

*These notes refer to the Pensions Act (Northern Ireland)
2012 (c.3) which received Royal Assent on 1 June 2012*

Pensions Act (Northern Ireland) 2012

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 3: Occupational Pension Schemes

Section 20: Indexation and revaluation

Section 20 amends three provisions concerning the indexation of defined benefit pensions in payment and the revaluation of the deferred pensions of early leavers from occupational pension schemes following the Westminster Government's decision to use the Consumer Prices Index (CPI) as the measure of increase in the general level of prices in place of the Retail Prices Index (RPI).

Subsections (1) to (3) amend section 80 of the Pension Schemes (Northern Ireland) Act 1993 ("the Pension Schemes (NI) Act") so that schemes which provide full uncapped revaluation of deferred members' preserved pensions (including Guaranteed Minimum Pension rights) may do so without reference to the statutory revaluation requirements contained in section 80 provided they maintain, the value of pensions by reference to the rise in the general level of prices.

Subsections (4) to (6) make consequential amendments to Schedule 2 to the Pension Schemes (NI) Act which sets out methods for revaluing accrued benefits for the purposes of section 80. In particular, where scheme rules continue to require revaluation by reference to the RPI, the scheme will not also have to consider the statutory revaluation addition calculated using the CPI.

Subsections (7) and (8) amend Article 51 of the 1995 Order to allow schemes to continue increasing pensions in payment under provisions in scheme rules rather than under the statutory requirement contained in Article 51(2). In place of increasing by reference to the RPI, schemes will be able to increase by the RPI, the CPI or a combination of the two, depending on the rules of the individual scheme. Where schemes continue to increase pensions by the RPI and have done so continuously from January 2011 (or when the pension first comes into payment if later), the amendments will ensure they will not have to carry out an annual comparison of the RPI under scheme rules and the CPI under the statutory requirements and pay the higher of the two.

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Subsections (9) to (11) amend Article 37 of the Welfare Reform and Pensions (Northern Ireland) Order 1999 to allow the Department to prescribe that (as a minimum) pension credit benefit (arising from a pension share on divorce) paid by an occupational pension scheme must be increased by reference to the percentage increase in the general level of prices determined by the Secretary of State for the purpose of the statutory revaluation requirements under the Pension Schemes Act 1993.