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Department of Social Protection
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Minister Burton publishes Social Welfare and Pensions Bill 2012

Joan Burton TD, Minister for Social Protection today *(5th April)* published the Social Welfare and Pensions Bill 2012 to give effect to a number of reforms including those in the areas of the One-Parent Family Payment scheme and Defined Benefit Pension schemes. The main provisions in the Bill are set out below.

One-Parent Family Payment
Sections 4 and 5 of the Social Welfare and Pensions Bill 2012 implement reforms to the One-Parent Family Payment (OFP) scheme which were announced in Budget 2012.

For new applicants, from 3 May, 2012, the maximum age limit of the youngest child for receipt of the OFP will reduce to age 12. This will reduce further to age 10 in 2013 and to age 7 in 2014. There are no changes for existing customers until 2013 – after which revised phasing-out arrangements will come into effect (further details in the Notes for Editors). The Bill continues the special provisions for recently bereaved lone parents to continue to receive the payment for a period of up to two years and where a Domiciliary Care Allowance is being paid in respect of a child with a disability, the One-Parent Family Payment will remain in payment until the youngest child reaches 16 years.

Until 2011, the One-Parent Family Payment provided long-term income support until children were aged 18, or 22 if in full-time education, to lone parents without any requirement for them to engage in employment, education or training. Legislation came into effect in April, 2011 to reduce the maximum age limit of the youngest child for receipt of the OFP. The changes announced in Budget 2012 and contained in this Bill continue the reform of the OFP.

Commenting on the changes, Minister Burton said: **"Long-term welfare dependency and passive income support to people of working age are not in the best interests of the person, of their children or of society. The best route out of poverty and social exclusion is through paid employment."**

Parents of young children face the very real challenge of balancing work and childcare. However, supporting parents to participate in training, education and work once their children have reached 7 years of age will improve both their own economic situation and the social well-being of parents and their families.

"Changes to the One-Parent Family Payment scheme in the Social Welfare and Pensions Bill 2012 mean that an enhanced level of childcare provision will be required. I am addressing this issue as a matter of priority with the Minister for Children and Youth Affairs", said the Minister.

The number of One-Parent Family Payment recipients has risen by some 25% over the last decade and stood at 90,307 on 31 December, 2011 and the cost of the scheme is estimated to be €1.06 billion in 2012.

Defined Benefit Pensions
Sections 8 to 26 provide for amendments to the Pensions Act 1990 to provide for the introduction of a risk reserve into the funding standard.

In relation to this provision, Minister Burton said: **"Defined Benefit (DB) schemes are a very important element of pension provision in Ireland and we want them to survive for the future. The sponsoring employer undertakes to deliver a 'promise' of a certain level of income to scheme members on retirement. While pension schemes are voluntary and a matter for negotiation between employers and employees, a strong regulatory structure is also needed to protect members."**

The Funding Standard, which has been in abeyance for some time will be restored initially and will provide an allowance for the purchase of sovereign annuities and bonds. The requirement to provide for a risk reserve will take effect from 1 January 2016.

"I am aware that many pension schemes are in deficit. It is, therefore, intended to introduce the risk reserve requirement over an extended time period. Pensions scheme will be given a period of up to 11 years from the re-introduction of the funding standard to satisfy the risk reserve requirement."

Minister Burton continued: **"The Government realises that some schemes may be in difficulties. Many trustees and sponsors have been working to enhance the sustainability of their schemes and have been making difficult decisions in that regard. The re-introduction of the Funding Standard will require all schemes to examine their position closely and it is hoped that the vast majority will be able to develop realistic proposals to rectify their funding positions.**

"We want to support them to become more sustainable, stable and secure for the future. Mechanisms such as giving credit under the funding standard to schemes that reduce their equity risk and/or purchase sovereign annuities, on which the Pensions Board recently published industry guidance, will assist schemes meet their funding requirement. Some schemes may also be able to avail of enforceable employer guarantees.

"I have consulted with the pensions industry and the changes to the funding standard take account of the outcomes of the consultation. The introduction of a risk reserve is intended to change how DB schemes are structured, to bring increased stability to DB pension provision and lessen their exposure to risks", said the Minister.

Funded DB pension schemes have persistently been subject to the volatile conditions of the financial markets over the last decade, affecting the security of members' benefits. The

introduction of a risk reserve is a "buffer" to assist schemes absorb shocks such as financial downturns and a fundamental change to the way DB pension provision currently operates.

Other provisions in Sections 8 to 26 of the Social Welfare and Pensions Bill 2012 are set out in the Notes for Editors.

<u>Other provisions in the Social Welfare and Pensions Bill 2012</u>
Section 3 provides for an increase in the minimum number of paid PRSI contributions required to be eligible to become a voluntary contributor from 260 paid contributions to 520 paid contributions, to bring it into line with the minimum number of paid PRSI contributions to qualify for State Pension (Contributory). Legislation enacted in 1997 provided for an increase in the minimum number of paid contributions required for State Pension (Contributory) to 520 paid contributions for applicants who reach pension age on or after 6th April 2012.

The voluntary contribution scheme is available to people under 66 years who are no longer compulsorily insured (i.e. they cease to be an employed or self-employed contributor). The scheme allows for the payment of voluntary contributions which are reckonable towards the State Pension (Contributory).

The minimum number of paid contributions to qualify for the State Pension (Contributory) has always been mirrored in the voluntary contribution scheme.

In that way the scheme is aimed at ensuring that individuals, who have already established future entitlement to State Pension (Contributory) upon reaching retirement age, can maintain their social insurance record by paying voluntary contributions in the intervening period.

