Contents

State Pension Age Briefing 02/06/20 [FF FG]

State Pension Age and Options Costs and Recipient Numbers

Questions 1, 2, 3, 4 and 5

Can we have **the annual cost for 2021 and 2022** for the following options – please show **the estimated number of pensioners provided for in each option**, and show what assumptions are being made in relation to the number of pensioners moving between working age payments and State Pension or State Transition Pension:

1. The current legislative position remains – the pension age goes up to 67 on 1 January 2021 and there is no transition pension introduced for 65 or 66 years olds.
2. The pension age goes up to 67 on 1 January 2021 but a transition pension (at the full pension rate) is introduced for those who reach 66 during 2021 and who retire from work and therefore leave the workforce.
3. The pension age goes up to 67 on 1 January 2021 but a transition pension (at the full pension rate) is introduced for those who reach 65 and those who reach 66 during 2021 and who retire from work and therefore leave the workforce.
4. The pension age goes up to 67 on 1 January 2021 but a transition pension (at the full pension rate) is introduced for those who reach 66 during 2021 and who retire from work and therefore leave the workforce; and that a pension pathway payment is introduced (at the current jobseeker's benefit rate) for those who reach 65 during 2021 and who retire from work and therefore leave the workforce.
5. The increase in the pension age to 67 does not proceed and no further changes are made.

Answers 1, 2, 3, 4 and 5

The tables overleaf show the answers to the questions 1 through 5. The estimated costs shown are **net costs**. This means that the Department has factored in the (plus or minus) costs associated with a person's

- entitlement to secondary benefits (such as Household Benefits – as eligibility is dependent on State Pension Age [SPA]),
- PRSI contributions (an employee makes PRSI contributions until SPA but not thereafter)
- engagement or not with working age social welfare schemes (e.g., jobseekers – a person may sign on if required to retire from their occupation at age 65).

For the purposes of costing a State Pension Transition (SPT), estimated SPT awards figures were calculated based on the observed ratio of SPT awards to SPC awards from 2009 to 2012. This ratio was then used for 2021 and 2022 based on projected SPC recipient numbers for those years.

Estimated Costs	2021	2022
	€m	€m
<u>**excluding rate increases**</u>		
Q1 – SPA 67 from 2021	9,267	9,224
Q2– SPA 67, with SPT 66-67	9,289	9,400
Q3 – SPA 67, with SPT 65-67	9,565	9,572
Q4 – SPA 67, with Pathway 65-66, SPT 66-67	9,334	9,544
Q5 – SPA remaining at 66	9,447	9,628

Estimated Pensioner Numbers	2021	2022
Q1 – SPA 67 from 2021	679,825	682,525
Q2 – SPA 67, with SPT 66-67	696,294	699,778
Q3 – SPA 67, with SPT 65-67	711,979	716,247
Q4 – SPA 67, with Pathway 65-66, SPT 66-67 **[Same numbers as Q3]**	711,979	716,247
Q5 – SPA remaining at 66	700,425	725,325

Question A.

PQ replies received in recent months put the cost of postponing the increase in the State pension age at approx. €430m per annum, with a net cost of €217.5m per annum. Is this still the best estimate?

Answer A.

No. This figure was based on a preliminary analysis. Since the extensive debate during the General Election campaign the Department has conducted additional modelling, to augment this preliminary work. These figures have been provided in the paper on Friday 29th March entitled "State Pension Age Costs and Legislation" and are reflected here. The additional net costs per annum range from c. €180 million in 2021 (due to a first year effect) to an average of over €400 million per annum thereafter.

Question B.

Please clarify what benefits are available to a person on the State Pension but would not be available to a person on a State Transition Pension?

Answer B.

State Pension Contributory (SPC) and State Pension Non-Contributory (SPNC) were never paid at the age of 65. The previous State Pension Transition (SPT) was a scheme which allowed those who were retired to get a transitionary payment between the age of 65 and 66. Eligibility was based on PRSI contributions and credits. It was not a means tested payment.

A person had to have a minimum average of 24 contributions per annum to be eligible for the previous model of SPT whereas an average of only 10 contributions per annum is required for SPC eligibility.

Recipients of the previous model of SPT were **not** eligible for Free Travel, the Household Benefits Package (electricity, gas, TV licence), Fuel Allowance or Living Alone Allowance.

