pension credit, the appropriate weekly rate is a weekly rate equal to the amount of the credit multiplied by the appropriate revaluation percentage.

(4) The "appropriate revaluation percentage" is the percentage specified, in relation to the tax year in which the person became entitled to the new state scheme pension credit, by the last order under section 130AD of the Administration Act to come into operation before the person reached pensionable age.

Supplementary

4.—(1) Regulations may make provision about the calculation and verification of notional rates under paragraph 2.

(2) The regulations may, in particular, provide—

(a) for calculation or verification in such manner as may be approved by or on behalf of the Government Actuary, or

(b) for things done under the regulations to be required to be done in accordance with guidance from time to time prepared by a person specified in the regulations.

SCHEDULE 9

Section 13

PENSION SHARING: UP-RATING STATE PENSION UNDER SECTION 13

Introduction

1. This Schedule sets out how to up-rate the rate of a person's state pension under section 13.

2. In this Schedule a reference to the rate of a person's state pension is to the rate—

(a) ignoring any reduction under section 7(4) (in the case of a state pension under section 7),

(b) taking into account any reduction under section 14 (in the case of a state pension under section 4), and

(c) ignoring any increase under section 17.

3.—(1) In this Schedule "the total amount of any state pension that has priority", in relation to a person's state pension under section 13, means the sum of—

(a) the rate of any state pension to which the person is entitled under section 2, 4 or 12,

(b) the rate of any state pension to which the person is entitled under section 7, and

(c) the rate of any earlier state pension to which the person is entitled under section 13 (see sub-paragraph (2)).

(2) Where a person is entitled to two or more state pensions under section 13 because he or she has become entitled to two or more state scheme pension credits, a pension arising because of an earlier credit is an "earlier" state pension for the purposes of sub-paragraph (1)(c).

Rate of section 13 pension, when added to any priority pension, is less than the full rate

4.—(1) The rate of the person's state pension under section 13 is to be increased under this paragraph if, when added to the total amount of any state pension that has priority, it is equal to or less than the full rate of the state pension.

(2) If at any time the full rate is increased, the rate of the person's state pension under section 13 is increased (at that time) by the same percentage as the increase in the full rate.

Rate of section 13 pension, when added to any priority pension, straddles the full rate

5.—(1) The rate of the person's state pension under section 13 is to be increased under this paragraph if—

(a) the total amount of any state pension that has priority is less than the full rate of the state pension, but

(b) the rate of the state pension under section 13, when added to the total amount of any state pension that has priority, exceeds the full rate.

(2) If at any time the full rate of the state pension is increased, the rate of the person's state pension under section 13 is increased (at that time) by an amount equal to the appropriate percentage of the shortfall immediately before that time.

(3) If at any time an order under section 133A of the Administration Act comes into operation, the rate of the person's state pension under section 13 is increased (at that time) by an amount equal to the appropriate percentage of the excess immediately before the order comes into operation.

(4) In this paragraph—

"the appropriate percentage"—

(a) in sub-paragraph (2), means the percentage by which the full rate is increased;

(b) in sub-paragraph (3), means the percentage specified in the order;

"the excess" means the amount by which the rate of the state pension under section 13, when added to the total amount of any state pension that has priority, exceeds the full rate;

"the shortfall" means the amount by which the total amount of any state pension that has priority is less than the full rate.

Priority pension alone is equal to or higher than the full rate

6.—(1) The rate of the person's state pension under section 13 is to be increased under this paragraph if the total amount of any state pension that has priority is equal to or higher than the full rate of the state pension.

(2) If at any time an order under section 133A of the Administration Act comes into operation, the rate of the person's state pension under section 13 is increased (at that time) by the percentage specified in the order.

SCHEDULE 10

Section 14

PENSION SHARING: APPROPRIATE WEEKLY REDUCTION UNDER SECTION 14

Introduction

1. This Schedule sets out the appropriate weekly reduction in the rate of a person's state pension for the purposes of section 14.

Appropriate weekly reduction for person subject to old state scheme pension debit

2.—(1) This paragraph sets out the appropriate weekly reduction if the person is subject to an old state scheme pension debit.

(2) If the person became subject to the old state scheme pension debit in or after the final relevant year, the appropriate weekly reduction is an amount equal to the person's notional rate.

(3) If the person became subject to the old state scheme pension debit before the final relevant year, the appropriate weekly reduction is an amount equal to the person's notional rate multiplied by the appropriate revaluation percentage.

(4) For the purposes of sub-paragraphs (2) and (3), a person's "notional rate" is the weekly rate of a notional pension under section 4 the cash equivalent of which would, on the valuation day, have been equal to the amount of the old state scheme pension debit.

(5) For the purposes of sub-paragraph (4) assume that the notional pension becomes payable on the later of—

(a) the day on which the person reaches pensionable age, and

(b) the valuation day.

(6) The "appropriate revaluation percentage" is the percentage specified, in relation to earnings factors for the tax year in which the person became subject to the old state scheme pension debit, by the last order under section 130 of the Administration Act to come into operation before the end of the final relevant year.

(7) In this paragraph—

"final relevant year" means the tax year immediately before that in which the person reaches pensionable age;

"valuation day" means the day on which the person became subject to the old state scheme pension debit.

Appropriate weekly reduction for person subject to new state scheme pension debit

3.—(1) This paragraph sets out the appropriate weekly reduction if the person is subject to a new state scheme pension debit.

(2) If the person was over pensionable age when he or she became subject to the new state scheme pension debit, the appropriate weekly reduction is an amount equal to the amount of the debit.

(3) If the person was under pensionable age when he or she became subject to the new state scheme pension debit, the appropriate weekly reduction is an amount equal to the amount of the debit multiplied by the appropriate revaluation percentage.

(4) The "appropriate revaluation percentage" is the percentage specified, in relation to the tax year in which the person became subject to the new state scheme pension debit, by the last order under section 130AD of the Administration Act to come into operation before the person reached pensionable age.

Supplementary

4.—(1) Regulations may make provision about the calculation and verification of notional rates under paragraph 2.

(2) The regulations may, in particular, provide—

(a) for calculation or verification in such manner as may be approved by or on behalf of the Government Actuary, or

(b) for things done under the regulations to be required to be done in accordance with guidance from time to time prepared by a person specified in the regulations.

SCHEDULE 11

Section 15

PENSION SHARING: AMENDMENTS

The Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)

1. The Contributions and Benefits Act is amended as follows.

2. In section 21 (contribution conditions), in subsection (1), after "section 55A" insert "or 55AA".

3. In section 43 (persons entitled to more than one retirement pension), in subsection (6), after "section 55A" insert "or 55AA".

4.—(1) Section 55A (shared additional pension) is amended as follows.

(2) For subsection (1) substitute—

"(1) A person is entitled to a shared additional pension under this section if—

(a) the person attained pensionable age before 6 April 2016, and

(b) the person is entitled to an old state scheme pension credit.".

(3) In subsections (2) and (3), after "shared additional pension" insert "under this section".

(4) In subsections (3), (4), (5) and (7) before "state scheme pension credit" (in each place) insert "old".

(5) At the end of the heading insert "because of an old state scheme pension credit".

5. After section 55A insert—

"**Shared additional pension because of a new state scheme pension credit**

55AA.—(1) A person is entitled to a shared additional pension under this section if—

(a) the person attained pensionable age before 6 April 2016, and

(b) the person is entitled to a new state scheme pension credit.

(2) A person's entitlement to a shared additional pension under this section continues throughout his or her life.

(3) The weekly rate of a shared additional pension under this section is equal to the amount of the new state scheme pension credit.

(4) In this section "new state scheme pension credit" means a credit under Article 46A(2)(b) of the Welfare Reform and Pensions (Northern Ireland) Order 1999.".

6.—(1) Section 55B (reduction of shared additional pension in Category A retirement pension: pension sharing) is amended as follows.

(2) In subsection (1)(a), for "a" substitute "an old".

(3) In subsection (5), for "55A above" substitute "55A or 55AA above (as the case may be)".

(4) In subsection (8), in the definition of "state scheme pension debit", before "state" insert "old".

The Social Security Administration (Northern Ireland) Act 1992 (c.8)

7. In the Administration Act, after section 130AC (inserted by Schedule 12) insert—

"**Revaluation of new state scheme pension debits and credits**

130AD. Whenever the Secretary of State makes an order under section 148AD of the Great Britain Administration Act, the Department may make a corresponding order for Northern Ireland.".

The Welfare Reform and Pensions (Northern Ireland) Order 1999 (NI 11)

8. The Welfare Reform and Pensions (Northern Ireland) Order 1999 is amended as follows.

9.—(1) Article 44 (shareable state scheme rights) is amended as follows.

(2) After paragraph (1) insert—

"(1A) For the purposes of this Chapter, a person's shareable state scheme rights are—

(a) the person's shareable old state scheme rights;

(b) the person's shareable new state scheme rights.".

(3) In paragraph (2)—

(a) after "shareable" insert "old";

(b) in sub-paragraph (b), after "55A" insert "or 55AA".

(4) After paragraph (2) add—

"(3) For the purposes of this Chapter, a person's shareable new state scheme rights are the person's entitlement, or prospective entitlement, to the excess amount in a state pension under section 4 of the Pensions Act (Northern Ireland) 2014.

(4) "The excess amount", in relation to a state pension under section 4 of the Pensions Act (Northern Ireland) 2014, means any amount by which the rate of the pension exceeds the full rate of the state pension (see section 3 of that Act).

(5) In determining the rate of a state pension under section 4 of the Pensions Act (Northern Ireland) 2014 for the purposes of this Chapter, ignore Schedule 6 to that Act (reduced rate elections: effect on rate of section 4 pension).".

10. In Article 45 (activation of benefit sharing), in paragraph (1), for the words from the beginning to "shareable state scheme rights" substitute "Article 46 or 46A applies where any of the following has taken effect in relation to a person's shareable state scheme rights".

11.—(1) Article 46 (creation of state scheme pension debits and credits) is amended as follows.

(2) For paragraph (1) substitute—

"(A1) This Article applies if—

(a) the transferor is in the old state pension system, or

(b) the transferor is in the new state pension system but the transfer day was before 6 April 2016.

(1) Where this Article applies because of a relevant order or provision—

(a) the transferor is subject, for the purposes of the relevant state pension legislation, to a debit of the appropriate amount, and

(b) the transferee is entitled, for the purposes of the relevant state pension legislation, to a credit of that amount.".

(3) In paragraph (2), after "shareable" insert "old".

(4) In paragraph (3)(b), for "relevant" substitute "shareable old".

(5) After paragraph (5) insert—

"(5A) The fact that a person who reaches pensionable age on or after 6 April 2016 is not entitled to a pension of the kind mentioned in Article 44(2)(a) or (b) does not affect the calculation under this Article of the appropriate amount by reference to the transferor's prospective entitlement, immediately before the transfer day, to a pension of that kind.".

(6) In paragraph (6), at the appropriate place insert—

""the relevant state pension legislation"—

(a) in relation to a transferor or transferee in the old state pension system, means Part 2 of the Contributions and Benefits Act, and

(b) in relation to a transferor or transferee in the new state pension system, means Part 1 of the Pensions Act (Northern Ireland) 2014;".

(7) At the end of the heading insert ": transferor in old state pension system or pension sharing activated before 6 April 2016".

12. After Article 46 insert—

"**Creation of debits and credits: transferor in new state pension system and sharing activated on or after 6 April 2016**

46A.—(1) This Article applies if—

(a) the transferor is in the new state pension system, and

(b) the transfer day is 6 April 2016 or any later date.

(2) Where this Article applies because of a relevant order or provision—

(a) the transferor is subject, for the purposes of section 14 of the Pensions Act (Northern Ireland) 2014, to a debit of the shared weekly amount, and

(b) the transferee is entitled, for the purposes of the relevant state pension legislation, to a credit of the shared weekly amount.

(3) The shared weekly amount is the specified percentage of the excess amount of the transferor's state pension under section 4 of the Pensions Act (Northern Ireland) 2014 as at the transfer day.

(4) For the purposes of calculating the shared weekly amount—

(a) a transferor who is under pensionable age on the transfer day is to be treated as having reached pensionable age and to have become entitled to the state pension under section 4 of the Pensions Act (Northern Ireland) 2014 on the transfer day;

(b) a transferor who has reached pensionable age on the transfer day but who has not yet become entitled to the state pension under section 4 of the Pensions Act (Northern Ireland) 2014 is to be treated as having become entitled to the pension on that day.

(5) In this Article—

"the excess amount" has the meaning given by Article 44(4);

"relevant order or provision" means the order or provision by virtue of which this Article applies (see Article 45);

"the relevant state pension legislation"—

(a) in relation to a transferee in the old state pension system, means Part 2 of the Contributions and Benefits Act, and

(b) in relation to a transferee in the new state pension system, means Part 1 of the Pensions Act (Northern Ireland) 2014;

"specified percentage" means the percentage specified in the relevant order or provision for the purposes of paragraph (3);

"transfer day" means the day on which the relevant order or provision takes effect;

"transferor" means the person to whose rights the relevant order or provision relates;

"transferee" means the person for whose benefit the relevant order or provision is made.".

13.—(1) Article 48 (interpretation) is amended as follows.

(2) The current text becomes paragraph (1).

(3) In that paragraph for the definition of "shareable state scheme rights" substitute—

""shareable state scheme rights", and related expressions, have the meaning given by Article 44;".

(4) After that paragraph add—

"(2) For the purposes of this Chapter—

(a) a person is in the old state pension system if the person reached pensionable age before 6 April 2016 (or would have done so if the person had lived until pensionable age), and

(b) a person is in the new state pension system if the person reached pensionable age on or after 6 April 2016 (or will do so if the person lives until pensionable age).".

The State Pension Credit Act (Northern Ireland) 2002 (c.14)

14. In section 16 of the State Pension Credit Act (Northern Ireland) 2002 (meaning of "retirement pension income"), in subsection (1), for paragraph (b) substitute—

"(b) a shared additional pension payable under—

(i) section 55A of either of those Acts, or

(ii) section 55AA of either of those Acts;".

SCHEDULE 12

Section 23

STATE PENSION: AMENDMENTS

PART 1

AMENDMENTS TO DO WITH NEW STATE PENSION SYSTEM

The Forfeiture (Northern Ireland) Order 1982 (NI 14)

1. In Article 6 of the Forfeiture (Northern Ireland) Order 1982 (Commissioner to decide whether forfeiture rule applies to social security benefits), in the definition of "relevant enactment" in paragraph (5), after the entry relating to the Pension Schemes (Northern Ireland) Act 1993 insert—

"Part 1 of the Pensions Act (Northern Ireland) 2014,".

The Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c.7)

2. The Contributions and Benefits Act is amended as follows.

3. In section 1 (outline of contributory system), in subsection (1)(a), after "this Act" insert "or any other Act or Northern Ireland legislation".

4. In section 13 (Class 3 contributions), in subsection (2), omit "contribution".

5. After section 19A insert—

"**Extended meaning of "benefit" etc in Part 1**

19B. In this Part references to "benefit" or "contributory benefit" include benefit under Part 1 of the Pensions Act (Northern Ireland) 2014.".

6.—(1) Section 22 (earnings factors) is amended as follows.

(2) In subsection (2)—

(a) in paragraph (a), omit the final "and";

(b) after paragraph (b) insert "; and

(c) establishing entitlement to a state pension under Part 1 of the Pensions Act (Northern Ireland) 2014 and, where relevant, calculating the rate of a state pension under that Part.".

(3) After subsection (5) insert—

"(5ZA) Regulations may provide for crediting—

(a) for 1987-88 or any subsequent tax year, earnings or Class 2 or Class 3 contributions, or

(b) for any earlier tax year, contributions of any class,

for the purposes of bringing an earnings factor for that tax year to a figure which will make that year a "qualifying year", "pre-commencement qualifying year" or "post-commencement qualifying year" of a person for the purposes of Part 1 of the Pensions Act (Northern Ireland) 2014 (see sections 2(4) and 4(4) of that Act).

