

*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

EXPLANATORY NOTES

OVERVIEW

5. The Act has four parts:

Part 1 of the Act contains provisions for a new framework in relation to the categorisation of pension schemes. It establishes three mutually exclusive definitions for scheme type based on the type of promise provided in the accumulation phase of pension saving about the retirement benefits that a scheme offers to members at decumulation. The schemes are defined in terms of a “pensions promise”. A scheme can be categorised as a defined benefits scheme, shared risk scheme or a defined contributions scheme, depending on the type of the promise. A scheme can also be treated as more than one scheme for the purposes of categorisation, in relation to different promises to members.

Part 2 defines the concept of collective benefits and makes provision for regulation-making powers in relation to them. These powers cover matters such as the setting of targets in relation to benefits, valuation, reporting requirements, transfer values, winding-up and governance.

Part 3 contains amendments to existing legislation, mostly as a consequence of the change to scheme definitions set out in Part 1 and the provisions about collective benefits in Part 2. It aims to ensure that current legislative requirements relating to scheme governance and administration apply in the appropriate way to the new categories, and enables requirements on governance and administration to apply to the specific needs of members of shared risk schemes. Firstly, it introduces a regulation-making power to set out conditions for a pensions promise being obtained from a third party (section 36), provides a new requirement for managers to act in the best interests of members when taking certain decisions in relation to shared risk schemes and collective benefits (section 37), and changes existing regulation-making powers which require schemes to disclose information to members (section 38). It contains measures relating to the preservation and revaluation rules of pension rights according to benefit type (sections 39 and 40) for members leaving a scheme before normal pension age. It provides for collective benefits and “Regulatory Own Funds” schemes to be exempt from the indexation requirements set out in the 1995 Order and provides

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new regulation-making powers to exclude pensions of a prescribed description from those indexation requirements (sections 41, 42 and 43). Finally, it removes the statutory requirement for regulations to provide that the Pensions Regulator compile and maintain a register of trustees (section 44), and makes changes to subsisting rights legislation to ensure members are protected against detrimental modifications to rights in a shared risk or defined benefits scheme (section 45). Finally, it provides a new definition of “normal benefit age” and “normal pension age” in relation to pension sharing and divorce etc (section 46).

Part 4 contains general and technical provisions.