



Department for

**Social
Development**

www.dsdni.gov.uk

Pensions (No. 2) Bill

Completed Equality Impact Assessment

November 2008



INVESTOR IN PEOPLE

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1. **SECTION 75 OF THE NORTHERN IRELAND ACT 1998**

1.1 Section 75 of the Northern Ireland Act 1998 requires public authorities in carrying out their functions relating to Northern Ireland to have due regard to the need to promote equality of opportunity between:

- persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- men and women generally;
- persons with a disability and persons without; and
- persons with dependants and persons without.

1.2 Section 75 also requires public authorities to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

1.3 The primary function of an Equality Impact Assessment is to assess the extent of differential impact of policy on section 75 categories, and groups within those categories, and to determine whether that impact is adverse, i.e. whether the policy negatively affects people within one or more of the equality groups.

1.4 In accordance with Schedule 9 to the Northern Ireland Act 1998, the Department for Social Development has produced an Equality Scheme which explains how it will implement its obligations under section 75. A copy of the Scheme, which was approved by the Equality Commission on 15 March 2001, is available on the Department's website at www.dsdni.gov.uk. Copies are also available in printed form and, on request, in alternative formats such as Braille, large print, disc, audio cassette and in minority languages to meet the needs of those who are

not fluent in English from Departmental headquarters through a request to:

The Office of the Permanent Secretary
4th Floor
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road
Belfast BT7 2JB

2. **EXECUTIVE SUMMARY**

2.1 In November 2005 the Pensions Commission published its second report⁽¹⁾ explaining the background and context to pensions issues for future pensioners and making recommendations on how the system could be reformed to better meet future needs.

(1) A New Pension Settlement for the Twenty-First Century: The Second Report of the Pensions Commission.

2.2 The Commission concluded that, whilst there is no immediate pensions crisis, the system had to be reformed to ensure that it would meet long-term challenges:

- increasing life expectancy and lower birth rates are resulting in older age groups becoming an increasingly large proportion of the population;
- around 7 million people across the United Kingdom are estimated to be under-saving for retirement⁽¹⁾;
- the State system was rooted in the society of the 1940s and no longer reflected the way people live, especially as it failed to fully recognise the contribution to society made by women and carers;
- the Commission described the United Kingdom pensions system as the most complex in the world, hindering people's ability to make informed decisions about whether, when and how much to save.

(1) Security in retirement: towards a new pensions system (Command Paper 6841); Annex A, paragraph A.7.

2.3 The table below shows some demographic changes in Northern Ireland during the periods from 2006 to 2007 and from 1997 to 2007:

	2006 to 2007	1997 to 2007
Children	Constant	- 8.1%
Working Age	+ 1.1%	+ 8.6%
Pensioners	+ 2.0%	+ 13.6%
Aged 85 and over	+ 3.7%	+19.9%

Source: Northern Ireland Statistics and Research Agency - Population and Migration Estimates Northern Ireland (2007) – Statistical Report.

Children are defined as those in the population aged under 16.

Working age population is defined as men aged 16-64 and women aged 16-59.

Pensioners are defined as the female population aged 60 and over and the male population aged 65 and over.

2.4 In May 2006, building on the analysis and recommendations made by the Pensions Commission, proposals for pension reform and the rationale for change were published in the White Paper *Security in Retirement: towards a new pensions system*. The proposals included:

- changes to State Pension provision aimed at improving its coverage, generosity and sustainability;
- measures to simplify private pensions; and
- the introduction of a Personal Accounts scheme to enable people to save for retirement.

2.5 The first part of the reform package, a fairer and more generous State Pensions system, was implemented in Great Britain by the Pensions Act 2007 and in Northern Ireland by the Pensions Act (Northern Ireland) 2008.

2.6 The Pensions Act 2007 also established the Personal Accounts Delivery Authority to advise on the detailed design of Personal Accounts and the commercial and procurement strategies. The Authority operates on a United Kingdom-wide basis and the Pensions Act (Northern Ireland) 2008 made provision for its initial functions in relation to Northern Ireland.

2.7 A further Pensions Bill, which was introduced at Westminster on 5 December 2007, represents the second part of the reform package and proposes a set of reforms primarily aimed at enabling and encouraging more people to build up a private pension income to supplement that received from the State.

2.8 The proposed reforms include:

- a duty on employers, from 2012, to automatically enrol jobholders into a qualifying workplace pension scheme;
- the introduction of Personal Accounts - a simple, low-cost pension scheme aimed at moderate to low earners who do not have access to a workplace pension scheme;
- broadening the remit of the Personal Accounts Delivery Authority to enable it to oversee the establishment of the Personal Accounts scheme;
- a proportionate compliance regime for the new employer duties;
- strengthening existing workplace pension provision by reducing burdens imposed by rules governing private pensions;
- measures to improve confidence in private pensions;

- further simplification of the State Pension system to give people a better understanding of the pension they are accruing and to support them in planning for retirement; and
- enhancement of the Financial Assistance Scheme.

2.9 In accordance with the long-standing principle of parity between Northern Ireland and Great Britain in social security and pensions matters, it is anticipated that a Northern Ireland Pensions Bill will make corresponding provision for Northern Ireland. It is expected that the Bill will be introduced in the Assembly later in the year.

2.10 The Westminster Bill, however, contains a number of provisions that will extend to Northern Ireland. This is because, for example:

- they deal with excepted matters that are outside the legislative competence of the Northern Ireland Assembly;
- they amend Westminster legislation that already extends to Northern Ireland; or
- it is more cost effective to implement the provisions on a United Kingdom-wide basis.

2.11 The measures in question relate to:

- the Pensions Regulator;
- information for private pensions policy and retirement planning;
- the power to establish a pension scheme (Personal Accounts);
- provision for persons working on vessels and offshore workers;

- the Personal Accounts Delivery Authority;
- the Pension Protection Fund;
- the Financial Assistance Scheme;
- pre-consolidation amendments to pensions legislation; and
- pre-1948 insurance affecting German pension entitlement for certain refugees who came to the United Kingdom in the build up to World War II.

2.12 Measures relating to the setting of the Upper Accrual Point, which will be included in a Northern Ireland Bill, are contained in the National Insurance Contributions Act 2008 in respect of Great Britain.

3. CONSULTATION

- 3.1 The majority of reforms outlined in this document were discussed in the White Paper *Personal Accounts: a new way to save* (Command Paper 6975), which was the subject of a consultation exercise carried out between 18 December 2006 and 20 March 2007. A total of 283 copies of the Paper were issued in Northern Ireland; three responses were received, two of which were substantive and in favour of the proposals.
- 3.2 Issues arising from the consultation were addressed in the White Paper *Personal Accounts: a new way to save – Summary of responses to the consultation* (Command Paper 7121), published in June 2007.
- 3.3 A further proposal to update and strengthen the Pensions Regulator's anti-avoidance powers, which might affect some employers, was the subject of a consultation carried out between 2 May 2008 and 20 June 2008. The consultation paper, *The powers of the Pensions Regulator*, was issued to financial institutions and professional bodies in Northern Ireland. No responses were received.
- 3.4 A number of measures are intended to reduce the regulatory burdens on employers in order to encourage them to continue to provide good pension schemes for their employees. A review of the rules governing private pensions was announced in May 2006 and a report, *Deregulatory Review of Private Pensions*, was published on 25 July 2007. The Government response to the review was published on 22 October 2007. Twenty eight copies of the paper were issued in Northern Ireland. No substantive responses were received.
- 3.5 An Equality Impact Assessment examined the proposed reforms in the context of the promotion of equality of opportunity and good relations, as required by Section 75 of the Northern Ireland Act 1998. A consultation exercise ran for eight weeks from 22 August 2008 to 16 October 2008.

- 3.6 Thirty six copies of the document were issued and it was made available on the Department's website; a list of the consultees is provided in the attached Appendix. Responses were received from Help the Aged and a2b: Access to Benefits.
- 3.7 This Completed Equality Impact Assessment sets out the Department's final analysis of the equality implications of the reforms having taken account of the responses received. The points raised and the Department's consideration of each is given in sections 21 and 22. The document is available on the Department's website – www.dsdni.gov.uk.

4. **AIMS OF THE POLICY**

4.1 Changes to the State Pension system introduced by the Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008 will make it easier for future pensioners to build up entitlement to a full basic State Pension and improve retirement incomes, particularly for women and carers. Specifically, they will:

- reduce the number of qualifying years needed to accrue full basic State Pension rights;
- make crediting arrangements more flexible for the accrual of basic State Pension and State Second Pension entitlement;
- increase the generosity of the basic State Pension by up-rating it in line with earnings rather than prices; and
- change the State Second Pension so that it will become simpler and, eventually, flat-rate.

4.2 However, the Pensions Commission concluded that, whilst changes to State Pension provision were essential, in order to prevent a crisis for future pensioners, a key challenge would be to tackle under-saving. It is estimated that around 7 million people across the United Kingdom are under-saving for retirement⁽¹⁾.

(1) Security in retirement: towards a new pensions system (Command Paper 6841); Annex A, paragraph A.7.

4.3 Results from the Family Resources Survey 2005/06 show that 4% of the Northern Ireland workforce (27,207 people) has no provision for State Pension, 49.4% (337,537 people) has no provision for private pensions and 3.1% (20,927 people) has no provision for either State Pension or private pensions.

4.4 The White Papers *Security in Retirement: towards a new pensions system* and *Personal Accounts: a new way to save* explained why intervention is required to increase the number of people saving in a private pension. In particular, moderate to low earners face four principal barriers to saving for retirement:

- many people have a poor understanding of pensions and of the benefits of saving for retirement;
- inertia often prevents people from starting to save even when they are aware of the need to do so;
- traditionally, the typical route to retirement saving has been through a pension scheme offered by an employer. However, the provision of such schemes has been in long-term decline;
- although significant elements of the pensions market work very well, it is arguably failing many of those on moderate to low earnings or who work for small firms.

4.5 Taking no action now would mean millions of people across the United Kingdom not saving in a pension and, as a consequence, future generations of pensioners may face disappointment in retirement.