(5ZB) Regulations under subsection (5ZA) must provide for crediting a person with such contributions as may be specified in respect of periods on or after 6 April 1975 during which the person was—

(a) a spouse or civil partner of a member of Her Majesty's forces,

(b) accompanying the member on an assignment outside the United Kingdom, and

(c) not of a description specified in the regulations.".

7. In section 121(1) (interpretation), in the definition of "benefit", after paragraph (c) insert—

"(For the meaning of "benefit" in Part 1, see also section 19B).".

The Social Security Administration (Northern Ireland) Act 1992 (c. 8)

8. The Administration Act is amended as follows.

9. In section 1 (entitlement to benefit dependent on claim), in subsection (4), before paragraph (a) insert—

"(zb) state pension or a lump sum under Part 1 of the Pensions Act (Northern Ireland) 2014;".

10. In section 5 (regulations about claims for and payments of benefits), in subsection (2), before paragraph (a) insert—

"(zb) state pension or a lump sum under Part 1 of the Pensions Act (Northern Ireland) 2014;".

11. In section 69 (overpayments - general), in subsection (11), before paragraph (a) insert—

"(za) state pension or a lump sum under Part 1 of the Pensions Act (Northern Ireland) 2014;".

12. In section 71 (overlapping benefits - general)—

(a) in subsection (1), after "adjusting" insert "state pension under Part 1 of the Pensions Act (Northern Ireland) 2014 or";

(b) in subsection (4), before paragraph (a) insert—

"(za) state pension under Part 1 of the Pensions Act (Northern Ireland) 2014;".

13. In section 115CA (interpretation of Part 6), in subsection (1), before paragraph (i) insert—

"(hl) Part 1 of the Pensions Act (Northern Ireland) 2014;".

14. In section 116B (supply of other government information for fraud prevention and verification), in subsection (3)(b), before "or this Act" insert ", Part 1 of the Pensions Act (Northern Ireland) 2014".

15. In section 118 (regulations as to notification of deaths), in subsection (1), before "and this Act" insert ", Part 1 of the Pensions Act (Northern Ireland) 2014".

16. After section 130AB insert—

"**Revaluation for transitional pensions under Pensions Act (Northern Ireland) 2014**

130AC.—(1)Whenever the Secretary of State makes an order under section 148AC of the Great Britain Administration Act (revaluation for transitional pensions under Pensions Act 2014), the Department may make a corresponding order for Northern Ireland.

(2) The percentage specified in an order under subsection (1) is the "revaluing percentage" for the purposes of paragraph 6(5) of Schedule 1 to the Pensions Act (Northern Ireland) 2014.".

17. After section 132A insert—

"**Up-rating of transitional state pensions under Pensions Act (Northern Ireland) 2014**

132B. Whenever the Secretary of State makes an order under section 151A of the Great Britain Administration Act (up-rating of transitional state pensions under Pensions Act 2014), the Department may make a corresponding order for Northern Ireland.".

18.—(1) Section 135A (power to anticipate pensions up-rating order) is amended as follows.

(2) In subsection (1)(a)—

(a) for "150 or 150A" substitute "150, 150A or 151A";

(b) in sub-paragraph (i), after "by way of" insert "state pension under the Pensions Act (Northern Ireland) 2014,".

(3) In subsection (2), after "an award is made of" insert "a state pension,".

19.—(1) Section 143 (general financial arrangements) is amended as follows.

(2) In subsection (1), before paragraph (a) insert—

"(za) state pension and lump sums under Part 1 of the Pensions Act (Northern Ireland) 2014;".

(3) In subsection (2)(a), after "Contributions and Benefits Act" insert ", Part 1 of the Pensions Act (Northern Ireland) 2014".

(4) In subsection (3)(b), after "that Act" insert "or Part 1 of the Pensions Act (Northern Ireland) 2014".

20. In section 149 (Social Security Advisory Committee), in subsection (5) in the definition of "the relevant enactments", before paragraph (b) insert—

"(am) the provisions of Part 1 of the Pensions Act (Northern Ireland) 2014;".

21.—(1) Section 155 (reciprocal agreements) is amended as follows.

(2) In subsection (3)(a), before "and the Contributions and Benefits Act" insert ", Part 1 of the Pensions Act (Northern Ireland) 2014".

(3) In subsection (4), before paragraph (b) insert—

"(ag) to Part 1 of the Pensions Act (Northern Ireland) 2014;".

(4) In subsection (5)—

(a) after "Act 2007" insert "or Part 1 of the Pensions Act (Northern Ireland) 2014";

(b) after paragraph (ac) insert—

"(ad) state pension under Part 1 of the Pensions Act (Northern Ireland) 2014;".

22. In section 163 (inalienability), in subsection (1), before paragraph (a) insert—

"(zb) state pension under Part 1 of the Pensions Act (Northern Ireland) 2014;".

23. In section 166 (Assembly control of orders and regulations), in subsection (2)(b) after "132A," insert "132B,".

24. In section 167(1) (interpretation), in the definition of "benefit", before "a jobseeker's allowance" insert "state pension under Part 1 of the Pensions Act (Northern Ireland) 2014,".

The Social Security (Northern Ireland) Order 1993 (NI 2)

25. In Article 4 of the Social Security (Northern Ireland) Order 1993 (payments into National Insurance Fund out of appropriated money) in paragraph (1) in the definition of "estimated benefit expenditure", in paragraph (a) after "paragraphs" insert "(za),".

The Pensions (Northern Ireland) Order 1995 (NI 22)

26. In Schedule 2 to the 1995 Order (pensionable age), in paragraph 1, for "and Part 1 of the Welfare Reform Act (Northern Ireland) 2007" substitute ", Part 1 of the Welfare Reform Act (Northern Ireland) 2007 and the Pensions Act (Northern Ireland) 2014".

The Social Security (Northern Ireland) Order 1998 (NI 10)

27. The Social Security (Northern Ireland) Order 1998 is amended as follows.

28. In Article 4 (use of computers), in paragraph (2) at the end insert "or

(m) Part 1 of the Pensions Act (Northern Ireland) 2014.".

29. In Article 9 (decisions by the Department)—

(a) in paragraph (3), before sub-paragraph (b) insert—

"(ab) state pension or a lump sum under Part 1 of the Pensions Act (Northern Ireland) 2014;";

(b) in paragraph (4), before "other than" insert "or Part 1 of the Pensions Act (Northern Ireland) 2014".

30. In Article 12 (regulations with respect to decisions), in paragraph (3), in the definition of "the current legislation", at the end insert "and Part 1 of the Pensions Act (Northern Ireland) 2014".

31. In Article 27 (restrictions on entitlement to benefit in certain cases of error), in paragraph (7), in the definition of "benefit", after paragraph (f) insert "and

(g) state pension or a lump sum under Part 1 of the Pensions Act (Northern Ireland) 2014.".

32. In Article 28 (correction of errors in decisions etc), in paragraph (3) at the end insert "or

(j) Part 1 of the Pensions Act (Northern Ireland) 2014.".

33. In Schedule 3 (decisions against which an appeal lies), before paragraph 7 insert—

"*State pension: prisoners and overseas residents*

6C. A decision that a state pension under Part 1 of the Pensions Act (Northern Ireland) 2014 is not payable by reason of section 19 of that Act (prisoners).

6D. A decision that a person is not entitled to increases in the rate of a state pension under Part 1 of the Pensions Act (Northern Ireland) 2014 by reason of regulations under section 20 of that Act (overseas residents).".

The Child Support, Pensions and Social Security Act (Northern Ireland) 2000 (c. 4)

34.—(1) Section 38 of the Child Support, Pensions and Social Security Act (Northern Ireland) 2000 (disclosure of state pension information) is amended as follows.

(2) In subsection (7), after paragraph (a) insert—

"(aa) the amount of any state pension under Part 1 of the Pensions Act (Northern Ireland) 2014 a present or future entitlement to which has already accrued to that individual;

(ab) a projection of the amount of any state pension under Part 1 of the Pensions Act (Northern Ireland) 2014 to which that individual is likely to become entitled, or might become entitled in particular circumstances;".

(3) In subsection (11), in the definition of "lump sum", after "under" insert "section 8 of the Pensions Act (Northern Ireland) 2014 or".

The Social Security Fraud Act (Northern Ireland) 2001 (c. 17)

35. The Social Security Fraud Act (Northern Ireland) 2001 is amended as follows.

36. In section 5A (definitions), in the definition of "disqualifying benefit", before paragraph (a) insert—

"(zb) state pension or a lump sum under Part 1 of the Pensions Act (Northern Ireland) 2014 or under Part 1 of the Pensions Act 2014;".

37. In section 9 (power to supplement and mitigate loss of benefit provisions), in subsection (3), before paragraph (c) insert—

"(bf) state pension or a lump sum under Part 1 of the Pensions Act (Northern Ireland) 2014 or under Part 1 of the Pensions Act 2014;".

The State Pension Credit Act (Northern Ireland) 2002 (c. 14)

38. The State Pension Credit Act (Northern Ireland) 2002 is amended as follows.

39. In section 7 (fixing of claimant's retirement provision for assessed income period), in subsection (6)(a), after "benefit under" insert "Part 1 of the Pensions Act (Northern Ireland) 2014 or".

40. In section 16 (meaning of "retirement pension income"), in subsection (1), before paragraph (a) insert—

"(za) a state pension under Part 1 of the Pensions Act (Northern Ireland) 2014 or under Part 1 of the Pensions Act 2014;".

The Gender Recognition Act 2004 (c. 7)

41. The Gender Recognition Act 2004 is amended as follows.

42. In section 23(3) and (4) of that Act (power to modify statutory provisions) "enactment" includes sections 11 and 12 of, and Schedules 6 and 7 to, this Act.

43.—(1) Schedule 5 (benefits and pensions) is amended as follows.

(2) After paragraph 6A insert—

"*Pension under Part 1 of the Pensions Act (Northern Ireland) 2014*

6B.—(1) Any question—

(a) whether the person is entitled to a state pension under Part 1 of the Pensions Act (Northern Ireland) 2014 for any period after the certificate is issued, and

(b) (if so) the rate at which the person is so entitled for the period,

is to be decided as if the person's gender were the acquired gender.

(2) Accordingly, if (immediately before the certificate is issued) the person—

(a) is a woman entitled to a state pension under Part 1 of the Pensions Act (Northern Ireland) 2014, but

(b) has not attained the age of 65,

the person ceases to be so entitled when it is issued.

(3) And, conversely, if (immediately before the certificate is issued) the person—

(a) is a man who has attained the age at which a woman of the same age attains pensionable age, but

(b) has not attained the age of 65,

the person is to be treated for the purposes of Part 1 of the Pensions Act (Northern Ireland) 2014 as attaining pensionable age when it is issued.

(4) But sub-paragraph (1) does not apply if and to the extent that the decision of any question to which it refers is affected by the payment or crediting of contributions, or the crediting of earnings, in respect of a period ending before the certificate is issued.

(5) If the person's acquired gender is the male gender, sections 11 and 12 of, and Schedules 6 and 7 to, the Pensions Act (Northern Ireland) 2014 (effect of reduced rate elections) apply in relation to the person as they apply in relation to a woman (but only once the person has reached pensionable age for a man).

(6) Paragraph 10 makes provision about deferment of state pensions under Part 1 of the Pensions Act (Northern Ireland) 2014.".

(3) In paragraph 10, in sub-paragraph (1), after paragraph (za) insert—

"(zb) a state pension under Part 1 of the Pensions Act (Northern Ireland) 2014,".

PART 2

AMENDMENTS TO DO WITH OLD STATE PENSION SYSTEM

Graduated retirement benefit

44.—(1) Section 35 of the National Insurance Act (Northern Ireland) 1966 (graduated retirement benefit), so far as continuing in operation, is amended as follows.

(2) In subsection (7), for "has attained pensionable age" substitute "attained pensionable age before 6 April 2016".

(3) In subsection (8), in the definition of "retirement pension", after "any category" insert "under the Social Security Contributions and Benefits (Northern Ireland) Act 1992".

Category A retirement pensions

45. The Contributions and Benefits Act is amended as follows.

46. In section 44(1) (Category A retirement pension), for paragraph (a) substitute—

"(a) the person attained pensionable age before 6 April 2016,".

47.—(1) Section 48 (use of former spouse's contributions) is amended as follows.

(2) In subsection (1), after "person" insert "who attained pensionable age before 6 April 2016".

(3) After subsection (2) insert—

"(2A) Regulations under subsection (1) may not provide for contributions of a person in respect of times on or after 6 April 2016 to be treated as contributions of another person.".

Category B retirement pensions

48. The Contributions and Benefits Act is amended as follows.

49. In section 23A (contributions credits for relevant parents and carers) in subsection (1)(b), after "section 48A" insert "or 48AA".

50. In section 46 (modification of section 45 for calculating additional pension in certain benefits), in subsection (2), omit "48A(4) or" (in both places).

51. For section 48A substitute—

"**Category B retirement pension for married person or civil partner**

48A.—(1) A married person is entitled to a Category B retirement pension by virtue of the contributions of his or her spouse if—

(a) the person attained pensionable age before 6 April 2016, and

(b) the spouse—

(i) has attained pensionable age, and

(ii) satisfies the relevant contribution condition.

(2) But subsection (1) does not confer a right to a Category B retirement pension on a man whose spouse was born before 6 April 1950.

(3) A person who is a civil partner is entitled to a Category B retirement pension by virtue of the contributions of his or her civil partner ("the contributing civil partner") if—

(a) the person attained pensionable age before 6 April 2016, and

(b) the contributing civil partner—

(i) was born on or after 6 April 1950,

(ii) has attained pensionable age, and

(iii) satisfies the condition in paragraph 5A of Schedule 3.

(4) A Category B retirement pension payable under this section is payable at the weekly rate specified in paragraph 5 of Part 1 of Schedule 4.

(5) A person ceases to be entitled to a Category B retirement pension under this section if—

(a) the person's spouse or civil partner dies (but see sections 48B and 51), or

(b) the person otherwise ceases to be married or in the civil partnership (but see section 48AA).

(6) In subsection (1)(b)(ii) "the relevant contribution condition" means—

(a) in a case where the spouse was born before 6 April 1945, the conditions in paragraph 5 of Schedule 3;

(b) in any other case, the condition in paragraph 5A of Schedule 3.

(7) For the purposes of any provision of this Act as it applies in relation to this section, no account is to be taken of any earnings factors of the spouse or contributing civil partner for the tax year beginning with 6 April 2016 or any later tax year.

Category B retirement pension for divorcee or former civil partner

48AA.—(1) A person who has been in a marriage that has been dissolved is entitled to a Category B retirement pension by virtue of the contributions of his or her former spouse if—

(a) the person attained pensionable age—

(i) before 6 April 2016, and

(ii) before the marriage was dissolved, and

(b) the former spouse—

(i) attained pensionable age before the marriage was dissolved, and

(ii) satisfied the relevant contribution condition.

(2) But subsection (1) does not confer a right to a Category B retirement pension on a man whose former spouse was born before 6 April 1950.

(3) A person who has been in a civil partnership that has been dissolved is entitled to a Category B retirement pension by virtue of the contributions of his or her former civil partner if—

(a) the person attained pensionable age—

(i) before 6 April 2016, and

(ii) before the civil partnership was dissolved, and

(b) the former civil partner—

(i) was born on or after 6 April 1950,

(ii) attained pensionable age before the civil partnership was dissolved, and

(iii) satisfied the condition in paragraph 5A of Schedule 3.

(4) During any period when the person's former spouse or civil partner is alive, a Category B retirement pension payable under this section is payable at the weekly rate specified in paragraph 5 of Part 1 of Schedule 4.

(5) During any period after the person's former spouse or civil partner is dead, a Category B retirement pension payable under this section is payable at the weekly rate of the basic pension specified in section 44(4).

(6) In subsection (1)(b)(ii) "the relevant contribution condition" means—

(a) in a case where the former spouse was born before 6 April 1945, the conditions in paragraph 5 of Schedule 3;

(b) in any other case, the condition in paragraph 5A of Schedule 3.

(7) For the purposes of any provision of this Act as it applies in relation to this section, no account is to be taken of any earnings factors of the former spouse or civil partner for the tax year beginning with 6 April 2016 or any later tax year.

