

EXPLANATORY MEMORANDUM TO
PENSIONS INCREASE (MODIFICATION) REGULATIONS
(NORTHERN IRELAND) 2011

2011 No. 128

1. Introduction

- 1.1 This Explanatory Memorandum has been prepared by the Department of Finance and Personnel to accompany the above named statutory rule which is laid before the Northern Ireland Assembly.
- 1.2 The regulations are made under Section 5 of the Pensions Increase Act (Northern Ireland) 1971. They are not subject to Assembly resolution procedures.
- 1.3 The regulations are due to come into operation on 10 April 2011.

2. Purpose

- 2.1 These regulations modify the provisions of Article 69 of the Social Security Pensions (Northern Ireland) Order 1975 by re-defining the “base period” used to determine the full or proportionate increase to be applied to a pension eligible for increase from 12 April 2011. This will enable public service pensions beginning before 12 April 2010 to be uprated by the full amount of the increase provided for in the Pensions Increase (Review) Order (Northern Ireland) 2011 and pensions which came into payment on or after 12 April 2010 to receive the correct pro-rata increase.

3. Background

- 3.1 Public Service Pensions in payment, preserved pensions and preserved lump sums are reviewed annually to take account of increases in the cost of living. The level of increase, where appropriate, is equal to the percentage specified by the Department of Social Development for the increase of state pensions in the annual direction made under the section 132 of the Social Security Administration (Northern Ireland) Act 1992.
- 3.2 The Government announced in its Budget statement on 22 June 2010 that from April 2011 increases in pensions will be based on the rise in the Consumer Prices Index in the 12 months to September of the previous year and not the rise in the Retail Prices Index as had been the case in the past.

- 3.3 There was no pensions increase in 2010 as the Retail Prices Index in the previous September was negative (-1.4%). Without the introduction of the Pensions Increase (Modification) Regulations (Northern Ireland 2011 the current provisions of the Social Security Pensions (Northern Ireland) Order 1975 would require all pensions which began from the date of the increase in 2009 (6th April 2009) to the date of the 2011 increase (11th April 2011) to receive a proportionate fraction of the increase. However, only pensions which began on or after 12 April 2010 and before 11 April 2011 are entitled to an increase. The introduction of the Regulations restores the usual position for the purpose of this year's increase so that pensions beginning before 12 April 2010 will receive the full increase (3.1%) and only those pensions beginning on or after 12th April 2010 (but before 11th April 2011) will get a proportionate fraction of the increase.

4. Matters of special interest to the Committee for Finance and Personnel

- 4.1 None

5. Consultation

- 5.1 The provisions of Section 5 of the Pensions (Increase) Act (Northern Ireland) 1971 under which the regulations are made do not require that the Department carry out formal consultations prior to their introduction.

6. Position in Great Britain

- 6.1 HM Treasury has introduced the Pensions Increase (Modification) Regulations 2011 to provide for the necessary modification in respect of pensions increases applying to public service pensions in Great Britain.

7. Equality Impact

- 7.1 An Equality Screening exercise is not considered necessary since the policy of increasing public sector pensions on an annual basis has been in existence since 1971. The annual increase is payable to all qualifying recipients of a public sector pension and therefore the introduction of the legislation will not differentially impact adversely on any of the groups identified at section 75 of the NI Act 1998.

8. Regulatory Impact

- 8.1 The regulations facilitate the increase of public sector pensions by a percentage amount predetermined by rises in the Consumer Prices Index and impose no costs on business, charities, social economy enterprises or the voluntary Sector. A Regulatory Impact Assessment is not considered necessary.

9. Financial Implications

9.1 The increase in the rate of pension payable to pensioners across public service pension schemes, in line with the rise in the Consumer Prices Index.

10. EU implications

10.1 None.

11. Section 24 of the Northern Ireland Act

11.1 It is the view of the Department that the Order is compatible with section 24 of the NI Act 1998