4.6 Alternatively, a failure to take action now could lead to pressure in the future to further increase the level of State Pensions, placing an additional financial burden on the working population. The projected growth in the number of pensioners compared to those of working-age would make the cost prohibitive:

Projected population by age - United Kingdom 2004 – 2044

	2004	2011	2021	2026	2031	2036	2041	2044
Thousands								
Under 16	11,646	11,231	11,399	11,487	11,483	11,360	11,246	11,219
Working Age	37,064	38,478	40,588	41,381	41,040	41,568	41,594	42,526
Pensionable Age	11,125	12,182	12,740	13,134	14,491	14,838	15,513	14,911
Percentages								
Under 16	19.5	18.1	17.6	17.4	17.1	16.8	16.5	16.3
Working Age	61.9	62.2	62.7	62.7	61.2	61.3	60.9	61.9
Pensionable Age	18.6	19.7	19.7	19.9	21.6	21.9	22.7	21.7
Support Ratio (working age/ pensionable age)	3.33	3.16	3.19	3.15	2.83	2.80	2.68	2.85

Source: Government Actuary's Department Population Projections database (population by age by single year of age).

Note: Working age and pensionable age population based on State Pension Age for given year. Between 2010 and 2020, State Pension age will change from 65 years for men and 60 for women to 65 years for both sexes. It will increase from 65 to 68 for men and women between 2024 and 2046.

- 4.7 The Pensions Commission concluded that it is better to reform the existing system of voluntary private savings, and to do so now. The proposed reforms are aimed primarily at the 7 million people across the United Kingdom who are thought to be under-saving. This group tends to be younger and on moderate to low incomes. They are also likely to be part-time workers and/or work for small employers. A high proportion of low earners are women⁽¹⁾.

(1) *Personal accounts: a new way to save, Chapter 1, paragraph 1.1.*

- 4.8 The reforms are aimed at encouraging and enabling more people to save more in private pensions. In particular, they tackle the barriers to saving identified by:

- making it easier and more attractive to save;
- extending provision to those not currently covered by the market; and
- strengthening existing provision.

4.9 The Bill also includes proposals to:

- improve confidence in private pensions;
- further simplify the State Pension system; and
- enhance the Financial Assistance Scheme.

5. **SUMMARY OF REFORMS**

5.1 The proposed measures are:

- **Making it easier and more attractive to save**
 - automatic enrolment into a qualifying workplace pension scheme - Personal Accounts will be one option;
 - a minimum overall level of contribution of 8% into defined contribution schemes - an employee contribution of 4% on earnings between £5,035 and £33,540⁽¹⁾, a minimum employer contribution of 3% and 1% from the State in the form of tax relief;
 - phasing-in employer and jobholder contributions; and
 - a straightforward qualifying test for existing schemes.

(1) These earnings bands are expressed in 2006/07 earnings terms and will be updated by annual earnings growth. This will maintain the value of contributions in relation to earnings.

- **Personal Accounts - extending access to low-cost saving**
 - establishing the Personal Accounts scheme as a trust-based occupational scheme;
 - a broadening of the Personal Accounts Delivery Authority's remit and powers to enable it to oversee the establishment of the personal accounts scheme; and
 - an annual contribution limit of £3,600⁽¹⁾ and a ban on transfers in and out of the Personal Accounts scheme in order to limit the impact of the reforms on the market.

(1) In 2005 earnings terms, updated annually with earnings.

- **Compliance**

The Pensions Regulator will be responsible for the delivery of a proportionate and effective compliance regime that protects individuals while minimising the burdens on employers.

The regime will include:

- a requirement for employers to register how they will meet their new duties;
- automated processes to follow up on employers who fail to register;
- smaller-scale interventions, such as risk-based investigations;
- new employee rights to protect against unfair dismissal or detriment on the grounds of pension membership and a whistle-blowing hotline; and
- enforcement of payments in a way that reflects the importance to savers.

- **Strengthening existing pension provision**

- a reduction in the cap applying to the revaluation of deferred pensions (to take effect from January 2009 and applying only to rights accrued after that date);
- repealing the rules on safeguarded rights to remove unnecessary complexity from pension sharing on divorce or dissolution of a civil partnership; and
- removing the requirement for an employer to designate a stakeholder scheme from 2012 when automatic enrolment and Personal Accounts are introduced.

- **Improving confidence in private pensions**
 - enabling compensation paid by the Pension Protection Fund to be shared on divorce or dissolution of a civil partnership;
 - improving the operation of the Pension Protection Fund by clarifying when compensation may be paid to entitled recipients;
 - enabling the Pension Protection Fund to charge interest to schemes for late payments of the Pension Protection levy;
 - giving the Pensions Regulator the power to direct the actuarial assumptions used in the calculation of a pension scheme's liabilities;
 - updating and strengthening the Pensions Regulator's anti-avoidance powers; and
 - ensuring that the Pensions Regulator has the flexibility to identify the best value for money approach to delivering the compliance regime.

- **Further simplification of the State Pension system**
 - enabling the consolidation of existing rights to the additional State Pension;
 - introducing an indefinite assessed Income Period for some Pension Credit claimants; and
 - setting the Upper Accrual Point for State Second Pension.

- **The Financial Assistance Scheme**
 - restricting the purchase of annuities by trustees of qualifying schemes which have not been fully wound up; and
 - enabling the scheme to cover more people.

- **Pre-consolidation amendments to pensions legislation**

Updating existing legislation to include:

- the Pensions Act 2007;
- the Pensions Act (Northern Ireland) 2008;
- the present Westminster Pensions Bill; and
- any corresponding Northern Ireland Pensions Bill

in the list of legislation that can be amended by a pre-consolidation Order.

- **Pre-1948 insurance affecting German pension entitlement**
 - removing an anomaly created by the interaction of pre-1948 United Kingdom legislation, European Law and German pension provision in relation to certain refugees who came to the United Kingdom in the build up to World War II.

- **Disclosure of information relating to State Pension Credit recipients**
 - providing power to make regulations enabling social security information relating to State Pension Credit recipients to be supplied to energy suppliers and third-

parties with the specific aim of providing help with fuel costs;

- providing power to make regulations prescribing the energy companies and third-parties to whom information may be given and the purposes for which the information may be given and used; and
- creating offences in relation to the unauthorised disclosure of such information by the recipient.

6. MAKING IT EASIER AND MORE ATTRACTIVE TO SAVE

- 6.1 From 2012, all employers will be required to automatically enrol eligible employees into a qualifying workplace pension scheme. Personal Accounts will be one option.
- 6.2 Automatic enrolment is an essential component of the wider plan for reform as it creates a presumption in favour of saving and is an effective technique for combating the tendency not to act when faced with difficult financial decisions.
- 6.3 However, the decision on whether to save or not will remain with the individual who will be free to opt-out if they wish.
- 6.4 Workers will be eligible for automatic enrolment if they are aged between 22 and State Pension age and earn at least £5,035 per annum. Contributions will be made on earnings between £5,035 and £33,540⁽¹⁾ a year.

(1) 2006/07 earnings terms, uprated by annual earnings growth.

- 6.5 Those outside this age range will not be automatically enrolled. However, workers between the ages of 16 and 22, and between State Pension age and 75 may apply to join their employer's pension scheme and receive an employer contribution on eligible earnings.
- 6.6 The lower earnings threshold will avoid the automatic enrolment of people on very low incomes for whom income replacement rates from State Pensions are likely to be relatively high; especially if they have consistently experienced lower earnings during their working lives. Those earning below this level may apply to join their employer's pension scheme, but employers will not be obliged to provide a contribution.

- 6.7 There will be an overall minimum contribution of 8% of eligible earnings into defined contribution schemes. At least 3% will be funded by the employer. The default 5% employee contribution includes a contribution from Government in the form of tax relief.
- 6.8 Persons who opt-out will be given the opportunity to review their decisions. Employers will be required to re-enrol them at regular intervals. Initially the period will be set at 3 years.
- 6.9 In addition, those who opt-out of automatic enrolment or who cancel their membership of a scheme will be permitted to apply to re-join. People's circumstances change and it is not reasonable to prevent those who wish to start pension saving from doing so until "re-enrolment". It will, therefore, be possible to opt-in at least once in every 12-month period.
- 6.10 It is also important to provide an accessible pensions saving product for self-employed people and for members of the Personal Accounts scheme who wish to continue to save during periods out of paid work, for example, during a career break or because of caring responsibilities. Regulations will be introduced to provide these groups with access to the Personal Accounts scheme.
- 6.11 Initially, seafarers and offshore workers will be excluded. These groups raise difficult issues of international and European law that require further consideration.
- 6.12 However, the requirement for employers to automatically enrol eligible employees into a qualifying workplace pension scheme and the Personal Accounts Scheme do not come into operation until 2012. It is intended that they will be available to all workers, including appropriate seafarers and offshore workers, from the same date in 2012.

6.13 The Bill contains a power enabling the application of the relevant provisions, and any corresponding Northern Ireland legislation, to appropriate categories of seafarer and offshore worker when the outstanding issues have been satisfactorily resolved.

7. PERSONAL ACCOUNTS - EXTENDING ACCESS TO LOW-COST SAVING

7.1 Personal Accounts will provide an opportunity to contribute to a low-cost savings vehicle. The scheme is central to the pensions reform programme and will extend the benefits of private saving to those on low and moderate incomes who do not have access to a good quality employer-sponsored pension scheme.

7.2 Five key principles underpin the development of the Personal Accounts scheme:

- simplicity – Personal Accounts must simplify the decisions people are asked to make and provide an easy way to save;
- independence – Personal Accounts will be delivered using private sector expertise, independent of political pressures;
- working for members – building a Personal Accounts scheme which commands the confidence of its members and is designed with their needs at its heart;
- minimising the burden on employers – ensuring that the impact on employers is considered at each stage of development of the scheme and that pension reform does not place undue burdens on employers; and
- supporting good existing provision – focusing Personal Accounts on those without access to workplace schemes.

7.3 Many people already save through good occupational or personal pension provision. Personal Accounts are intended to complement this saving, not replace it. Employers who offer equivalent or better

pension schemes will be allowed to automatically enrol their employees into their pension scheme rather than the Personal Accounts scheme.