(8) A voidable marriage or civil partnership which has been annulled is to be treated for the purposes of this section as if it had been a valid marriage or civil partnership which was dissolved at the date of annulment.".

52.—(1) Section 48B (Category B retirement pension for widows and widowers) is amended as follows.

(2) For subsections (1) to (1A) substitute—

"(1) A person ("the pensioner") whose spouse died while they were married is entitled to a Category B retirement pension by virtue of the contributions of his or her spouse if—

(a) the pensioner attained pensionable age—

(i) before 6 April 2016, and
(ii) before the spouse died, and
(b) the spouse satisfied the relevant contribution condition.

(1ZA) But subsection (1) does not confer a right to a Category B retirement pension on a man who attained pensionable age before 6 April 2010.

(1ZB) In subsection (1)(b) "the relevant contribution condition" means—

(a) in a case where the spouse—
(i) died before 6 April 2010, or
(ii) died on or after that date having attained pensionable age before that date,

the conditions in paragraph 5 of Schedule 3, and

(b) in any other case, the condition in paragraph 5A of Schedule 3.

(1A) A person ("the pensioner") whose civil partner died while they were civil partners of each other is entitled to a Category B retirement pension by virtue of the contributions of his or her civil partner if—

(a) the pensioner attained pensionable age—
(i) on or after 6 April 2010 but before 6 April 2016, and
(ii) before the civil partner died, and
(b) the civil partner satisfied the relevant contribution condition.

(1B) In subsection (1A)(b) "the relevant contribution condition" means—

(a) in a case where the deceased civil partner attained pensionable age before 6 April 2010, the conditions in paragraph 5 of Schedule 3, and
(b) in any other case, the condition in paragraph 5A of Schedule 3.".

(3) After subsection (3) insert—

"(3A) For the purposes of any provision of this Act as it applies in relation to this section, no account is to be taken of any earnings factors of the deceased for the tax year beginning with 6 April 2016 or any later tax year.".

(4) For subsection (4) substitute—

"(4) A woman ("the pensioner") whose husband died before she attained pensionable age is entitled to a Category B retirement pension by virtue of the contributions of her husband if—

(a) she attained pensionable age before 6 April 2016, and
(b) the condition in subsection (5) is satisfied.

(4A) A man ("the pensioner") whose wife died before he attained pensionable age is entitled to a Category B retirement pension by virtue of the contributions of his wife if—

(a) he attained pensionable age on or after 6 April 2010 but before 6 April 2016, and
(b) the condition in subsection (5) would have been satisfied on the assumption mentioned in subsection (7).".

(5) In subsection (6), after "subsection (4)" insert "or (4A)".

(6) In subsection (7), for "(4)" substitute "(4A)".

53.—(1) Section 48BB (Category B retirement pension: entitlement by reference to widowed parent's allowance or bereavement allowance where no dependent children) is amended as follows.

(2) In subsection (1), for "who has attained pensionable age" substitute "who attained pensionable age before 6 April 2016".

(3) In subsection (3), for "who has attained pensionable age" substitute "who attained pensionable age before 6 April 2016".

54.—(1) Section 48C (Category B retirement pension: general) is amended as follows.

(2) In subsection (3), for "sections 48A(4)(b) and" substitute "section".

(3) In subsection (4), omit "48A(4),".

55. For section 51 substitute—

"**Category B retirement pension for widowers and surviving civil partners who attained pensionable age before 6 April 2010**

51.—(1) A man ("the pensioner") whose wife died while they were married is entitled to a Category B retirement pension if—

(a) they were both over pensionable age at the time of the death,
(b) the pensioner attained pensionable age before 6 April 2010, and
(c) the wife satisfied the relevant contribution condition.

(2) But subsection (1) does not confer a right to a Category B retirement pension on a man whose wife died before 6 April 1979.

(3) In subsection (1)(c) "the relevant contribution condition" means—

(a) in a case where the spouse attained pensionable age before 6 April 2010, the conditions in paragraph 5 of Schedule 3, and
(b) in a case where the spouse attained pensionable age on or after 6 April 2010, the condition in paragraph 5A of Schedule 3.

(4) A person ("the pensioner") whose civil partner died while they were civil partners of each other is entitled to a Category B retirement pension if—

(a) they were both over pensionable age at the time of the death,
(b) the pensioner attained pensionable age before 6 April 2010, and
(c) the deceased civil partner satisfied the relevant contribution condition.

(5) In subsection (4)(c) "the relevant contribution condition" means—

(a) in a case where the deceased civil partner attained pensionable age before 6 April 2010, the conditions in paragraph 5 of Schedule 3, and
(b) in a case where the deceased civil partner attained pensionable age on or after 6 April 2010, the condition in paragraph 5A of Schedule 3.

(6) The weekly rate of a person's Category B retirement pension under this section is to be determined in accordance with sections 44 to 45AA and Schedule 4A as they apply in the case of a Category A retirement pension taking references in those sections to the pensioner as references to the spouse or deceased civil partner.

(7) But in the case of—

(a) a man whose wife dies after 5 October 2002, or

(b) a surviving civil partner,

any amount of additional pension falling to be calculated under subsection (6) is to be halved.

(8) For the purposes of any provision of this Act as it applies in relation to this section, no account is to be taken of any earnings factors of the spouse or deceased civil partner for the tax year beginning with 6 April 2016 or any later tax year.

(9) Subject to the provisions of this Act, a person becomes entitled to a Category B retirement pension under this section on the day on which the conditions of entitlement become satisfied and the entitlement continues throughout the person's life.".

56. In section 52(3) (special provision for surviving spouses) for "prescribed maximum" substitute "maximum amount specified in regulations".

57.—(1) Schedule 3 (contribution conditions for entitlement to benefit) is amended as follows.

(2) In paragraph 5, for sub-paragraph (1) substitute—

"(1) This paragraph sets out the contribution conditions for—

(a) a widowed mother's allowance, a widowed parent's allowance or a widow's pension;

(b) a Category A retirement pension (other than one in relation to which paragraph 5A applies);

(c) a Category B retirement pension in the cases provided for by any of sections 48A to 51.".

(3) In paragraph 5A(1), for paragraphs (b) and (c) substitute—

"(b) a Category B retirement pension in the cases provided for by any of sections 48A to 51.".

58. In Part 1 of Schedule 4 (rates of certain benefits), in paragraph 5, for "section 48A(3)" substitute "section 48A(4) or 48AA(4)".

59. In Schedule 4A (additional pension: accrual rates for purposes of section 45(2)(c)), in paragraph 1(2), omit ", 48A(4)" (in both places).

60. In section 42 of the Pension Schemes Act (effect of entitlement to guaranteed minimum pensions on payment of social security benefits), in subsection (6), omit "48A,".

61. In Article 125 of the 1995 Order (additional pension: calculation of surpluses), in paragraph (6), omit "48A,".

62. In Schedule 2 to the 1995 Order (equalisation of, and increase in, pensionable age for men and women), omit paragraph 3(2) and (3).

63. In Schedule 24 to the Civil Partnership Act 2004, omit paragraphs 79(6) and 82(6).

Category C retirement pensions: repeal of spent provisions

64. The Contributions and Benefits Act is amended as follows.

65. In section 63(f)(i) (descriptions of non-contributory benefits), for the words from "payable" to "widows" substitute "payable in certain cases to a widow whose husband was over pensionable age on 5 July 1948 or to a woman whose marriage

to a husband who was over pensionable age on that date was terminated otherwise than by his death".

66.—(1) Section 78 (Category C retirement pensions etc) is amended as follows.

(2) Omit subsections (1), (2) and (5).

(3) In subsections (7) and (8), omit "Category C or".

67. In Part 3 of Schedule 4 —

(a) omit paragraph 6 (rate of Category C retirement pension);

(b) in paragraph 7 (rate of Category D retirement pension), for the text in the second column substitute the amount specified in paragraph 6 as the higher rate for a Category C retirement pension immediately before 6 April 2016.

Category D retirement pensions

68. In section 78(3) of the Contributions and Benefits Act (entitlement to a Category D retirement pension), for "and satisfies" substitute ", who reached pensionable age before 6 April 2016 and who satisfies".

Age addition

69. In sections 63(g) and 79(1) of the Contributions and Benefits Act (age addition), after "retirement pension of any category" insert "under this Act".

Christmas bonus

70. In section 146(2) of the Contributions and Benefits Act (Christmas bonus: interpretation), for the definition of "retirement pension" substitute—

""retirement pension" means—

(a) a state pension under Part 1 of the Pensions Act (Northern Ireland) 2014,

(b) a retirement pension under this Act, or

(c) graduated retirement benefit.".

PART 3

AMENDMENTS TO DO WITH STATE PENSION CREDIT

71. The State Pension Credit Act (Northern Ireland) 2002 is amended as follows.

72. In section 3 (savings credit), for subsection (1) substitute—

"(1) The first of the conditions mentioned in section 1(2)(c)(ii) is that the claimant—

(a) has attained pensionable age before 6 April 2016 and has attained the age of 65 (before, on or after that date), or

(b) is a member of a couple, the other member of which falls within paragraph (a).".

73**.** After that section insert—

"**Power to limit savings credit for certain mixed-age couples**

3ZA.—(1) Regulations may provide that, in prescribed cases, a person who is a member of a mixed-age couple is not entitled to a savings credit.

(2) For example, the regulations could provide that a member of a mixed-age couple is not entitled to a savings credit unless—

(a) the person has been awarded a savings credit with effect from a day before 6 April 2016 and was entitled to a savings credit immediately before that date, and

(b) the person remained entitled to state pension credit at all times since the beginning of 6 April 2016.

(3) In this section "mixed-age couple" means a couple (whenever formed) one member of which had attained pensionable age before 6 April 2016 and the other had not.".

74. In Schedule 1 to the Pensions Act (Northern Ireland) 2008, omit paragraph 41.

PART 4

OTHER AMENDMENTS TO DO WITH PART 1

The Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)

75. The Contributions and Benefits Act is amended as follows.

76.—(1) Section 39C (rate of widowed parent's allowance and bereavement allowance) is amended as follows.

(2) In subsection (1), for the words from "45AA" to "as they apply" substitute "45AA and Schedules 4A and 4B below as they apply".

(3) In subsection (3), for the words from "45AA" to "by virtue of subsection (1) above" substitute "45AA and Schedules 4A and 4B below by virtue of subsection (1) above".

(4) In subsection (4), for the words from "45AA" to "below" substitute "45AA and Schedules 4A and 4B below".

77.—(1) Schedule 5 (pension increase or lump sum where entitlement to retirement pension is deferred) is amended as follows.

(2) In the following provisions omit "(as those provisions have effect by virtue of section 3(7) of the Pensions Act (Northern Ireland) 2012)"—

paragraph 4(1A)(a), (b) and (c);

paragraph 7B(5)(b)(i).

(3) After paragraph 7 insert—

"7ZA.—(1) This paragraph modifies paragraphs 5A to 6A in cases where—

(a) W became entitled to a Category A or Category B retirement pension before 7 June 2012, and

(b) S died before 7 June 2012.

("W" and "S" have the same meaning as in paragraph 5.)

(2) Paragraph 5A applies as if—

(a) in sub-paragraph (2), after paragraph (a), there were inserted—

"(b) the appropriate amount; and";

(b) in sub-paragraph (3), after "following—", there were inserted—

"(a) one half of the appropriate amount; and".

(3) Paragraph 6 applies as if—

(a) in sub-paragraph (2), after paragraph (a), there were inserted—

"(b) the appropriate amount; and";

(b) in sub-paragraph (3), after paragraph (b), there were inserted—

"(c) the appropriate amount reduced by the amount of any increases under section 105 of the Pensions Act; and";

(c) in sub-paragraph (4), after paragraph (a), there were inserted—

"(b) one half of the appropriate amount; and".

(4) Paragraph 6A applies as if in sub-paragraph (2), after paragraph (a), there were inserted—

"(b) one half of the appropriate amount; and".

(5) In paragraphs 5A to 6A as modified by this paragraph, the "appropriate amount" means the greater of—

(a) the amount by which the deceased person's Category A or Category B retirement pension had been increased under section 132 of the Administration Act; or

(b) the amount by which his or her Category A or Category B retirement pension would have been so increased had he or she died immediately before the surviving spouse or civil partner became entitled to a Category A or Category B retirement pension.

(6) In sub-paragraph (1)(a) the reference to becoming entitled to a pension before 7 June 2012 includes a reference to becoming entitled on or after that day to the payment of a pension in respect of a period before that day.".

The Pension Schemes (Northern Ireland) Act 1993 (c. 49)

78. Section 42A of the Pension Schemes Act (retirement in tax year after 5 April 2020) is repealed.

The Deregulation and Contracting Out (Northern Ireland) Order 1996 (NI 11)

79. In Article 17 of the Deregulation and Contracting Out (Northern Ireland) Order 1996 (social security: amendments following certain orders), at the end of paragraph (2) add "the Pensions Act 2014".

The Pensions (No. 2) Act (Northern Ireland) 2008 (c. 13)

80. In the Pensions (No. 2) Act, the following are repealed—

(a) sections 81 and 82 (consolidation of additional pension);

(b) Schedule 2 (consolidation of additional pension);

(c) in Schedule 3 (minor and consequential amendments)—

paragraph 4(2)(b) and (3)(b);
paragraph 6(3);
paragraph 7(a);
paragraph 8(a);
paragraph 9(2)(c);
paragraph 10;
paragraphs 13 to 22.

The Pensions Act (Northern Ireland) 2012 (c. 3)

81. In the Pensions Act (Northern Ireland) 2012, the following are repealed—

(a) section 3(5) to (9) and Schedule 2 (abolition of certain additions to the state pension);

(b) section 4 and Schedule 3 (consolidation of additional pension).

SCHEDULE 13

Section 24

ABOLITION OF CONTRACTING-OUT FOR SALARY RELATED SCHEMES

PART 1

PENSION SCHEMES (NORTHERN IRELAND) ACT 1993: AMENDMENTS

1. The Pension Schemes Act is amended as follows.

2. For "the abolition date" (in each place) substitute "the first abolition date".

3. In the heading for Part 3 of the Act—

(a) for "Certification of pension schemes" substitute "Schemes that were contracted-out etc";

(b) omit "and duties".

4. For the heading to Chapter 1 of Part 3 substitute "Schemes that were contracted-out: guaranteed minimum pensions and alteration of scheme rules etc".

5. Section 3 (issue of contracting-out certificates) is repealed (and accordingly, any certificates in force under that section immediately before this paragraph comes into operation cease to have effect).

6. After section 3 insert—

"**Meaning of "the first abolition date" and "the second abolition date"**

3A. In this Act—

"the first abolition date" means 6 April 2012 (the date appointed for the commencement of section 13(1) of the Pensions Act (Northern Ireland) 2008 (abolition of contracting-out for defined contribution pension schemes));

"the second abolition date" means 6 April 2016 (the date on which section 53(3) of the Pensions Act (Northern Ireland) 2014 provides for the commencement of section 24(1) of that Act (abolition of contracting-out for salary related schemes)).

Meaning of "contracted-out scheme" and "appropriate scheme" etc.

3B.—(1) This section applies for the interpretation of this Act.

(2) An occupational pension scheme was "contracted-out" at a time if, at that time, there was in force a certificate under section 3 (as it then had

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effect) stating that the employment of an earner in employed earner's employment was contracted-out employment by reference to the scheme.

(3) "Contracting-out certificate" means a certificate of the kind mentioned in subsection (2).

(4) An occupational pension scheme was a "salary related contracted-out scheme" at a time if, at that time, the scheme was contracted-out by virtue of satisfying section 5(2) (as it then had effect).

(5) An occupational pension scheme was a "money purchase contracted-out scheme" at a time if, at that time, the scheme was contracted-out by virtue of satisfying section 5(3) (as it then had effect).

(6) A personal pension scheme was an "appropriate scheme" at a time if, at that time, there was in force a certificate issued under section 3(1)(b) (as it then had effect) stating that the scheme was an appropriate scheme.

(7) "Appropriate scheme certificate" means a certificate of the kind mentioned in subsection (6).

