

EXPLANATORY MEMORANDUM TO
THE STATE PENSION REVALUATION FOR TRANSITIONAL PENSIONS
ORDER (NORTHERN IRELAND) 2016

S.R. 2016 No. 419

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department for Communities to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2 The Statutory Rule is made under the powers conferred by sections 130AC and 165(1) and (4) of the Social Security Administration (Northern Ireland) Act 1992 (“the Administration Act”) and is subject to the negative resolution procedure before the Assembly.

2. Purpose

- 2.1 The Pensions Act (Northern Ireland) 2015 (“the 2015 Act”) introduced a new state pension for people reaching state pension age on or after 6 April 2016. This Order specifies the percentage that will be used to revalue “protected payments” for individuals reaching state pension age on or after 10 April 2017. A person has a protected payment if their “starting amount” – the part of their new state pension based on their pre-6 April 2016 contribution record – exceeded the full rate of new state pension as at 6 April 2016. The protected payment is the amount of the excess.
- 2.2 Where the starting amount exceeds the full rate, paragraph 6(5) of Schedule 1 to the 2015 Act provides that the amount of the excess (i.e. the protected payment) is to be revalued by the percentage specified in the last Order made under section 130AC of the Administration Act to come into operation before the individual reaches state pension age.

3. Background

- 3.1 The Pensions Act 2014 (“the 2014 Act”) inserted new section 148AC into the Social Security Administration Act 1992 (“the 1992 Act”). Section 148AC is part of the legislative framework providing for the revaluation of the “starting amount” in a new state pension award in the interval before an individual reaches state pension age.
- 3.2 Section 148AC requires the Secretary of State to review the general level of prices in each tax year, and if they have increased since 6 April 2016, to make an Order specifying the percentage of the increase. Section 130AC of the Administration Act provides that where the Secretary of State makes such an Order, the Department may

make a corresponding Order for Northern Ireland. The Department has no power to set an alternative rate for Northern Ireland.

- 3.3 This is the first year for a revaluation Order to be made under new section 148AC of the 1992 Act and the corresponding new section 130AC of the Administration Act. The Order will apply for the purposes of calculating entitlement to a new state pension for people reaching state pension age on or after 10 April 2017. It will come into operation on 9 April 2017, except in respect of people who claim their state pension in advance of state pension age where it will come into operation on 22 December 2016.
- 3.4 Where an individual reaching state pension age on or after 6 April 2016 has paid or been credited with National Insurance contributions for the period prior to 6 April 2016, their new state pension will be at the transitional rate. In the calculation of the transitional rate, as set out in Schedule 1 to the 2015 Act, those pre-6 April 2016 contributions are recognised in the form of an amount known as a “starting amount”.
- 3.5 The starting amount is the higher of the weekly rates of the individual’s state pension as at 6 April 2016 calculated under both the old and new system rules, assuming for these purposes that they had reached state pension age on 6 April 2016 and that the new system had been in place at the start of their working life.
- 3.6 For those reaching state pension age on or after the date on which an increase in the rate of new state pension has taken effect, the 2016 starting amount needs to be revalued to reflect the increase in the payable rate since 6 April 2016. This is to ensure that starting amounts of the same value as at 6 April 2016 maintain their value in relation to each other irrespective of when the individuals concerned reach state pension age and become entitled to their state pension. The first such increase will be made with effect from 10 April 2017 as part of the annual review and up-rating of social security benefits.
- 3.7 Paragraph 6(4) of Schedule 1 to the 2015 Act provides for starting amounts equal to or less than the 6 April 2016 full rate (£155.65) to be revalued by increasing them by the same percentage as the increase in the full rate. Where the starting amount exceeds the full rate, the first £155.65 will be revalued in the same way. However, the protected payment will be revalued by increasing it by the percentage set out in an Order made under section 130AC of the Administration Act.
- 3.8 As with revaluation of starting amounts up to the full rate, the intention is to ensure that revaluation of protected payments for people reaching state pension age from 10 April 2017 results in the equivalent of the up-rating increase that will apply with effect from 10 April 2017 to protected payments already in payment to people who reached state pension age before that date.

4. Consultation

- 4.1 There is no requirement to consult on this Rule. This is a technical order which gives effect to a statutory requirement, the terms of which are defined in the primary legislation.

5. Equality Impact

- 5.1 The provisions of the 2015 Act were the subject of a full Equality Impact Assessment. In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has screened these proposals and has concluded that they do not have any additional implications for equality of opportunity.

6. Regulatory Impact

- 6.1 The Rule does not require a Regulatory Impact Assessment as it does not impose any new costs on business, charities or voluntary bodies.

7. Financial Implications

- 7.1 The Order imposes no new costs. The costs are already provided for in the Government's expenditure plans for the new State pension alongside the costs for up-rating.

8. Section 24 of the Northern Ireland Act 1998

- 8.1 The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied that this Order –
- (a) is not incompatible with any of the Convention rights,
 - (b) is not incompatible with Community law,
 - (c) does not discriminate against a person or class of person on the ground of religious belief or political opinion, and
 - (d) does not modify an enactment in breach of section 7 of the Northern Ireland Act 1998.

9. EU Implications

- 9.1 Not applicable.

10. Parity or Replicatory Measure

- 10.1 The corresponding Great Britain Order (S.I. 2016 No. 1141) will come into force on 19 December 2016 for the purposes of making an advance award of state pension for persons reaching pensionable age on or after 10 April 2017.