The SPT maximum personal rate was equivalent to the maximum rate for the SPC in 2013 - €230.30 then (now €248.30). However, SPT and SPC did not have exactly the same eligibility rules and conditions. The key differences included –

- Class S PRSI contributions were not reckonable for standard SPT purposes (pre-2014). This meant that self-employed persons solely dependent on Class S contributions were not eligible for SPT. Class S are used in the calculation of State Pension (Contributory).
- Homemaking disregards were not reckonable for SPT pre 2014. Homemaking disregards and Homecaring periods are currently counted in the calculation of payment for SPC.
- A person was not eligible for SPT if they were in insurable employment, i.e., they had to be retired. There are no restrictions on employment for a recipient of SPC.

Question C.

If a State Transition Pension were introduced, would a person need to prove they were forced to retire from work?

Answer C.

When SPT was administered in the past, the applicant was required to sign a declaration to confirm that they were retired from insurable employment and the date of retirement on the application form.

It is also worth highlighting that people receiving SPC can work with no limit to earnings. People receiving the SPNC or Increase for a Qualified Adult can work subject to means test limits.

Question D.

Would the self-employed be able to avail of a State Transition Pension if they discontinued their business and stopped working? How did it work when it was there up to 2014?

Answer D.

PRSI contributions are payable by employees, their employers and the self-employed aged over 16 years and under pensionable age – currently 66 years (due to increase to 67 from 2021).

- Class A applies to people in industrial, commercial and service type employment who are employed under a contract of service with a reckonable pay of €38 or more per week from employment.
- Self-employed persons who earn €5,000 or more in a contribution year are liable for PRSI at the Class S rate.

Class S contributions were not reckonable for SPT purposes when it existed up to 2014. However, a Class S contributor may have qualified for SPT based on their previous insurance record – as an employee.

If an SPT was reintroduced, and it was intended that self-employed persons could be eligible for it, then a number of policy issues would have to be resolved. Firstly, some definition of "retired" that was consistent or equitable in treatment to employees would have to be developed and legislated for. Secondly, additional benefits would be extended to self-employed (Class S) workers and consideration would have to be given to increases in the Class S contribution rate to reflect the additional benefit. Thirdly, Class S contributors include those whose only income is unearned, i.e., it is derived from investments. The individual may not actually have any work to retire from and so consideration would have to be given to how the income stream would be dealt with in such circumstances.

Question E.

What is the current balance in the Social Insurance Fund and what is the projected balance of it for the next number of years on a no policy change basis?

Answer E.

The Social Insurance Fund (SIF) had an accumulated surplus of €3.89 billion at the end of 2019. The original 2020 Estimates (published in December 2019) projected a surplus in 2020 of c.€1.9 billion which would have yielded an accumulated surplus of c.€5.8 billion at the end of 2020.

However, as a result of the economic impact of the pandemic, and the production of new Revised Estimates, the Department is estimating over €1.3 billion additional expenditure from the Social Insurance Fund over that projected at the beginning of the year. Also, the Department estimates a €2.45 billion reduction in income over that projected at the beginning of the year. Accordingly, the SIF will, at a minimum, experience a €3.8 billion reduction over that projected at the beginning of the year, which, if realised would result in a SIF surplus of €1.9 billion at the end of this year.

These estimates are based on the current arrangements for and duration of the Pandemic Unemployment Payment (PUP) and the Temporary Wage Subsidy Scheme (TWSS). The Government has signalled its intention to extend these payments. These decisions will have implications for the SIF position at year end.

As these decisions have not yet been made and as projections for employment figures for the 2021 have not yet been made, it is not possible at this juncture to provide any further forecasts for SIF income and expenditure over the next 18 months.

Pension Scenario Cost and Legislative Options Note 29/05/20 [FF]

PENSION SCENARIO COST AND LEGISLATIVE OPTIONS

Number of Pension Recipients

Because of demographic pressures the number of pensioners will continue to rise over the next 5 years (up to 2025). The current pension recipient population will increase from **677,000** in 2020 to **810,000** in 2025, based on the current State Pension Age (SPA) of 66 years.

If SPA increases to 67 years in 2021, the 2025 pension recipient population will reduce to **757,000**.

If SPA reduces to 65 years in 2021, the 2025 pension recipient population will increase to **855,000**.

If State Pension Transition (SPT) is made available, it is estimated that there will be an additional 20,000 pensioners for each year SPT is payable.