(8) An appropriate scheme certificate that was in force in relation to a scheme is to be taken as conclusive that the scheme was, at that time, an appropriate scheme.".

7.—(1) Section 4 (meaning of "contracted-out employment", "guaranteed minimum pension" and "minimum payment") is amended as follows.

(2) For subsection (1) substitute—

"(1) In relation to any period before the second abolition date, the employment of an earner in employed earner's employment was "contracted-out employment" in relation to the earner during that period if—

(a) the earner was under pensionable age;

(b) the earner's service in the employment was service which qualified the earner for a pension provided by a salary related contracted-out scheme; and

(c) there was in force a contracting-out certificate issued in accordance with this Chapter (as it then had effect) stating that the employment was contracted-out employment by reference to the scheme.".

(3) After subsection (1A) insert—

"(1B) In the following provisions of this Act "earner", in relation to a scheme, means a person who was an earner in contracted-out employment by reference to the scheme.".

(4) In subsection (2), in the definition of "guaranteed minimum pension", for "by an occupational pension scheme" substitute ", by a scheme that was a salary related contracted-out scheme,".

(5) For subsection (4) substitute—

"(4) A contracting-out certificate that was in force in respect of an employed earner's employment is to be taken as conclusive that the employment was, at that time, contracted-out employment.".

8. The italic heading above section 5 is repealed.

9. Sections 5 and 7 (requirements for certification of schemes: general) are repealed.

10. The italic heading above section 8A is repealed.

11. Sections 8A to 8D (requirements for certification applying to employment from 6 April 1997) are repealed.

12. For the italic heading above section 9 substitute "Guaranteed minimum pensions".

13.—(1) Before section 9 insert—

"**Former salary related contracted-out schemes to comply with GMP requirements**

8E.—(1) A scheme that was a salary related contracted-out scheme is to be treated as including whatever provision it needs to contain to comply with the GMP requirements.

(2) A scheme complies with the GMP requirements if, in relation to any earner's service before the principal appointed day, it complies in all respects with sections 9 to 20E.

(3) Where—

(a) a scheme is permitted by any of those sections to include provision subject to certain requirements, and

(b) the scheme includes the provision but not the requirements,

the scheme is to be treated by subsection (1) as including the requirements.

(4) This section overrides any provision of a scheme to the extent that the provision of the scheme conflicts with it.".

(2) For the purposes of section 8E it does not matter whether the scheme ceased to be contracted-out when the amendment made by paragraph 5 of this Schedule came into operation or before that time.

(3) But section 8E does not treat a scheme as having included any provision before this paragraph comes into operation.

14. In section 9 (minimum pensions for earners), in subsection (2)—

(a) for "is a married woman or widow who is liable" substitute "was a married woman or widow who was liable";

(b) after "Act 1992" insert "at a time during a relevant year when she was in contracted-out employment by reference to the scheme";

(c) at the end of that subsection insert—

""Relevant year" has the meaning given by section 10(8).".

15.—(1) Section 10 (earner's guaranteed minimum) is amended as follows.

(2) For subsection (1) substitute—

"(1) An earner has a guaranteed minimum in relation to the pension provided by a scheme that was a salary related contracted-out scheme if in any tax week in a relevant year—

(a) earnings were paid to or for the earner's benefit in respect of employment which was contracted-out by reference to the scheme; and

(b) those earnings were in excess of the lower earnings limit for that tax week (or the prescribed equivalent if the earner was paid otherwise than weekly).".

(3) In subsection (2), for "earnings such as are mentioned in subsection (1)" substitute "excess earnings mentioned in subsection (1)(b)".

16. In section 12 (revaluation of earnings factors for the purposes of section 10: early leavers etc), for subsection (2) substitute—

"(2) The scheme may provide that in a case where—

(a) an earner was, before the second abolition date, in contracted-out employment by reference to a scheme, and

(b) the earner ceases to be in pensionable service under the scheme before the final relevant year,

the earnings factors for that person shall be determined for the purposes of section 10(2) by reference to the last such order to come into operation before the end of the tax year in which the earner ceases to be in pensionable service under the scheme ("the last service tax year").".

17.—(1) Section 13 (minimum pensions for widows, widowers and surviving civil partners) is amended as follows.

(2) In subsection (4A), after paragraph (a) insert—

"(aa) for life, in a case where—

(i) the widow, widower or surviving civil partner attained state pension age on or after the second abolition date, and

(ii) the earner died on or after the date on which the widow, widower or surviving civil partner attained state pension age;

(ab) for any period after the widow, widower or surviving civil partner has attained state pension age, in a case where—

(i) the earner died before the widow, widower or surviving civil partner attained state pension age,

(ii) the widow, widower or surviving civil partner did not marry or form a civil partnership after the death and before attaining state pension age, and

(iii) the widow, widower or surviving civil partner attained state pension age on or after the second abolition date;".

(3) After subsection (9) add—

"(10) For the purposes of subsection (4A)(aa) and (ab) a person attains state pension age when he or she attains pensionable age within the meaning given by the rules in paragraph 1 of Schedule 2 to the Pensions (Northern Ireland) Order 1995.".

18. In section 16 (transfer of accrued rights), in subsection (1)(a)—

(a) in sub-paragraph (i), after "under a" insert "scheme that was a";

(b) in sub-paragraph (ii)—

(i) omit "which is not contracted-out,";

(ii) after "under a" insert "scheme that was a".

19. In section 19 (securing of benefits), in subsection (2), omit paragraph (d).

20. In section 20A—

(a) the existing text becomes subsection (1), and

(b) after that subsection add—

"(2) The Department must give such guidance (if any) as it thinks appropriate about GMP conversion.".

21. In section 21 (power for HMRC to impose conditions as to investments and resources), in subsection (2), after "A" insert "scheme that was a".

22. Sections 30 to 32 (cancellation, variation, surrender and refusal of certificates) are repealed.

23. In the italic heading above section 33, for "scheme rules after certification" substitute "rules by former salary related contracted-out schemes".

24. In section 33 (alteration of rules of contracted-out schemes) for subsections (1) to (3) substitute—

"(1) Except in prescribed cases, the rules of a scheme that was a salary related contracted-out scheme cannot be altered unless the alteration is of a prescribed description.

(2) Regulations made by virtue of subsection (1) may operate so as to validate with retrospective effect any alteration of the rules which would otherwise be void under this section.

(3) Subsection (1) does not apply to a scheme if no person is entitled to receive, or has accrued rights to, any benefits under the scheme attributable to a period when the scheme was contracted-out.".

25. After section 33 insert—

"**Transfer of liabilities etc: schemes contracted-out on or after 6 April 1997**

33A.—(1) Regulations may prohibit or restrict—

(a) the transfer of any liability—
   (i) for the payment of pensions under a relevant scheme, or
   (ii) in respect of accrued rights to such pensions,

(b) the discharge of any liability to provide pensions under a relevant scheme, or

(c) the payment of a lump sum instead of a pension payable under a relevant scheme,

except in prescribed circumstances or on prescribed conditions.

(2) In this section "relevant scheme" means a scheme that was a salary related contracted-out scheme by virtue of section 5(2B) and references to pensions and accrued rights under the scheme are to such pensions and rights so far as attributable to an earner's service on or after the principal appointed day (including, in a case where there has been a transfer payment, any pensions or rights deriving (directly or indirectly) from—

(a) an earner's service on or after the principal appointed day in employment that was contracted-out employment by reference to another scheme, or

(b) in a case where the transfer payment was made before the first abolition date, protected rights under another occupational pension scheme or under a personal pension scheme which derive from payments or contributions in respect of employment on or after the principal appointed day).

(3) Regulations under subsection (1) may provide that any provision of this Part shall have effect subject to such modifications as may be specified in the regulations.".

26. For the heading to Chapter 2 of Part 3 substitute "Reduction in social security benefits for members of schemes that were contracted-out".

27. In section 36 (scope of Chapter 2)—

(a) omit paragraph (a);

(b) in paragraph (c) for “such schemes” substitute “schemes that were contracted-out pension schemes”.

28. The italic heading above section 37 is repealed.

29. Section 37 (reduced rates of Class 1 contributions) is repealed.

30. Section 38 (review and alteration of reduced rates of Class 1 contributions) is repealed.

31. In section 44A (additional pension and other benefits), in subsection (1), for the words from the beginning to the end of paragraph (b) substitute “In relation to—

(a) any tax week falling before the first abolition date where the amount of a Class 1 contribution attributable to section 8(1)(a) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 in respect of the earnings paid to or for the benefit of an earner in that week was reduced under section 38A of this Act (as it then had effect),

(b) any tax week falling before the second abolition date where the amount of a Class 1 contribution attributable to section 8(1)(a) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 in respect of the earnings paid to or for the benefit of an earner in that week was reduced under section 37 of this Act (as it then had effect), or

(c) any tax week falling before the first abolition date where an amount was paid under section 41(1) of this Act (as it then had effect) in respect of the earnings paid to or for the benefit of an earner,”.

32. Section 45 (women, married women and widows) is repealed.

33. Section 46 (powers of HMRC to approve arrangements for scheme ceasing to be certified) is repealed.

34. In section 47 (calculation of guaranteed minimum pensions under approved arrangements), in subsection (1)(b), for “ceases” substitute “ceased”.

35. For section 48 substitute—

“**Supervision of former salary related contracted-out schemes**

48. Section 49 shall apply for the purpose of making provision for securing the continued supervision of any scheme that was a salary related contracted-out scheme, other than a public service pension scheme, if any person is entitled to receive or has accrued rights to—

(a) a guaranteed minimum pension under the scheme, or

(b) a pension under the scheme attributable to service on or after the principal appointed day but before the scheme ceased to be contracted-out.”.

36. In section 49 (supervision: former contracted-out schemes), omit subsection (3).

37. Sections 51 to 64 (state scheme premiums) are repealed.

38. In section 83 (general protection principle), in subsection (1)(a), for sub-paragraph (i) substitute—

“(i) the date (“the cessation date”) which is the earlier of—

(a) the date on which an earner ceases to be in pensionable service under a scheme that was, before the second abolition date, a salary related contracted-out scheme; and

(b) the date on which the earner attains pensionable age;".

39. In section 92 (further provisions concerning exercise of option to take cash equivalent in a particular way), in subsection (2), in paragraph (a)(i) omit "which is not a contracted-out scheme".

40. In section 166 (questions arising in proceedings), in subsection (1), omit paragraph (b) and the "or" before it.

41. In section 173 (trustees and managers of schemes), in paragraph (a) omit "or Part II of Schedule 5 to the Child Support, Pensions and Social Security Act (Northern Ireland) 2000".

42.—(1) Section 176(1) (general interpretation) is amended as follows.

(2) In the appropriate places insert—

""the first abolition date" has the meaning given by section 3A;"

""the second abolition date" has the meaning given by section 3A;"

""salary related contracted-out scheme" is to be construed in accordance with section 3B;".

(3) Omit the definition of "abolition date".

(4) In the definition of "appropriate scheme" and "appropriate scheme certificate", for "section 176A" substitute "section 3B".

(5) In the definition of "contracting-out certificate", for "section 3 and section 176A" substitute "section 3B".

(6) In the definition of "contributions equivalent premium", for "has the meaning given in" substitute "means a premium that was paid under".

(7) In the definition of "earner" and "earnings", after "in accordance with" insert "section 4(1B) of this Act and".

(8) In the definition of "money purchase contracted-out scheme", for "section 176A" substitute "section 3B".

(9) For the definition of "the principal appointed day" substitute—

""the principal appointed day" means 6 April 1997 (which is the day designated as the principal appointed day for the purposes of Part 4 of the Pensions (Northern Ireland) Order 1995);".

43. Section 176A (interpretation of references to money purchase contracted-out schemes or appropriate schemes after first abolition date) is repealed.

44. In section 180 (consultation about other regulations), omit subsection (2).

45.—(1) Schedule 1 (certification regulations) is amended as follows.

(2) Omit paragraphs 1 to 4.

(3) In paragraph 5(3A), for "a contracted-out occupational pension scheme which is being wound up" substitute "a scheme which was a contracted-out occupational pension scheme and which was being wound up before the second abolition date".

(4) Omit paragraphs 6 to 8.

46.—(1) Schedule 3 (priority in bankruptcy) is amended as follows.

(2) Omit paragraphs 2, 3 and 4(2).

PART 2

OTHER STATUTORY PROVISIONS: AMENDMENTS

The Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)

47. The Contributions and Benefits Act is amended as follows.

48. In section 1 (outline of contributory system), in subsection (3), omit the words after paragraph (b).

49. In section 4C (power to make provision in consequence of provision made by virtue of section 4B(2) etc), in subsection (5), in each of paragraphs (a) and (b) omit the words from ", including" to the end.

50. In section 8 (calculation of primary Class 1 contributions), in subsection (3), omit paragraph (c) and the "and" before it.

51. In section 9 (calculation of secondary Class 1 contributions), in subsection (3), omit paragraph (c) and the "and" before it.

52. In section 20 (descriptions of contributory benefits), in subsection (3), for "(reduction in state scheme contributions and social security benefits for members of certified schemes)" substitute "(reduction in benefits for members of schemes that were contracted-out)".

53. In Schedule 1 (supplementary provisions relating to national insurance contributions), in paragraph 1, omit sub-paragraphs (2), (3), (6) and (9) to (11).

The Social Security Administration (Northern Ireland) Act 1992 (c. 8)

54. The Administration Act is amended as follows.

55. In section 132 (annual up-rating of benefits), in subsection (3A), for "the abolition date (as defined in section 176(1) of the Pensions Act)" substitute "7 June 2012 (the date appointed for the commencement of section 13(1) of the Pensions Act (Northern Ireland) 2008)".

56. In section 167 (interpretation - general)—

(a) in the definition of "money purchase contracted-out scheme", for "section 176A" substitute "section 3B";

(b) in the definition of "personal pension scheme" for "section 176A(6)" substitute "section 3B(6)".

The Pensions (Northern Ireland) Order 1995 (NI 22)

57. The 1995 Order is amended as follows.

58.—(1) Article 51 (annual increase in rate of pension) is amended as follows.

(2) For "the appointed day" (in each place) substitute "6 April 1997".

(3) For paragraph (8) substitute—

"(8) An occupational pension scheme is a "relevant occupational pension scheme" if—

(a) it has not, at any time on or after 6 April 1997, been a salary related contracted-out scheme (see section 3B of the Pension Schemes Act), or

(b) it has, at any time on or after 6 April 1997, been a salary related contracted-out scheme but no person is entitled to receive, or has accrued rights to, benefits under the scheme attributable to a period on or after that day when it was such a scheme.".

59. In Article 54 (Articles 51 to 53: supplementary), in paragraph (3), omit the definition of "the appointed day".

60. For Article 69 substitute—

"**Grounds for applying for modifications: winding up registered schemes**

69.—(1) The Authority may, on an application made to them by the trustees of a registered pension scheme which is being wound up, make an order—

(a) modifying the scheme for the purpose of enabling assets remaining after the liabilities of the scheme have been fully discharged to be distributed to the employer, or

(b) authorising the trustees to modify the scheme for that purpose.

(2) But the Authority may act under paragraph (1) only if prescribed requirements in relation to the distribution are satisfied.

(3) Regulations may make provision requiring applications under paragraph (1) to meet prescribed requirements.

(4) Regulations may provide that in prescribed circumstances this Article does not apply to schemes falling within a prescribed class or description or applies to them with prescribed modifications.

(5) In this Article "registered pension scheme" means an occupational pension scheme registered under section 153 of the Finance Act 2004 (other than a public service pension scheme).".

61. In Article 70 (Article 69: supplementary), omit paragraph (3).

62. In Article 71 (effect of orders under Article 69), in paragraph (1)—

(a) for "sub-paragraph (a)" substitute "sub-paragraph (b)";

(b) for "sub-paragraph (b)" substitute "sub-paragraph (a)".

63. In Article 72 (modification of public service pension schemes), in paragraph (1), for "Article 69(1)(b)" substitute "Article 69(1)(a)".

