

1 Pension schemes: collective money purchase benefits

Schedule 1 contains amendments of Part 4 of FA 2004 (pension schemes etc) relating to collective money purchase benefits.

SCHEDULE 1

Section 1

PENSION SCHEMES: COLLECTIVE MONEY PURCHASE BENEFITS

PART 1

AMENDMENTS OF PART 4 OF FA 2004

- 1 Part 4 of FA 2004 is amended as follows.
- 2 (1) Section 152 (meaning of “arrangement”) is amended as follows.
 - (2) In subsection (2), after “cash balance benefits” insert “, collective money purchase benefits”.
 - (3) After subsection (3) insert –
 - “(3A) For the purposes of this Part a money purchase arrangement is a “collective money purchase arrangement” at any time if, at that time, all the benefits that may be provided to or in respect of the member under the arrangement are collective money purchase benefits.”
 - (4) In subsection (5) –
 - (a) the words after “means benefits” become paragraph (a);
 - (b) at the end of that paragraph insert “, and”;
 - (c) after that paragraph insert –
 - “(b) that are not collective money purchase benefits.”
 - (5) After that subsection insert –
 - “(5A) In this Part “collective money purchase benefits” means benefits that are collective money purchase benefits within the meaning of Part 1 or 2 of the Pension Schemes Act 2020.”
 - (6) In subsection (8), for the words from “two or three” to the end substitute “two, three or four of the varieties specified in subsection (10)”.
 - (7) In subsection (9) –
 - (a) for “those varieties of benefits” substitute “the varieties of benefits specified in subsection (10)”;
 - (b) for “two or three” (in both places those words occur) substitute “two, three or four”.
 - (8) After that subsection insert –
 - “(10) The varieties of benefits mentioned in subsections (8) and (9) are –
 - (a) cash balance benefits,
 - (b) collective money purchase benefits,
 - (c) money purchase benefits not falling within paragraph (a) or (b), and
 - (d) defined benefits.”
- 3 (1) In section 165 (pension rules), subsection (1) is amended as follows.
 - (2) In pension rule 3, after “defined benefits arrangement” insert “or a collective money purchase arrangement”.

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- (3) In pension rule 4, after “money purchase arrangement” insert “that is not a collective money purchase arrangement”.
- 4 (1) In section 167 (pension death benefit rules), subsection (1) is amended as follows.
- (2) In pension death benefit rule 2, after “defined benefits arrangement” insert “or a collective money purchase arrangement”.
- (3) In pension death benefit rule 3, after “money purchase arrangement” insert “that is not a collective money purchase arrangement”.
- 5 (1) Section 172C (allocation of unallocated employer contributions) is amended as follows.
- (2) In subsection (2) –
- (a) in paragraph (a), after “cash balance arrangement” insert “or a collective money purchase arrangement”;
- (b) in paragraph (b), for “other than cash balance benefits” substitute “that are not cash balance benefits or collective money purchase benefits”.
- 6 (1) Section 182 (unauthorised borrowing: money purchase arrangements) is amended as follows.
- (2) In subsection (8) –
- (a) in the opening words –
- (i) for “either cash balance benefits or other money purchase benefits” substitute “benefits of one of any two or three of the varieties of benefits specified in subsection (9)”;
- (ii) after “greater” insert “or greatest”;
- (b) in paragraph (a), for “cash balance benefits” substitute “benefits within subsection (9)(a)”;
- (c) in paragraph (b), for “other money purchase benefits” substitute “benefits within subsection (9)(b)”;
- (d) at the end of paragraph (b) insert “, and”;
- (e) after paragraph (b) insert –
- “(c) their value calculated under subsection (7) (on the assumption that benefits within subsection (9)(c) are provided).”
- (3) After subsection (8) insert –
- “(9) The varieties of benefits mentioned in subsection (8) are –
- (a) cash balance benefits,
- (b) collective money purchase benefits, and
- (c) money purchase benefits not falling within paragraph (a) or (b).”
- 7 (1) Section 212 (valuation of uncrystallised rights for purposes of section 210) is amended as follows.
- (2) For subsection (7) substitute –
- “(7) If this subsection applies, the value of the member’s uncrystallised rights under the arrangement on the date (“the hybrid value”) is to be calculated by taking the following steps –

Step 1

In relation to each relevant variety of benefits, calculate (in accordance with the preceding provisions of this section) the value of the member's uncrystallised rights on the date, assuming that benefits of that variety are provided under the arrangement.

Step 2

The hybrid value is the higher or highest of the amounts determined under step 1."