- 7.4 Moderate to low earners and those working for small employers are less able to make large pension contributions and are less likely to save for a prolonged period because of uneven employment patterns. This can make it difficult for pension providers to cover the high upfront costs of marketing and selling pension products. As a result, providers tend to actively target those with higher earnings or those who work for large employers, where the higher revenues and economies of scale they require can be more easily achieved.
- 7.5 Personal Accounts will address these supply side failures by ensuring that all employees and employers have access to a simple, low-cost pension scheme. The scheme will operate like a large multi-employer occupational pension scheme. Individuals will be able to take their account with them as they change jobs and continue to make contributions.
- 7.6 Low charges can be achieved because the Personal Accounts scheme will benefit from economies of scale and lower marketing costs resulting from automatic enrolment, and because members can continue making contributions even if they change jobs or have periods out of employment.
- 7.7 As a result, the scheme will offer members low charges currently only available to those in large occupational pension schemes or those who are able to make high contributions. Low charges can make a significant difference to a person's final pension income. For example, an annual management charge of 0.5% compared to 1.5% over an individual's working life could mean a 25% increase in the eventual size of their fund.

7.8 Employees will contribute 4% on earnings between £5,035 and £33,540 a year, in 2006/07 earnings terms. The employee contribution will be matched by 3% from the employer, together with 1% from the State in the form of tax relief.

7.9 Member and employer contributions will be phased in over a three year period:

	Year 1	Year 2	Year 3
Employer Contribution	1%	2%	3%
Employee Contribution (including tax relief)	1%	3%	5%

7.10 The amount of contributions will be subject to an annual upper limit (£3,600 at 2005 earnings levels, to be up-rated in line with average earnings). This will strike a balance between targeting Personal Accounts at those parts of the market currently under-served and providing individuals with sufficient flexibility to achieve their retirement goals. Consideration is being given to the setting of a higher limit for the first year to help encourage saving prior to the introduction of the scheme in 2012.

7.11 There will be a general prohibition on the transfer of pension funds between Personal Accounts and alternative pension products. This will help ensure that the scheme is focused on serving the needs of its target group and limit the impact of the reforms on the market.

7.12 Transfer of funds into and out of Personal Accounts will be permitted in specific circumstances. One such circumstance is where an individual moves jobs from an employer who offers a qualifying scheme to an employer offering Personal Accounts before their rights under the first scheme have vested⁽¹⁾. In this situation, individuals will be allowed to

transfer their accrued funds into Personal Accounts. These funds are known as 'cash transfer sums' and will not count towards the maximum amount that can be contributed.

(1) Many occupational pension schemes require a member to be in pensionable service for a period of time before their rights vest. Legally this period cannot be longer than 24 months, although schemes can decide to have shorter periods or none at all. During this period contributions are collected and invested. If a person leaves a scheme before their rights vest, they are entitled to receive a full refund of their contributions. Once rights have vested, those funds cannot be accessed until retirement.

7.13 It is proposed that Personal Accounts will be delivered using private sector expertise working within a set remit. The Pensions Act 2007 established the Personal Accounts Delivery Authority to advise on the detailed design of Personal Accounts and the commercial and procurement strategies.

7.14 The Personal Accounts Delivery Authority acts on a United Kingdom-wide basis. This is consistent with other public bodies in the private pensions field, for example, the Pensions Regulator and the Pension Protection Fund. The Pensions Act (Northern Ireland) 2008 made provision for the Authority's initial functions in relation to Northern Ireland.

7.15 The Personal Accounts scheme will operate on a United Kingdom-wide basis. The Bill provides for the establishment of the scheme and the broadening of the Personal Accounts Delivery Authority's remit to enable it to oversee its establishment. This will permit the Authority to enter into formal negotiations, finalise contracts and manage the specification and development of the systems needed. The Authority will continue to have a role in advising and making recommendations on the key features and strategic direction of the scheme.

7.16 A separate scheme for Northern Ireland would operate on a much smaller scale and there are doubts as to its sustainability. It is likely that the charges to cover running costs would be higher and the investment power significantly smaller; having a direct effect on the amount savers would ultimately receive. There is a relatively small private pensions industry in Northern Ireland and many pension schemes already operate on a United Kingdom-wide basis.

7.17 By extending the scheme to Northern Ireland people here will, as of right, have access to it on the same basis as people in England, Scotland and Wales.

7.18 In discharging its functions, the Personal Accounts Delivery Authority will be required to have regard to the following guiding principles:

- minimising the burden on employers;
- minimising the impact on other high-quality pension provision;
- optimising levels of participation and contribution among the target group;
- delivering low charges to members;
- providing an appropriate range of fund choices; and
- acting in an open and consultative manner.

7.19 The Personal Accounts scheme will be set up as a trust-based, defined contribution occupational pension scheme. This approach offers protection for members through the combined weight of trust law and existing pensions legislation, and places a legal duty on the trustees to

act in members' interests. It also gives trustees, rather than government, responsibility for the scheme's strategic direction.

7.20 In common with other occupational pension schemes, the Personal Accounts scheme will be regulated by the Pensions Regulator – it will not itself be a regulating body. Scheme members will have access to the normal routes of redress in the event of a complaint.

7.21 Following the creation of the scheme, the trustees will be required to set up a members' panel and an employers' panel. The trustees will consult with the panels about the operation and development of the scheme. This will ensure that both members' and employers' interests are taken into account in the running of the scheme.

8. COMPLIANCE

8.1 The proposed reforms introduce important new rights for workers and requirements for employers. The main objectives of the compliance regime will be to ensure that:

- those rights are effectively safeguarded while imposing no unnecessary burdens on business;
- employers who fail to comply with the requirements do not achieve a commercial advantage over those who do; and
- the need to take compliance action is kept to a minimum by developing an effective communications strategy so that employers know what they are required to do and when to do it.

8.2 Three key risk areas of potential non-compliance have been identified:

- automatic enrolment –
 - employers might fail to correctly register how they will automatically enrol their eligible workers; and
 - employers might fail to provide access to a pension scheme that meets the qualifying criteria,
- the opt-out process –
 - employers might interfere with the opt-out process by pressurising workers or prospective workers into opting out,
- risk to payments –

- employers might fail to make payments due for qualifying schemes at the correct time.

- 8.3 The Pensions Regulator will have overall responsibility for enforcing employer compliance. Her Majesty's Revenue and Customs will also have an important role in providing the information needed to identify employers. This information will form the basis for employer registration and compliance activity to be undertaken by the Regulator.

- 8.4 There will be a graduated approach to enforcement – from initial reminders, to notices and penalties, with rights of appeal at each stage of the formal sanctioning process.

- 8.5 The focus of the regime will be to encourage compliance without the use of financial penalties. Only where there is persistent or serious non-compliance will penalties be imposed. Criminal prosecution will only be used as a last resort for wilful failure to enrol jobholders as required by the new employer duties.

9. STRENGTHENING EXISTING PROVISION

- 9.1 The aim of these measures is to reduce the regulatory burdens on employers in order to encourage them to continue to provide good pension schemes for their employees, while balancing the need to protect members' interests.
- 9.2 The present regulatory system governing occupational pensions has grown incrementally over the past thirty years. It is now lengthy, complicated and hard to understand. There is little doubt that the weight of regulation has contributed to a belief by some employers that the costs and risks of having their own pension schemes are becoming too great.
- 9.3 The number of active members of private sector defined benefit pension schemes has been falling steadily since the late 1960s; down from a peak of 8.1 million members in 1967 to 2.7 million in 2007⁽¹⁾.

(1) *Office for National Statistics, Occupational Pension Schemes Survey, 2007.*

- 9.4 A review of the rules governing private pensions was announced in May 2006 and a report, *Deregulatory Review of Private Pensions*, was published on 25 July 2007. The Government response to the review was published on 22 October 2007 (see paragraph 3.4 above).

Reduction in the cap for revaluation of deferred pensions

- 9.5 Legislation currently requires schemes to protect the value of early leavers' deferred pensions against inflation by increasing the amount of pension payable from normal pension age by the increase in the Retail Prices Index over the period of deferment or by 5%, whichever is less.

- 9.6 The Bill will reduce the cap applying to revaluation of deferred pensions from 5% to 2.5%. This is expected to take effect from January 2009 and will apply only to rights accrued after that date.

Pensions on divorce: abolition of safeguarded rights

- 9.7 When a divorcing couple, or civil partners dissolving their partnership, seek a financial settlement, the court may take into account the value of any pensions held by either party. In order to achieve a fair financial settlement, the court may make a pension sharing order requiring a proportion of the value of the shareable pension rights to be transferred to the former spouse or civil partner of the scheme member. That share is discharged into a pension arrangement as a 'pension credit' (not to be confused with the income-related benefit, State Pension Credit).

- 9.8 Where a pension credit includes contracted-out rights, those rights are known as safeguarded rights and are subject to a detailed regulatory regime which restricts the type of scheme that may hold the rights and the way in which they can be paid.

- 9.9 It is considered that the rules for safeguarded rights serve no useful purpose in ensuring that the former spouse or civil partner gets the full value of the pension share. Their abolition will remove an unnecessary layer of complexity for scheme administrators and provide individuals with more choice regarding the transfer of their rights. It will ensure that safeguarded rights will be treated in the same way as other shared rights.

Removal of the employer stakeholder designation requirement

- 9.10 From 2012, all employers will be required to automatically enrol eligible employees into a qualifying workplace pension scheme. This will make obsolete the current requirement that employers with five or more

employees must, unless they provide alternative pension arrangements, designate a stakeholder pension scheme.

9.11 Removing the designation requirement will contribute to the objective of introducing pension reform in a way that limits the impact on employers. However, employers may continue to offer stakeholder pensions as qualifying schemes or as an additional pension saving option.

9.12 Where, at the point when the Personal Accounts scheme is introduced, employees are contributing into their stakeholder scheme, employers will continue to deduct and pay contributions to the pension provider. This transitional provision will apply until the individuals concerned stop paying contributions into the scheme or leave the employer's employment. Over time, employers will not have to comply with two sets of legal requirements – stakeholder pensions and Personal Accounts.

