



2016 CHAPTER 1

PART 2

COLLECTIVE BENEFITS

*Introduction and nature of collective benefits*

**Introduction and definition**

8.—(1) This Part is about pension schemes under which at least some of the benefits that may be provided are collective benefits.

(2) A benefit is a “collective benefit” if in all circumstances the rate or amount of the benefit depends entirely on—

- (a) the amount available for the provision of benefits to or in respect of the member and one or more other members collectively, and
- (b) factors used to determine what proportion of that amount is available for the provision of the particular benefit.

(3) But a benefit is not a collective benefit if—

- (a) it is a money purchase benefit, or
- (b) it is of a description specified in regulations.

**Duty to set targets for collective benefits**

9.—(1) Regulations may require the trustees or managers of a pension scheme to set targets in relation to any collective benefits that may be provided by the scheme.

(2) The regulations may, in particular—

- (a) impose requirements about the way that targets are expressed;
  - (b) impose requirements about the recording or publication of targets;
  - (c) require the trustees or managers to set initial targets at a level which ensures that the probability of meeting the targets falls within a range specified in the regulations;
  - (d) require the trustees or managers to obtain a certificate from an actuary certifying that, in the opinion of the actuary, the initial targets have been set at a level that complies with regulations under paragraph (c).
- (3) Regulations made in reliance on subsection (2)(d) may, in particular—
- (a) require the trustees or managers to obtain the certificate from an actuary who has specified qualifications or meets other specified requirements;
  - (b) make provision about the content of the certificate;
  - (c) set out matters to which the actuary must have regard;
  - (d) require the trustees or managers to provide a copy of the actuary’s certificate to a specified person.
- (4) In this section “target” means a target, relating to the rate or amount of a benefit, that is unenforceable.

#### **Policy about factors used to determine each benefit**

**10.**—(1) Regulations may require the trustees or managers of a pension scheme—

- (a) to have a policy as to the factors to be used to determine what proportion of the amount available for the provision of any collective benefits by the scheme is to be available for the provision of a particular collective benefit, and
  - (b) to follow that policy in calculating any collective benefit.
- (2) The regulations may, in particular—
- (a) require the trustees or managers to consult about the policy;
  - (b) make provision about the content of the policy;
  - (c) set out matters that the trustees or managers must take into account, or principles they must follow, in formulating the policy;
  - (d) make provision about reviewing and revising the policy.

#### **Power to impose requirements about factors used to determine each benefit**

**11.** Regulations may make provision as to the factors to be used to determine what proportion of the amount available for the provision of any collective benefits by a pension scheme is to be available for the provision of a particular collective benefit.