EXPLANATORY MEMORANDUM

THE SOCIAL SECURITY REVALUATION OF EARNINGS FACTORS ORDER (NORTHERN IRELAND) 2014

S.R. 2014 No. 49

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

The Social Security Revaluation of Earnings Factors Order (Northern Ireland) 2014 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 for the tax years since 1978/79 by a specified percentage. This ensures that they maintain their value in relation to the general level of earnings. The percentage is also used for revaluing state scheme pension credits and debits which are used for the purposes of pension sharing on divorce etc. The Order comes into operation on 6th April 2014.

3. Background

3.1 Earnings Factors derive from the earnings on which National Insurance contributions are paid or treated as paid and are used to determine entitlement to all contributory benefits. In particular, 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.

3.2 Section 148 of the Social Security Administration Act 1992 provides for earnings factors for past years to be brought up to date by up-rating them by increases in the level of earnings recorded since that time. Under that section, the Secretary of State for Work and Pensions is required to review changes in the general level of earnings annually to ensure that all earnings factors since 1978/79 (when additional pension was introduced) 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.

3.3 The percentage increase for the tax year 2013-2014 is 0.9 per cent based on the Office for National Statistics' Weekly Average Earnings statistic. The earnings factors for earlier tax years are also re-valued at 2013-2014 earnings levels. The percentage increases are shown in the table in the Annex. Where the Secretary of State makes an Order in respect of Great Britain, the Department may make a corresponding Order in respect of Northern Ireland. It has no power to set a different increase for Northern Ireland.

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 merely discharges the Department's duty to revalue earnings factors in line with the revaluation in Great Britain and does not alter policy.

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 corresponding Great Britain Order will come into force on 6 April 2014. The Northern Ireland Order should be made as soon as possible after the Great Britain Order and come into operation on the same date. Parity of timing and substance is an integral part of the maintenance of

single systems of social security, child support and pensions provided for in section 87 of the Northern Ireland Act 1998.