

These notes refer to the Pensions (No. 2) Act (Northern Ireland) 2008 (c.13) which received Royal Assent on 15 December 2008

Pensions (No. 2) Act (Northern Ireland) 2008

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Schedule 7: Additional Pension: Consequential Amendments

Schedule 7 contains consequential amendments arising as a result of the introduction of the upper accrual point.

Paragraphs 1 to 6 amend the Social Security Contributions and Benefits (Northern Ireland) Act 1992.

Paragraph 2 adds new section 22(9). This is a minor technical change providing that, when calculating earnings factors derived from an employee's earnings for an employee paid other than weekly, any reference to earnings not exceeding the upper earnings limit, or from 2009-10 the upper accrual point, is to be read as a reference to earnings that do not exceed the prescribed equivalent.

Paragraph 3(3) inserts new section 23(3A) which provides that, for the purpose of calculating additional pension from the tax year 2009-10 onwards, the upper accrual point replaces the upper earnings limit as the cap on earnings factors.

Paragraph 4 amends section 44A by replacing the reference to the upper earnings limit, as the ceiling on deemed earnings factors for State Second Pension purposes, with a reference to the "applicable limit" provided in section 44.

Paragraph 5 amends section 44B(2)(a) by replacing the superfluous reference to the applicable limit with a reference to the upper accrual point. As the upper accrual point will be introduced from 2009-10, it will be the only ceiling relevant for earnings factors derived under the new deeming provisions for State Second Pension that take effect from 2010-11 onwards.

Paragraph 6 makes amendments to paragraph 1 of Schedule 1, which deals with the calculation of National Insurance contributions where an earner is employed in more than one employment, to reflect the introduction of the upper accrual point. The amendment ensures that where earnings from two or more employments are aggregated after 6 April 2009, any contracted-out rate contributions are assessed on contracted-out earnings up to the upper accrual point.

Paragraphs 7 to 13 amend the Pension Schemes (Northern Ireland) Act 1993.

Paragraphs 8, 11 and 12 cover changes required to the contracting-out arrangements for defined contribution (money purchase) schemes as a consequence of the changes to the State Second Pension. The amendments have the effect of mirroring the change to the band of earnings on which State Second Pension accrues (i.e. the upper accrual point replacing the upper earnings limit as the maximum amount of earnings on which State Second Pension accrues) in certain calculations connected with the contracted-out rebate. The amendments ensure this change is reflected in:

- the definition of “minimum payments”;
- the band of earnings on which reduced rates of Class 1 contributions and rebates are paid in respect of members; and
- the band of earnings on which “minimum contributions” are paid to members of appropriate personal pension schemes.

Paragraphs 9, 10 and 13 cover the changes required to the arrangements for defined benefits (salary related) schemes. These amendments revise those made by the Pensions Act (Northern Ireland) 2008 when the upper accrual point introduction date was planned for 2012. The amendments ensure that the change is reflected in:

- the calculation of reference scheme test benefits;
- the band of earnings on which reduced rates of Class 1 contributions are paid in respect of members of salary related contracted-out schemes; and
- the band of earnings on which the rebate is paid in cases of bankruptcy where the employer must make, as a priority, a payment to the scheme of outstanding contributions in relation to the rebate.