Additional Pension Costs

The annual cost of pensions with an SPA of 66 years (including Christmas bonus but NOT increases in rates of payment), will increase from €8.9 billion in 2020 to €10.8 billion in 2025. This increase in expenditure of c.€1.9 billion in 2025 is directly related to the demographic changes in the pension population. These demographic pressures alone mean that total expenditure on pensions over the 5 years from 2021 to 2025 will increase by €5.5 billion, without any payment rate increases.

If the rate of payment increased by €5 per week each year over the next 5 years, the 2025 annual costs will be an additional €1.1 billion higher, resulting in overall expenditure of €11.9 billion in that year. A €5 per week rate increase, would increase the 5 year spend in total by €3.2 billion extra.

Therefore, in leaving the SPA at 66, the combination of demographic pressures and a projected €5 per week each year for the next 5 years would bring the total increased spend to €8.7 billion.

Based on a revisiting of the Actuarial Review of the SIF 2015, not proceeding with the legislated SPA changes would result in the Net Present Value (NPV) of projected future shortfalls to the Social Insurance Fund out to 2071 increasing by €42 Billion from €335 Billion to €377 Billion.

State Pension Age Options

The options for SPA are (i) retain SPA at 66 years, (ii) increase SPA to 67 years as currently provided for in legislation or (iii) reduce SPA to 65 years. Broadly speaking:

- Retaining SPA at 66 will cost an additional €550 million in 2025 – as the figures change each year, a general estimate is that leaving the SPA at 66 rather than increasing it to 67 would cost an extra c.€400 million per year (and this would continue to increase). This is in addition to the extra €2.4 billion required to fund pensions for those over 67 years;
- Reducing SPA to 65 would cost an extra €3.5 billion in 2025 v 2020 costs;

The re-introduction of SPT on the same basis as it was available up to 2014 would have a net cost of c.€127 million each year and this would also increase over time (on an approximate pro-rate basis).

The following tables set out the net costs in € billions of the options considered.

2025 ANNUAL EXPENDITURE (€ BILLIONS)

SPA	**66 Years**	**66 Years + SPT for 65 - 66**	**67 years**	**67 Years + SPT for 66 – 67**	**67 Years + SPT for 65 – 67**	**65 Years**
Net Cost*	11.9	12.1	11.4	11.6	11.7	12.6
of which:						
increase caused by demographic growth in numbers	1.9	2.0	1.4	1.6	1.7	2.4
increase relates to €5pw rate increases from 2021-2025	1.1	1.2	1.1	1.1	1.1	1.2

TOTAL EXPENDITUE OVER 5 YEARS 2021-2025 (€ BILLIONS)

SPA	**66 Years**	**66 Years + SPT for 65 - 66**	**67 years**	**67 Years + SPT for 66 – 67**	**67 Years + SPT for 65 – 67**	**65 Years**
Net Cost*	53.5	54.4	51.4	52.2	53.0	56.0
of which:						
increase caused by demographic growth in numbers	5.5	6.1	3.9	4.5	5.1	7.5

increase relates to €5pw rate increases from 2021-2025	3.2	3.3	3.0	3.1	3.2	3.3

*Gross pension expenditure *plus* additional ancillary cost for household benefits, etc, and taking account of +/- for costs/savings on working age schemes and offset by +/-for changes in PRSI income.
Costs are provided on the assumption that existing pension rates and eligibility rules continue to apply and that compensating measures (such as actuarial reductions/enhancements) aren't applied.

State Pension Age and State Pension Transition Legislation

The definition of SPA at Section 2 of the Social Welfare Consolidation Act 2005, as amended, would need to be amended to prevent the SPA increasing to 67 on 1 January 2021 or to reduce it to 65.

SPT is more complicated. It was provisioned at Chapter 16, Section 114 of the Social Welfare Consolidation Act 2005, as amended. SPT was ceased from 2014 by the addition of Subsection (9) which prevents its payment to those who reach age 65 on or after 1 January 2014. To reinstate SPT on the exact same basis as existed prior to 2014 would require that subsection to be repealed (which would make SPT payable to applicants back to 2014) or amended to make it payable again from some future date. It would also require an examination of other parts of the Act and some regulations because of the interplay between SPT, working age schemes, secondary and ancillary schemes (such as Dependents, Household Benefits, Fuel Allowance, etc.). Finally, introducing a changed SPT that took account of pension entitlement/calculation changes since 2014 (such as the Interim Total Contributions Approach or Home Caring Periods) would require considerable primary legislative change.