64. Articles 133(1), (3) and (5), 134(3) and (4) and 145 (amendments to do with contracting-out) are repealed.

The Employment Rights (Northern Ireland) Order 1996 (NI 16)

65. The Employment Rights (Northern Ireland) Order 1996 is amended as follows.

66. In Article 35 (note to be included in statement of initial employment particulars), omit paragraph (5).

67. In Article 43 (references to industrial tribunals), in paragraph (3), omit sub-paragraph (a) (including the "and" at the end of it).

The Child Support, Pensions and Social Security Act (Northern Ireland) 2000 (c. 4)

68. The Child Support, Pensions and Social Security Act (Northern Ireland) 2000 is amended as follows.

69.—(1) Section 38 (disclosure of state pension information) is amended as follows.

(2) In subsection (3)(d), omit "which is not contracted-out employment".

(3) In subsection (11), omit the definition of "contracted-out employment".

70. Part 2 of Schedule 5 (alternative to anti-franking rules) is repealed.

The Pensions (Northern Ireland) Order 2005 (NI 1)

71. In Article 235 of the 2005 Order (pension protection on transfer of employment: form of protection) in paragraph (2)(c), for the words from "time" to the end substitute "time the scheme complies with prescribed requirements".

The Companies Act 2006 (c. 46)

72. The Companies Act 2006 is amended as follows.

73. In section 140 (interests to be disregarded: employer's rights of recovery under pension scheme or employee's share scheme), omit subsection (2).

74. In section 673 (interests to be disregarded in determining whether company has beneficial interest: employer's charges and other rights of recovery), omit subsection (1)(b).

The Pensions Act (Northern Ireland) 2008 (c. 1)

75. The Pensions Act (Northern Ireland) 2008 is amended as follows.

76.—(1) Section 13 (abolition of contracting-out for defined contribution pension schemes) is amended as follows.

(2) In subsection (1), for "the abolition date" substitute "6 April 2012".

(3) In subsection (2), omit the definition of "the abolition date".

(4) In subsection (4), for "the abolition date" (in each place) substitute "6 April 2012".

77. In section 19 (consequential provision, repeals and revocations), in subsection (5), for "the abolition date (within the meaning of section 13)" substitute "6 April 2012".

78.—(1) Schedule 4 (abolition of contracting-out for defined contribution pension schemes) is amended as follows.

(2) In paragraphs 60, 61(1), (2)(a) and (b)(i) and (3), 64 and 65(2) for "the abolition date" (in each place) substitute "6 April 2012".

(3) In paragraph 66 omit the definition of "the abolition date".

The Pensions (No. 2) Act (Northern Ireland) 2008 (c. 13)

79. The Pensions (No. 2) Act is amended as follows.

80. For section 21 substitute—

"**Quality requirement: UK defined benefits schemes**

21. A defined benefits scheme that has its main administration in the United Kingdom satisfies the quality requirement in relation to a jobholder if it satisfies the test scheme standard in relation to that jobholder.".

81. In section 22 (test scheme standard), for subsection (2) substitute—

"(2) Subject to subsection (3), the relevant members are J and all active members who are jobholders of the same employer as J.".

SCHEDULE 14

Section 24

POWER TO AMEND SCHEMES TO REFLECT ABOLITION OF CONTRACTING-OUT

Introduction

1. This Schedule is about the power under section 24(2) to amend an occupational pension scheme in relation to some or all of its members.

What can the power be used to do?

2.—(1) The power may be used—

(a) to increase the employee contributions of the relevant members;

(b) to alter the future accrual of benefits for or in respect of them.

(2) But the power may not be used in a way that would—

(a) increase the amount of the total annual employee contributions of the relevant members by more than the annual increase in the employer's national insurance contributions in respect of them,

(b) reduce the amount of the scheme's liabilities in respect of the benefits that accrue annually for or in respect of the relevant members by more than the annual increase in the employer's national insurance contributions in respect of them, or

(c) result in the sum of the amount of any increase in the total annual employee contributions of the relevant members and the amount of any reduction in the scheme's liabilities in respect of the benefits that accrue annually for or in respect of the relevant members being more than the annual increase in the employer's national insurance contributions in respect of the relevant members.

(3) Regulations are to define what is meant by—

(a) the total annual employee contributions of the relevant members;

(b) the annual increase in an employer's national insurance contributions in respect of the relevant members;

(c) a scheme's liabilities in respect of the benefits that accrue annually for or in respect of the relevant members.

(4) The regulations may make provision about the calculation of those amounts, including provision requiring them to be calculated in accordance with specified methods or assumptions.

(5) Where the effect of using the power to increase employee contributions of the relevant members would be to increase the contributions that the employer is required to pay, the power may be used to make other amendments needed to ensure that only the employee contributions are increased because of the use of the power.

(6) Where the effect of using the power to alter the future accrual of benefits for or in respect of the relevant members would be to decrease the contributions that any members are required to pay, the power may be used to make other amendments needed to ensure that the contributions of those members are not decreased because of the use of the power.

3.—(1) The power may not be used in a way that would or might adversely affect the subsisting rights of—

(a) a member of the scheme, or

(b) a survivor of a member of the scheme.

(2) "Subsisting right" and "survivor" have the meanings given by Article 67A of the 1995 Order.

4. Regulations may impose further restrictions on the use of the power.

Creation of exceptions

5. The power may not be used to amend a scheme in relation to a member of a description specified in regulations under this paragraph.

Requirement for actuary's certificates

6.—(1) The power may be used only if an actuary has certified that the proposed amendments would comply with such of the requirements imposed by or under this Schedule as are specified in regulations under this paragraph.

(2) "Actuary" means—

(a) a person of a description specified in regulations, or

(b) a person approved by the Department.

When can the power be used?

7. The power may be used before or after the repeal of section 37 of the Pension Schemes Act comes into operation (but amendments made under it must not be framed so as to take effect before the repeal comes into operation).

8. An amendment made before the repeal of section 37 of the Pension Schemes Act comes into operation does not take effect in relation to any relevant members who have ceased to be in contracted-out employment by reference to the scheme before the repeal comes into operation.

Can the power be used more than once?

9.—(1) The power may be used to amend a scheme in relation to the same members on more than one occasion.

(2) For the purposes of paragraph 2 as it applies in relation to the use of the power on the second or subsequent occasion, all of the amendments are to be treated as if they were being made on that occasion.

(3) Regulations may make further provision modifying section 24(2) to (7) or this Schedule (including paragraph 2) where the power is used to amend the scheme in relation to the same members on more than one occasion.

Modifications for multi-employer or sectionalised schemes

10.—(1) Regulations may modify section 24(2) to (7) or this Schedule as it applies in relation to—

(a) multi-employer schemes,

(b) schemes that have different rules for different members.

(2) "Multi-employer scheme" means a scheme in relation to which there is more than one employer.

The power overrides other legislation

11. An amendment under section 24 and this Schedule may be made in relation to any member, and has effect, despite anything in any other statutory provision to the contrary.

Procedural requirements and supplementary matters

12. Regulations may impose procedural requirements about the use of the power and the manner in which any amendments must be made.

13. Regulations under this Schedule may confer a discretion on a person.

Information

14.—(1) Regulations may require the trustees or managers of an occupational pension scheme to provide information requested by an employer in connection with the powers given by section 24(2).

(2) The regulations may provide for Article 10 of the 1995 Order (civil penalties) to apply to a person who fails to comply with a requirement.

(3) In this paragraph "managers", in relation to a pension scheme (other than a scheme established under a trust), means the persons responsible for the management of the scheme.

Definitions

15. In this Schedule—

"employee contributions" means, in relation to a member of a scheme, contributions made to the scheme by or on behalf of the member on his or her own account;

"relevant member", in relation to a scheme, means a current member in relation to whom the scheme has been or is to be amended under section 24(2).

Pensions

SCHEDULE 15

Section 25

OPTION TO BOOST OLD RETIREMENT PENSIONS

The Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 4)

1. The Contributions and Benefits Act is amended as follows.

2. In section 43 (persons entitled to more than one retirement pension), in subsection (1) after "subsection (2) below" insert "and section 61ZC below (which deals with unusual cases involving units of additional pension)".

3. In section 44 (Category A retirement pension), in subsection (3)—

(a) in paragraph (b), at the end insert "or where the pensioner has one or more units of additional pension";

(b) after paragraph (b) insert—
"For units of additional pension, see section 14A.".

4.—(1) Section 45 (rate of additional pension in a Category A retirement pension) is amended as follows.

(2) In subsection (1)—

(a) after "shall be" insert "the sum of the following—
(a) in relation to any surpluses in the pensioner's earnings factors,";

(b) at the end insert "; and
(b) if the pensioner has one or more units of additional pension, a specified amount for each of those units.".

(3) In subsection (2), at the end of paragraph (d) insert "; and
(e) if the pensioner has one or more units of additional pension, a specified amount for each of those units.".

(4) After subsection (2) insert—
"(2A) For the purposes of subsections (1)(b) and (2)(e) the "specified amount" is an amount to be specified by the Department in regulations.".

5. In section 52 (special provision for surviving spouses), after subsection (3) insert—

"(3A) In subsection (3) the references to additional pension in a Category A or Category B retirement pension do not include any amount of additional pension attributable to units of additional pension.

(3B) If an amount of additional pension in the Category B retirement pension is attributable to units of additional pension, the additional pension in the Category A retirement pension is increased by that amount (in addition to any increase under subsection (3)).".

6. After section 61 insert—

"**Shortfall in contributions: people with units of additional pension**

61ZA.—(1) This section applies to a person who has one or more units of additional pension if the person—

(a) is not entitled to a Category A retirement pension, but

(b) would be entitled to a Category A retirement pension if the relevant contribution conditions were satisfied.

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(2) The relevant contribution conditions are to be taken to be satisfied for the purposes of the person's entitlement to a Category A retirement pension.

(3) But where a person is entitled to a Category A retirement pension because of this section, the only element of that pension to which the person is so entitled is the additional pension attributable to the units of additional pension.

(4) For units of additional pension, see section 14A.

Shortfall in contributions: people whose dead spouse or civil partner had units of additional pension

61ZB.—(1) This section applies to a person whose spouse or civil partner died with one or more units of additional pension if the person—

(a) is not entitled to a Category B retirement pension as a result of the death, but

(b) would be entitled to a Category B retirement pension as a result of the death if the relevant contribution conditions were satisfied.

(2) The relevant contribution conditions are to be taken to be satisfied for the purposes of the person's entitlement to that Category B retirement pension.

(3) But where a person is entitled to a Category B retirement pension because of this section, the only element of that pension to which the person is so entitled is the additional pension attributable to the units of additional pension.

(4) For units of additional pension, see section 14A.

Entitlement to more than one pension: sections 61ZA and 61ZB

61ZC.—(1) Section 43 does not prevent a person from being entitled for the same period to both—

(a) a Category A retirement pension because of section 61ZA, and

(b) one Category B retirement pension.

(2) Section 43 does not prevent a person from being entitled for the same period to both—

(a) a Category A retirement pension, and

(b) one Category B retirement pension because of section 61ZB (or, if there is more than one such Category B retirement pension, the most favourable of them).

(3) Accordingly—

(a) in section 43(2)(a) the reference to "a Category A or a Category B retirement pension", in a case in which subsection (1) or (2) of this section applies, includes "a Category A and a Category B retirement pension",

(b) in sections 43(3)(a) and (aa), 51A and 52 "Category A retirement pension" does not include a pension to which a person is entitled because of section 61ZA, and

(c) in sections 43(3)(a) and 52 "Category B retirement pension" does not include a pension to which a person is entitled because of section 61ZB.".

The Welfare Reform and Pensions (Northern Ireland) Order 1999 (NI 11)

7. In Article 44 of the Welfare Reform and Pensions (Northern Ireland) Order 1999 (shareable state scheme rights), in paragraph (2)(a) omit "earnings-related".

SCHEDULE 16

Section 30

BEREAVEMENT SUPPORT PAYMENT: AMENDMENTS

The Forfeiture (Northern Ireland) Order 1982 (NI 14)

1. In Article 6 of the Forfeiture (Northern Ireland) Order 1982 (Commissioner to decide whether forfeiture rule applies to social security benefits), in the definition of "relevant enactment" in paragraph (5), after the entry relating to Part 1 of this Act (inserted by Schedule 12) insert—

"section 29 of that Act,".

The Social Security Contributions and Benefits (Northern Ireland) Act 1992 (c. 7)

2. The Contributions and Benefits Act is amended as follows.

3.—(1) Section 20 (descriptions of contributory benefits) is amended as follows.

(2) In subsection (1), for paragraph (ea) substitute—

"(ea) widowed parent's allowance;".

(3) In subsection (2), in the definition of "long-term benefit" omit paragraph (bb).

4.—(1) Section 21 (contribution conditions) is amended as follows.

(2) In the table in subsection (2) omit the entries for bereavement payment and bereavement allowance.

(3) Omit subsection (4).

5. In section 22 (earnings factors), in subsection (2), after paragraph (c) (inserted by Schedule 12) insert "and

(d) establishing entitlement to bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014.".

6.—(1) Section 23A (contributions credits for relevant parents and carers) is amended as follows.

(2) In subsection (1) omit paragraph (e).

(3) In subsection (6)(b) omit "or (e)".

7. For the italic heading above section 36 substitute "Bereavement benefits: deaths before the day on which section 29 of the Pensions Act (Northern Ireland) 2014 comes into operation".

8. Section 36 (bereavement payment) is repealed.

9. Section 36A (cases in which sections 37 to 41 apply) is repealed.

10.—(1) Section 37 (widowed mother's allowance) is amended as follows.

(2) Before subsection (1) insert—

"(A1) This section applies only in cases where a woman's husband has died before 9 April 2001.".

(3) At the end of the heading insert ": deaths before 9 April 2001".

11.—(1) Section 38 (widow's pension) is amended as follows.

(2) Before subsection (1) insert—

"(A1) This section applies only in cases where a woman's husband has died before 9 April 2001.".

(3) At the end of the heading insert ": deaths before 9 April 2001".

12. In section 39A (widowed parent's allowance), for subsection (1) substitute—

"(1) This section applies where—

(a) a person's spouse or civil partner has died before the day on which section 29 of the Pensions Act (Northern Ireland) 2014 comes into operation (but see subsection (1A)),

(b) the person has not married or formed a civil partnership after the death but before that day, and

(c) the person is under pensionable age on that day.

(1A) This section does not apply in cases where a woman's husband has died before 9 April 2001.".

13. Section 39B (bereavement allowance where no dependent children) is repealed.

14.—(1) Section 39C (rate of widowed parent's allowance and bereavement allowance) is amended as follows.

(2) Omit subsection (2).

(3) Omit subsection (5).

(4) In the heading omit "and bereavement allowance".

15. In section 48B (Category B retirement pension for widows and widowers), in subsection (8), for "the appointed day (as defined by section 36A(3))" substitute "9 April 2001".

16. In section 48BB (Category B retirement pension: entitlement by reference to benefits under section 39A or 39B), in subsection (3)(a)(i), after "bereavement allowance" insert "under section 39B (before that section was repealed)".

17.—(1) Section 60 (complete or partial failure to satisfy contribution condition) is amended as follows.

(2) In subsection (1) omit paragraph (ab).

(3) In subsection (3) omit paragraphs (a) and (bb).

18.—(1) Schedule 3 (contribution conditions for entitlement to benefit) is amended as follows.

(2) Omit paragraph 4 and the italic heading above it.

(3) Omit paragraphs 7 and 9.

19. In Schedule 4 (rates of benefits etc) omit Part 2.

The Social Security Administration (Northern Ireland) Act 1992 (c. 8)

20. The Administration Act is amended as follows.

21.—(1) Section 1 (entitlement to benefit dependent on claim) is amended as follows.

(2) For subsection (2) substitute—

"(2) Where under subsection (1) a person is required to make a claim or to be treated as making a claim for a benefit in order to be entitled to it, the person is not entitled to it in respect of any period more than 12 months before the date on which the claim is made or treated as made.

(2A) But subsection (2) does not apply—

(a) to disablement benefit or reduced earnings allowance, or

(b) in a case where a claim for the benefit is made or treated as made by virtue of section 3(2).".

(3) In subsection (4), after paragraph (zb) (inserted by Schedule 12) insert—

"(zc) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014;".

