

**EXPLANATORY MEMORANDUM TO**

**THE PENSIONS (2015 ACT) ABOLITION OF CONTRACTING-OUT FOR  
SALARY RELATED PENSION SCHEMES) (CONSEQUENTIAL  
AMENDMENTS AND SAVINGS) ORDER (NORTHERN IRELAND) 2016**

**S.R. 2016 No. 158**

**1. Introduction**

- 1.1 This Explanatory Memorandum has been prepared by the Department for Social Development to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2 The Statutory Rule is made under sections 50 and 51(6) of the Pensions Act (Northern Ireland) 2015 and is subject to the negative resolution procedure.

**2. Purpose**

- 2.1 This Order amends a number of sets of existing Statutory Rules in consequence of the abolition of contracting-out when the new State Pension is introduced on 6th April 2016.

**3. Background**

- 3.1 The new State Pension, which will apply to people reaching pension age after 5th April 2016, provides for a new single tier pension replacing the current two-tier system of basic pension and additional pension. As it will no longer be possible to accrue rights to additional pension, the 2015 Act abolishes the option of contracting out of the additional pension. Although contracting out is abolished from 6th April 2016, a number of provisions need to remain on a transitional basis, for example, to facilitate the winding up of the contracting-out system.
- 3.2 The Order makes technical consequential amendments to a number of sets of existing Rules to reflect the abolition of contracting-out. For example, it –
  - amends references to a salary related contracted-out scheme to refer to a scheme that was a salary related contracted-out scheme
  - clarifies that a scheme ceasing to contract out on abolition does not constitute a “material alteration” of the scheme for certain purposes;
  - amends certain provisions relating to transfers and transfer payments of pension rights between schemes which are both contracted-out to ensure they continue to have effect in relation to transfers that occurred before 6th April 2016;
  - ensures that provision to allow schemes to extend time limits for making applications (such as discharging a pension sharing liability) may be extended

for 12 months where the scheme has ceased to contract out at 6 April 2016 or in the preceding 12 months;

- allows certain schemes 3 years in which to apply to HMRC for approval of any outstanding alteration of rule change they require after 6th April 2016;
- amends references to contracting-out legislation in the list of legislation that a European pensions institution is required to comply with if it accepts contributions from a UK employer;
- requires that the contracting-out certificate (which was evidence that the scheme met the relevant quality standards in relation to automatic enrolment before 6th April 2016) be kept until 6th April 2022;
- makes changes from 6th April 2017 to allow schemes to extend the time limits for making applications under certain regulations (to take account of schemes reconciling their contracting-out records with HMRC) and removes those provisions from 6th April 2021;
- removes the requirement for schemes to provide information as to what employment is contracted-out employment under the scheme from 6th April 2017;
- amends a number of references, for example, to provisions of the Pension Schemes (Northern Ireland) Act 1993 which are repealed by the 2015 Act;
- makes other minor consequential amendments and revocations.

#### **4. Consultation**

- 4.1 There is no requirement to consult on this Order. It makes in relation to Northern Ireland only provision made by the Secretary of State for Work and Pensions in relation to Great Britain.

#### **5. Equality Impact**

- 5.1 Proposals for the 2015 Act were subject to a full Equality Impact Assessment. In accordance with its duty under section 75 of the Northern Ireland Act 1998, the Department has conducted a screening exercise on these legislative provisions. As they are technical in nature, they would have little implication for any of the section 75 categories. In light of this, the Department has concluded that they would not have significant implications for equality of opportunity and considers that an Equality Impact Assessment is not necessary.

#### **6. Regulatory Impact**

- 6.1 A Regulatory Impact Assessment was carried out on the proposals for the Pensions Act (Northern Ireland) 2015. This Order does not require a Regulatory

Impact Assessment as it does not impose any additional cost on business, charities or voluntary bodies.

## **7. Financial Implications**

7.1 None for the Department.

## **8. Section 24 of the Northern Ireland Act 1998**

8.1 The Department has considered section 24 of the Northern Ireland Act 1998 and is satisfied that this Order –

(a) is not incompatible with any of the Convention rights,

(b) is not incompatible with Community law,

(c) does not discriminate against a person or class of person on the ground of religious belief or political opinion, and

(d) does not modify an enactment in breach of section 7 of the Northern Ireland Act 1998.

## **9. EU Implications**

9.1 Not applicable.

## **10. Parity or Replicatory Measure**

10.1 The corresponding Great Britain Order is the Pensions Act 2014 (Abolition of Contracting-out for Salary Related Pension Schemes) (Consequential Amendments and Savings) Order 2016 (S.I. 2016/200) which comes into force on 6th April 2016. Parity of timing and substance is an integral part of the maintenance of single systems of social security, child support and pensions provided for in section 87 of the Northern Ireland Act 1998.