National Minimum Wage Briefing Note 11/03/20 [SF]

National Minimum Wage Briefing Note 9th March 2020

Setting the National Minimum Wage is governed by the National Minimum Wage Act 2000 and the National Minimum Wage (Low Pay Commission) Act 2015. The National Minimum Wage Act 2000 (Part 3), as amended, deals with setting the National Minimum Hourly Rate of Pay. The National Minimum Wage 2000 was amended upon the establishment of the Low Pay Commission (LPC) in 2015, thus creating the system whereby the LPC is the independent body which makes recommendations to the Minister on the rate of National Minimum Wage once each year.

Under the legislation, the Low Pay Commission must report their recommendation to the Minister, on or before the third Tuesday falling in July in the year to which the examination relates. Once the Minister receives the LPC recommendation he/she has three months to, by order declare a national minimum hourly rate of pay:

(a) (i) in the terms recommended by the Commission, or
    (ii) in other terms, or
(b) decline to make such an order.

The National Minimum Wage Act 2000 was amended in December 2019 to allow for the Minister to make an Order declaring the rate for 2020, as the Order making power had been used by declining to make an Order within three months of receiving the recommendation, due to uncertainty around Brexit. However, this provision also included a sunset clause and states:

'(2) The amendments effected by subsection (1) shall come into operation on the passing of this Act and shall cease to have effect on the date on which a recommendation under section 10C of the National Minimum Wage Act 2000 is next made to the Minister'

Therefore, this power cannot be relied on to make a subsequent Order.

The Act does not provide for more than one LPC recommendation per calendar year and does not provide for the making/not making of an order without the LPC recommendation. The legislation does not currently allow for a subsequent rate of NMW to be declared.

The rate of National Minimum Wage cannot be amended without consideration by Government of a recommendation by the Low Pay Commission – even if that recommendation is not accepted.

Therefore it will not be possible under the act to make a new order until the LPC prepares its recommendation later this year.

Department of Employment Affairs & Social Protection,
9th March 2020

Responses to questions arising from discussions 05/03/20 [GP SF]

D/EASP

Q: Overview of the resources devoted to enforcing legislation in relation to bogus self-employment?
The Department of Employment Affairs and Social Protection has a range of resources engaged with employer inspections dealing with, amongst other things, false self-employment.

Firstly, the Department has over 350 Social Welfare Inspectors nationwide, who carry out work across social welfare schemes and whose work includes employer inspections in relation to PRSI compliance generally.

Secondly, the Department has a Special Investigations Unit (SIU), consisting of over 100 Social Welfare Inspectors (included in the total figure of 350 above), whose work is dedicated to the detection and tackling of social welfare fraud, including that related to employment status.

Thirdly, the Employment Status Investigation Unit (ESIU) is the new team of Social Welfare Inspectors, established in August 2019, and specifically tasked with detecting, targeting and reducing false self-employment. It has a total of five inspectors, based in Dublin. There is an intention to increase both their number and geographical spread throughout 2020.

These three entities network and cooperate proactively in relation to false self-employment.

Departmental resources are also being redirected into specialised training, with the availability of a new Level 7 Certificate in Social Protection Investigative Work through the National College of Ireland and funded by the Department's Staff Development Unit. Upskilling in relation to employer inspections is taking place under local arrangements also.

In 2019, the Department's inspectors carried out over 3,500 PRSI/employer related reviews. The target for 2020 is 8000. Since its work commenced in September 2019, the ESIU has commenced 27 investigations, potentially affecting hundreds of individual workers in a variety of sectors.

All employment status inspection reports are ultimately sent to the Department's Scope Section, which is the decision-making unit with powers to determine the appropriate class of PRSI under the Social Welfare Consolidation Act 2005. Resources in Scope Section have been increased from five to eight Deciding Officers and specialised legal training is ongoing.

Scope Section makes over 1000 decisions annually, with employment status decisions currently representing approximately 5% of all Scope Section decisions.

Q: Can D/EASP provide a distributional impact assessment of the Living Wage?

Introduction

The current National Minimum Wage (NMW) is set at €10.10 per hour, the NMW is the legally-binding lowest average hourly rate that can be paid by an employer to an employee. This rate is set and governed by the National Minimum Wage Act, 2000, which applies to all employees, including full-time, part-time, temporary and casual employees, with some exceptions.