22. In section 2A (claim or full entitlement to certain benefits conditional on work-focused interview), in subsection (2)(c), omit "(other than a bereavement payment)".

23.—(1) Section 3 (late claims for bereavement benefit where death is difficult to establish) is amended as follows.

(2) Subsection (3) is repealed.

(3) After subsection (4) add—

"(5) In subsection (2) "bereavement benefit" means—

(a) bereavement support payment, or

(b) widowed parent's allowance.".

24. In section 5 (regulations about claims for and payments of benefits), in subsection (2), after paragraph (zb) (inserted by Schedule 12) insert—

"(zc) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014;".

25. In section 69 (overpayments - general), in subsection (11), before paragraph (b) insert—

"(ae) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014;".

26. In section 115CA (interpretation of Part 6), in subsection (1), after paragraph (hl) (inserted by Schedule 12) insert—

"(hm) Part 5 of the Pensions Act (Northern Ireland) 2014;".

27. In section 116B (supply of other government information for fraud prevention and verification), in subsection (3)(b), after ", Part 1 of the Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert ", section 29 of that Act".

28. In section 118 (regulations as to notification of deaths), in subsection (1), after ", Part 1 of the Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert ", section 29 of that Act".

29.—(1) Section 143 (general financial arrangements) is amended as follows.

(2) In subsection (1), after paragraph (za) (inserted by Schedule 12) insert—

"(zb) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014;".

(3) In subsection (2)(a), after ", Part 1 of the Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert ", section 29 of that Act".

(4) In subsection (3)(b), after "or Part 1 of the Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert "or section 29 of that Act".

30. In section 149 (Social Security Advisory Committee), in subsection (5) in the definition of "the relevant enactments", after paragraph (am) (inserted by Schedule 12) insert—

"(an) section 29 of the Pensions Act (Northern Ireland) 2014;".

31.—(1) Section 155 (reciprocal agreements) is amended as follows.

(2) In subsection (3)(a), after "Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert ", Part 5 of that Act".

(3) In subsection (4), after paragraph (ag) (inserted by Schedule 12) insert—

"(ah) to Part 5 of the Pensions Act (Northern Ireland) 2014;".

(4) In subsection (5)—

(a) after "Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert "or section 29 of that Act";

(b) after paragraph (ad) (inserted by Schedule 12) insert—

"(ae) bereavement support payment;".

32. In section 163 (inalienability), in subsection (1), before paragraph (b) insert—

"(ae) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014;".

33. In section 167(1) (interpretation), in the definition of "benefit", at the end add "and bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014".

The Social Security (Northern Ireland) Order 1993 (NI 2)

34. In Article 4 of the Social Security (Northern Ireland) Order 1993 (payments into National Insurance Fund out of appropriated money) in paragraph (1) in the definition of "estimated benefits expenditure", after "(za)," (inserted by Schedule 12) insert "(zb),".

The Social Security (Northern Ireland) Order 1998 (NI 10)

35. The Social Security (Northern Ireland) Order 1998 is amended as follows.

36. In Article 4 (use of computers), in paragraph (2), after sub-paragraph (m) (inserted by Schedule 12) insert "or

(n) section 29 of the Pensions Act (Northern Ireland) 2014;".

37.—(1) Article 9 (decisions by Department) is amended as follows.

(2) In paragraph (3), after sub-paragraph (ab) (inserted by Schedule 12) insert—

"(ac) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014;".

(3) In paragraph (4), after "Part 1 of the Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert "or section 29 of that Act".

38. In Article 12 (regulations with respect to decisions), in paragraph (3), in the definition of "the current legislation", after "Part 1 of the Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert "and section 29 of that Act".

39. In Article 27 (restrictions on entitlement in cases of error), in paragraph (7), in the definition of "benefit"—

(a) before paragraph (e) insert—

"(dg) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014;";

(b) for paragraph (e) substitute—

"(e) any benefit corresponding to a benefit mentioned in any of the foregoing paragraphs of this definition; and".

40. In Article 28 (correction of errors in decisions etc), in paragraph (3)(j), after "Part 1 of the Pensions Act (Northern Ireland) 2014" (inserted by Schedule 12) insert "or section 29 of that Act".

The Social Security Fraud Act (Northern Ireland) 2001 (c. 17)

41. The Social Security Fraud Act (Northern Ireland) 2001 is amended as follows.

42. In section 5A (definitions), in the definition of "disqualifying benefit", before paragraph (d) insert—

"(cb) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014 or under section 30 of the Pensions Act 2014;".

43. In section 5A (definitions), in the definition of "sanctionable benefit"—

(a) at the end of paragraph (c), omit "or";

(b) after paragraph (c) insert—

"(ca) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014; or".

44. In section 9 (power to supplement and mitigate loss of benefit provisions), in subsection (3), after paragraph (bf) (inserted by Schedule 12) insert—

"(bg) bereavement support payment under section 29 of the Pensions Act (Northern Ireland) 2014 or under section 30 of the Pensions Act 2014;".

The Income Tax (Earnings and Pensions) Act 2003 (c. 1)

45. The Income Tax (Earnings and Pensions) Act 2003 is amended as follows.

46. In section 660 (taxable benefits: UK benefits - Table A), in the table in subsection (1), in the entry relating to bereavement allowance, omit the words "SSCB(NI)A 1992 Section 39B" (in the second column).

47. In section 677 (UK social security benefits wholly exempt from tax), in Part 1 of Table B in subsection (1), in the entry relating to bereavement payments, omit the words "SSCB(NI)A 1992 Section 36" (in the second column).

Pensions

SCHEDULE 17

Section 32

AUTOMATIC TRANSFER OF PENSION BENEFITS ETC.

PART 1

AUTOMATIC TRANSFER OF PENSION BENEFITS

Regulations providing for transfer of cash equivalent of transferable benefits

1.—(1) The Department must make regulations with a view to ensuring that, where a qualifying member of an automatic transfer scheme has transferable benefits under another pension scheme, the cash equivalent of the transferable benefits—

(a) is transferred to the automatic transfer scheme, and

(b) is used to provide rights for the member under it.

(2) In this Schedule "automatic transfer scheme" means—

(a) a work-based pension scheme, other than a scheme of a prescribed description, which is registered under Chapter 2 of Part 4 of the Finance Act 2004 and is a money purchase scheme, or

(b) a pension scheme of a prescribed description.

(3) In this Schedule "qualifying member", in relation to an automatic transfer scheme, means an active member of the scheme of a prescribed description.

(4) For the purposes of this Schedule a person has transferable benefits under a pension scheme if—

(a) the scheme is a transferable benefits scheme,

(b) the person is a member of the scheme,

(c) contributions to the scheme by, or on behalf or in respect of, the member have ceased,

(d) the member has accrued rights to benefits under the applicable rules,

(e) all of those rights accrued on or after the prescribed date (which may be a date before the coming into operation of this paragraph),

(f) the cash equivalent of those benefits is less than the prescribed amount (but not nil), and

(g) any other prescribed conditions are met.

(5) In this Schedule "transferable benefits scheme" means—

(a) a work-based pension scheme, other than a scheme of a prescribed description, which is registered under Chapter 2 of Part 4 of the Finance Act 2004 and is a money purchase scheme, or

(b) a pension scheme of a prescribed description.

(6) In sub-paragraph (4)—

"the applicable rules"—

(a) in relation to an occupational pension scheme, has the meaning given by section 90(2) of the Pension Schemes Act;

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(b) in relation to a personal pension scheme, means the rules of the scheme;

"benefits" means—

(c) money purchase benefits other than money purchase benefits of a prescribed description, or

(d) benefits of a prescribed description.

Automatic transfer scheme to find out whether members have transferable benefits

2.—(1) The regulations must require the trustees or managers of an automatic transfer scheme to take steps to find out whether a qualifying member of the scheme has transferable benefits under another pension scheme.

(2) The regulations may make provision—

(a) about when a step is to be taken (for example, within a prescribed period after a person becomes a qualifying member or at prescribed intervals);

(b) for the steps to be taken at any particular time to relate to a particular qualifying member, or to some or all qualifying members.

Automatic transfer scheme to request transfer of cash equivalent

3.—(1) The regulations must require the trustees or managers of an automatic transfer scheme to give a transfer notice if—

(a) they find out that a qualifying member of the scheme has transferable benefits under another pension scheme, and

(b) any other prescribed conditions are met.

(2) A "transfer notice" is a notice given to the trustees or managers of the other pension scheme requesting the transfer of the cash equivalent of the transferable benefits to the automatic transfer scheme.

(3) The conditions that may be prescribed because of sub-paragraph (1)(b) include a condition that the trustees or managers must not give a transfer notice unless the qualifying member consents in accordance with the regulations.

Right to opt out of automatic transfer

4.—(1) If the regulations do not include the condition mentioned in paragraph 3(3), they must ensure that where the duty to give a transfer notice has arisen in relation to transferable benefits of a qualifying member of an automatic transfer scheme, the member can opt out of the transfer in accordance with the regulations.

(2) The regulations must provide that, where the member does opt out—

(a) the duty to give the transfer notice is not to be complied with, and

(b) the cash equivalent of the member's transferable benefits is not to be transferred.

Information to be given to qualifying members of automatic transfer schemes

5.—(1) The regulations must require a prescribed person to give information to a qualifying member of an automatic transfer scheme who has transferable benefits under another scheme for the purpose of helping the member to decide whether (as applicable)—

(a) to consent to the giving of a transfer notice in relation to the transferable benefits, or

(b) to opt out of the transfer of the cash equivalent of the transferable benefits.

(2) The information to be given—

(a) must include information about the effect of the regulations, and in particular the member's power to consent or right to opt out (as applicable);

(b) may include other information, for example information about the schemes.

Transferable benefits scheme to comply with request

6.—(1) The regulations must require the trustees or managers of a pension scheme who receive a transfer notice requesting the transfer of the cash equivalent of a person's transferable benefits to do what is needed to carry out the request.

(2) The regulations may in particular—

(a) require the trustees or managers of the scheme to take particular steps to carry out the request;

(b) provide for the discharge, in prescribed circumstances, of any obligation to provide the transferable benefits.

(3) The regulations may provide for circumstances in which the duty to carry out the request does not apply.

Automatic transfer scheme to use cash equivalent to provide rights under the scheme

7.—(1) The regulations must require the trustees or managers of an automatic transfer scheme to whom the cash equivalent of a person's transferable benefits is transferred to use the cash equivalent to provide rights for the person under the scheme.

(2) The regulations may make provision about how that is to be done and in particular about—

(a) the nature and value of the rights to be provided;

(b) calculating and verifying the value of the rights to be provided.

Cash equivalents: calculation and verification

8.—(1) The regulations may provide for the manner in which cash equivalents are to be calculated and verified.

(2) The regulations may in particular—

(a) provide that a cash equivalent is to be increased or reduced in prescribed circumstances;

(b) make provision about the time by reference to which a cash equivalent is to be calculated for the purposes of a provision of the regulations.

(3) Regulations made because of sub-paragraph (2)(a) may provide for a cash equivalent to be reduced to nil.

Disclosure of information and establishment of database

9.—(1) The regulations must make provision about disclosure of information.

(2) The regulations may in particular require a person to disclose information to another person—

(a) for the purposes of helping a person to comply with a duty imposed on the person by the regulations or by corresponding regulations made by the Secretary of State under paragraph 9 of Schedule 17 to the Pensions Act 2014, or

(b) otherwise for the purposes of a provision of the regulations or of corresponding regulations made by the Secretary of State under paragraph 9 of Schedule 17 to the Pensions Act 2014.

(3) The regulations may require the Department or the Regulator to establish and operate a database containing information relating to people who have or had transferable benefits for the purposes of helping the trustees or managers of an automatic transfer scheme to comply with their duties under the regulations.

Compliance

10.—(1) The regulations may make provision with a view to ensuring compliance with any provision of the regulations.

(2) For this purpose the regulations may in particular—

(a) provide for the Regulator to issue a notice (a "compliance notice") to a person with a view to ensuring the person's compliance with a provision of the regulations;

(b) provide for the Regulator to issue a notice (a "third party compliance notice") to a person with a view to ensuring another person's compliance with a provision of the regulations;

(c) provide for the Regulator to issue a notice (a "penalty notice") imposing a penalty on a person where the Regulator is of the opinion that the person has failed to comply with a compliance notice or third party compliance notice or has contravened a provision of the regulations;

(d) provide for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of the issue of a penalty notice or the amount of a penalty;

(e) confer other functions on the Regulator.

(3) The regulations may make provision for determining the amount, or the maximum amount, of a penalty in respect of a failure or contravention.

(4) But the amount of a penalty imposed under the regulations in respect of a failure or contravention must not exceed—

(a) £5,000, in the case of an individual, and

(b) £50,000, in any other case.

Record keeping

11.—(1) The regulations may require any person—

(a) to make records;

(b) to preserve records for a prescribed period;

(c) to provide records to the Regulator on request.

(2) The regulations may provide that Article 10 of the 1995 Order (civil penalties) applies to a person who fails to comply with those requirements.

Further provision about the regulations

12. The regulations may—

(a) impose or confer other functions on the trustees or managers of an automatic transfer scheme or transferable benefits scheme;

(b) confer a discretion on a person.

PART 2

MERGER OF PENSION ACCOUNTS

13.—(1) The Department may by regulations make provision for the purposes of requiring dormant pension accounts of a qualifying member of an automatic transfer scheme to be merged into a current pension account of the member.

(2) The regulations may not require a dormant pension account to be merged unless the accrued rights to benefits to which the account relates would be transferable benefits of the member if—

(a) all other accrued rights to benefits of the member, and any relevant contributions, were ignored, and

(b) any other prescribed matter were ignored.

(3) The regulations may in particular—

(a) make provision for determining into which current pension account (if the member has more than one) a dormant pension account is to be merged;

(b) provide that the rules of the scheme that are to apply to a merged pension account are those that apply to the current pension account into which a dormant pension account is being merged;

(c) require the trustees or managers of the scheme to make a transfer of assets representing the accrued rights to benefits to which a dormant pension account relates;

(d) include provision corresponding or similar to any provision which may be made by regulations under Part 1.

(4) In this paragraph "pension account", in relation to a member of a scheme, means an account relating to the member's accrued rights to benefits in respect of a particular period of employment; and a pension account—

(a) is "dormant" if relevant contributions in relation to the period of employment to which the account relates have ceased; and

(b) is "current" if such contributions have not ceased.

(5) In this paragraph—

(a) references to "accrued rights to benefits", in relation to a member of a scheme, are to accrued rights to benefits under the applicable rules (within the meaning given by paragraph 1(6));

(b) "employment" has the prescribed meaning;

(c) "relevant contributions", in relation to a member of a scheme, means contributions to the scheme by, or on behalf or in respect of, the member.

PART 3

INTERPRETATION ETC.

Interpretation etc.

14.—(1) In this Schedule—

"active member"—

(a) in relation to an occupational pension scheme, has the meaning given by Article 121(1) of the 1995 Order, and

(b) in relation to a personal pension scheme, means a member of the scheme in respect of whom contributions are being paid into the scheme;

"automatic transfer scheme" has the meaning given by paragraph 1(2);

"managers", in relation to a pension scheme (other than a scheme established under a trust), means the persons responsible for the management of the scheme;

"money purchase benefits" has the meaning given by section 176(1) of the Pension Schemes Act;

"money purchase scheme" has the meaning given by section 176(1) of the Pension Schemes Act;

"occupational pension scheme" has the meaning given by section 1 of the Pension Schemes Act;

"pension scheme" means—

(a) an occupational pension scheme, or

(b) a personal pension scheme;

"personal pension scheme" has the meaning given by section 1 of the Pension Schemes Act;

"prescribed" means prescribed by regulations made by the Department;

"qualifying member" has the meaning given by paragraph 1(3);

"the Regulator" means the Pensions Regulator;

"transferable benefits", and references to a person having transferable benefits, are to be read in accordance with paragraph 1(4);

"transferable benefits scheme" has the meaning given by paragraph 1(5);

"transfer notice" means a notice given under regulations made because of paragraph 3;

"work-based pension scheme" means—

(a) an occupational pension scheme,

(b) a personal pension scheme where direct payment arrangements (within the meaning of section 107A of the Pension Schemes Act) exist in respect of one or more members of the scheme who are workers, or

(c) a personal pension scheme which is or has been registered under Article 4 of the Welfare Reform and Pensions (Northern Ireland) Order 1999 (stakeholder pension schemes);

"worker" means a person—

(a) who is a worker for the purposes of Part 1 of the Pensions (No. 2) Act, or

(b) to whom a provision of Part 1 of that Act applies as if the person were a worker because of a provision of Chapter 7 of that Part;

but for the purposes of paragraph (b), ignore section 74 of that Act.

