

Draft Pensions Bill

Department for Work and Pensions

Written Evidence submitted by the Commissioner for Older
People for Northern Ireland

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Summary and Recommendations

The Commissioner for Older People for Northern Ireland (the “Commissioner”) welcomes the announcements to simplify the State Pension and to seek to make it sustainable in the light of increasing longevity. The Commissioner supports proposals for a simpler and fairer pensions system.

The Commissioner supports the aim of a single- tier State Pension above the basic Pension Credit rate. A single- tier State Pension would particularly benefit those older people with low lifetime earnings due to low pay and caring responsibilities. The Commissioner is of the view that the rate would be more appropriately set on the basis of the Green Paper figures.

The Government should consider extending the single- tier pension to current pensioners.

Pension reform should not be considered in a vacuum and the overall objective should be continued support for reducing pensioner poverty. In Northern Ireland, 21% pensioners live in poverty, compared to 16% of pensioners in Great Britain¹.

State Pensions should be available and uprated for all UK pensioners living abroad.

Older people will be impacted by issues arising in the provision of these services. The Commissioner is of the view that any proposals for pension reform should, therefore, ensure the full participation of older people including those whose voices are traditionally not heard and should monitor the equality and human rights impact of its proposals on older people.

¹ MacInnes, T, Aldrige H, Kenway, P: “Monitoring poverty and social exclusion in Northern Ireland 2012”. Joseph Rowntree Foundation. York

Introduction

1. The office of the Commissioner for Older People for Northern Ireland is an independent public body established under the Commissioner for Older People Act (Northern Ireland) 2011.
2. The Commissioner has an extensive range of general powers and duties which will provide the statutory remit for the exercise of her functions. In addition the Commissioner may provide advice or information on any matter concerning the interests of older people. Her wide ranging legal powers and duties include amongst others:
 - To promote and safeguard the interests of older people (defined as being those aged over 60 years and in exceptional cases, those aged over 50 years);
 - To keep under review the adequacy and effectiveness of law and practice relating to the interests of older people;
 - To keep under review the adequacy and effectiveness of services provided for older persons by relevant authorities (defined as being local authorities and organisations including health and social care trusts, education boards and private and public residential care homes);
 - To promote the provision of opportunities for and the elimination of discrimination against older persons;
 - To review and where appropriate, investigate advocacy, complaint, inspection and whistle-blowing arrangements of relevant authorities;
 - To assist with complaints to and against relevant authorities;
 - The power to bring, intervene in or assist in legal proceedings in respect of relevant authorities;
 - To issue guidance and make representations about any matter concerning the interests of older people.
3. The Commissioner's powers and duties are underpinned by the United Nations Principles for Older Persons (1991) which include Independence, Participation, Care, Self-fulfilment and Dignity.
4. The Commissioner welcomes the opportunity to comment to the Committee on the State Pension Reforms and in particular the Draft Pensions Bill (the "Bill").

The single- tier State Pension

5. The Commissioner welcomes and supports the aim of a single- tier State Pension which will lead to simplification of the system and a greater number of pensioners qualifying for a pension at the full rate - in the longer term.

6. The starting amount of payment of the single- tier pension is not set out in the Bill. The suggested amount of £144 per week (in 2012/ 13 earnings terms) is set out in the White Paper. This amount is only £1.30 above the basic Pension credit guarantee level whereas the Green Paper figure (of £140) was £7.40 ie. nearly 6% higher than Pension Credit levels at the relevant time (based on 2010-2011 levels). The Commissioner believes that the single- tier pension must be set at a level that tackles poverty, provides a platform for saving and reduces reliance on means - testing. The Commissioner is concerned that £144 is not sufficient to meet the aims of the reforms.