The Living Wage is based on research identifying the income required for the Minimum Essential Standard of Living (MESL) for a single-adult household in Ireland. It is an estimate made by a Living Wage Technical Group, led by the Vincentian Partnership for Social Justice (VPSJ). The Living Wage is deemed to be €12.30 per hour.

This note highlights the distributional impact of increasing the national minimum wage over the last number of years. Further models and research would be needed to micro simulate the distributional impact of a future increase in the NMW to €12.30 per hour.

Income Distribution

There is evidence that shows increases in the NMW since 2016 have increased the earnings of the lowest paid workers. CSO data shows that in 2016, following a 50c increase in the NMW, the lowest three percentiles of earners experienced the highest growth in earnings compared to earners in higher percentiles.

In 2018, the ESRI, on behalf of the Low Pay Commission, examined the impact of the 2016 increase in the NMW on the hourly and gross household income distribution. The ESRI's research indicates that the minimum wage was effective in increasing the wages of low-paid workers, and in reducing hourly wage inequality. The effect was most pronounced for young people. The ESRI found that the NMW increase in 2016 had positive spill over effects to workers earning in excess of the new NMW, and up to those earning €11.50 per hour.

The ESRI found that there is no strong evidence to indicate that the 2016 increase in the minimum wage impacted the distribution of gross household incomes. The ESRI stated that this is consistent with other literature which shows that the minimum wage may be a blunt tool for reducing poverty, as minimum wage workers are often located in households at the higher end of the income distribution. Furthermore, the ESRI found that NMW workers are often not primary earners, and therefore increases in the NMW do not directly equate to changes in the household earnings distribution.

The ESRI found that individual pay effects are not a good indicator of disposable income effects at the household level because not many people on the minimum wage are in low income households. This confirms the finding from an ESRI paper in 2016, which found that increases in the minimum wage tended to favour households in the higher household income deciles. The ESRI cite "the situation of a young adult earning a low wage but residing in the family home where the parents' income is sufficient to keep the household above the poverty threshold."

Conclusion

The impact of further increases in the National Minimum Wage to the €12.30 level would require further study, additional research and micro simulation to clarify the distributional impacts.

Responses to follow up queries 27/02/20 [SF]

Supplementary Questions to D\EASP from SF Party

Question: "Any change made that impacts the voted estimates would also require the submission of a supplementary estimate to the Oireachtas" Can you please indicate the size of the surplus in the SIF for 2020? And can I confirm that if the expenditure required by the measures was less than the size of the surplus then a supplementary estimate would not be required?

Response

Measures to increase State Pension Age will impact on both Social Insurance Fund (SIF) (e.g. State Pension Contributory) and Vote (e.g. State Pension Non Contributory) schemes.

Approximately 20% of State pension recipients receive a non-contributory (Vote funded) pension. In relation to SIF-funded schemes, if the cost of measures impacting funded schemes is less than the current SIF surplus, then the Exchequer will not be required to provide subvention for the current year. Any increase in expenditure will, however, lead to an earlier than forecasted requirement for an Exchequer subvention in future years. In relation to Voted expenditure, if the cost of proposed measures is beyond the allocation provided in the Revised Estimates, then a supplementary estimate would be required.

The 2020 REV estimate provides for a surplus of €1.88 billion in 2020.

The accumulated surplus will be circa €5.5 billion at end of 2020.

Question: “It is understood that the Department of Justice would, first, have to undertake a consultation with affected stakeholders." Can you please identify the legal requirement underpinning that and outline the scope/nature of consultation that must be undertaken?

Response

In order to assess the implications of a proposed change to extend the maternity leave scheme, an assessment would be required detailing its impact on stakeholders. Engagement with employer representative groups and trade unions would typically take place to inform this process. The nature of the consultation can vary but usually involves either or both of a meeting with stakeholder representatives or a request for written submissions. The Department is not aware of a specific legislative requirement underpinning this engagement. However, failure to undertake the engagement, and thereby demonstrate that all relevant issues were properly considered – including the proportionality of the benefits to parents as compared to the cost and operational impact for employers - can create a greater vulnerability to a successful legal challenge.

