

## **EXPLANATORY MEMORANDUM**

### **THE SOCIAL SECURITY PENSIONS (FLAT RATE ACCRUAL AMOUNT) ORDER (NORTHERN IRELAND) 2012**

**S.R. 2012 No. 89**

#### **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 section 130AA of the Social Security Administration (Northern Ireland) Act 1992 and is subject to the negative resolution procedure.

#### **2. Purpose**

The Social Security Pensions (Flat Rate Accrual Amount) Order (Northern Ireland) 2012 directs that the flat rate accrual amount for the tax year beginning 6th April 2012, and subsequent tax years shall be £88.40. The Order comes into operation on 6th April 2012.

#### **3. Background**

- 3.1 The flat rate accrual amount, a new statutory threshold for calculating additional State Pension (formerly called the State Earnings Related Pension Scheme, now the State Second Pension) entitlement, to be increased in line with the rise in national average earnings, is a flat rate cash amount of additional pension which applies to accruals in the first earnings band under Schedule 4B to the Social Security Contributions and Benefits (Northern Ireland) Act 1992. This method of calculation of additional pension applies from the flat rate introduction year, which is the tax year beginning 6th April 2012.
- 3.2 The Order corresponds to an Order made by the Secretary of State for Work and Pensions, following a review of the general level of earnings in Britain with a view to determining whether, and if so how much, the general level of earnings has increased during the period from 1st October 2004 to 30th September 2011.
- 3.3 As a result of that review, the Secretary of State concluded that the general level of earnings during that period has increased by 21.9% making the annual flat rate accrual amount for 2012/13 £88.74 which equates to around £1.71 a week. The policy intention is that for simplicity the flat rate accrual amount should be an exact multiple of 5p to avoid the weekly equivalent being expressed as an odd penny. The Secretary of State has flexibility to round the revalued annual flat rate accrual amount up or down to such extent as he considers appropriate but the rules specify that

weekly additional pension in payment is rounded to the nearest penny. In order to achieve a weekly flat rate accrual amount of £1.70, an annual amount of £88.40 is to be provided.

#### **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 increase the low earnings threshold in line with the increase set for Great Britain. It 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 provisions come into operation on 6th April 2012 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.