

SCHEDULES

SCHEDULE 32

Section 216

REGISTERED PENSION SCHEMES: BENEFIT CRYSTALLISATION EVENTS—SUPPLEMENTARY

General: meaning of “the relevant pension schemes”

- 1 For the purposes of the benefit crystallisation events “the relevant pension schemes” means the registered pension schemes of which the individual is a member (or, in the case of benefit crystallisation event 7, was a member immediately before death).

Post-75 events not generally benefit crystallisation events

- 2 The only sort of event that constitutes a benefit crystallisation event in relation to the individual after the individual has reached the age of 75 is an event that constitutes benefit crystallisation event 3.

Benefit crystallisation events 1, 2 and 4: prevention of overlap

- 3 (1) This paragraph applies for the purposes of benefit crystallisation event 2 if the scheme pension is funded (in whole or in part) by the surrender of sums or assets representing the whole or part of the individual’s unsecured pension fund.
- (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 designation of the sums or assets as available for the payment of unsecured pension.
- 4 (1) This paragraph applies for the purposes of benefit crystallisation event 4 if the lifetime annuity is purchased (in whole or in part) with sums or assets representing the whole or part of the individual’s unsecured pension fund.
- (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 designation of the sums or assets as available for the payment of unsecured pension.

Benefit crystallisation events 1 and 5: hybrid arrangements

- 5 (1) This paragraph applies where—
- (a) immediately before the individual reaches the age of 75, there is under any of the relevant pension schemes a hybrid arrangement relating to the individual, and
- (b) the benefits that may be provided to or in respect of the individual under the arrangement may, depending on the circumstances, be money purchase benefits or defined benefits.
- (2) Benefit crystallisation event 1 applies as if, at that time, the circumstances are such that the benefits to be provided are money purchase benefits (with the effect that the

sums or assets held for the purposes of the arrangement are to be treated as having been designated as available for the provision of unsecured pension to the individual).

- (3) Benefit crystallisation event 5 applies as if, at that time, the circumstances are such that the benefits to be provided are defined benefits.
- (4) The amount crystallised is the greater of the amounts crystallised by the two benefit crystallisation events.

Benefit crystallisation events 2, 3 and 5: meaning of “RVF”

- 6 For the purposes of benefit crystallisation events 2, 3 and 5 “RVF” is the relevant valuation factor (see section 276).

Benefit crystallisation events 2 and 4: early lifetime annuities

- 7 (1) This paragraph has effect if—
 - (a) the individual becomes entitled before reaching normal minimum pension age to the payment of a lifetime annuity purchased under a money purchase arrangement under any of the relevant pension schemes, and
 - (b) the ill-health condition is not satisfied immediately before the individual becomes so entitled.
- (2) Benefit crystallisation event 2 applies as if—
 - (a) the lifetime annuity were a scheme pension under the pension scheme, and
 - (b) the individual becomes entitled to it only on reaching normal minimum pension age.
- (3) Benefit crystallisation event 4 does not apply in relation to the lifetime annuity.

Benefit crystallisation event 2: early pensions

- 8 For the purposes of benefit crystallisation event 2 if—
 - (a) the individual becomes entitled to the pension before reaching normal minimum pension age, and
 - (b) the ill-health condition is not satisfied immediately before the individual becomes entitled to the pension,
 the individual is to be treated as becoming entitled to it only on reaching normal minimum pension age.

Benefit crystallisation event 2: meaning of “P”

- 9 (1) For the purposes of benefit crystallisation event 2 “P” is the amount of the pension which will be payable to the individual in the period of 12 months beginning with the day on which the individual becomes entitled to it (assuming that it remains payable throughout that period at the rate at which it is payable on that day).
- (2) If the amount of the pension which will be payable will or may be reduced so as to reflect the amount of any tax under section 215 to be paid by the scheme administrator, that reduction is to be left out of account in determining the amount of the pension which will be payable for the purposes of sub-paragraph (1).

Benefit crystallisation event 3: excepted circumstances

- 10 For the purposes of benefit crystallisation event 3 “excepted circumstances” means—
- (a) that at the time when the annual rate of the individual’s pension is increased there are at least 50 pensioner members of the pension scheme, and
 - (b) all the scheme pensions being paid under the pension scheme to all the pensioner members of the pension scheme are at that time increased at the same rate.