National Minimum Wage Briefing Note 27/02/20 [SF]

National Minimum Wage
Briefing note

Introduction
The National Minimum Wage rate is set and governed by the National Minimum Wage Act, 2000, which applies to all employees, including full-time, part-time, temporary and casual employees, with some exceptions . The National Minimum Wage (Low Pay Commission) Act 2015 established the Low Pay Commission which is required, once a year, to examine the rate of National Minimum Wage and make a report and recommendation to the Minister regarding the National Minimum Wage.

The Low Pay Commission
The particular issues the Low Pay Commission is obliged to have regard to in considering its recommendations are:

(a) changes in earnings during the relevant period,
(b) changes in currency exchange rates during the relevant period,
(c) changes in income distribution during the relevant period,
(d) whether during the relevant period—
(i) unemployment has been increasing or decreasing,

(ii) employment has been increasing or decreasing, and
(iii) productivity has been increasing or decreasing,
both generally and in the sectors most affected by the making of an order,
(e) international comparisons, particularly with Great Britain and Northern Ireland,
(f) the need for job creation, and
(g) the likely effect that any proposed order will have on —
(i) levels of employment and unemployment,
(ii) the cost of living, and
(iii) national competitiveness.

Schedule 2 of the National Minimum Wage (Low Pay Commission) Act 2015 refers to the membership of the Commission. It stipulates that the Commission shall consist of a chairperson and 8 ordinary members. It is further stipulated that 3 ordinary members should have an understanding of the interests of low paid workers, 3 should have an understanding of the interests of employers and 2 members should have expertise in relation to some or all of the following; economics, labour market economics, statistics and employment law.

The current members of the Low Pay Commission are as follows;

Dr Donal de Buitléir – Chairperson
Caroline Fahey – Former Head of Justice and Social Policy, Society of St. Vincent de Paul
Vincent Jennings – CEO Convenience Stores and Newsagents Association
Patricia King - General Secretary of ICTU
Gerry Light - Assistant General Secretary, Mandate Trade Union
Mary Mosse – Former lecturer in Economics, School of Business, Waterford Institute of Technology
Sinead Mullins – Senior Employee Relations Executive, IBEC
Tom Noonan – former Chief Executive, The Maxol Group, former President of IBEC, 2008–2010.
Frank Walsh – Associate Professor, University College Dublin

The Process
Sections 7 and 8 of the National Minimum Wage (Low Pay Commission) Act 2015 amended Section 10 of the 2000 Act and set out how the rate of National Minimum Wage is to be set each year. As mentioned above, certain criteria must be considered by the Commission, and it must examine the rate once a year and make a recommendation on same. It is also specified in the 2015 Act that the Commission shall furnish the Minister with a report and recommendation on the rate of National Minimum wage on or before the third Tuesday falling in July in the year to which the examination relates.

From a practical perspective, the steps involved hereafter in setting the rate of National Minimum Wage from 2015-2018 were as follows;

1. The Commission conducts any investigations or consultations that it considers appropriate in order to assist in its consideration of the criteria listed above. These consultations/investigations take place in the period up to May/June of the year in question.

2. Having considered the criteria identified above the Commission presents its recommendation and report to the Minister on or before the third Tuesday falling in July in the year to which the examination relates.

3. The Minister brings a short memo for information to the next cabinet meeting following receipt of the report informing cabinet that he/she has received the report and outlining his/her

intentions with regard to publication. (The report of the Commission is typically published immediately it has been advised to Government). The memo and any public announcement relating to the report will make clear that the decision of Government on the recommendation will be made later in the year in the context of the Budget.

4. The memo also notes that the Minister will bring the matter back to cabinet for formal decision on the Commission's Report at a Government meeting in advance of the Budget. Any decision will be made in the context of the Budget.

5. Once Government has taken a decision on the adoption of the rate of the National Minimum Wage, the Minister makes an Order in this regard. The legislation specifies that the Minister must make an order within three months of receipt of the report from the LPC . The Order specifies the rate and the date of introduction.

Department of Employment Affairs and Social Protection,
27th February 2020

Pensions Note 24/02/20 [SF]

Department of Employment Affairs and Social Protection - Pensions

In terms of legislative and Oireachtas mechanics what has to be done to re-introduce state pension transition and cancel scheduled pension age raise to 67, is it simply social welfare amending legislation? And to outline the steps involved.

