

*These notes refer to the Pensions Act (Northern Ireland)
2015 (c.5) which received Royal Assent on 23 June 2015*

Pensions Act (Northern Ireland) 2015

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 6 – Private Pensions

Section 38: Alternative quality requirements for UK defined benefits schemes

To be a qualifying defined benefits scheme capable of being used under automatic enrolment, a pension scheme must currently either be contracted-out of the state second pension or meet the ‘test scheme standard’ in relation to all jobholders concerned. The test scheme is a hypothetical scheme used as a benchmark against which a scheme can be tested. To qualify, the scheme must provide benefits to members which are broadly equivalent to, or better than, those which would be provided under a test scheme.

This section amends the Pensions (No. 2) Act to enable the Department, by regulations, to prescribe that a defined benefits scheme satisfies the quality requirements in one of three ways, as set out in new section 23A(1):

- Subsection (1)(a) provides for an alternative defined benefits quality requirement to be satisfied in relation to a jobholder if the scheme in question is of a prescribed description and satisfies the money purchase quality requirement in relation to that jobholder, i.e. the scheme provides a total contribution of 8 per cent of qualifying earnings with at least 3 per cent contributed by the employer;
- Subsections (1)(b) and (1)(c) provide for alternative defined benefits quality requirements to be satisfied if the cost to the scheme of funding the future accrual of active members' benefits was at least a prescribed rate. The rate is to be expressed as a prescribed percentage of members' relevant earnings over a relevant period either on an aggregate (scheme) level or at an individual level for at least 90 per cent of the relevant members.

Subsection (3) of new section 23A provides that the prescribed percentage in both of the cost of future accruals tests in (1)(b) and 1(c) must be at least 8 per cent, in line with the minimum level for total contributions into a qualifying money purchase scheme.