Benefit crystallisation event 3: permitted margin

- 11 (1) This paragraph applies for the purposes of benefit crystallisation event 3 if the individual became entitled to the pension on or after 6th April 2006.
- (2) The permitted margin is the amount by which the annual amount of the pension at the rate at which it was payable on the day on which the individual became entitled to it would be greater if it had been increased by whichever of calculation A and calculation B gives the greater amount.
- (3) Calculation A involves increasing that annual amount at the relevant annual percentage rate for the whole of the period—
- (a) beginning with the month in which the individual became entitled to the pension, and
 - (b) ending with the month in which the individual becomes entitled to payment of the pension at the increased rate.
- (4) The relevant annual percentage rate is—
- (a) in a case where the pension is paid under a pension scheme, or an arrangement under a pension scheme, in relation to which the relevant valuation factor is a number greater than 20, the annual rate agreed by the Inland Revenue and the scheme administrator, and
 - (b) otherwise, 5% per annum.
- (5) Calculation B involves increasing that annual amount by the relevant indexation percentage.
- (6) If the retail prices index for the month in which the individual becomes entitled to payment of the pension at the increased rate is higher than it was for the month in which the individual became entitled to the pension, the relevant indexation percentage is the percentage increase in the retail prices index.
- (7) If it is not, the relevant indexation percentage is 0%.
- 12 (1) This paragraph applies for the purposes of benefit crystallisation event 3 if the individual became entitled to the pension before 6th April 2006.
- (2) The permitted margin is the greater of—
- (a) what would be the permitted margin at that time if the individual had become entitled to the pension on or after that date (see paragraph 11), and
 - (b) the amount by which the annual amount of the pension at the rate at which it was payable on the day on which the individual became entitled to it would be greater if it had been increased for the whole of the period specified in sub-paragraph (3) of that paragraph at the rate of P% per annum.

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

- (3) “P%” is the percentage by which, in accordance with the rules of the pension scheme immediately before 6th April 2006, the annual rate of the pension is to be increased each year.

Benefit crystallisation event 3: meaning of “XP”

- 13 (1) For the purposes of benefit crystallisation event 3 “XP” is (subject to subparagraph (2)) the amount by which—
- (a) the increased annual rate of the pension, exceeds
 - (b) the rate at which it was payable on the day on which the individual became entitled to it, as increased by the permitted margin.
- (2) But if one or more benefit crystallisation events has or have previously occurred by reason of the individual having become entitled to payment of the pension at an increased rate, XP does not include the amount crystallised by that event or the aggregate of the amounts crystallised by those events.

Benefit crystallisation event 5: meaning of “DP” and “DSLS”

- 14 (1) For the purposes of benefit crystallisation event 5 “DP” is the annual rate of the scheme pension to which the individual would be entitled if, on the date on which the individual reaches 75, the individual acquired an actual (rather than a prospective) right to receive it.
- (2) For the purposes of benefit crystallisation event 5 “DSLS” is the amount of any lump sum to which the individual would be entitled (otherwise than by way of commutation of pension) if, on that date, the individual acquired an actual (rather than a prospective) right to receive it.

Benefit crystallisation event 6: meaning of “relevant lump sum”

- 15 For the purposes of benefit crystallisation event 6 a lump sum is a relevant lump sum if it is—
- (a) a pension commencement lump sum,
 - (b) a serious ill-health lump sum, or
 - (c) a lifetime allowance excess lump sum.

Benefit crystallisation event 7: meaning of “relevant lump sum death benefit”

- 16 For the purposes of benefit crystallisation event 7 a lump sum death benefit is a relevant lump sum death benefit if it is—
- (a) a defined benefits lump sum death benefit, or
 - (b) an uncrystallised funds lump sum death benefit.

Benefit crystallisation event 8: prevention of overlap with other events

- 17 (1) This paragraph applies for the purposes of benefit crystallisation event 8.
- (2) Where any of the sums or assets transferred represent the whole or part of the individual’s unsecured pension fund, the amount crystallised by the event is to be reduced by the amount (or the appropriate proportion of the amount) previously

crystallised on the designation of the sums or assets as available for the payment of unsecured pension.

- (3) Where after the transfer a scheme pension to which the individual has become entitled before the transfer is to be payable out of sums or assets transferred, the amount crystallised by the event is to be reduced by the amount (or the appropriate proportion of the amount) previously crystallised in relation to the scheme pension.