10. IMPROVING CONFIDENCE IN PRIVATE PENSIONS

10.1 The Bill proposes a number of changes to the Pension Protection Fund and the powers of the Pensions Regulator to improve the administration of the institutions and enhance the services they provide.

10.2 The Pension Protection Fund has been in place since 6 April 2005. It is a statutory fund created by the Pensions Act 2004 to pay compensation to members of defined benefit pension schemes where the sponsoring employer is insolvent and the scheme is under funded. It operates on a United Kingdom-wide basis and is administered by the Board of the Pension Protection Fund, which is a public corporation.

10.3 The Fund is financed by a combination of:

- a levy on eligible schemes;
- the assets of failed schemes; and
- investment returns.

10.4 The Pensions Regulator is the United Kingdom regulator of work-based pension schemes set up under the Pensions Act 2004 to:

- protect the benefits of members of work-based pension schemes;
- promote good administration of work-based pension schemes; and
- reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund.

Pension compensation on divorce etc.

10.5 Currently, on divorce or dissolution of a civil partnership, pension scheme assets are valued and may be shared or transferred as part of a settlement. The Pension Protection Fund is not a 'pension scheme' and is not, therefore, affected by those rules.

10.6 The Bill makes provision for Pension Protection Fund compensation to be treated in the same way as pensions and taken into account as an asset. This will allow Pension Protection Fund compensation to be shared on divorce or dissolution of a civil partnership.

Operation of the Pension Protection Fund

10.7 Since the Pension Protection Fund was set up in 2005, a number of small changes have been identified which would enable the scheme to operate more efficiently.

10.8 The Bill proposes a number of changes to legislation to clarify some provisions, remove some minor and unnecessary administrative burdens, and remove anomalies that resulted in people receiving either too much or too little compensation when compared with the pension they would have received had their pension scheme continued in existence.

Interest on late payment of the Pension Protection Levy

10.9 The Pension Protection Fund is responsible for collecting the Pension Protection Levy - £675 million for 2008/09⁽¹⁾ – which is invested in order to fund compensation payments. A significant amount is paid late and, at present, there is no power to deter late payment.

(1) *The Response to the August 2007 Pension Protection Levy Consultation.*

- 10.10 Late payment increases risk to the solvency of the Fund and is unfair to those who pay on time. The Bill makes provision for the charge of a prescribed rate of interest on late payments and for the waiver of charges in certain circumstances. Interest received will be available for investment under the Pension Protection Fund.
- 10.11 Provision will also be made for interest to be charged for late payment of the Fraud Compensation Levy, the Pension Protection Fund Administration Levy, the Pension Protection Fund Ombudsman Levy and the General Levy (which is used to fund the Pensions Regulator and the Pensions Ombudsman etc.).

Powers of the Pension Regulator

- 10.12 The Pensions Regulator's scheme funding powers include the power to direct the actuarial assumptions to be used in schemes' actuarial valuations. Doubts have been expressed regarding the Regulator's power to intervene if the sole concern is that the actuarial assumptions used in a valuation do not appear to have been chosen prudently by the Trustees.
- 10.13 This anomaly could, potentially, leave the Regulator powerless to intervene in such circumstances, increasing the risk to both the security of the scheme member's benefits and the Pension Protection Fund.
- 10.14 The Bill will introduce a legislative amendment to clarify the Regulator's powers.
- 10.15 It is also proposed to update and strengthen the Pensions Regulator's anti-avoidance powers. The regulatory regime for defined benefit occupational pensions is designed to enable employers to provide good quality pensions for employees. It is built on the

assumption that employers offer schemes as deferred employee benefits and do not seek to operate them for profit.

10.16 However, developments in the market have seen profit-seeking parties operating in the occupational pensions regime rather than the Financial Services Authority regime. This business model may change the relationship between the employer and the pension scheme to the possible detriment of scheme members.

10.17 This proposal will ensure that the Regulator's powers offer sufficient protection to scheme members and the Pension Protection Fund in circumstances where the Regulator considers there to be inadequate provision for risk in any business model.

10.18 This issue might affect some employers and was the subject of a consultation carried out between 2 May 2008 and 20 June 2008 (see paragraph 3.3 above).

10.19 The Regulator will have a key role in ensuring that employers comply with their duty to automatically enrol employees in a work-based pension scheme and pay contributions towards it.

10.20 Current legislation allows for certain functions of the Regulator to be contracted-out, provided suppliers are listed in regulations made by the Secretary of State for Work and Pensions. It is proposed to remove the need to identify specific suppliers in legislation.

10.21 This proposal seeks to ensure that the Regulator has the flexibility to identify the best value for money approach to delivering the compliance regime.

11. FURTHER SIMPLIFYING THE STATE PENSION SYSTEM

Consolidation of Additional Pension rights

- 11.1 In addition to the basic State Pension, many people are accruing entitlement to an additional State Pension, which might comprise of Graduated Retirement Benefit, State Earnings-Related Pension and State Second Pension.
- 11.2 The rules governing additional State Pension entitlement are extremely complex, poorly understood and few people are aware of how their entitlement builds.
- 11.3 Reforms introduced by the Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008 will simplify additional State Pension for the future. The flat-rate element will become a fixed amount (in 2007/08 terms, £1.50 per week for each year of qualification) at the same time as the earnings link for basic State Pension is restored. Accruals to the earnings-related element will be restricted to 10% from 2010 and phased out by around 2030, so that State Second Pension becomes fully flat-rate.
- 11.4 However, an individual could have accrued rights under each of the schemes mentioned in paragraph 11.1 and persons reaching State Pension age after 2030 are likely to have their additional pension calculated under four different schemes. The Bill aims to simplify this process and introduce a degree of clarity that does not exist at present.
- 11.5 The key proposal is to consolidate additional State Pension rights. A person's accruals of Graduated Retirement Benefit, State Earnings-Related Pension and State Second Pension will be calculated under existing legislation as a single cash sum and preserved on their National Insurance account as a 'valuation' and revalued annually in

line with earnings until State Pension age. It is anticipated that this will apply to additional pension rights accrued up to 5 April 2012.

- 11.6 Contributors will be able to see the value of their additional State Pension, and the State Pension will provide a reliable foundation on which people can make informed decisions about retirement saving. This measure will apply to people reaching State Pension age on or after 6 April 2020.

Pension Credit simplification: assessed income period

- 11.7 The assessed income period is a fundamental part of the design of Pension Credit. It is intended to reduce the level of intrusion normally associated with an income-related benefit.
- 11.8 An assessed income period is a specific period of up to five years during which the Pension Credit recipient's, or their partner's, capital or savings are deemed to stay the same. During the assessed income period changes to capital or savings need not be reported. Persons aged 65 and over can have an assessed income period if they satisfy the relevant qualifying conditions.
- 11.9 When Pension Credit was introduced in October 2003, the cases that migrated from the then Minimum Income Guarantee were set an automatic assessed income period of between five and seven years. The period in these cases will start to mature between October 2008 and October 2010. Additionally, assessed income periods on new claims made from October 2003 will mature from October 2008 onwards.
- 11.10 To further reduce the level of intrusion on older Pension Credit recipients and the administrative burden on the Pension Service it is proposed to introduce an indefinite assessed income period for persons aged 80 or over or who have an assessed income period

spanning their 80th birthday. Most Pension Credit recipients will benefit from the change from age 75. The change will remove the need to provide evidence and information every 5 years.

- 11.11 Pension Credit recipients will continue to be able to request a review of their entitlement should their retirement income or capital reduce and their Pension Credit may be increased accordingly.

Setting the Upper Accrual Point

- 11.12 From 2012, the Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008 introduce an Upper Accrual Point to replace the Upper Earnings Limit as the weekly upper cap on earnings for determining entitlement to the State Second Pension.

- 11.13 The level of the Upper Accrual Point will be determined by reference to the Upper Earnings Limit and frozen on introduction to facilitate the phasing-out of the earnings-related element of the State Second Pension by around 2030. State Second Pension will then become fully flat-rate (see paragraphs 4.1 and 11.3 above).

- 11.14 However, the effect of measures announced as part of the 2007 Budget was to raise the Upper Earnings Limit beyond its anticipated level. This would mean that, without adjustment, the Upper Accrual Point would be significantly higher than previously forecast and, as a consequence, State Second Pension would accrue on a higher level of earnings than intended.

- 11.15 The Upper Accrual Point will, therefore, be introduced from April 2009 and set at £770 per week – equivalent to the Upper Earnings Limit for 2008/09. It will be frozen in cash terms and together with the flat-rate accrual amount provided by the Pensions Act (Northern Ireland) 2008, will re-establish the original policy intention.

11.16 The Northern Ireland Bill will also contain provision to allow the Department to make regulations prescribing equivalents to the upper accrual point in relation to earners paid other than weekly.

11.17 In Great Britain these measures are contained in the National Insurance Contributions Act 2008.

12. THE FINANCIAL ASSISTANCE SCHEME

12.1 The Financial Assistance Scheme was established under the Pensions Act 2004 on a United Kingdom-wide basis and its functions are the responsibility of the Secretary of State for Work and Pensions.

12.2 It offers financial help to some people who lost out on their pension where:

- their occupational pension scheme started to wind up between 1 January 1997 and 5 April 2005; and
- the scheme was under-funded; and
- the employer is insolvent or no longer exists.

12.3 Assistance is also available to the survivor of a pension scheme member. A 'survivor' is the surviving wife, husband or civil partner of a member or former member of a qualifying pension scheme who died after the scheme started to wind up.

12.4 On 17 December 2007 the Secretary of State for Work and Pensions announced a number of enhancements to the scheme. The announcement was made following the publication of the *Young Report*⁽¹⁾ into ways of generating additional value from failed pension schemes.

(1) *Financial Assistance Scheme (FAS) Review of Assets*.

12.5 In order to maximise and safeguard the value of scheme assets available to generate additional value, it is proposed to prohibit the purchase of annuities by trustees of qualifying schemes which have not been fully wound up unless:

- a binding agreement to purchase the annuities had been entered into before 26 September 2007; or
- the purchase is approved by the Financial Assistance Scheme, scheme manager on the application of the trustees.

