

**EXPLANATORY MEMORANDUM TO**  
**THE STATE PENSION (AMENDMENT NO. 2) REGULATIONS (NORTHERN**  
**IRELAND) 2016**

**S.R. 2016 No. 88**

**1. Introduction**

- 1.1 This Explanatory Memorandum has been prepared by the Department for Social Development 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 section 3(1) of the Pensions Act (Northern Ireland) 2015 (“the 2015 Act”) and is subject to the confirmatory resolution procedure before the Assembly.

**2. Purpose**

- 2.1 The 2015 Act introduces a new State pension for people reaching State pension age on or after 6 April 2016. This Statutory Rule sets the weekly amount of the full rate of the new State pension at £155 65.

**3. Background**

- 3.1 The main features of the new State pension are set out in Part 1 of the 2015 Act. More detailed provisions are contained in the State Pension Regulations (Northern Ireland) 2015 (“the 2015 Regulations”). However, section 3(1) of the 2015 Act provides for the full rate of the new State pension to be specified in regulations.
- 3.2 These Regulations amend the 2015 Regulations (the principal regulations that contain the detailed provisions about the new state pension) to specify the full rate that will apply from 6 April 2016.
- 3.3 From April 2017, the full rate will be increased through the annual up-rating process. Section 132A of the Social Security Administration (Northern Ireland) Act 1992 enables the Department to make an Order corresponding to that made by the Secretary of State for Work and Pensions. Such Orders provide for the basic State pension in the old State pension scheme and the standard minimum guarantee in Pension Credit (the main income-related benefit for people over State pension age) to be up-rated at least in line with the growth in average earnings. Paragraph 19 of Schedule 12 to the Pensions Act 2014 extends section 150A of the Social Security Administration Act 1992 so that up-rating Orders made under it will also apply to the full rate of the new State pension. The Department for Social Development will make a corresponding up-rating Order to apply to the rate set by these Regulations.
- 3.4 The 2015 Act introduces reforms of the State pension designed to restructure spending in such a way as to deliver a flat rate State pension set above the level of the standard minimum guarantee in Pension Credit, which is the basic weekly means test. A key objective is to provide a simpler State pension as an underpin so that people saving for

retirement have clarity and confidence about what they can expect from the State in retirement, while ensuring that the State pension remains affordable and sustainable for the long term.

- 3.5 The rate of £155.65 set out in these Regulations compared to the proposed amount of the pension credit standard minimum guarantee of £155.60 delivers an amount of new State pension higher than the basic weekly means test amount for the 2016/17 tax year.
- 3.6 As noted in paragraph 3.3 above, in subsequent years, legislation provides that both these amounts are up-rated by at least earnings growth. Setting the rate above the rate of the Pension Credit standard minimum guarantee and up-rating the amounts by the same factor ensures the new State pension cannot fall below the value of the Pension Credit standard guarantee.
- 3.7 The full rate of the new State pension is payable to a person who has at least 35 qualifying years of National Insurance contributions or credits, none of which are before 6 April 2016. Such a person with fewer than 35 qualifying years, but a minimum of 10, will get a reduced rate of the new State pension, calculated at 1/35th of the full rate for each year.
- 3.8 A person with qualifying years before 6 April 2016 gets the transitional rate of the new State pension. This is calculated by comparing a person's State pension based on their own National Insurance contribution record as at 6 April 2016 under the old and new rules on the assumption that the new rules had been in operation before that date, and awarding the higher of the two. This forms the "starting amount". If the starting amount is below the full rate of £155.65, it may be increased up to a maximum of the full rate by gaining further qualifying years before State pension age. Additional amounts can be payable, for example where a person defers the new State pension to qualify for an increase, or where they are entitled to a survivor's pension based on a deceased spouse or civil partner's old State pension.

#### **4. Consultation**

- 4.1 There is no requirement to consult on this Rule.

#### **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 new State pension has been designed to cost no more overall than the current system.

**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 regulations (S.I. 2016 No. 227) will come into force on 6 April 2016. 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.