EXPLANATORY MEMORANDUM TO

THE PENSIONS INCREASE (MODIFICATION) REGULATIONS (NORTHERN IRELAND) 2017

2017 No.63

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department of Finance to accompany the above named statutory rule which is laid before the Northern Ireland Assembly.

1.2 The regulations are made under section 5 of the Pensions Increase Act (Northern Ireland) 1971. They are subject to the negative resolution procedure.

1.3 The regulations are due to come into operation on 9 April 2017.

2. Purpose

2.1 These regulations modify the provisions of Article 69 of the Social Security Pensions (Northern Ireland) Order 1975 by re-defining the "base period" used to determine the full or proportionate increase to be applied to a pension eligible for increase from 10 April 2017. This will enable public service pensions beginning before 10 April 2017 to be uprated by the full amount of the increase provided for in the Pensions Increase (Review) Order (Northern Ireland) 2017 and pensions which came into payment on or after 11 April 2016 to receive the correct proportionate increase.

2.2 Although the Pensions Increase (Modification) Regulations (Northern Ireland) 2017 do not come into operation until 9 April 2017, it is the Department's view that any delay in the making of this legislation, caused by the current political uncertainty, would be detrimental to public service pensioners. The Department's view is that the Pensions Increase (Modification) Regulations (Northern Ireland) 2017 is routine legislation which is not contentious and should continue to be progressed in the usual way as part of normal departmental business.

3. Background

3.1 Public service pensions in payment, preserved pensions and preserved lump sums are reviewed annually to take account of increases in the cost of living. The level of increase, where appropriate, is equal to the percentage specified by the Department for Communities for the increase of state pensions in the annual direction made under section 132 of the Social Security Administration (Northern Ireland) Act 1992.

3.2 Where the increases have begun within the last year they are increased by a proportionate amount. The pro-rata calculation applies to pensions which began during the "base-period". This is defined in Article 69(7) of the Social Security Pensions (Northern Ireland) Order 1975 as "the period ending with the coming into force of that direction and beginning with the coming into force of the last previous such direction". The direction referred to is that made by the Department of Finance under section 132 of the Social Security Administration (Northern Ireland) Act 1992.

3.3 In 2016 no such direction was made, so under the definition of the "base period" for pro-rata calculations without modification the pro-rate increase in public service pension payments would be based on a factor of 1/24th not 1/12th and the period would extend back to the direction made in 2015. This would mean all pensions coming into payment during that period would receive a smaller increase than would usually be expected. These regulations modify the definition of base period in relation to the direction coming into force on 10 April 2017 only, to specify that it begins on 11 April 2016. The pro-rata increase will therefore only apply to those pensions coming into payment during the year before the 2017 direction, and be based on a factor of 1/12th. This accords with the intention of the (Northern Ireland) 1975 Order.

4. Matters of special interest to the Committee for Finance and Personnel

4.1 None

5. Consultation

5.1 The provisions of Section 5 of the Pensions (Increase) Act (Northern Ireland) 1971, under which the regulations are made, do not require that the Department carry out formal consultations prior to their introduction.

6. Position in Great Britain

6.1 HM Treasury proposes to introduce equivalent regulations to provide for the necessary modification in respect of pensions increases applying to public service pensions in Great Britain.

7. Equality Impact

7.1 An Equality Screening exercise is not considered necessary since the policy of increasing public sector pensions on an annual basis has been in existence since 1971. The annual increase is payable to all qualifying recipients of a public sector pension and therefore the introduction of the legislation will not differentially impact adversely on any of the groups identified at section 75 of the NI Act 1998.

8. Regulatory Impact

8.1 The regulations facilitate the increase of public sector pensions by a percentage amount predetermined by rises in the Consumer Prices Index and impose no costs on business, charities, social economy enterprises or the voluntary Sector. A Regulatory Impact Assessment is not considered necessary.

9. Financial Implications

9.1 The increase in the rate of pension payable to pensioners across public service pension schemes, in line with the rise in the Consumer Prices Index.

10. EU implications

10.1 None.

11. Section 24 of the Northern Ireland Act

11.1 It is the view of the Department that the Order is compatible with section 24 of the NI Act 1998.