12.6 Measures to enhance the Financial Assistance Scheme mean that:

- members are guaranteed 90% (increased from 80%) of their accrued pension at the date their scheme began to wind up. This is subject to a cap of £26,000, the value of which will be protected, and brings the level of assistance under the Financial Assistance Scheme into line with that provided by the Pension Protection Fund;
- payment of assistance derived from pension accrued post 1997 will be increased each year in line with inflation, subject to a 2.7% limit;
- assistance, which was previously available from age 65, will be paid from each failed scheme's normal retirement age, subject to a lower age limit of 60;
- people who are unable to work due to ill health will also be able to apply for early access to payments from age 60;
- members will be able to draw a tax-free lump sum, up to their full lump sum entitlement, if their share of scheme funds allows; and
- assistance will be extended to members of schemes that wound up under-funded (after 1 January 1997 and before the employer

was required to meet the full buy-out costs) where the employer is still solvent.

12.7 While many of the changes have been made by subordinate legislation, the Westminster Bill will enable the scheme to cover more people by extending the definitions of 'qualifying member' and 'qualifying pension scheme' in the Pensions Act 2004.

12.8 As the existing Westminster legislation governing the Financial Assistance Scheme extends to Northern Ireland, these provisions of the Westminster Bill will also extend.

13. PRE-CONSOLIDATION AMENDMENTS TO PENSIONS LEGISLATION

13.1 Consolidation Bills bring together a number of pieces of primary legislation on a subject into one new Act, without amending the law. The rules on what can be done in a consolidation are strict. In particular, they cannot be used to change policy in any way or to introduce new policies.

13.2 A pre-consolidation Order enables minor errors to be addressed before legislation is consolidated. An Order may make minor corrections, clarify doubts and remove anomalies or spent or unnecessary provisions.

13.3 Existing legislation governing pre-consolidation Orders is currently limited to amending legislation that was in place at the time the Pensions Act 2004 and corresponding Northern Ireland legislation were passed. Technical amendments are required to update these powers to include:

- the Pensions Act 2007;
- the Pensions Act (Northern Ireland) 2008;
- the present Westminster Pensions Bill; and
- any corresponding Northern Ireland Pensions Bill

in the list of legislation that can be amended by a pre-consolidation Order.

14. PRE-1948 INSURANCE AFFECTING GERMAN PENSION ENTITLEMENT

- 14.1 The Westminster Bill proposes the removal of an anomaly created by the interaction of pre-1948 United Kingdom legislation, European Law and German pension provision. The proposal is intended to improve the German pension entitlement of a group of people who came to the United Kingdom from Germany, Austria and Czechoslovakia as unaccompanied children before World War II. Around 10,000 came to the United Kingdom; some stayed, some went on to the United States of America, Canada or elsewhere.
- 14.2 Those who entered manual occupations in the United Kingdom when they reached 16 fell within the pre-Beveridge social insurance arrangements and now have National Insurance credits for the years before 1948; those who stayed at school and went on to non-manual jobs or further education did not fall within the pre-1948 arrangements.
- 14.3 When Germany opened its pension schemes to this group in the early 1990s, some opted to take back German nationality and to pay a voluntary contribution to join one of the schemes. They were then credited with German contributions for the period from 1939 to 1949.
- 14.4 Persons with pre-1948 United Kingdom National Insurance credits found that, under European law designed to prevent duplication of provision, those credits took precedence over the German credits resulting in a reduced or, depending on their age, significantly reduced German pension. Those who were not insured under the pre-1948 arrangements in the United Kingdom were able to gain the full value of their German credits for this period.
- 14.5 Various options to resolve this situation, including amending European law, have been explored. However, the simplest and quickest approach is to introduce provision allowing persons affected to choose

to be deemed not to have been insured in the United Kingdom before 1948.

14.6 This will allow the German authorities to recalculate German pensions and pay the resulting higher pensions. They will also pay such arrears as are due under German domestic legislation.

14.7 The Westminster Bill also includes protection where, as a consequence of the exercise of this option and the removal of pre-1948 insurance, a person's United Kingdom State Pension entitlement is reduced. The Secretary of State or the Department for Social Development will be empowered to pay an amount equal to the reduction in pension entitlement.

14.8 It is estimated that there are approximately 150 affected cases in the United Kingdom as a whole.

15. DISCLOSURE OF INFORMATION RELATING TO STATE PENSION CREDIT RECIPIENTS

- 15.1 Tackling fuel poverty across the United Kingdom is a key priority for the Government and Devolved Administrations; the overall objective being to ensure that no household in the United Kingdom lives in fuel poverty by 2018. A household is considered to be in fuel poverty if it needs to spend more than 10% of its income on fuel. A number of initiatives and measures exist to address the problem of fuel poverty and to provide help with fuel costs.
- 15.2 In Great Britain many energy providers have a range of social tariffs and following the budget announcement in March 2008 agreed to increase their collective expenditure on social assistance to a level of at least £150 million by the 2010/2011 financial year – an increase of £225 million over the next three years.
- 15.3 However, identifying the fuel poor is a major challenge. The Department for Work and Pensions holds data on pensioners receiving Pension Credit. The Bill proposes to create a regulation-making power authorising the sharing of that data with energy suppliers for the specific purpose of providing assistance with fuel costs – suppliers will also be able to share data for that purpose.
- 15.4 The regulations will prescribe the energy companies and third-parties to whom information may be given, the purposes for which the information may be given and used, and create offences relating to the unauthorised disclosure of such information by the recipient.
- 15.5 Individuals may be concerned that when suppliers have been given information they may use it for purposes other than providing assistance with fuel costs. Each supplier will receive data only on their existing customers which may be used only for the purpose of providing assistance.

- 15.6 In addition to the legal safeguards already available through the Data Protection Act 1998, the regulations will create a new criminal offence for unlawful disclosure of the data.
- 15.7 In Northern Ireland, a Fuel Poverty Task Force has been established to bring together all the main stakeholders in the energy sector to identify practical ways of helping the most vulnerable people. The Task Force will:
- identify those households that will suffer most from fuel price increases so that they can be targeted for direct help;
 - co-ordinate available funding across a range of Departments (in addition to 'Warm Homes') so that it has maximum impact on fuel poverty;
 - work with the Department of Enterprise, Trade and Investment, the Industry Regulator and the Consumer Council to ensure that the privately-owned energy companies are doing everything they can to counter fuel poverty.
- 15.8 The proposal to create a regulation-making power permitting the sharing of social security data for the purpose of providing assistance with fuel costs will provide a means by which some of those affected may be identified.

16. RESPONSIBILITY FOR DEVELOPING AND DELIVERING POLICY

- 16.1 Provision of social security and pensions in Northern Ireland is governed by the long established policy of parity with Great Britain, as provided for under section 87 of the 1998 Act. In line with section 87, there are, in effect, single systems of social security and pensions across the United Kingdom: social security and pensions policy is therefore developed on this basis. The Department for Social Development, in conjunction with the Department for Work and Pensions, is responsible for the delivery of policy.
- 16.2 Bodies involved in the implementation of the policy will include the Personal Accounts Delivery Authority, the Pensions Regulator, the Pensions Regulator Tribunal and the Board of the Pension Protection Fund.

17. CONSIDERATION OF AVAILABLE DATA AND RESEARCH

- 17.1 In assessing the impacts of the policy under section 75 of the Northern Ireland Act 1998 the Department has concluded that there is evidence of some differential impact in respect of the racial group, age, marital status, sexual orientation, gender, persons with a disability and persons with dependants categories. Those impacts have been considered in light of available data and policy intention to determine whether their effect is adverse. Where this is the case, consideration has been given to mitigating factors.
- 17.2 The data relied on derive from a number of sources: the White Papers *Security in Retirement: towards a new pensions system* (Command Paper 6841) and *Personal Accounts: a new way to save* (Command Paper 6975); Government Actuary's Department's 2004-based national population principal projection; Family Resources Survey 2005/06; Northern Ireland Statistics and Research Agency Population and Migration Estimates Northern Ireland (2007) – Statistical Report; Office for National Statistics - Occupational Pension Schemes Survey 2006; The Response to the August 2007 Pension Protection Levy Consultation; Financial Assistance Scheme (FAS) Review of Assets – December 2006 and the Pensions Bill Impact Assessment.
- 17.3 Northern Ireland specific data relating to some section 75 categories, such as sexual orientation and ethnic group, are not available. In a number of areas an assessment has been made of the impact of the Bill in light of the purpose of the reforms, or reliance placed on the analysis of the United Kingdom Family Resources Survey carried out by the Department for Work and Pensions.

18. **ASSESSMENT OF IMPACTS**

- 18.1 The provisions of the Bill form part of the overall pensions reform process. They are aimed primarily at improving retirement incomes by enabling and encouraging more people to build up a private pension to supplement that received from the State. This will help prevent future generations of pensioners facing disappointment in retirement and avoid placing additional financial burdens on the working population.
- 18.2 Measures such as automatic enrolment, the 3% employer contribution and access to low-cost Personal Accounts will have positive impacts on the retirement incomes of many people who do not at present have access to a good quality employer-sponsored pension scheme.
- 18.3 The *Employers' Pension Provision Survey 2005*⁽¹⁾ findings show a link between automatic enrolment and increased levels of pension scheme membership. Research on the 401(k) experience in the United States showed that automatic enrolment had the greatest effect among people on low incomes, minority ethnic groups and women⁽²⁾.

(1) McKay, S. (2006) *Employers' Pension Provision Survey 2005*, Department for Work and Pensions Research Report No. 329.

(2) Madrian and Shea, 2002, in Munnell and Sunden, 2004, *Coming up short: The Challenge of 401(k) plans*, The Brookings Institute.

- 18.4 Estimates show that across the United Kingdom 9 - 11 million people will be eligible for automatic enrolment into a qualifying pension scheme, of which 3.5 – 4 million will be women⁽¹⁾. There are more men than women in the eligible group because women are more likely to be economically inactive, to earn less than £5,035 per year or to work in the public sector.

(1) Department for Work and Pensions modelling based on the *Employers' Pension Provision Survey 2005* and the *Annual Survey of Hours and Earnings 2005*.

