

## SCHEDULES

### SCHEDULE 1

Section 40.

#### EARLY LEAVERS: REVALUATION OF ACCRUED BENEFITS

1. The Pension Schemes Act is amended as follows.
2. Before section 79 insert—

**“78A Overview and meaning of “the 2016 Act commencement date”**

- (1) This Chapter is about the revaluation of benefits for early leavers.
- (2) The table contains an overview of the contents of this Chapter.

<i>Section</i>	<i>General description</i>
Section 79	Benefits to which this Chapter applies
Sections 80 and 80A	Basis of revaluation: benefits accrued before the 2016 Act commencement date
Sections 80B and 80C	Basis of revaluation: benefits accrued on or after the 2016 Act commencement date
Section 80D	Special rules for hybrid benefits
Sections 80E and 80F	Revaluation by other methods
Section 81	Revaluation not to apply to substituted benefits
Sections 81A to 82B	Supplementary provision and definitions

(3) In this Chapter “the 2016 Act commencement date” means the date on which paragraph 2 of Schedule 1 to the Pension Schemes Act (Northern Ireland) 2016 comes into operation.”.

3. In section 79, for subsection (1A) substitute—
  - “(1A) In subsection (1) “relevant benefits” means benefits that are—
    - (a) retirement benefits payable to a member, or
    - (b) benefits payable in respect of a member.
  - (1AA) This Chapter does not apply to any benefits payable by virtue of pension credit rights except, in the case of a salary related occupational

pension scheme, to the extent that they involve the member being credited by the scheme with notional pensionable service.

(1AB) Where this Chapter applies in relation to a benefit payable by virtue of a pension credit right, then—

- (a) if entitlement to the relevant pension credit arose before the 2016 Act commencement date, the benefit is to be treated for the purposes of sections 80(1) and 80B(2) as attributable to pensionable service before that date;
- (b) if entitlement to the relevant pension credit arose on or after the 2016 Act commencement date, the benefit is to be treated for the purposes of sections 80(1) and 80B(2) as attributable to pensionable service on or after that date.

(1AC) “Pension credit rights” means rights that are attributable (directly or indirectly) to a pension credit.”

4. For section 80 substitute—

**“80 Old basis of revaluation: occupational pension schemes**

(1) A benefit of the kind mentioned in section 79(1)(a) must be revalued in accordance with this section if it is attributable to pensionable service before the 2016 Act commencement date.

(2) The benefit must be revalued using the final salary method unless it is—

- (a) a money purchase benefit (see subsection (3)),
- (b) an average salary benefit revalued in accordance with subsection (4), or
- (c) a flat rate benefit revalued in accordance with subsection (5).

(3) If the benefit is a money purchase benefit it must be revalued using the money purchase method.

(4) If the benefit is an average salary benefit it must be revalued using the average salary method if the trustees or managers of the scheme consider the average salary method to be more appropriate than the final salary method.

(5) If the benefit is a flat rate benefit it must be revalued using the default method if the trustees or managers of the scheme consider the default method to be more appropriate than the final salary method.

**80A Old basis of revaluation: personal pension schemes**

(1) A benefit of the kind mentioned in section 79(1)(b) must be revalued in accordance with this section if it is attributable to contributions received before the 2016 Act commencement date.

- (2) The benefit must be revalued using the money purchase method.

### **80B New basis of revaluation: occupational pension schemes**

(1) A benefit of the kind mentioned in section 79(1)(a) that is a collective benefit must be revalued using the default method.

(2) A benefit of the kind mentioned in section 79(1)(a) that is not a collective benefit must be revalued in accordance with the following provisions of this section if it is attributable to pensionable service on or after the 2016 Act commencement date.

(3) The benefit must be revalued using the default method unless it is—

- (a) a money purchase benefit (see subsection (4)),
- (b) a salary related benefit (see subsections (5) and (6)), or
- (c) a flat rate benefit revalued in accordance with subsection (7).

(4) If the benefit is a money purchase benefit it must be revalued using the money purchase method.

(5) If the benefit is a salary related benefit it must be revalued using the final salary method unless it is revalued in accordance with subsection (6).

(6) If the benefit is an average salary benefit it must be revalued using the average salary method if the trustees or managers of the scheme consider the average salary method to be more appropriate than the final salary method.

(7) If the benefit is a flat rate benefit it must be revalued using the final salary method if the trustees or managers of the scheme consider the final salary method to be more appropriate than the default method.

### **80C New basis of revaluation: personal pension schemes**

(1) A benefit of the kind mentioned in section 79(1)(b) must be revalued in accordance with this section if it is attributable to contributions received on or after the 2016 Act commencement date.

(2) The benefit must be revalued using the default method unless it is a money purchase benefit.

(3) If the benefit is a money purchase benefit it must be revalued using the money purchase method.

