EXPLANATORY MEMORANDUM TO

THE STATE PENSION REVALUATION FOR TRANSITIONAL PENSIONS ORDER (NORTHERN IRELAND) 2017

S.R. 2017 No. 228

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.

2. Purpose

2.1. The State Pension Revaluation for Transitional Pensions Order (Northern Ireland) 2017 revalues "protected payments" to reflect increases in the general level of prices since 6 April 2016. The protected payment is the amount, if any, by which the part of a person's new State pension based on their pre-6 April 2016 National Insurance contributions exceeds the full rate of new State Pension.

2.2. 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. A transitional rate applies where a person has paid or been credited with National Insurance contributions for the period prior to 6 April 2016. In the calculation of the transitional rate, set out in Schedule 1 to the 2015 Act, an amount for the person's pre-6 April 2016 contributions is calculated based on rates applicable at 6 April 2016. Where this amount exceeds £155.65 (the full rate of new State pension as at 6 April 2016) the person receives the excess in the form of a protected payment.

2.3. Paragraph 6(5) of Schedule 1 to the 2015 Act provides for the protected payment to reflect price increases since 6 April 2016 by increasing it 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.

2.4. This Order specifies the percentage that will be used to revalue "protected payments" for individuals reaching State Pension age on or after 10 April 2018.

3. Background

3.1. Once a person's new State pension is in payment, it will normally be increased each April as part of the annual review and up-rating of social security benefits. Protected payments are up-rated in line with increases in the general level of prices.

3.2. Where a person reaches State pension age in the second or subsequent year following the introduction of the new State pension, the amount based on their pre-6 April 2016 contribution record, calculated at 2016 rates, is revalued. This is to ensure they are not disadvantaged relative to a person who became entitled to their State pension in the first year of implementation and whose State pension will have been up-rated in the interim. Accordingly, protected payments are revalued in line with increases in general level of prices.

3.3. Section 148AC of the Social Security Administration Act 1992 requires the Secretary of State to review the general level of prices in Great Britain in each tax year, and, if the general level has increased in the review period, to make an Order specifying the percentage of the increase.

3.4. 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.

4. Consultation

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

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. The Order merely discharges the Department's duty to specify the percentage that will be used to revalue protected payments for individuals reaching State pension age on or after 10 April 2018.

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. 2017 No. 1151) will come into force on 18 December 2017 for the purposes of making an advance award of state pension for persons reaching pensionable age on or after 10 April 2018 and on 9 April 2018 for all other purposes. 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. It was therefore necessary to make the Order during the interregnum.

11. Additional Information

11.1. Not applicable.