The increased contribution requirement will be phased-in over the period from April 2013 to April 2015 and the necessary phasing-in provisions will be provided for by way of a Committee Stage Amendment.

Section 6 amends and extends the list of bodies that are authorised to use the Personal Public Service Number (PPSN) for the purposes of carrying out transactions with members of the public, for sharing personal data and information amongst themselves for the purposes of carrying out relevant transactions, and for exchanging data to include the Office of the Pensions Ombudsman and Vocational Education Committees.

Section 7 provides that participation on a CE scheme will not affect a person's entitlement to the Mortgage Interest Supplement and Diet Supplement.

The full text of the Social Welfare and Pensions Bill 2012 is available at www.oireachtas.ie.

Items to be included at Committee Stage

Fraud control measures

The Department proposes to give powers to Social Welfare Inspectors to detect and combat social welfare fraud and abuse at ports and airports. This will allow Inspectors to work more closely with the other officials located at ports and airports, consequently enhancing interagency co-operation and it will enable more targeted and productive operations to be undertaken at points of entry and exit to the country. The legislation will not provide for handing over of passenger lists.

Powers will also be given to Inspectors to make enquiries of landlords in relation to the occupants of a house where Rent Supplement is paid to a tenant towards the cost of their rent. This will provide the Department with a further means of ensuring that Rent Supplement is being paid correctly.

Jobseekers

Currently, Jobseeker’s Benefit recipients receive payment for the days they don’t work. For each day that a person is unemployed, one-sixth of the normal rate of Jobseeker's Benefit is payable. For example, if they get part-time work for two days, they can get four-sixths of the normal Jobseeker's Benefit for that week.

From July 2012, Jobseeker’s Benefit for a person working for part of a week will be based on a 5-day rather than a 6-day week. In other words, for each day that a person is unemployed, one-fifth of the normal rate of Jobseeker's Benefit is payable and if they get part-time work for two days, they will get three-fifths of the normal Jobseeker's Benefit for that week. This reform will mean that there will be a greater incentive for part-time workers on this scheme to return to full-time employment.

Mortgage Interest Supplement
The Department will bring forward amendments to ensure that the Mortgage Interest Supplement scheme takes account of the forbearance arrangements set out in the Mortgage Arrears Resolution Process.

ENDS

NOTES FOR EDITORS

One-Parent Family Parent scheme
The reduction in the age limit is being applied to new and existing customers on a phased basis and will not affect existing customers until 2013.

These new arrangements will apply as follows depending on whether when the person’s One-Parent Family Payment claim was made:
1. Prior to 27 April 2011;
2. Between 27 April 2011 and May 2012; or
3. From May 2012.

Payment of the One-Parent Family Payment will cease if the youngest child on the One-Parent Family Payment claim reaches the age specified in the year shown in the table below.

	Payment continues up to age			
	2012	**2013**	**2014**	**2015**

1. If your claim commenced before 27 April 2011	18	17	16	7
2. If your claim commenced between 27 April, 2011 and 2 May 2012	14	12	10	7
3. If your claim starts from May 2012	12	10	7	

If the person has an entitlement to One-Parent Family Payment based on the age of the youngest child in their family, payment of an Increase for a Qualified Child will continue for the older children in the family until they reach 18 or 22 years if they are in full-time education.

Defined Benefit Pension Schemes
The existing Funding Standard provisions are provided for in Part IV of the Pensions Act. These provisions require pension schemes to maintain sufficient assets to meet the liabilities of a pension scheme. The trustees of a pension scheme are currently required to submit an actuarial funding certificate to the Pensions Board to indicate whether or not the scheme satisfies the Funding Standard. If it does not satisfy the Funding Standard, the trustees are required to submit a funding proposal to the Pensions Board to restore scheme funding. The amendments to the Pensions Act will extend these requirements to require the trustees of a scheme hold a risk reserve.

In addition to the submission of an actuarial funding certificate, trustees of pension scheme will now be required to submit an actuarial funding reserve certificate. If either certificate indicates that the scheme does not satisfy the funding requirements, the scheme must, except in certain circumstances, submit a funding proposal to the Pensions Board to restore funding by the next funding certificate date. The Pensions Board will have discretion to extend this period.

Other supporting provisions in Sections 8 to 26 of the Social Welfare and Pensions Bill 2012 include the following:

- The risk reserve will be the aggregate of two amounts. The first is 15% of the amount of the Funding Standard liabilities less the value of EU bonds and cash (and any other prescribed assets) held. The other is the amount by which the Funding Standard liabilities would increase on the effective date of the certificate if there was a one-half per cent fall in interest rates. The Minister for Social Protection will have the power to prescribe a higher or lower percentage.

- The provisions in relation to the failure to comply with the funding requirement are being strengthened to require the trustees of a pension scheme to report to the Pensions Board within a prescribed timeframe on the measures taken to restructure scheme benefits on foot of a notice issued by the Pensions Board under section 50 of the Pensions Act.

- Regulation may provide that prescribed guidance can be issued in relation to setting out the requirements for a funding proposal and the discretion to extend the date by which scheme funding must be restored.

- Amendment of the Act to require the trustees of a pension scheme to include a statement in the annual report indicating whether or not the scheme satisfies the funding standard reserve requirements. If it does not it must notify the Pensions Board within a time-limit which may be prescribed by the Minister.

- Amendment to require the consent of the trustees to an application of early retirement under the rules of the scheme where the Actuary is not satisfied that the scheme would satisfy the Funding Standard Reserve requirements at the date of the commencement of retirement.

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