(2) The Department may by regulations make provision about when contributions to a pension scheme are to be regarded as having ceased for the purposes of paragraph 1(4)(c) or 13(4).

Crown application

15.—(1) This Schedule applies to a pension scheme managed by or on behalf of the Crown as it applies to other pension schemes.

(2) Accordingly, references in this Schedule to a person in the person's capacity as a trustee or manager of a pension scheme include the Crown, or a person acting on behalf of the Crown, in that capacity.

(3) This Schedule applies to persons employed by or under the Crown as it applies to persons employed by a private person.

Overriding provision

16.—(1) Regulations under this Schedule may provide that specified provisions override any provision of an automatic transfer scheme or transferable benefits scheme to the extent that it conflicts with them.

(2) A "specified provision" is a provision of regulations under this Schedule specified in the regulations for the purposes of this paragraph.

Other provision relating to regulations under this Schedule

17.—(1) Regulations under this Schedule may amend or otherwise modify any statutory provision (whenever passed or made).

(2) Regulations made because of sub-paragraph (1) may in particular amend section 170(1) of the Pension Schemes Act (levies towards certain expenditure) so as to include expenditure of the Department or the Commissioners for Her Majesty's Revenue and Customs under the regulations or expenditure of the Secretary of State or the Commissioners for Her Majesty's Revenue and Customs under regulations under paragraph 9(3) of Schedule 17 to the Pensions Act 2014.

18. Before making any regulations under this Schedule, the Department must consult such persons as it considers appropriate, but that duty to consult does not apply to regulations making only provision corresponding to provision contained in regulations made by the Secretary of State in relation to Great Britain.

Amendments

19.—(1) The Pension Schemes Act is amended as follows.

(2) In section 90(2A) (right to cash equivalent)—

(a) in paragraph (a), after sub-paragraph (vii) insert—

"(viii) regulations made under Schedule 17 to the Pensions Act (Northern Ireland) 2014;";

(b) in paragraph (b), after sub-paragraph (v) insert—

"(vi) regulations made under paragraph 17 of Schedule 17 to the Pensions Act (Northern Ireland) 2014.".

(3) In section 97AI(7) (rights to cash transfer sum and contribution refund: further provisions)—

(a) in paragraph (a), after sub-paragraph (vii) insert—

"(viii) regulations made under Schedule 17 to the Pensions Act (Northern Ireland) 2014;";

(b) in paragraph (b), after sub-paragraph (v) insert—

"(vi) regulations made under paragraph 17 of Schedule 17 to the Pensions Act (Northern Ireland) 2014.".

20. In Article 233 of the 2005 Order (no indemnification for fines or civil penalties), in paragraph (1)(b)—

(a) for "or section" substitute ", section";

(b) after "2008" insert "or paragraph 10 of Schedule 17 to the Pensions Act (Northern Ireland) 2014".

SCHEDULE 18

Section 42

POWER TO RESTRICT CHARGES OR IMPOSE REQUIREMENTS IN RELATION TO SCHEMES

Power to restrict charges

1.—(1) The Department may by regulations make provision—

(a) prohibiting administration charges which are of a specified class or description, or which exceed specified limits, from being imposed on a member of a relevant scheme;

(b) prohibiting a relevant scheme from containing provision under which administration charges which are of a specified class or description, or which exceed specified limits, will or may be imposed on a member of the scheme.

"Specified" means specified in the regulations.

(2) The regulations—

(a) may make provision for the manner of, and criteria for, determining whether an administration charge is of a specified class or description or exceeds specified limits;

(b) may provide for the determination to be made in accordance with guidance issued from time to time by the Department.

(3) The regulations may impose duties on the trustees or managers of a relevant scheme or others.

(4) The regulations may provide that a scheme is not a qualifying scheme in relation to a jobholder for the purposes of Part 1 of the Pensions (No. 2) Act if a provision of the regulations—

(a) is contravened, or

(b) is contravened in a way specified in the regulations.

(5) In this paragraph—

"administration charge", in relation to a member of a pension scheme, means any of the following to the extent that they may be used to meet the administrative expenses of the scheme, to pay commission or in any other way that does not result in the provision of pension benefits for or in respect of members—

(a) any payments made to the scheme by, or on behalf or in respect of, the member,

(b) any income or capital gain arising from the investment of such payments, or

(c) the value of the member's rights under the scheme;

"relevant scheme" means a pension scheme of a description specified in the regulations.

Power to impose requirements relating to administration or governance

2.—(1) The Department may by regulations impose requirements relating to the administration or governance of a relevant scheme that must be satisfied in relation to the scheme.

(2) The regulations—

(a) may make provision for the manner of, and criteria for, determining whether a requirement is satisfied;

(b) may provide for the determination to be made in accordance with guidance issued from time to time by the Department.

(3) The regulations may impose duties on the trustees or managers of a relevant scheme or others.

(4) The regulations may provide that a scheme is not a qualifying scheme in relation to a jobholder for the purposes of Part 1 of the Pensions (No. 2) Act if a provision of the regulations—

(a) is contravened, or

(b) is contravened in a way specified in the regulations.

(5) In this paragraph "relevant scheme" means a pension scheme of a description specified in the regulations.

Compliance

3.—(1) The Department may by regulations make provision with a view to ensuring compliance with a provision of regulations under paragraph 1 or 2.

(2) The regulations may in particular—

(a) provide for the Regulator to issue a notice (a "compliance notice") to a person with a view to ensuring the person's compliance with a provision of regulations under paragraph 1 or 2;

(b) provide for the Regulator to issue a notice (a "third party compliance notice") to a person with a view to ensuring another person's compliance with a provision of regulations under paragraph 1 or 2;

(c) provide for the Regulator to issue a notice (a "penalty notice") imposing a penalty on a person where the Regulator is of the opinion that the person has failed to comply with a compliance notice or third party compliance notice or has contravened a provision of regulations under paragraph 1 or 2;

(d) provide for the making of a reference to the First-tier Tribunal or Upper Tribunal in respect of the issue of a penalty notice or the amount of a penalty;

(e) confer other functions on the Regulator.

(3) The regulations may make provision for determining the amount, or the maximum amount, of a penalty in respect of a failure or contravention.

(4) But the amount of a penalty imposed under the regulations in respect of a failure or contravention must not exceed—

(a) £5,000, in the case of an individual, and

(b) £50,000, in any other case.

Interpretation

4.—(1) Expressions used in this Schedule and in Schedule 17 have the same meaning in this Schedule as in that Schedule (see paragraph 14 of that Schedule).

(2) In this Schedule "relevant scheme" is to be construed in accordance with paragraphs 1(5) and 2(5).

Crown application

5.—(1) This Schedule applies to a pension scheme managed by or on behalf of the Crown as it applies to other pension schemes.

(2) Accordingly, a reference in this Schedule to a person in the person's capacity as a trustee or manager of a pension scheme include the Crown, or a person acting on behalf of the Crown, in that capacity.

(3) This Schedule applies to persons employed by or under the Crown as it applies to persons employed by a private person.

Overriding provision

6.—(1) The Department may by regulations provide that specified provisions override any provision of a relevant scheme to the extent that it conflicts with them.

(2) A "specified provision" is a provision of regulations under this Schedule specified in regulations made under sub-paragraph (1).

Other provision relating to regulations under this Schedule

7. The Department may by regulations amend or otherwise modify any statutory provision (whenever passed or made) in connection with any provision made by regulations under the preceding provisions of this Schedule.

8. Before making any regulations under this Schedule, the Department must consult such persons as it considers appropriate, but that duty to consult does not apply to regulations making only provision corresponding to provision contained in regulations made by the Secretary of State in relation to Great Britain.

Amendments

9.—(1) The Pension Schemes Act is amended as follows.

(2) In section 90(2A) (right to cash equivalent)—

(a) in paragraph (a), after sub-paragraph (viii) (inserted by Schedule 17) insert—

"(ix) regulations made under Schedule 18 to the Pensions Act (Northern Ireland) 2014;";

(b) in paragraph (b), after sub-paragraph (vi) (inserted by Schedule 17) insert—

"(vii) regulations made under paragraph 6 of Schedule 18 to the Pensions Act (Northern Ireland) 2014.".

(3) In section 97AI(7) (rights to cash transfer sum and contribution refund: further provisions)—

(a) in paragraph (a), after sub-paragraph (viii) (inserted by Schedule 17) insert—

"(ix) regulations made under Schedule 18 to the Pensions Act (Northern Ireland) 2014;";

(b) in paragraph (b), after sub-paragraph (vi) (inserted by Schedule 17) insert—

"(vii) regulations made under paragraph 6 of Schedule 18 to the Pensions Act (Northern Ireland) 2014.".

10. In Article 233 of the 2005 Order (no indemnification for fines or civil penalties), in paragraph (1)(b), after "or paragraph 10 of Schedule 17 to the Pensions Act (Northern Ireland) 2014" (inserted by Schedule 17) insert "or paragraph 3 of Schedule 18 to that Act.".

11.—(1) Section 16 of the Pensions (No. 2) Act (automatic enrolment: qualifying schemes) is amended as follows.

(2) In subsection (3), omit paragraphs (a), (aa) and (ab).

(3) After subsection (3) insert—

"(3A) See also paragraphs 1(4) and 2(4) of Schedule 18 to the Pensions Act (Northern Ireland) 2014, which confer power to make regulations providing for a scheme not to be a qualifying scheme in relation to a jobholder in certain circumstances.".

(4) Omit subsections (4) and (5).

12. In consequence of the amendments made by paragraph 11, section 11 of the Pensions Act (Northern Ireland) 2012 (qualifying schemes: administration charges) is repealed.

SCHEDULE 19

Section 45

PROHIBITION ORDERS: CONSEQUENTIAL AMENDMENTS

The Pensions (Northern Ireland) Order 1995 (NI 22)

1. The 1995 Order is amended as follows.

2. In Article 6 (removal or suspension of trustees: consequences)—

(a) in paragraphs (1) and (3), after "Article 3" insert "or 3A";

(b) in paragraph (4), after "Article 3" insert ", 3A".

3. In Article 7 (appointment of trustees), in paragraph (1), after "Article 3," insert "by Article 3A".

4. In Article 9 (removal and appointment of trustees: property), after "a trustee" insert "or a trustee is removed under Article 3A".

The Pensions (Northern Ireland) Order 2005 (NI 1)

5. The 2005 Order is amended as follows.

6. In Article 7 (functions exercisable by the Determinations Panel), in paragraph (6), after sub-paragraph (e) insert—

"(ea) Article 3A(3) of that Order (application for waiver of prohibition);".

7. In Article 61 (register of prohibited trustees), in paragraph (1), for the words from "of all" to the end substitute "("the prohibition register") of—

(a) all persons who are prohibited under Article 3 of the 1995 Order, and

(b) all persons appearing to the Regulator to be prohibited under Article 3A of that Order.".

8. In Article 91 (Pensions Regulator's regulatory functions: standard procedure), in paragraph (6), after sub-paragraph (i) insert—

"(ia) the power under Article 3A(3) of that Order to give a notice waiving a prohibition;".

9. In Article 92 (Pensions Regulator's regulatory functions: special procedure), in paragraph (5), after sub-paragraph (j) insert—

"(ja) the power under Article 3A(3) of that Order to give a notice waiving a prohibition;".

10.—(1) Schedule 2 (Pensions Regulator's reserved regulatory functions) is amended as follows.

(2) After paragraph 5 insert—

"5A. The power under Article 3A(3) to give a notice waiving a prohibition.".

(3) In paragraph 9(a), after "orders)" insert "or by Article 3A".

SCHEDULE 20

Section 48

PENSION PROTECTION FUND: INCREASED COMPENSATION CAP FOR LONG SERVICE

PART 1

THE NEW COMPENSATION CAP

1. Schedule 6 to the 2005 Order (pension compensation provisions) is amended as follows.

2. In paragraph 26 (the compensation cap), for the definition of "the compensation cap" in sub-paragraph (7) substitute—

""the compensation cap" has the meaning given by paragraph 26A;".

3. After paragraph 26 insert—

"26A.—(1) This paragraph gives the meaning of "the compensation cap" for the purposes of paragraph 26.

(2) The amount of the compensation cap for a person depends on the person's age and length of pensionable service at the time when the person first becomes entitled to the relevant compensation.

(3) "The compensation cap" for a person who has 20 or fewer years of pensionable service at that time is the standard amount.

(4) "The compensation cap" for a person who has more than 20 years of pensionable service at that time is—

(a) the standard amount, plus

(b) for each additional year, an amount found by multiplying the standard amount by 3%.

(5) A person has an "additional year" for each whole year of pensionable service that exceeds 20 years of pensionable service.

(6) If the total amount calculated under sub-paragraph (4)(b) would exceed the standard amount, it is to be treated as being equal to the standard amount.

(7) In sub-paragraphs (3) and (4) "the standard amount"—

(a) for a person who is 65 years old at the relevant time, means the amount specified by the Department by order, and

(b) for a person of any other age at the relevant time, means the amount specified under paragraph (a) as adjusted in accordance with actuarial adjustment factors published by the Board.

(8) A person credited with a length of notional pensionable service because of pension credit rights is to be treated for the purposes of this paragraph as having pensionable service of that length (in addition to any pensionable service that the person is treated as having under sub-paragraph (9)).

(9) In any case where the Board is satisfied that, under the admissible rules, a person is entitled to benefits that are not attributable to a particular period of pensionable service, the Board may for the purposes of this paragraph treat the person as having a length of pensionable service to reflect those benefits (which is in addition to any other pensionable service that the person has).

(10) In any case where the Board is satisfied that it is not possible to identify the length of some or all of a person's pensionable service under the admissible rules, the Board may, having regard to those rules, determine its length for the purposes of this paragraph.

(11) Where a person becomes entitled to relevant compensation in respect of benefits under two or more connected occupational pension schemes at the same time, this paragraph applies in relation to the relevant compensation in respect of each benefit as if—

(a) a reference to the length of the person's pensionable service were a reference to the total length of the person's pensionable service under all of the schemes (counting any period of overlap once only), and

(b) sub-paragraphs (9) and (10) apply for the purposes of working out the length of the person's pensionable service in respect of each scheme as if a reference to the admissible rules were to the admissible rules of that scheme.

(12) When applying this paragraph in relation to relevant compensation in respect of a benefit, ignore any pensionable service that relates to a benefit that is not from the same source.

(13) For the purposes of sub-paragraph (12)—

(a) benefits attributable to a person's pensionable service under a scheme are from the same source as benefits attributable to the person's pensionable service under that or a connected occupational pension scheme,

(b) benefits under a scheme which are attributable to a pension credit from a transferor are from the same source as benefits under that or a connected occupational pension scheme which are attributable to a pension credit from the same transferor, and

(c) benefits are not otherwise from the same source.

(14) Expressions used in this paragraph have the same meaning as in paragraph 26.".

4. In paragraph 24(2), at the end insert "of the periodic compensation at that time".

5. In paragraph 26(9), after "this paragraph" insert "and paragraph 26A".

6. In paragraph 27 (increasing the compensation cap in line with earnings), for "paragraph 26(7)" substitute "paragraph 26A(7)".

7. In paragraph 18(2) of Schedule 4 to the Pensions (No. 2) Act, for "the compensation cap" to the end substitute "a modified version of the compensation cap in paragraph 26A of Schedule 6 to the 2005 Order.".