- (3) For subsections (8) to (10) substitute –
- “(8) For the purposes of this section a variety of benefits is “relevant” in relation to a hybrid arrangement if, in any circumstances, benefits of that variety may be provided under the arrangement.
- (9) In this section “variety of benefits” means a variety of benefits specified in section 152(10).”
- 8 (1) Section 223 (non-residence: other arrangements) is amended as follows.
- (2) In subsection (5) –
- (a) after paragraph (a) insert –
- “(aa) what would be the other money purchase arrangement non-residence factor (under that section) if the arrangement were a collective money purchase arrangement;”
- (b) in paragraph (b), for “any other sort of money purchase arrangement” substitute “a money purchase arrangement other than a cash balance arrangement or a collective money purchase arrangement”.
- 9 (1) Section 226 (overseas scheme transfers: other arrangements) is amended as follows.
- (2) In subsection (5) –
- (a) after paragraph (a) insert –
- “(aa) what would be the other money purchase relevant relievable amount (under that section) if that arrangement had been a collective money purchase arrangement;”
- (b) in paragraph (b), for “any other sort of money purchase arrangement” substitute “a money purchase arrangement other than a cash balance arrangement or a collective money purchase arrangement”.
- 10 (1) In section 227B (the alternative chargeable amount), subsection (5) is amended as follows.
- (2) In paragraph (b)(i), after “A” insert “, AA”.
- (3) In paragraph (b)(ii) –
- (a) after “greater” insert “or greatest”;
- (b) after “A” insert “, AA”;
- (c) for “both” substitute “at least two of those amounts”.
- (4) In the closing words –
- (a) after “A” (in both places it occurs) insert “, AA”;

- (b) after “greater” insert “or greatest”.
- 11 (1) Section 227C (meaning of “money-purchase input sub-total”) is amended as follows.
- (2) In subsection (1)(b)(ii), after “A” insert “, AA”.
- 12 (1) Section 227D (pension input amounts in respect of certain hybrid arrangements) is amended as follows.
- (2) In subsection (2)(a) –
- (a) after “greater” insert “or greatest”;
- (b) after “A” insert “, AA”.
- 13 (1) Section 227F (pension input periods in which rights are first flexibly accessed) is amended as follows.
- (2) In subsection (5)(b), after “input amount” insert “AA or”.
- 14 (1) Section 227G (when pension rights are first flexibly accessed) is amended as follows.
- (2) In subsection (9)(a), for “money purchase” substitute “relevant”.
- (3) After subsection (9) insert –
- “(9A) In subsection (9), “relevant arrangement” means a money purchase arrangement that is not a collective money purchase arrangement.”
- 15 (1) Section 237 (hybrid arrangements) is amended as follows.
- (2) In subsection (1), after “amounts A,” insert “AA,”.
- (3) After subsection (3) insert –
- “(3A) Input amount AA is what would be the pension input amount under section 233 if the benefits provided to or in respect of the individual under the arrangement were collective money purchase benefits.”
- (4) In subsection (4), for “other money purchase benefits” substitute “money purchase benefits that are not cash balance benefits or collective money purchase benefits”.
- 16 In section 280 (abbreviations and general index), in the table in subsection (2) insert at the appropriate places –
- | | |
|--|------------------|
| “collective money purchase arrangement | section 152(3A)” |
| “collective money purchase benefits | section 152(5A)” |
- 17 (1) Schedule 28 (authorised pensions: supplementary) is amended as follows.
- (2) In paragraph 2A (scheme pension), after sub-paragraph (3) insert –
- “(3A) But for the purposes of sub-paragraph (2)(b), no substantial reduction occurs in the rate of a pension if –
- (a) the pension is payable in respect of a collective money purchase arrangement, and

-
- (b) the reduction is in accordance with the rules of the scheme.”
- 18 (1) Schedule 29 (authorised lump sums - supplementary) is amended as follows.
- (2) In paragraph 1 (pension commencement lump sum) –
- (a) in sub-paragraph (1)(f), for “sub-paragraph (4)” substitute “sub-paragraphs (4) and (4A)”;
- (b) after sub-paragraph (4) insert –
- “(4A) A lump sum is an excluded lump sum if –
- (a) the pension in connection with which the member becomes entitled to it is income withdrawal, and
- (b) the sums or assets designated as available for the payment of the pension were sums or assets out of which benefits were provided under a collective money purchase arrangement.”
- (3) In paragraph 2 (pension commencement lump sum), in sub-paragraph (6B), after “money purchase arrangement” insert “that is not a collective money purchase arrangement”.
- (4) In paragraph 3 (pension commencement lump sum: definition of “the applicable amount” for the purposes of paragraph 2(5)) –
- (a) in sub-paragraph (6), after “defined benefits arrangement” insert “or a collective money purchase arrangement”;
- (b) in sub-paragraph (7A), after “money purchase arrangement” insert “that is not a collective money purchase arrangement”.
- (5) In paragraph 4A (uncrystallised funds pension lump sum), in sub-paragraph (1)(a), after “money purchase arrangement” insert “that is not a collective money purchase arrangement”.
- (6) In paragraph 7 (trivial commutation lump sum), in sub-paragraph (1) –
- (a) in paragraph (aa) –
- (i) after “defined benefits arrangement,” insert “or in respect of a collective money purchase arrangement,”;
- (ii) after “under a money purchase arrangement” insert “that is not a collective money purchase arrangement”;
- (iii) for “or partly in respect of the former and partly in respect of the latter” substitute “or in respect of any combination of such arrangements and scheme pensions”;
- (b) in paragraph (d), after “defined benefits” insert “, and any entitlement to collective money purchase benefits,”.
- 19 (1) Schedule 32 (benefit crystallisation events - supplementary) is amended as follows.
- (2) Before paragraph 3 (but after the italic cross heading preceding it) insert –
- “2B (1) This paragraph applies for the purposes of benefit crystallisation event 1 where –
- (a) the designation was in connection with the winding-up of the scheme, and