18.5 Based on research carried out by Ipsos MORI⁽¹⁾ for the Department for Work and Pensions, higher rates of participation for women than men are expected. In the study, 65% of men and 73% of women said they would probably or definitely stay in the scheme.

(1) Individuals' attitudes and likely reactions to the personal account reforms 2007: Report of a quantitative survey.

18.6 Taking these participation rates into account, an additional 2 – 3 million women and 2.5 – 4.5 million men are expected to participate in a workplace scheme. Around half a million women who already save are expected to benefit from a higher employer contribution. In total it is estimated that 4 – 7 million individuals will participate in Personal Accounts, and that 1 – 3 million of them will be women. Participation rates are expected to increase with time.

18.7 Overall, it is estimated that between 6 and 9 million workers will be newly participating or saving more in workplace based pension schemes as a result of the reforms. This includes more than 1 million workers benefiting from a higher employer contribution and 4 – 8 million people newly saving in Personal Accounts or an alternative qualifying scheme.

18.8 There are around 3 million self-employed people in the United Kingdom, of whom around 2 million are not saving in a private pension. The self-employed will be able to participate in Personal Accounts on a voluntary opt-in basis⁽¹⁾.

(1) Personal Accounts: a new way to save, Chapter 1, paragraph 1.25.

18.9 The following table, drawn from modelling carried out by the Department for Work and Pensions, shows the potential gains from saving into a scheme with lower charges and employer contributions.

The results are illustrative and depend on assumptions about investment returns. It is assumed that:

- individuals only save when in work;
- before private pension reform, all individuals save 5% of earnings (including 1% in tax relief) between £5,000 and £33,500 into a pension scheme; and
- with private pension reform, individuals save 8% of their income into a workplace pension scheme (including 1% in tax relief and 3% in employer contributions).

Individuals aged 25 in 2012 – weekly private pension income in 2055 (2007/08 earnings terms)

	A	B
Low-earning woman, full work history	£13	£23
Low-earning man, full work history	£15	£27
Median-earning woman, full work history	£28	£51
Median-earning man, full work history	£41	£75
High-earning woman, full work history	£47	£86
Median-earning woman, short career break	£17	£31
Low-earning woman, long career break	£7	£12
Low-earning woman, some short breaks, part-time work	£7	£13

A: State Pension reform with saving - increase in weekly income compared to not saving. State Pension reform, but no private pension reform - the individual saves into a pension scheme with no employer contribution.

B: State and private pension reform with saving - increase in weekly income compared to not saving. State and private pension

reform and the individual saves into a workplace pension scheme with a 3% employer contribution and lower charges.

18.10 Under these assumptions, the employer contribution and lower management charges significantly increase private pension income compared to saving pre-reform.

18.11 The measures to strengthen existing pension provision and improve confidence in private pensions are generally beneficial, but some aspects will impact differentially on some groups. The extension of the Financial Assistance Scheme will assist people who have lost pension rights. These issues are discussed below.

Religious Belief and Political Opinion

18.12 The reforms make no direct provision in relation to religious belief or political opinion. However, the proposed removal of the anomaly created by the interaction of pre-1948 United Kingdom legislation, European Law and German pension provision will assist a very small number of Jewish pensioners. Any other differential impact is incidental and, given the largely positive nature of the reforms and their general application, is unlikely to be adverse or significant on grounds of religious belief or political opinion.

Racial Group

18.13 The reforms are expected to have a positive impact on black and minority ethnic groups. Automatic enrolment is targeted predominantly at moderate to low earners who are currently not contributing to a pension with 3% or more employer contribution. Black and minority ethnic groups are over-represented amongst those with lower earnings:

Distribution of employees by earnings and ethnic group

	Less than £5,000	£5,000 to £14,999	£15,000 to £24,999	£25,000 to £32,999	£33,000 and over
White	8%	29%	31%	15%	18%
Male	3%	17%	35%	19%	26%
Female	13%	41%	27%	10%	9%
BME	9%	31%	30%	13%	16%
Male	9%	28%	31%	12%	20%
Female	10%	35%	30%	14%	11%
All	8%	29%	31%	14%	18%
Male	4%	18%	34%	18%	26%
Female	13%	40%	27%	10%	10%

Source: United Kingdom Family Resources Survey, 2005/06. Analysis based on employees aged 22 to State Pension age.

18.14 Women, regardless of racial group, are under-represented in the population of employees earning over £33,000, and over-represented in the population earning less than £5,000.

18.15 Black and minority ethnic group members are also less likely to be contributing to a private pension scheme than white employees:

Proportion of employees saving for a pension by earnings and ethnic group

	Less than £5,000	£5,000 to £14,999	£15,000 to £24,999	£25,000 to £32,999	£33,000 and over	All
White	15%	42%	62%	76%	83%	45%
BME	7%	22%	50%	61%	72%	28%

Source: United Kingdom Family Resources Survey, 2005/06. Analysis based on employees aged 22 to State Pension age.

18.16 When the Personal Accounts Delivery Authority moves into the more detailed design and delivery phase, it will be required to conduct detailed race impact assessments on its specific proposals to ensure that the Personal Accounts scheme is suitable for people of all ethnic backgrounds.

Age

18.17 Automatic enrolment will be available only to those aged between 22 and State Pension age. Making automatic enrolment available to workers under the age of 22 would expose employers to the additional administrative burden associated with frequent job changes made by young people, particularly students.

18.18 The upper age limit aligns with the point at which contributions to State provision cease. This avoids forcing a scheme rule change on those employers with schemes that would otherwise qualify. Most schemes have a “normal pension age”, generally between 60 and 65, which means that they are not currently open to those over State Pension age.

18.19 However, people aged between 16 and 22, and between State Pension age and 75 will be entitled to opt-in. People who are automatically enrolled but who do not wish to participate will be entitled to opt-out.

18.20 In effect, scheme membership will be a matter of personal choice. This proposal should not, therefore, result in differential adverse impacts on any age groups.

18.21 Only Pension Credit recipients aged 75 and over will benefit from the replacement of the five year assessed income period.

Marital Status

- 18.22 The enhancements to the Financial Assistance Scheme will assist the surviving wife or husband of a member or former member of a qualifying pension scheme.
- 18.23 The proposal for Pension Protection Fund compensation sharing on divorce etc will contribute to fair financial settlements and is likely to be beneficial to women. This is discussed further at paragraphs 18.33 and 19.20 - 19.22 below.

Sexual Orientation

- 18.24 The reforms are generally beneficial and the sharing of Pension Protection Fund compensation on divorce or the dissolution of a civil partnership is equally advantageous to some former spouses and civil partners. The pension scheme member will receive a reduced amount of compensation regardless of their sexual orientation.

Men and Women

- 18.25 Automatic enrolment and access to personal accounts: There is a legacy of pensions inequality between men and women. A number of factors have historically caused inequalities in both private and State pension income. Labour market patterns have affected women's ability to build up State Pension entitlements as well as the frequency of private pension contributions they make.
- 18.26 Reforms to the State Pension system implemented by the Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008 will significantly contribute to making future pensioners, and in particular women, better off. However, for many people the State Pension only provides part of the income they aspire to. Additional private pension provision will therefore continue to be vital.

- 18.27 At present, women have lower rates of participation in private pension schemes than men. Women are more likely to be lower earners and to work for small firms; two groups that are not currently served well by the pensions market. Women are also more likely than men to have broken work histories, affecting the length of time spent in a job.
- 18.28 Automatic enrolment into a workplace pension scheme is expected to have the greatest effect among people on low incomes. The combination of a minimum employer contribution of 3%, tax relief and low charges in the personal accounts scheme will make saving more attractive for many moderate to low earners. These measures will, in particular, help many women to build a private pension for the first time.
- 18.29 Reduction in the cap for revaluation of deferred pensions: Defined benefit pension schemes were established in traditionally male dominated industries at a time when female participation in the labour force was much lower than it is today. Consequently, any change to the regulatory framework for defined benefit schemes is likely to impact more on men than women.
- 18.30 However, the proposed change to the cap for revaluation of deferred pensions may have a particular impact on female scheme members because some women are more likely to earn pension benefits early in their careers and then leave the workforce for periods of time to undertake caring responsibilities.
- 18.31 Pensions on divorce – abolition of safeguarded rights: Anecdotal evidence suggests that more pension sharing orders on divorce are made in respect of women than men. The abolition of safeguarded rights is expected, therefore, to have a greater impact on women. However, the impact will be minimal and benefits to individuals will arise through increased flexibility in transferring pension credit rights - the individual's choice of scheme will no longer be restricted.

18.32 The restrictions on how safeguarded rights can be paid will also be removed, providing the individual the same rights to take their benefits as other pension credit members. For example, safeguarded rights held in a personal pension scheme cannot be paid until age 60. Abolishing safeguarded rights will allow those rights to be paid from age 50 (age 55 from 2010) if the individual so wishes.

18.33 Pension compensation on divorce etc: Men are more likely than women to have significant levels of Pension Protection Fund compensation. The proposal to treat compensation in the same way as pensions, and for it to be taken into account as an asset when a financial settlement is being reached, will mean that men are more likely to have reduced compensation following divorce. Women are more likely to gain from obtaining a share in their former partner's compensation.

Persons with a disability and persons without

18.34 Employees who are disabled are equally represented in the target group of moderate to low earners (£5,000 to £33,000). In Northern Ireland this is also the case amongst those earning between £5,000 and £15,000; in the United Kingdom they are over-represented in this group:

Distribution of employees by earnings and disability status – Northern Ireland

Earnings	Less than £5,000	£5,000 to £14,999	£15,000 to £24,999	£25,000 to £32,999	£33,000 and over
Not Disabled	8%	32%	37%	13%	10%
Disabled	8%	33%	35%	12%	11%

Source: Family Resources Survey (Northern Ireland), 2005/06.

***Distribution of employees by earnings and disability status –
United Kingdom***

Earnings	Less than £5,000	£5,000 to £14,999	£15,000 to £24,999	£25,000 to £32,999	£33,000 and over
Not Disabled	7%	28%	31%	15%	19%
Disabled	14%	34%	29%	12%	11%

Source: United Kingdom Family Resources Survey, 2005/06. Analysis based on employees aged 22 to State Pension age. The definition for disability used is 'people with a long-standing illness, disability or infirmity, and who have significant difficulty with day-to-day activities'.