PART 2

EFFECT OF CHANGE IN TRANSITIONAL CASES

Recalculation of periodic compensation going forwards

8.—(1) This paragraph applies in relation to a person if—

(a) the person is entitled to periodic compensation under paragraph 3, 11 or 15 of Schedule 6 to the 2005 Order,

(b) the compensation is restricted in accordance with paragraph 26 of that Schedule (compensation cap), and

(c) the person first became entitled to the compensation before the commencement date.

(2) The protected pension rate for the person is to be recalculated as if the amendments made by Part 1 had always been in operation and the recalculated protected pension rate has effect for the person as from the commencement date.

(3) For the purposes of that recalculation, paragraph 26A(7) of Schedule 6 to the 2005 Order (inserted by Part 1) has effect as if—

(a) the references to an order made by the Department were references to the relevant old order, and

(b) the reference to actuarial adjustment factors were a reference to the relevant old actuarial adjustment factors.

(4) In this paragraph—

"the protected pension rate"—

(a) for a person entitled to periodic compensation under paragraph 3 or 15 of Schedule 6 to the 2005 Order means the protected pension rate for the purposes of sub-paragraph (3)(a) of that paragraph;

(b) for a person entitled to periodic compensation under paragraph 11 of that Schedule, means the protected notional pension for the purposes of sub-paragraph (3)(a) of that paragraph;

"the relevant old order" means the order in operation under paragraph 26(7) of Schedule 6 to the 2005 Order (as originally enacted) at the time when the person first became entitled to the periodic compensation;

"the relevant old actuarial adjustment factors" means the actuarial adjustment factors published by the Board under paragraph 26(7) of Schedule 6 to the 2005 Order (as originally enacted) at the time when the person first became entitled to the periodic compensation.

(5) Nothing in this paragraph affects increases already accrued under paragraph 28 of Schedule 6 to the 2005 Order in relation to periods before the commencement date.

New cap does not generally affect old payments

9.—(1) Nothing in this Schedule affects—

(a) periodic compensation for a person for periods before the commencement date, or

(b) lump sum compensation for a person who became entitled to the compensation before the commencement date.

(2) In this paragraph—

"periodic compensation" means compensation within paragraph 26(4)(a), (b) or (d) of Schedule 6 to the 2005 Order,

"lump sum compensation" means compensation within paragraph 26(4)(c) or (e) of that Schedule.

Survivors' compensation

10. When working out the annual rate of a person's periodic compensation under paragraph 4(3), 13(3) or 18(3) of Schedule 6 to the 2005 Order, take into account any effect that paragraph 8 would have had on the dead person's rate if it were not for the death.

Cases involving early payment or postponement of compensation

11. Nothing in this Schedule affects the amount of—

(a) an actuarial reduction under paragraph 25 of Schedule 6 to the 2005 Order in a case where a person became entitled to periodic compensation or lump sum compensation before the commencement date, or

(b) an actuarial increase under paragraph 25A of that Schedule in a case where the commencement of periodic compensation or the payment of lump sum compensation was postponed before the commencement date (even if it continues to be postponed on or after that date).

Recalculation of terminal illness lump sums given in the past year

12.—(1) This paragraph applies in relation to a person who is alive on the commencement date if—

(a) the person has become entitled to a terminal illness lump sum under paragraph 25E of Schedule 6 to the 2005 Order at any time in the period of one year ending with the commencement date, and

(b) the amount of the terminal illness lump sum was restricted in accordance with paragraph 26 of that Schedule (compensation cap).

(2) The terminal illness lump sum for the person is to be recalculated under Schedule 6 to the 2005 Order as if the amendments made by Part 1 of this Schedule had been in operation at the time that the person became entitled to it.

(3) For the purposes of that recalculation, paragraph 26A(7) of Schedule 6 to the 2005 Order (inserted by Part 1) has effect as if—

(a) the references to an order made by the Department were references to the relevant old order, and

(b) the reference to actuarial adjustment factors were a reference to the relevant old actuarial adjustment factors.

(4) In sub-paragraph (3)—

“the relevant old order” means the order in operation under paragraph 26(7) of Schedule 6 to the 2005 Order (as originally enacted) at the time when the person became entitled to the terminal illness lump sum;

“the relevant old actuarial adjustment factors” means the actuarial adjustment factors published by the Board under paragraph 26(7) of Schedule 6 to the 2005 Order (as originally enacted) at the time when the person became entitled to the terminal illness lump sum.

Meaning of “the pension compensation provisions” in Part 3 of the 2005 Order

13. Article 146(2) of the 2005 Order is to be treated as including a reference to this Part among “the pension compensation provisions”.

PART 3

SCHEMES UNDERGOING ASSESSMENT OR WINDING UP ON THE COMMENCEMENT DATE

Schemes undergoing assessment on the commencement date

14.—(1) This paragraph applies in relation to an eligible scheme that is undergoing assessment on the commencement date.

Continue to use the old cap as the basis of assessment

(2) For the purposes of the following, ignore any effect that this Schedule has on the compensation which would be payable if the Board assumed responsibility for the scheme in accordance with Chapter 3 of Part 3 of the 2005 Order—

(a) any provision in which the definition of "protected liabilities" in Article 115 of that Order applies, and

(b) any provision in which the definition of "protected benefits quotation" in Article 135(8) of that Order applies.

Going forwards, pay pensions on the basis of the new cap

(3) For the purposes of Article 122(2) of the 2005 Order take into account any effect that this Schedule has on the compensation which would be payable if the Board assumed responsibility for the scheme in accordance with Chapter 3 of Part 3 of that Order on the assessment date.

Schemes that begin winding up before the commencement date

15.—(1) This paragraph applies in relation to an eligible scheme that is being wound up if the winding up began (or is treated as having begun) before the commencement date.

Use the old cap when working out the preferential liabilities (generally)

(2) For the purposes of Articles 73 and 73A of the 1995 Order, ignore any effect that this Schedule has on the compensation which would be payable if the Board assumed responsibility for the scheme in accordance with Chapter 3 of Part 3 of the 2005 Order.

Going forwards, pay pensions on the basis of the new cap during assessment

(3) If for any period the scheme is being wound up and is also undergoing assessment ("the overlap period"), sub-paragraph (4) applies.

(4) For the purposes of Article 73A of the 1995 Order as it applies in relation to the overlap period, take into account any effect that this Schedule has on the compensation which would be payable if the Board assumed responsibility for the scheme in accordance with Chapter 3 of Part 3 of the 2005 Order.

Meaning of "undergoing assessment"

16. For the purposes of this Part of this Schedule an eligible scheme is "undergoing assessment" if an assessment period has begun in relation to the scheme but has not yet ended.

Meaning of "eligible scheme"

17. Article 110(4) of the 2005 Order (list of provisions in relation to which regulations may provide that a scheme remains an "eligible scheme") is to be treated as including a reference to this Part of this Schedule.

PART 4

INTERPRETATION AND POWER TO MAKE FURTHER TRANSITIONAL PROVISION

Interpretation

18. In this Schedule "the commencement date" means the date on which it comes fully into operation.

19. Other expressions used in this Schedule have the same meaning as in Part 3 of the 2005 Order.

Further transitional provision

20. The inclusion of Parts 2 and 3 does not prevent transitional provision being made by order under section 53(5).

21.—(1) In relation to a case involving multiple benefits, transitional provision made by order under section 53(5) may, in particular—

(a) disapply or modify any provision of this Schedule;

(b) make provision similar to any provision of this Schedule.

(2) For these purposes, "a case involving multiple benefits" means a case mentioned in paragraph 26(9) of Schedule 6 to the 2005 Order.

22.—(1) Transitional provision made by order under section 53(5) may, in particular, make provision in relation to compensation payable under Chapter 1 of Part 3 of the Pensions (No. 2) Act (compensation sharing on divorce etc) that is similar to any provision of Part 2 of this Schedule.

(2) Regulations under paragraph 18 of Schedule 4 to the Pensions (No. 2) Act which restrict an amount payable to a person in any period by reference to a modified version of the compensation cap in paragraph 26A of Schedule 6 to the 2005 Order (inserted by Part 1 of this Schedule) may also make provision similar to any provision of Part 3 of this Schedule.

SSA Briefing Paper

Annex B

An Agency of the Department for Social Development

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SOCIAL SECURITY AGENCY

From the Chief Executive
Thomas O'Reilly

Dr Kevin Pelan
Clerk, Committee for Social Development
Room 412
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08 December 2014

Dear Kevin,

The Department is scheduled to brief the Committee on 9 December 2014 on the planned communication and engagement activities in relation to State Pension reform.

In order to assist the Committee I have attached a briefing paper at Annex A which provides an overview of the communications activities that are planned to support the changes relating to the new State Pension and the Voluntary National Insurance Contributions Class 3A (State Pension Top-Up Scheme).

The following officials will brief the Committee:

Mickey Kelly (Assistant Director of Pensions, Disability and Carers Services);

Damian Mahon (State Pension Reforms Project Manager); and

Lisa Hamilton-Sturdy (Senior Communications and Engagement Manager).

I hope you find this information helpful.

Yours sincerely

Tommy O'Reilly

Annex A

Purpose

1. This paper provides the Social Development Committee with an overview of the communications activities that the Social Security Agency is planning to ensure successful engagement with stakeholders and to support the successful delivery of changes to the State Pensions system in Northern Ireland.

Background

2. The Northern Ireland Pensions Bill will introduce amendments relating to:

- the introduction of a new State Pension and consequential matters;
- an option to boost Additional State Pension under the current scheme by the purchase of Class 3A Voluntary National Insurance Contributions;
- the accelerated timetable to increase State Pension age to 67;
- the introduction of the Bereavement Support Payment.

3. Similar to Great Britain it is proposed that the new State Pension system will be introduced in Northern Ireland from 6 April 2016. The new State Pension system will replace the current State Pension system which comprises of the Basic State Pension, Additional State Pension and Graduated Retirement Benefit, with a single component flat-rate pension. The aim is to introduce a flat rate State Pension set above the rate of means-tested support so that it provides a simpler and fairer State Pension system, which will better support citizens whilst remaining sustainable for future generations.

4. Communication and engagement activities are required to successfully engage with stakeholders, both internal and external, and to support the successful delivery of changes to the State Pension system in Northern Ireland. This briefing focuses on the activities required to successfully engage with external stakeholders.

5. The Social Security Agency works closely with the Department of Work and Pensions Policy and Communication teams to ensure that staff, stakeholders and customers receive timely and accurate messages regarding the planned changes.

Objectives

6. A comprehensive communications and engagement strategy has been developed which aims to ensure that future and current pensioners know what to expect from the State Pension system to support them in planning for their retirement.

7. The objectives of our communications activities are:

- to raise awareness and understanding of the changes to the State Pension system and how these affect current and future pensioners in Northern Ireland by April 2016;
- to raise awareness of the changes to the State Pension Statements service offering by October 2015;
- to engage stakeholders to ensure consistent messages regarding changes to State Pensions system are communicated to current and future pensioners in Northern Ireland.
- to ensure staff are informed, engaged and equipped to deal with public enquiries on all aspects of the changes to the State Pensions system.

Target Audiences

8. Due to the scale and breadth of the target audiences it is necessary to segment several of the audiences we need to communicate with. The impact of the changes to the State Pension system varies considerably depending on the audience; therefore it will also be necessary to

tailor each of the message to suit these audiences using appropriate language, messaging and calls to action

Key Messages

9. The primary message is:

- the State Pension is changing from 6 April 2016, making it easier for people to see how much money they will get on retirement allowing them to plan for their future.

10. There are a number of key messages to communicate on the changes to the State Pension system, not all of which will be applicable to all target audiences. These include:

- The new State Pension from 6th April 2016 will replace the combined basic State Pension and additional State Pension making it easier to understand how much State Pension people will receive on retirement. This means people will have a clearer idea of how much State Pension they will receive and, if they want, save in other ways for their retirement. For example, people might contribute to a pension at work or might decide to work past State Pension age.
- The new State Pension only applies to future pensioners. Those reaching State Pension age before the introduction of the new State Pension on 6th April 2016 will remain on the current State Pension system.
- The State Pension is not means tested. If you have a workplace or private pension or if you have savings and investments you are still eligible for a State Pension. Any private arrangements you have will not affect your State Pension
- You can claim State Pension when you reach State Pension age. Your State Pension age is determined by your date of birth. To find out your State Pension age, you can access the State Pension age calculator via NI Direct.
- The amount of State Pension will depend on your National Insurance contributions.
- Your National Insurance Contributions or Credits record will continue to fund your new State Pension the same as they do in the current State Pension system. Whether you are employed, self-employed, caring or on benefits, it all counts towards your National Insurance record.
- The new State Pension brings self employed people fully into the State Pension system, treating National Insurance Contributions of the self employed in the same way as employee contributions for State Pension purposes.
- The number of years of National Insurance Contributions required for full State Pension is increasing from 30 to 35 years. However, there is a Minimum Qualifying Period of at least ten years of National Insurance Contributions/Credits.
- National Insurance Contributions / Credits made prior to 6th April 2016 will be recognised in the new system, provided that the Minimum Qualifying Period is satisfied.
- The new State Pension is based on an individual’s own National Insurance Contributions and not on their spouse or civil partner.
- If you reach State Pension age before 6th April 2016, you may be able to add to your Additional State Pension by purchasing new Voluntary National Insurance Contributions Class 3A (State Pension Top-Up Scheme).

Engagement with External Stakeholders

11. The proposed changes to the State Pension system are a matter of interest to many different people and there will therefore be a wide ranging stakeholder audience from a variety of different sectors. To date engagement with external stakeholders has been limited and will remain so until the Northern Ireland Bill has reached an appropriate stage in its legislative passage. Information has been made available on the proposed changes on NI Direct but this information has been caveated (as below) to reflect that the Northern Ireland Pensions Bill is currently progressing through its legislative path:

Great Britain changed the law to introduce a new State Pension for men and women who will reach State Pension age on or after 6 April 2016. The changes to State Pension are not yet law in Northern Ireland. If the Northern Ireland Assembly passes similar legislation, these changes will be made in Northern Ireland.

12. Once the views of the Northern Ireland Assembly are clear we will step up communications with external stakeholders. It is intended to create an external Stakeholder Forum or Customer Representative Group (CRG). This has proven to be a successful approach with other changes such as the proposed introduction of Personal Independence Payment. Sessions will be used to inform members on expected changes to the State Pension system and to gather knowledge on the best channel mix to communicate information to target audiences and other feedback

13. It is also planned to make further information available on NI Direct in relation to the proposed changes to the State Pension system and the existing caveat will be removed when appropriate.

14. The Agency intends to run a campaign (to include advertising, PR and internal communications) to ensure awareness and understanding of the proposed changes. At this stage we are planning a multi channel advertising campaign which may include television, radio, online, outdoor and print advertising. The main call to action for any such advertising campaign will be to access further information on NI Direct.

15. The key messages for any future advertising campaign are:

- The State Pension is changing from 6th April 2016, making it easier for people to see how much money they will get on retirement allowing them to plan for their future.
- The new State Pension only applies to future pensioners. Those reaching State Pension age before the introduction of the new State Pension on 6th April 2016 will remain on the current State Pension system.
- The introduction of the new State Pension is about making it easier for you to understand, at a much younger age, how much you will receive on retirement so you can plan better for the future.

16. Given the scale of the proposed changes and the number of people in Northern Ireland who may be impacted it is important that we communicate and engage with external stakeholders as soon as possible.

Conclusion

17. The Committee is invited to note the contents of this briefing.

Appendix 6

List of Witnesses

List of Witnesses

Mr Seamus Cassidy	Department for Social Development
Ms Rosemary Hughes	Department for Social Development
Mr Gerry McCann	Department for Social Development
Ms Anne McCleary	Department for Social Development
Ms Lisa Hamilton-Sturdy	Social Security Agency
Mr Mickey Kelly	Social Security Agency
Mr Damian Mahon	Social Security Agency
Ms Alison Penny	Childhood Bereavement Network
Ms Anne Townsend	Cruse Bereavement Care
Ms Emer Boyle	Commissioner for Older People for Northern Ireland
Ms Claire Keatinge	Commissioner for Older People for Northern Ireland
Mr John O'Farrell	Northern Ireland Committee, Irish Congress of Trade Unions
Mr Bumper Graham	Northern Ireland Public Service Alliance

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