Minimum Qualifying Years

7. Clauses 2 and 3 provide for the full pension based on 35 years of contributions with a reduced pension for those with fewer years, but with a set minimum modelled on 10 years. The minimum number of qualifying years should be set out in secondary regulations and maintained to provide certainty so that those who might be adversely affected can plan ahead.
8. Greater safeguards should be built into the legislation for those who are at risk of not reaching the minimum qualifying years, or attaining only low qualifying years or who are unable to build qualifying years as a result of caring responsibilities. These are not new risks under the draft Bill however the Commissioner is of the view that the proposed reform offers an opportunity to revisit and review the position of these particularly impacted people.

Transition

9. Clauses 4-6 and Schedules 1 and 2 set out the calculation for people with qualifying years before the introduction of the new single- tier pension. The Commissioner notes that the new system will represent a significant change which will necessitate extensive planning by the Government to ensure a smooth delivery.
10. The communication of the changes will require careful planning by the Government. Steps need to be taken to ensure clear communication of the changes to ensure all people and particularly older people will have sufficient information to inform their understanding of their current and prospective benefits and the date from which these new benefits are payable. The Commissioner would welcome assurances from the Government that plans are in place to ensure a smooth transition.
11. In Northern Ireland, there continues to be a significant proportion of pensioners who do not uptake available benefits (including state pension credit). The Department for Social Development for Northern Ireland highlighted people's entitlements through a wide scale media campaign. The Commissioner is of the view that similar effort will be required by Government around the communication of these complex changes.

Derived Benefits

12. The new single- tier system will no longer allow a person to claim a pension on their spouse or civil partner's contributions. There are some exceptions and the Commissioner welcomes these in respect of married women and widows who have paid reduced rate contributions. The Commissioner remains concerned about those people however who will lose out because they expected to use their partner's contributions and will not have adequate time to build up their own pension.
13. The Commissioner is of the view that transitional provisions should be made to ensure that in the case where someone had a legitimate expectation of a pension based on their partner's contributions and is now adversely affected by the timelines for the new single- tier pension, they should be able to avail of a single- tier pension of at least the same amount as would have been currently available.

Overseas Residents

14. Clause 20 retains the current position that people living in certain overseas countries will not receive annual increases. As the proportion of Northern Ireland's ageing population increases, so does the number of people who will be affected by this freeze should they wish to consider emigrating.
15. Many overseas residents have contributed to the economy for years when they lived and worked in Northern Ireland or other parts of the United Kingdom and would argue that they do not avail of the NHS nor are they in receipt of state benefits when they live abroad. The Commissioner believes that older people should receive annual increases regardless of where they currently live.

Uprating

16. Schedule 12 makes provision for the single- tier pension to be uprated at least by earnings in line with provisions for the current basic pension. The Commissioner supports the Government's commitment to uprate the basic pension by the triple lock (ie. the basic state pension will be increased each year in line with either earnings, prices or 2.5%- whichever is the highest). This commitment should be set out in legislation for the basic pension and the new single- tier pension.

Means- tested benefits in retirement

17. The Commissioner supports the principles of reduction of means- testing and reduction of complexity in the benefits system for older people. The overall objective of pension reform should be to decrease pensioner poverty and to ensure an adequate standard of living for older people.

Abolition of Contracting Out

18. The abolition of contracting-out of the second state pension in Clause 24 will cause particular challenges in both the public and private sectors. This area appears extremely complex and further clarity will be required. The implications of this change are far reaching and will require further investigation.

State Pension Age and Periodic Future Review

19. Clause 25 increases pensionable age to 67 years between 2026 and 2028. Clause 26 then allows for a future review of the pensionable age to occur no later than 7 May 2017 and no later than every 6 years thereafter. The White Paper stated that an independent body would be commissioned to produce a report on wider factors as part of such review as well as a report from the Government's Actuary's Department. The Bill or regulations should set out a list of "the specified factors" (s.26(5)) to be taken into account for future reviews and setting out clearly how any future increases would be introduced.

20. The White Paper refers to a minimum of ten years notice for any increase to an individual's state pension age. The Commissioner welcomes clarity in the Bill of any period of increase to assist individuals in planning for their own financial future.

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