- (b) the sums or assets designated were sums or assets out of which benefits were provided under a collective money purchase arrangement.
- (2) The amount crystallised by the event is to be reduced by the amount (or an appropriate proportion of the amount) previously crystallised on the individual becoming entitled to a scheme pension under the collective money purchase arrangement.”
- (3) Omit paragraph 5 (benefit crystallisation events 1 and 5: hybrid arrangements) together with the italic cross heading preceding it.
- (4) Paragraph 10 (benefit crystallisation event 3: excepted circumstances) is amended in accordance with sub-paragraphs (5) to (7).
- (5) Before sub-paragraph (1) insert –
 - “(A1) For the purposes of benefit crystallisation event 3 “excepted circumstances” exist if condition A or B is met.”
- (6) In sub-paragraph (1) –
 - (a) for the opening words substitute “Condition A is that –”;
 - (b) before paragraph (a) insert –
 - “(za) the entitlement to payment of a scheme pension at an increased annual rate is under an arrangement that is not a collective money purchase arrangement;”;
 - (c) in paragraph (a) omit “that”;
 - (d) in paragraph (b) omit “that” the first time it occurs.
- (7) After sub-paragraph (4) insert –
 - “(5) Condition B is that –
 - (a) the entitlement to payment of a scheme pension at an increased annual rate is under an arrangement that is a collective money purchase arrangement, and
 - (b) at the time when the annual rate of the individual’s pension is increased, all the scheme pensions being paid under collective money purchase arrangements are increased at the same rate.”
- (8) After paragraph 14 insert –
 - “*Benefit crystallisation events 5 and 5B: hybrid arrangements*
 - 14ZA(1) This paragraph applies where, immediately before the individual reaches the age of 75 (“the relevant time”), there is under any of the relevant pension schemes a hybrid arrangement relating to the individual.
 - (2) If defined benefits are a relevant variety of benefits, benefit crystallisation event 5 applies as if, at the relevant time, circumstances were such that benefits of that variety were to be provided under the arrangement.
 - (3) Benefit crystallisation event 5B applies in relation to –
 - (a) the relevant variety of benefits that are not defined benefits, or

-
- (b) (as the case may be) each relevant variety of benefits that are not defined benefits,
as if, at the relevant time, circumstances were such that benefits of that variety were to be provided under the arrangement.
 - (4) The amount crystallised is the greater or (as the case may be) greatest of the amounts crystallised by the benefit crystallisation events applying by virtue of sub-paragraphs (2) and (3).
 - (5) For the purposes of this paragraph a variety of benefits is “relevant” in relation to a hybrid arrangement if, in any circumstances, benefits of that variety may be provided under the arrangement.
 - (6) In this paragraph “variety of benefits” means a variety of benefits specified in section 152(10).”
- (9) In paragraph 14A (benefit crystallisation event 5B: meaning of “remaining unused funds”) –
- (a) the existing text becomes sub-paragraph (1);
 - (b) after paragraph (a) insert –
 - “(aa) in relation to a collective money purchase arrangement, means such of the sums and assets held for the purposes of the arrangement as have not been applied towards the provision of a scheme pension or a dependants’ scheme pension, and”;
 - (c) after sub-paragraph (1) insert –
 - “(2) For the purposes of sub-paragraph (1)(aa), where any sums or assets have been applied as mentioned in that provision, any interest, dividends or other returns arising from them are to be treated as also having been so applied, whether or not they have yet been allocated to a member of the scheme.”
- 20 (1) Schedule 36 (transitional provision and savings) is amended as follows.
- (2) In paragraph 29 (lump sum rights exceeding £375,000: primary and enhanced protection), in sub-paragraph (3) –
 - (a) in the substitute paragraph 3(6) of Schedule 29, after “defined benefits arrangement” insert “or a collective money purchase arrangement”;
 - (b) in the substitute paragraph 3(7A) of Schedule 29, after “money purchase arrangement” insert “that is not a collective money purchase arrangement”.
 - (3) In paragraph 34 (entitlement to lump sums exceeding 25% of uncrystallised rights), in sub-paragraph (2), in the substitute paragraph 2(7AA) of Schedule 29, after “money purchase arrangement” insert “that is not a collective money purchase arrangement”.

PART 2

COMMENCEMENT

- 21 (1) The amendments made by this Schedule come into force on such day as the Treasury may by regulations appoint.

- (2) The Treasury may by regulations make transitional or saving provision in connection with the coming into force of any provision of this Schedule.
- (3) Regulations under this paragraph are to be made by statutory instrument.