
EXPLANATORY NOTE

(This note is not part of the Order)

This Order makes provision for the payment of contributions equivalent premiums (“CEP”) following the ending of contracting-out.

The Pensions Act (Northern Ireland) 2015 creates a new state pension for people reaching pensionable age after 5th April 2016. The new state pension replaces the current state pension which has two components – the basic state pension and the additional state pension. Prior to 6th April 2016 members of occupational pension schemes could be contracted-out of the additional state pension.

Under section 51 of the Pension Schemes (Northern Ireland) Act 1993 (c. 49) (“the 1993 Act”), a member who had been contracted out of the additional state pension could be bought back into the additional state pension via payment of a CEP if they had less than 2 years’ pensionable service when they died or left the scheme or when the scheme wound up or ceased to be contracted-out. Subject to certain exceptions, schemes were required to pay the CEP in respect of such members if they had no accrued rights in the scheme at that point.

Article 3 makes provision in relation to the payment of CEPs in respect of those members who are in contracted-out employment immediately before the ending of contracting-out on 6th April 2016. Under Article 3, CEPs may be paid if the scheme subsequently begins to be wound up or if the member dies or leaves the scheme prior to completing 2 years’ service. CEPs are required to be paid in these circumstances if the member has no accrued rights in the scheme at that point.

Article 4 makes supplementary provision in relation to practical aspects of CEP payments made under Article 3, such as timing for notification and payment and refunds. These mirror provisions made for CEP payments which arise under section 51 of the 1993 Act.

Article 5 amends the Pensions (2015 Act) (Savings) Order (Northern Ireland) 2016, making clear that sections 51 to 64 of the 1993 Act are saved insofar as necessary for action to be taken in relation to the payment of a CEP where the criteria for payment were satisfied before the ending of contracting out. Sections 52 to 64 are additionally saved with modifications for the purposes of CEPs which are payable as a result of Article 3 of this Order.