EXPLANATORY MEMORANDUM TO

PENSIONS INCREASE (REVIEW) ORDER (NORTHERN IRELAND) 2012

2012 No. 137

1. Introduction

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

1.2 The statutory rule is made under Articles 69 and 69A of the Social Security Pensions (Northern Ireland) Order 1975. It is not subject to Assembly resolution procedures.

1.3 The rule is due to come into operation on 9 April 2012.

2. Purpose

2.1 The rule provides for the annual increase in public service pensions in Northern Ireland. All pensions in payment prior to 25 April 2011 will increase by 5.2% from 9 April 2012. Pensions which came into payment on or after 25 April 2011 will be increased pro-rata.

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 of Social Development 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 The Government announced in its Budget statement on 22 June 2010 that from April 2011 increases in pensions will be based on the rise in the Consumer Prices Index in the 12 months to September of the previous year and not the rise in the Retail Prices Index as had been the case in the past. Since 1987 the increase of public service pensions has taken effect from the first Monday of the tax year.

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

4.1 None

5. Consultation

5.1 The provisions of Articles 69 and 69A of the Social Security Pensions (Northern Ireland) Order 1975 under which the statutory rule is made do not require that the Department carry out formal consultations prior to its introduction.

6. Position in Great Britain

6.1 HM Treasury has introduced the Pensions Increase (Review) Order 2012 to provide for the increase in 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 rule increases public sector pensions by a percentage amount predetermined by rises in the Consumer Prices Index and imposes 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