
14 Dependants' scheme pensions

- (1) Part 2 of Schedule 28 to Part 4 of FA 2004 (pension death benefit rules) is amended as follows.
- (2) In paragraph 16A(1) (dependants' scheme pension: when limits in paragraphs 16B and 16C apply) –
 - (a) omit the “and” at the end of paragraph (b), and
 - (b) after paragraph (c) insert “, and
 - (d) the threshold test (see paragraph 16AA) is met.”
- (3) In paragraph 16A, after sub-paragraph (1) insert –

“(1A) But paragraphs 16B and 16C do not apply if –

 - (a) each benefit crystallisation event that has occurred in relation to the member by reference to arrangements relating to the member under the scheme is benefit crystallisation event 5B (having unused funds under a money purchase arrangement at age 75), or
 - (b) paragraph 12 of Schedule 36 (enhanced protection by reference to pre-6 April 2006 rights) applies in the case of the member immediately before the member's death.”
- (4) In paragraph 16A(2) (certain pre-6 April 2006 pensions treated as scheme pensions), for “paragraph”, in the second place it occurs, substitute “paragraphs 16AA and”.
- (5) After paragraph 16A insert –

“16AA(1) The threshold test is met if the amount given by –

$$(SP \times 20) + (DSP \times 20) + LS + CBV + MPV$$

is greater than the threshold.

 - (2) The following provisions of this paragraph have effect for the purposes of sub-paragraph (1).
 - (3) “The threshold” is 25% of the standard lifetime allowance at the time immediately before the member's death, except that, if the result of that calculation is not a multiple of £100, the threshold is that result rounded up to the nearest amount that is a multiple of £100.
 - (4) SP is calculated by –
 - (a) finding, for each scheme pension to which the member is actually entitled at the time immediately before the member's death in respect of a defined benefits arrangement relating to the member under the pension scheme, the rate at that time of that scheme pension, and
 - (b) finding, for each scheme pension to which the member is prospectively entitled at the time immediately before the member's death in respect of a defined benefits arrangement relating to the member under the pension scheme, the annual rate that was DP (see paragraph 14 of Schedule 32) in the case of that scheme pension for the purposes of the benefit crystallisation event 5 that occurred in relation to the member by reference to the arrangement, and
 - (c) then adding together those annual rates.

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- (5) DSP is calculated by –
- (a) finding, for each dependants' scheme pension –
 - (i) in respect of a defined benefits arrangement relating to the member under the pension scheme, and
 - (ii) to which at the time immediately after the member's death a dependant is actually or prospectively entitled,
the rate which (ignoring paragraphs 16B and 16C) is, or at that time is expected to be, the initial annual rate of that dependants' scheme pension, and
 - (b) adding together those rates.
- (6) LS is the total of any lump sum death benefits expected to be paid in respect of any defined benefits arrangements relating to the member under the pension scheme.
- (7) CBV is calculated by –
- (a) finding, for each cash balance arrangement relating to the member under the pension scheme, the amount that would immediately before the relevant valuation point have been available for the provision of benefits to or in respect of the member if entitlement had arisen immediately before the relevant valuation point to all benefits under the arrangement to which entitlement had not previously arisen, and
 - (b) then finding the total of all those amounts.
- (8) MPV is calculated by finding for each money purchase arrangement relating to the member under the pension scheme that is not a cash balance arrangement –
- (a) the amount of the sums held for the purposes of the arrangement immediately before the relevant valuation point, and
 - (b) the amount that is the market value, at the time immediately before the relevant valuation point, of the assets held at that time for the purposes of the arrangement,
- and then finding the total of all those amounts.
- (9) In sub-paragraphs (7) and (8) –
- (a) if the member is actually entitled to one or more scheme pensions under the pension scheme immediately before the member's death, "the relevant valuation point" means the time when the member –
 - (i) became actually entitled to that scheme pension, or
 - (ii) (as the case may be) first became actually entitled to any of those scheme pensions, and
 - (b) otherwise, "the relevant valuation point" means the member's death."
- (6) The amendments made by this section –
- (a) are treated as having come into force on 6 April 2016,
 - (b) have effect in relation to paragraph 16B of Schedule 28 to FA 2004 where the last day of "the post-death year" (see sub-paragraph (1) of that paragraph) is 6 April 2016 or any later day, and

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- (c) have effect in relation to paragraph 16C of that Schedule where the last day of “the 12 months in question” (see sub-paragraph (1) of that paragraph) is 6 April 2016 or any later day.