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

DEFINITIONS

Glossary

State pensions

Pension categories

There are four categories of state pension provided under the Contributions and Benefits Act:

- Category A
- Category B
- Category C (there are no remaining beneficiaries in Northern Ireland)
- Category D.

A *Category A* pension is contributory. It consists of two parts, either or both of which may be payable:

- basic state pension - dependent upon the number of qualifying years a person has in their working life;
- additional state pension (also referred to as state second pension) - dependent upon earnings, or deemed earnings, in a person's working life since April 1978.

A *Category B* pension is also contributory. Like a Category A pension, it can consist of either a basic state pension or an additional state pension, or both. It is payable by virtue of a spouse's or civil partner's qualifying years and earnings.

A *Category D* pension is non-contributory. It is payable when a person:

- reaches age 80; and
- satisfies certain residence conditions; and either
- is not entitled to another category of state pension; or
- is entitled to one at a lower rate than the Category D rate.

Earnings Limits

The terms relating to the different earnings limits for the purposes of accruing state pension are explained below:

- the "lower earnings limit" is the minimum level of weekly earnings on which a person is treated as paying national insurance contributions for benefit purposes. A person receiving contribution credits or paying flat rate voluntary or self-employed contributions is treated as having earnings at the lower earnings limit for each weekly credit or contribution. The lower earnings limit is currently linked to the standard rate of basic pension. Under the proposed reforms this link will be broken when basic pension starts to be increased in line with average earnings.
- the "primary threshold" is the minimum level of weekly earnings on which an employed person pays national insurance contributions. It is the weekly equivalent of the standard personal allowance for income tax purposes.
- the "upper earnings limit" is the maximum level of weekly earnings on which an employed person pays national insurance contributions other than at the 1% health service contribution and under the current scheme accrues state second pension. It is set at approximately seven times the primary threshold. Under the proposed reforms to state second pension the upper earnings limit will be replaced by an upper accruals point which will not be linked to the primary threshold.
- the "qualifying earnings factor" is the minimum level of earnings on which a person must have paid, been treated as having paid or been credited with national insurance contributions in a tax year in order to make it a qualifying year for basic pension. It is set at 52 times the weekly lower earnings limit.
- the "low earnings threshold" relates to state second pension only and is:
  - — the level of earnings up to which, under the current scheme, state second pension accrues at the 40% rate and, under the proposed simplification, state second pension will accrue at the flat rate; and
  - — the amount of earnings a person is deemed to have if they earn above the qualifying earnings factor but below the low earnings threshold or they are accruing state second pension because they are a carer or are sick or disabled,

and is increased annually in line with growth in average earnings.

- the "upper earnings threshold" relates to state second pension only and is used to refer to the top of the band of earnings over the low earnings threshold on which state second pension accrues at the 10% rate. It is set at three times the low earnings threshold minus two times the qualifying earnings factor.