18.35 Twenty three per cent of disabled people aged 22 to State Pension age are currently participating in a private pension compared with 47% of people in this age group who are not disabled⁽¹⁾. However, the picture is different when only employed people are considered. Employees who are disabled are slightly less likely than non-disabled to participate in a private pension - 55% of disabled employees contribute to a private pension, compared with 58% of employees who are not disabled.

(1) United Kingdom Family Resources Survey, 2005/06.

18.36 The reforms are, therefore, expected to have a similar impact on disabled people in employment as on those who are not disabled.

18.37 The provisions for sharing Pension Protection Fund compensation on divorce or dissolution of a civil partnership and extension of the Financial Assistance Scheme are likely to be beneficial to disabled people who may have had less opportunity to contribute to their own pension.

18.38 When the Personal Accounts Delivery Authority moves into the detailed design and delivery phase it will be required to conduct detailed disability impact assessments on its specific proposals to

ensure that the details of the scheme are suitable for people with different impairments.

Persons with dependants and persons without

18.39 Automatic enrolment, the 3% employer contribution, access to low-cost personal accounts, sharing Pension Protection Fund compensation on divorce or dissolution of a civil partnership and the extension of the Financial Assistance Scheme are all likely to be beneficial to persons who may have had less opportunity to contribute to their own pension because of caring responsibilities.

19. MITIGATION

19.1 The provisions of the Pensions Bill have been considered in the context of their impact on the groups set out in Section 75 of the Northern Ireland Act 1998. The Department has concluded that, whilst the reforms are largely positive, they may have an adverse differential impact on some Section 75 groups. Those incidents are considered below.

Pension Credit simplification: assessed income period

19.2 The replacement of the five year limit for assessed income periods with an indefinite period will assist only Pension Credit recipients aged 75 and over. This proposal forms part of a package of measures to further simplify the State Pension system, making it less intrusive and more transparent.

19.3 When an assessed income period matures there is a requirement to consider the setting of another period and a case review is conducted. This involves the production of evidence and information on income and capital similar to that requested at the start of a claim.

19.4 The proposed change removes the five year end point by introducing a lifetime assessed income period for those aged 80 or over, or who have an assessed income period spanning their 80th birthday. This means that most Pension Credit recipients aged 75 will benefit from the change. Those affected will, however, still be able to request a review should their retirement income or capital reduce.

19.5 From age 75 people's retirement income tends to be more stable. The effect of the proposal is to introduce a significant easement targeted at the most elderly and vulnerable pensioners who are unlikely to have any significant changes to their income and capital and who may be

worried about the impact of small fluctuations in income and capital on their benefit payments.

Data-sharing with energy providers

19.6 The Bill provides the power to make regulations governing the sharing of social security data on pensioners receiving Pension Credit with energy providers. This proposal will, for the first time, legitimise the supply of social security information to private commercial bodies. Data sharing must, therefore, be proportionate; that is, there must be a beneficial outcome for the great majority of those whose data are shared, and one that, as far as possible, is awarded automatically.

19.7 It is difficult to readily identify a range of people who are in fuel poverty. Work is ongoing on this issue. However, State Pension Credit is paid to less well-off pensioners, and recipients, therefore, form a clearly identifiable group that may be living in fuel poverty.

19.8 The Pensions Bill provides the legislative opportunity to introduce measures to assist with the identification of such persons.

Reduction in the cap for revaluation of deferred pensions

19.9 The proposal for a reduction in the cap on revaluation of deferred pensions may have a greater impact on women. It is, however, designed to encourage employers to retain good quality pension provision, which will benefit both men and women in the future.

19.10 Due to a combination of factors, such as higher life expectancy and lower investment returns, the cost to employers of running defined benefit occupational pension schemes has increased significantly over recent years. These cost pressures have led to a reduction in the number of such schemes open to current and new members. This proposal is aimed at reducing some of the cost burdens.

- 19.11 If a member leaves an occupational pension scheme before reaching pensionable age their pension rights in the scheme (“deferred rights”) can be undermined by inflation if no revaluation increases are provided over the period of deferral.
- 19.12 In the 1980s, when the statutory revaluation requirement was introduced for deferred pensions, it was recognised that it would be counter-productive to impose a potentially unlimited cost burden on schemes. The balance of member protection and scheme affordability was set by requiring schemes to revalue deferred rights by the rate of inflation over the period of deferral, or by 5% per annum, whichever is less.
- 19.13 At that time, however, inflation was running at a significantly higher level. Over the previous five years, it had averaged almost 9%. There was no expectation that schemes would have to protect deferred pensions fully against inflation.
- 19.14 Setting the cap at 2.5% recognises today’s lower-inflation environment. The reduced cap will apply only to pension rights accrued from 2009 onwards – existing rights will not be affected.
- 19.15 The impact of a reduction in the cap for future pension accruals will depend on the level of pension built up after the reduction, the length of time that elapses before the pension comes into payment and the rate of inflation over that period. Analysis carried out by the Department for Work and Pensions indicates that a reduction in the cap would have very little effect on average private sector incomes from defined benefit schemes.
- 19.16 The table below shows the percentage reductions in average private sector defined benefit pension income compared to the status quo, assuming a long-term inflation rate of 2.9% and a reduction in the cap from 2009:

2.5% cap - 100% deferred pension affected by change	
2020	0.2%
2030	0.5%
2040	1.1%
2050	1.6%

19.17 There is no concrete data on the amount of deferred pensions held by men and women, but the impact on any individual member is likely to be small.

19.18 The proposal for a reduction in the cap on revaluation of deferred pensions is intended to help employers maintain defined benefit occupational pension provision into the future, which will be of benefit to both men and women.

19.19 The change should be seen as part of the wider pension reform package which has already seen improvements to the State Pension system by recognising the social and economic contribution made by women. The private pension reforms will, for the first time, provide genuine equality of opportunity in the access to private pension provision, enabling more women to take responsibility for their own income in retirement.

Pension compensation on divorce etc.

19.20 Men are more likely to have significant levels of Pension Protection Fund compensation than women. This means that men are more likely to have reduced compensation as a result of the proposal to allow Pension Protection Fund compensation to be shared on divorce.

19.21 However, this would only be the result of a fair settlement. Couples undergoing divorce, or dissolution of marriage or civil partnership, will

be able to reach greater independence and fairer settlements as the courts will be empowered to share Pension Protection Fund compensation in the same way that they currently share pensions.

19.22 This will allow members of couples who have had less opportunity to contribute to their own pension, especially women, carers and disabled persons, or those who have had lower earnings, to acquire a share of the compensation where this forms one of the couple's more significant assets.

20. CONCLUSION

20.1 At the start of the current pension reform process five principles of reform were established: the reforms should promote personal responsibility, be simple, affordable, sustainable and they should be fair. The fairness principle is of particular significance to women, given the inequalities in pension outcomes between men and women.

20.2 The Pensions Act 2007 and the Pensions Act (Northern Ireland) 2008 focused mainly on State Pension reform. Those Acts introduced a number of measures that are crucial from an equality perspective - they will narrow the gender pension gap and remove discrimination for carers in the pension system. The reforms are based on a modern contributory principle: a life of unpaid caring responsibilities will be rewarded in retirement in the same way as a life of work.

20.3 The present Bill will provide employees with access to a workplace pension scheme of a minimum standard with employer and government contributions. Millions of individuals will be given the opportunity to build a private pension to supplement retirement income received from the State, many of them gaining access for the first time.

21. RESPONSES TO CONSULTATION

21.1 Responses were received from Help the Aged and a2b (Access to Benefits). Both organisations welcomed the proposals but raised a number of concerns. The issues raised and the Department's considerations are set out in table form at Appendix 2.

Points in Common

21.2 A number of points were common to both organisations:

- the proposals permitting an individual to opt in to a scheme and receive an employer contribution are not available to the over 75s;
- concern was expressed regarding the need for financial advice to ensure that individuals are in a position to make informed decisions about pension saving, particularly for older people;
- emphasis was placed on the need for frequent contact with older Pension Credit recipients who have been awarded assessed income periods to ensure that reductions in capital/income are taken into account for the purposes of their awards;
- the proposed extension of the assessed income period in State Pension Credit to persons aged 75 and over was queried. It was suggested that a lower limit of 70 would be appropriate and would help more older people. The Department's assertion that from age 75 people's retirement income tends to be more stable was questioned.

21.3 Help the Aged also expressed concern that the proposals for automatic enrolment into a workplace pension scheme and the introduction of

Personal Accounts would have little effect on those who have already reached retirement age or are approaching retirement age.

- 21.4 a2b expressed concern regarding the proposal to share data with energy suppliers and requested further detail on how this will be carried out and what safeguards will be put in place.

22. CONSIDERATION OF RESPONSES

Access to occupational pension schemes for the over 75s

- 22.1 The right to opt in to a workplace pension scheme or a Personal Account will not be available to persons over 75 years of age. The use of the age 75 cut-off points in the Bill is to ensure that the Bill is compatible with the requirements of tax law relating to pensions.
- 22.2 Pension Schemes avail of a range of tax incentives to support saving for retirement and to increase the ultimate value of pensions. The tax incentives, estimated to be worth £17.3 billion in 2007/08, are predicated on the requirement that tax incentivised savings are used to provide an income in retirement.
- 22.3 Current tax law requires that savings in a pension scheme must be used to secure a pension by age 75. Tax is an excepted matter under the Northern Ireland Act 1998 and is a matter for the Westminster Parliament.
- 22.4 Workers aged over 75 may apply to join or remain in their employer's pension scheme. It will be for the employer to decide whether or not to accept an application and any contributions they decide to make will be voluntary. However, those contributions, and contributions made by the worker, would not attract tax relief. Any such savings have to be treated separately and will not attract tax incentives.

22.5 The Employment Equality (Age) Regulations (Northern Ireland) 2006 specifically except the minimum or maximum age for admission to an occupational pension scheme and any rules etc related to the tax requirements from the scope of those regulations (paragraphs 7 and 30 of Schedule 1).

