

*These notes refer to the Pension Schemes Act (Northern Ireland)  
2016 (c.1) which received Royal Assent on 15 January 2016*

# Pension Schemes Act (Northern Ireland) 2016

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## EXPLANATORY NOTES

### COMMENTARY ON SECTIONS

#### **Part 3 – General Changes to Legislation about Pension Schemes**

##### *Section 41: Collective benefits exempt from indexation*

##### *Section 42: Regulatory own fund schemes exempt from indexation*

##### *Section 43: Power to create other exemptions from indexation*

The 1995 Order makes provision for indexation of pensions under occupational pension schemes (other than public service pension schemes). Section 41 excludes collective benefits from the requirement to annually increase pensions in payment set out in Article 51 of the 1995 Order.

Section 42 amends the provision in Article 51 of the 1995 Order to ensure schemes set up as “Regulatory Own Funds” will be exempt from requirements to index benefits. This is because it may not always be appropriate for such schemes to index the benefits offered. Section 42(3) introduces a definition of a “Regulatory Own Fund scheme” which refers directly to Article 17 of European Council Directive (2003/41/EC).

Section 43 amends Article 51 of the 1995 Order to insert a regulation-making power that may disapply the requirement to annually increase pensions in payment in respect of a pension, or part of a pension, of a specified description. The power cannot be used to remove the requirement to index pensions that came into payment or parts of pension attributable to pensionable service that has occurred before the day on which regulations come into operation, or to a pension or any part of a pension under a defined benefits scheme. The regulations will therefore not be able to affect rights already accrued or benefits under a defined benefits scheme.