EXPLANATORY MEMORANDUM

THE SOCIAL SECURITY REVALUATION OF EARNINGS FACTORS ORDER (NORTHERN IRELAND) 2010

S.R. 2010 No. 97

1. Introduction

1.1 This Explanatory Memorandum has been prepared by the Department for Social Development ("the Department") to accompany the above Statutory Rule which is laid before the Northern Ireland Assembly.

1.2 The Statutory Rule is made under sections 130 and 165(1), (4) and (5) of the Social Security Administration (Northern Ireland) Act 1992 and is subject to the negative resolution procedure.

2. Purpose

2.1 The Social Security Revaluation of Earnings Factors Order (Northern Ireland) 2010 provides that the earnings factors relevant to the calculation of the Additional Pension and the corresponding Guaranteed Minimum Pensions of contracted-out occupational pension schemes, are to be increased by a specified percentage to ensure they maintain their value in relation to earnings.

2.2 Article 2 provides for earnings factors for each tax year to be increased by the appropriate percentage shown in the Schedule to the Order and Article 3 provides for the rounding of any fraction of a pound. The Schedule shows the percentage increase for earnings factors for the tax year 2009-2010 as well as that for each tax year from 1978/79.

3. Background

3.1 Earnings factors are used to calculate the level of Additional Pension (State Earnings-Related Pension Scheme and State Second Pension) and corresponding Guaranteed Minimum Pensions accrued in respect of pre-1997 membership of a contracted-out occupational pension scheme. They derive from the earnings on which National Insurance contributions are paid and are used to determine entitlement to contributory benefits.

3.2 Section 148 of the Social Security Administration Act 1992 provides for the Secretary of State for Work and Pensions to review changes in the general level of earnings annually to ensure that earnings factors since 1978/79 maintain their value. The Secretary of State is then required to make an Order directing that earnings factors be increased by the relevant percentages to keep pace with the rise in earnings. Earnings factors for earlier tax years are also re-valued at 2009-2010 earnings levels. Where such an Order is made, section 130 of the Social Security Administration

(Northern Ireland) Act 1992 provides that the Department may make a corresponding Order.

3.3 The earnings figures used are those in the Office of National Statistics' September whole economy (non-seasonally adjusted) index. The percentage increase for 2009-2010 is 1.2 per cent.

4. Consultation

There is no requirement to consult on the proposals in this Order.

5. Equality Impact

In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on the proposal and has concluded that it does not have any implications for equality of opportunity. The Order discharges the Department's duty to revalue earnings factors in line with the increase in Britain.

6. Regulatory Impact

The Order does not require a Regulatory Impact Assessment as it does not impose a cost on business, charities, social enterprise or voluntary bodies.

7. Financial Implications

None.

8. Section 24 of the Northern Ireland Act 1998

The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied the Rule is not incompatible with any of the Convention rights, is not incompatible with Community law, does not discriminate against a person or class of person on the ground of religious belief or political opinion, and does not modify an enactment in breach of section 7 of the Northern Ireland Act 1998.

9. EU Implications

Not applicable.

10. Parity or Replicatory Measure

The provisions come into operation on 6th April 2010 at the same time as the corresponding Great Britain provisions. Parity of timing and substance is an integral part of the maintenance of single systems of social security, pensions and child support provided for in section 87 of the Northern Ireland Act 1998.