Financial advice about pension saving

22.6 Scheme membership will not be mandatory and individuals who believe that they will not benefit from saving will have the right to opt out. Nevertheless, any decision to opt out must be an informed one.

22.7 The Pensions Advisory Service provides free advice on occupational pension schemes and many Trade Unions advise members on pension arrangements. The Personal Accounts Delivery Authority will incorporate an information service and, between now and 2012, will conduct a comprehensive publicity programme to make people aware of the new scheme and provide advice.

22.8 The Government and the Financial Services Authority are taking forward the Money Guidance pathfinder project in the North East and North West of England. The pilot will run for two years from 2008 to 2010. The intention is to ensure the availability of impartial, sales-free guidance on a range of money matters and the project aims to fully test the delivery, impact and effectiveness of a money guidance service and provide evidence to inform how best to approach rollout of a national service.

Assessed income periods: reductions in capital/income – provision of information

22.9 When an assessed income period or an assessed income period run-on is awarded, a letter is issued to the beneficiary along with a copy of leaflet INF4(PC) "*Pension Credit: What you need to tell us about*". The

leaflet sets out changes in circumstances that must be reported and will be amended to take account of the change introduced by the Bill in time for implementation. The letter and the leaflet also make it clear that the recipient can still ask for a review of their Pension Credit award where their income or capital reduces.

22.10 There will be ongoing contact with Pension Credit recipients in April each year, when benefits are increased through the annual benefit uprating exercise. Letters, accompanied by leaflet INF4(PC), are issued to all recipients to explain the increase in their benefit.

22.11 The Pension Service provides an advice service for its customers and Pension Advisers are available to assist with any queries an individual may have. The concerns expressed regarding the provision of information on the assessed income period will be brought to the attention of the Pension Service.

Data-sharing with energy suppliers

22.12 The proposed measures will permit the Department to share information relating to State Pension Credit recipients with energy suppliers solely for the purposes of providing assistance to those who may be living in fuel poverty. Data-sharing will involve the minimum amount of data required to confirm that pensioners are in receipt of Pension Credit and information will be shared only when the Department is satisfied that any potential offer from energy suppliers is sufficient to warrant it.

22.13 Regulations made under powers provided by the Bill will prescribe the bodies with whom information may be shared, the purposes for which it may be used and create an offence for the improper disclosure of information. The safeguards contained in the Data Protection Act will also apply. Proposals for advising those who will potentially be affected are still under consideration.

Assessed income period age limit and stability of income from age 75

22.14 The extension of the assessed income period in State Pension Credit is targeted at the more elderly and potentially vulnerable pensioners. It will assist State Pension Credit recipients aged 75 and over. Age 75 was chosen because, by the time they reach that age, most people have converted pension savings into an annual income and their retirement income tends to be more stable.

Impact on persons approaching or over pension age

22.15 The proposals regarding automatic enrolment into a workplace pension scheme and the introduction of Personal Accounts are aimed at encouraging and enabling more people to build a personal pension income to supplement State Pension entitlement.

22.16 Planning for retirement and accrual of pension rights are long-term matters. Those close to State Pension age at the introduction of automatic enrolment and Personal Accounts will have less time to build rights. However the majority can expect to benefit from saving because of the employer contribution and low charges.

22.17 Those with existing provision will be able to build on it, and those retiring with accumulated pensions funds of less than £16,000 will be able to take their savings as a lump sum; 25% being tax free and the first £6,000 of capital being disregarded for benefit purposes.

23. MONITORING FOR ADVERSE IMPACTS IN THE FUTURE

23.1 While the parity principle is designed to ensure uniformity of provision across the United Kingdom, and in line with the Department's commitment under the Equality Scheme, any adverse differential

impacts on equality of opportunity or good relations identified will be shared with the Department for Work and Pensions and taken into account in its ongoing monitoring of the effects of the policy. Such findings will be used to inform further development of, or modification to, existing policies.

List of consultees

Advice NI

Age Concern (NI)

Cardinal Sean Brady, Archbishop of Armagh & Primate of all Ireland

Most Rev. Alan Harper, Archbishop of Armagh & Primate of all Ireland

Rev. Aian Ferguson, Methodist President

Rt. Rev. Dr. Donald Patton, Presbyterian Moderator

Association of Independent Advice Centres

Belfast Islamic Centre

Belfast Jewish Community Centre

Bryson House

Carers Northern Ireland

Citizens Advice Regional Office

Community Foundation for Northern Ireland

The Community Relations Council

Cruse Bereavement Care (NI) Regional HQ

Disability Action

Equality Coalition Committee on the Administration of Justice

Equality Commission

Gingerbread

Help the Aged (NI)

Irish Congress of Trade Unions

The Law Society

Members of the Legislative Assembly

Multi-Cultural Resource Centre

National Association of Pension Funds

NICVA

NIGRA (NI Gay Rights Association)

Northern Ireland Committee, Irish Congress of Trade Unions

Northern Ireland Council for Ethnic Minorities

NI Human Rights Commission (NIHRC)

Relate

RNIB (Northern Ireland Services Bureau)

Simon Community (NI)

UNISON

Women's Information Group

Women's Support Network

APPENDIX 2

SUMMARY OF RESPONSES TO CONSULTATION AND THE DEPARTMENT'S CONSIDERATION

Points in Common	Department's Consideration
<p>The right to opt in to a scheme and receive an employer contribution will not be available to the over 75s.</p>	<p>The use of the age 75 cut-off points in the Bill is to ensure that the Bill is compatible with the requirements of tax law relating to pensions.</p> <p>Pension Schemes avail of a range of tax incentives to support saving for retirement and to increase the ultimate value of pensions. The tax incentives, estimated to be worth £17.3 billion in 2007/08, are predicated on the requirement that tax incentivised savings are used to provide an income in retirement.</p> <p>Current tax law requires that savings in a pension scheme must be used to secure a pension by age 75. Tax is an excepted matter under the Northern Ireland Act 1998 and is a matter for the Westminster Parliament.</p> <p>Workers aged over 75 may apply to join or remain in their employer's pension scheme. It will be for the employer to decide whether or not to accept an application and any contributions they decide to make will be voluntary. However, those contributions, and contributions made by the worker, would not attract tax relief. Any such savings have to be treated separately and will not attract tax incentives.</p> <p>The Employment Equality (Age) Regulations (Northern Ireland) 2006 specifically except the minimum or maximum age for admission to an occupational pension scheme and any rules etc related to the tax requirements from the scope of those regulations (paragraphs 7 and 30 of Schedule 1).</p>
<p>Financial advice is required to ensure that individuals, particularly older people, are able to make informed decisions about pension saving.</p>	<p>The Pensions Advisory Service provides free advice on occupational pension schemes and many Trade Unions advise members on pension arrangements.</p> <p>The Personal Accounts Delivery Authority will incorporate an information service and will conduct a publicity programme to raise awareness of the new scheme and provide advice.</p>

	<p>The Government and the Financial Services Authority are taking forward the Money Guidance pathfinder project to test the delivery, impact and effectiveness of a national money guidance service. The intention is to ensure the availability of impartial, sales-free guidance on a range of money matters.</p>
<p>There is a need for frequent contact with older Pension Credit recipients who have been awarded assessed income periods to ensure that reductions in capital/income are taken into account in their awards.</p>	<p>When an assessed income period is awarded a letter is issued to the beneficiary with leaflet INF4(PC), which sets out changes in circumstances that must be reported. They explain that a review of an award may be made where income or capital reduces. The leaflet will be updated in time for implementation of the proposed change.</p> <p>There will be ongoing contact with Pension Credit recipients in April each year when benefits are updated. Letters, accompanied by leaflet INF4(PC), will explain the increase in benefit.</p> <p>The Pensions Service provides an advice service for its customers and Pension Advisers are available to assist.</p>
<p>What is the basis for the Department's assertion that from age 75 people's retirement income tends to be more stable? Why is the proposed extension of the assessed income period in State Pension Credit limited to persons aged 75 and over? A lower limit of 70 would be appropriate and would help more older people.</p>	<p>The extension of the assessed income period in State Pension Credit is targeted at older and potentially vulnerable pensioners and will assist Pension Credit recipients aged 75 and over. Age 75 was chosen because, by the time they reach that age, most people have converted pension savings into an annual income and their retirement income tends to be more stable.</p>
<p>Help the Aged</p>	<p>Measures introduced by the Pensions Act (Northern Ireland) 2008, such as restoration of the earnings link and the reduction in the number of qualifying years needed for a full State Pension, will benefit persons who have reached pension age and many approaching retirement.</p> <p>Automatic enrolment into a workplace pension scheme and Personal Accounts are aimed at encouraging and enabling more people to build a personal pension income to supplement State Pension entitlement. Planning for retirement and accrual of pension rights</p>
<p>The introduction of automatic enrolment into a workplace pension scheme and Personal Accounts will have little effect on those who have already reached pension age or are approaching retirement.</p>	

	<p>are long-term matters. People close to State Pension age at introduction will have less time to build rights.</p> <p>The majority can expect to benefit from saving because of the employer contribution and low charges. Those with existing provision will be able to build on it, and those retiring with accumulated pensions funds of less than £16,000 will be able to take their savings as a lump sum; 25% being tax free and the first £6,000 of capital being disregarded for benefit purposes.</p> <p>Membership will not be mandatory and individuals who believe that they will not benefit, may opt out.</p>
<p>a2b: Access to Benefits</p>	<p>The proposed measures will permit the Department to share information relating to Pension Credit recipients with energy suppliers solely for the purposes of providing assistance to those who may be living in fuel poverty. Data-sharing will involve the minimum amount of data required to confirm that pensioners are receiving Pension Credit. Information will be shared only when the Department is satisfied that any potential offer from energy suppliers is sufficient to warrant data-sharing.</p> <p>In addition to the safeguards contained in the Data Protection Act, the Bill introduces a power to create an offence for improper disclosure of information. Regulations will prescribe the bodies with whom information may be shared and the purposes for which it may be used. Proposals for advising those who will potentially be affected are still under consideration.</p>
<p>How will data-sharing be carried out and what safeguards will be put in place?</p>	