

*These notes refer to the Pensions Act (Northern Ireland)
2008 (c.1) which received Royal Assent on 11 February 2008*

Pensions Act (Northern Ireland) 2008

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

PART 1: State pension

Entitlement to Category A and B retirement pensions

Section 8: Additional pension: removal of accrual band from 2010-11

Section 8 amends Schedule 4A to the Contributions and Benefits Act, which contains the rules for the calculation of additional state pension. As the first step towards introducing a flat rate additional pension the Act provides for the Band 3 accrual rate (which is 20%) on earnings factors between the upper earnings threshold and the upper earnings limit currently used in calculating state second pension to be removed, starting from the 2010-11 tax year.

Subsection (2)(a) restricts the existing 3-band structure to accruals for tax years up to and including 2009-10. *Subsection (2)(b)* introduces the new two accrual band formulation for the calculation of an individual's annual surplus earnings factor from 2010-11. A surplus earnings factor for earnings between the lower earnings limit and the low earnings threshold will continue to be based on 40% of relevant earnings. However, surplus earnings factors for any subsequent earnings between the low earnings threshold and the "annual upper earnings limit" will be based on 10% of relevant earnings.

Subsections (3) and (4) replicate the provisions of *subsection (2)* in respect of the calculation of "contracted-out" state second pension entitlement and the amount available by way of top-up for members of an appropriate personal pension scheme (i.e. a contracted-out personal scheme) respectively.