

SCHEDULES

SCHEDULE 1

Section 2.

APPROPRIATE PERSONAL PENSION SCHEMES

Interpretation

- 1 In this Schedule—
- " member " means a member of a scheme ;
 - " rules " means the rules of a scheme; and
 - " scheme " means a personal pension scheme.

Requirements: general

- 2 The Secretary of State may prescribe descriptions of persons by whom or bodies by which a scheme may be established and, if he does so, a scheme may only be established by a person or body of a prescribed description.
- 3 A scheme must comply with such requirements as may be prescribed as regards the investment of its resources and with any direction of the Occupational Pensions Board that—
- (a) no part, or no more than a specified proportion, of the scheme's resources shall be invested in investments of a specified class or description;
 - (b) there shall be realised, before the end of a specified period, the whole or a specified proportion of investments of a specified class or description forming part of the scheme's resources when the direction is given.
- 4 A scheme must comply with such requirements as may be prescribed as regards the part—
- (a) of any payment or payments that are made to the scheme by or on behalf of a member;
 - (b) of any income or capital gain arising from the investment of payments such as are mentioned in sub-paragraph (a) above ; or
 - (c) of the value of rights under the scheme,
- that may be used—
- (i) to defray the administrative expenses of the scheme;
 - (ii) to pay commission; or
 - (iii) in any other way which does not result in the provision of benefits for or in respect of members.
- 5 (1) Subject to sub-paragraph (2) below, all minimum contributions which are paid to a scheme in respect of one of its members must be applied so as to provide money purchase benefits for or in respect of that member, except so far as they are used—
- (a) to defray the administrative expenses of the scheme; or
 - (b) to pay commission.

Status: This is the original version (as it was originally enacted).

- (2) If regulations are made under paragraph 4 above, minimum contributions may be used in any way which the regulations permit, but not in any way not so permitted except to provide money purchase benefits for or in respect of the member.
- 6 A scheme must satisfy such other requirements as may be prescribed.

Requirements: protected rights

- 7 (1) Unless the rules make provision such as is mentioned in sub-paragraph (2) below, the protected rights of a member are his rights to money purchase benefits under the scheme.
- (2) Rules may provide that a member's protected rights are his rights under the scheme which derive from any payment of minimum contributions to the scheme, together with any rights of his to money purchase benefits which derive from protected rights under another personal pension scheme or protected rights (within the meaning of the Social Security Pensions Act 1975) under an occupational pension scheme which have been the subject of a transfer payment and such other rights as may be prescribed.
- (3) Where rules make such provision as is mentioned in sub-paragraph (2) above, they shall also make provision for the identification of the protected rights.
- (4) The value of protected rights such as are mentioned in sub-paragraph (2) above—
- (a) shall be calculated in a manner no less favourable than that in which the value of any other rights of the member to money purchase benefits under the scheme are calculated;
 - (b) subject to that, shall be calculated and verified in such manner as may be prescribed.
- (5) The power to make regulations conferred by sub-paragraph (4) above includes power to provide that protected rights such as are mentioned in sub-paragraph (2) above are to be calculated and verified in such manner as may be approved in particular cases—
- (a) by prescribed persons ; or
 - (b) by persons with prescribed professional qualifications or experience; or
 - (c) by persons approved by the Secretary of State,
- and power to provide that they shall be calculated and verified in accordance with guidance prepared by a prescribed body.
- 8 Rules must provide for effect to be given in a manner permitted by paragraph 9 below to the protected rights of every member and must not provide for any part of any member's protected rights to be discharged in any other way.
- 9 (1) Effect may be given to protected rights—
- (a) by the provision by the scheme of a pension which—
 - (i) complies with the requirements of sub-paragraph (7) below; and
 - (ii) satisfies such conditions as may be prescribed ; or
 - (b) in such circumstances and subject to such conditions as may be prescribed, by the making of a transfer payment—
 - (i) to another personal pension scheme; or
 - (ii) to an occupational pension scheme,
 where the scheme to which the payment is made satisfies such requirements as may be prescribed.

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- (2) If—
- (a) the rules of the scheme do not provide for a pension ; or
 - (b) the member so elects,
- effect may be given to protected rights by the purchase by the scheme of an annuity which—
- (i) complies with the requirements of sub-paragraphs (7) and (8) below; and
 - (ii) satisfies such conditions as may be prescribed.
- (3) Effect may be given to protected rights by the provision of a lump sum if—
- (a) the lump sum is payable on a date which is either the date on which the member attains pensionable age or such later date as has been agreed by him ; and
 - (b) the annual rate of a pension under sub-paragraph (1) above or an annuity under sub-paragraph (2) above giving effect to the protected rights and commencing on the date on which the lump sum is payable would not exceed the prescribed amount; and
 - (c) the circumstances are such as may be prescribed; and
 - (d) the amount of the lump sum is calculated in a manner satisfactory to the Occupational Pensions Board by reference to the amount of the pension or annuity.
- (4) If the member has died without effect being given to protected rights under sub-paragraph (1), (2) or (3) above, effect may be given to them in such manner as may be prescribed.
- (5) No transaction is to be taken to give effect to protected rights unless it falls within this paragraph.
- (6) Effect need not be given to protected rights if they have been extinguished by the payment of a personal pension protected rights premium.
- (7) A pension or annuity complies with this sub-paragraph if—
- (a) it commences.—
 - (i) on the date on which the member attains pensionable age ; or
 - (ii) on such later date as has been agreed by him, and continues until the date of his death;
 - (b) in a case where the member dies while it is payable to him and is survived by a widow or widower—
 - (i) it is payable to the widow or widower in prescribed circumstances and for the prescribed period at an annual rate which at any given time is one-half of the rate at which it would have been payable to the member if the member had been living at that time; or
 - (ii) where that annual rate would not exceed a prescribed amount and the circumstances are such as may be prescribed, a lump sum calculated in a manner satisfactory to the Occupational Pensions Board is provided in lieu of it.
- (8) An annuity complies with the requirements of this sub-paragraph if it is provided by an insurance company which—
- (a) satisfies prescribed conditions ;

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- (b) complies with such conditions as may be prescribed as to the calculation of annuities provided by it and as to the description of persons by or for whom they may be purchased; and
 - (c) subject to sub-paragraph (9) below, has been chosen by the member.
- (9) A member is only to be taken to have chosen an insurance company if he gives notice of his choice to the trustees or managers of the scheme within the prescribed period and in such manner and form as may be prescribed, and with any such supporting evidence as may be prescribed; and, if he does not do so, the trustees or managers may themselves choose the insurance company instead.
- 10 The Occupational Pensions Board must be satisfied that a scheme complies with any such requirements as may be prescribed for meeting the whole or a prescribed part of any liability in respect of protected rights under the scheme which the scheme is unable to meet from its own resources—
 - (a) by reason of the commission by any person of a criminal offence;
 - (b) in such other circumstances as may be prescribed.
- 11 Rules must not allow, except in such circumstances as may be prescribed, the suspension or forfeiture of a member's protected rights or of payments giving effect to them.

General

- 12 Nothing in this Schedule shall be taken to prejudice any requirements with which a scheme must comply if it is to qualify for tax-exemption or tax-approval.