### **80D Hybrid benefits**

(1) This section modifies the revaluation requirements in this Chapter in relation to hybrid benefits.

(2) “Hybrid benefit” means a benefit the rate or amount of which depends on which of two or more alternative methods of calculation produces the highest, or lowest, rate or amount.

- (3) For hybrid benefits—
- (a) first, calculate the benefit using each of those methods and revalue in accordance with this Chapter, and
  - (b) then, determine which method of calculation produces the highest, or lowest, rate or amount.

### **80E Revaluation by other methods: general**

**80E.** The fact that an occupational pension scheme provides for the amount of the pension or other benefit for a member or for any other person in respect of the member to be increased during the pre-pension period—

- (a) by the percentages specified during that period under section 132(1) of the Social Security Administration (Northern Ireland) Act 1992 (orders specifying percentage increases for up-rating purposes), or
- (b) under any arrangement which maintains the value of the pension or other benefit by reference to the rise in the general level of prices during that period,

does not in itself result in conflict with section 80 or 80B, if the increase falls to be determined by reference to an amount from which the guaranteed minimum for a member or a member's widow, widower or surviving civil partner has not been deducted.

### **80F Revaluation by other methods: transitional protection in certain cases**

(1) This section applies to a scheme which, before the 2016 Act commencement date, provided for any description of benefits to which this Chapter applies to be revalued by a method that the scheme was allowed to use under subsection (3A) or (3B) of the old section 80.

(2) The scheme may continue to use that method of revaluation in relation to that description of benefits for so long as it continues to contain that provision.

(3) In subsection (1), “the old section 80” means section 80 as it had effect immediately before the substitution made by Schedule 1 to the Pension Schemes Act (Northern Ireland) 2016.”.

## **5. After section 81 insert—**

### **“81A Power to add revaluation methods for personal pension schemes**

(1) Regulations may make provision enabling or requiring benefits of the kind mentioned in section 79(1)(b) to be revalued by the average salary or final salary method in specified cases.

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*Status: This is the original version (as it was originally enacted).*

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(2) Regulations under this section—

- (a) may amend this Chapter (and may, in particular, amend the average salary or final salary method as applied in relation to benefits of the kind mentioned in section 79(1)(b));
- (b) may not change the revaluation method to be used for a benefit the right to which has already accrued.”.

6. After section 82 insert—

**“82A The revaluation methods**

**82A.** The revaluation methods referred to in this Chapter are defined by the provisions listed in the table.

<i>Method</i>	<i>Provision</i>
Average salary method	Paragraph 3 of Schedule 2
Default method	Paragraph A1 of Schedule 2
Final salary method	Paragraphs 1 to 2A of Schedule 2
Money purchase method	Paragraph 5 of Schedule 2

**82B Definitions of benefits referred to in this Chapter**

(1) In this Chapter—

“average salary benefit” means a benefit under an occupational pension scheme the rate or amount of which is calculated by reference to the member’s average salary over the period of service to which the benefit relates;

“final salary benefit” means a benefit under an occupational pension scheme that is calculated by reference to the member’s pensionable earnings, or highest, average or representative pensionable earnings, in a specified period ending at, or defined by reference to, the time when the member’s pensionable service in relation to that scheme ends;

“flat rate benefit” means a benefit under an occupational pension scheme the rate or amount of which is calculated by reference solely to the member’s length of service;

“salary related benefit” means a benefit under an occupational pension scheme the rate or amount of which is calculated by reference to the salary of the member.

(2) In subsection (1) “pensionable earnings”, in relation to a pension scheme and a member of it, means earnings by reference to which benefits under the scheme are calculated.”.

7. In section 181(2) (Assembly, etccontrol of regulations and orders) after “20B(5)” insert “, 81A”.

8. In Schedule 2 (revaluation methods), before paragraph 1 insert—

*“The default method*

**A1.** The default method is to revalue the benefits in any way in which they would have been revalued if—

- (a) in the case of an occupational pension scheme, the member’s pensionable service had not terminated, or
- (b) in the case of a personal pension scheme, contributions in respect of the member had not ceased to be paid.”.

9. Omit paragraphs 3A and 4 of that Schedule.

10. In paragraph 5(1) of that Schedule, for “if his pensionable service had not terminated” substitute “if—

- (a) in the case of an occupational pension scheme, the member’s pensionable service had not terminated, or
- (b) in the case of a personal pension scheme, contributions in respect of the member had not ceased to be paid”.

11. Omit the following, which are no longer needed given the earlier provisions of this Schedule—

- (a) paragraph 20(3) of Schedule 9 to the Welfare Reform and Pensions (Northern Ireland) Order 1999;
- (b) Article 258 of the 2005 Order;
- (c) section 20(1) to (3) of the Pensions Act (Northern Ireland) 2012.