With respect to the reintroduction of State Pension Transition (SPT), primary legislative amendments to sections 114 (9) and 114 (1) of the Social Welfare Consolidation Act 2005, as amended, would be required, at a minimum, to facilitate new claims for State Pension (Transition) from those who attained the age of 65 with effect from a future implementation date. The complexity of the legislative amendment, and any operational consequences that flow therefrom, would depend on whether or not the reintroduction of SPT would be on the same legal and operational basis as existed up to 2014.

With respect to the State Pension Age, a primary legislative amendment to the definition of Pensionable Age in Part 1 of the Social Welfare (Consolidation) Act 2005, as amended, would be required to remove the scheduled increases in State Pension Age – from 1 January 2021 (to 67) and 1 January 2028 (to 68) – before 1 January 2021.

Detailed analysis may show further amendments required to both primary and secondary legislation, given the range of changes that have been made to state pensions' legislation since 2013.

With regard to the mechanics of how any amendment would be introduced the Minister for Employment Affairs and Social Protection would, in the first instance, seek Government approval by means of a memorandum to Government setting out the Heads of Bill and seeking permission to have the necessary legislation drafted by the Office of Parliamentary Counsel.

The Heads of Bill would first have to be agreed with the Office of the Attorney General to ensure that the proposals were consistent with constitutional and EU law.

The cost implications would have to be reviewed and agreed with the Department of Public Expenditure and Reform.

The implications for Ireland's Medium Term Objectives under EU Fiscal Rules would have to be reviewed with the Department of Finance.

The Heads of Bill would then be submitted for pre-legislative scrutiny by the relevant Oireachtas Committees. (In some situations the relevant committees may agree to waive the requirement for pre-legislative scrutiny).

Once the legislation is finalised it would be published and submitted to the Oireachtas.

Assuming the legislation passes through the Oireachtas, expenditure sanction would then have to be requested from the Minister for Public Expenditure and Reform. Any change made that impacts the voted estimates would also require the submission of a supplementary estimate to the Oireachtas.

The IT system, operations, time and resources required to support implementation of any changes to State Pension Age and eligibility are not outlined in this note. An assessment of these requirements can only be finalised once a decision is made on the approaches to be taken. In the normal course of events, actual implementation of IT system and operational changes would only commence once legislation is passed with a typical lead time of 6-9 months for implementation.

24 February, 2020

<u>Maternity Benefit Note 24/02/20 [SF]</u>

Department of Employment Affairs and Social Protection – Maternity Benefit

Legislative and Oireachtas mechanics to extend the duration of and increase the payment rate of maternity benefit, outline the steps involved

The Department of Justice and Equality has policy responsibility for maternity leave. Any change to the period of leave by the Department of Justice and Equality would, if the payment of maternity benefit is to be changed, require a consequential statutory amendment to the Social Welfare Consolidation Act 2005 (as amended) which provides for the payment of the associated maternity benefit.

In practice both the Minister for Justice and Equality and the Minister for Employment Affairs and Social Protection would, in the first instance, seek government approval by means of a joint memorandum to Government setting out the two Heads of Bill and seeking permission to have the necessary legislation drafted by the Office of Parliamentary Counsel. The Heads of Bill would first have to be agreed with the Office of the Attorney General to ensure that the proposals were consistent with constitutional and EU law. The cost implications would also have to be reviewed and agreed with the Department of Public Expenditure and Reform. Given the impact of any change on the operations of employers, it is understood that the Department of Justice would, first,have to undertake a consultation with affected stakeholders.

The two Heads of Bill would then be submitted for pre-legislative scrutiny by the relevant Oireachtas Committees. (In some situations the relevant committees may agree to waive the requirement for pre-legislative scrutiny).

Once the legislation is finalised it would be published and submitted to the Oireachtas.

Assuming the legislation passes through the Oireachtas expenditure sanction would then have to be requested from the Minister for Public Expenditure and Reform. Any change made that impacts the voted estimates would also require the submission of a supplementary estimate to the Oireachtas.

The IT system, operations, time and resources required to support implementation of any change to Maternity Benefit arrangements are not outlined in this note. An assessment of these requirements can only be finalised once a decision is made on the approach to be taken. In the normal course of events actual implementation of IT system and operational changes would only commence once legislation is passed with a typical lead time of 6 – 9 months for implementation.

It is to be noted that future extensions of family type leave and benefits for both parents are committed under the EU Work Life Balance Directive, bringing current parent’s leave and benefit arrangements from 2 weeks per parent to 7 weeks by August 2022 and to 9 weeks by 2024.

24 February, 2020