

SCHEDULES

SCHEDULE 1

PENSION FLEXIBILITY ETC

PART 2

ANNUITIES

Reduction of restrictions on new annuities

- 36 Schedule 28 to FA 2004 (registered pension schemes) is amended as follows.
- 37 In paragraph 3 (definition of member’s lifetime annuity) after sub-paragraph (1) insert—
- “(1A) For the purposes of this Part, but subject to any provision made under sub-paragraph (2C)(za), an annuity payable to the member is also a lifetime annuity if—
- (a) it is payable by an insurance company,
- (b) the member becomes entitled to it on or after 6 April 2015, and
- (c) it is payable until the member’s death or until the later of the member’s death and the end of a term certain.”
- 38 In paragraph 6 (definition of member’s short-term annuity) after sub-paragraph (1) insert—
- “(1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (1C)(za), an annuity payable to the member is also a short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the member’s drawdown pension fund, or of the member’s flexi-access drawdown fund, in respect of an arrangement,
- (b) it is payable by an insurance company,
- (c) the member becomes entitled to it on or after 6 April 2015, and
- (d) it is payable for a term which does not exceed five years.”
- 39 In paragraph 17 (definition of dependants’ annuity) after sub-paragraph (1) insert—
- “(1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (4)(za), an annuity payable to a dependant is also a dependants’ annuity if—
- (a) either—
- (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity on or after 6 April 2015, or

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- (ii) it is purchased after the member’s death and the dependant becomes entitled to it on or after 6 April 2015,
 - (b) it is payable by an insurance company,
 - (c) where the dependant is not the member’s child, it is payable until the dependant’s death or until the earliest of the dependant’s marrying, entering into a civil partnership or dying, and
 - (d) where the dependant is the member’s child, it is payable until the earlier of the dependant’s ceasing to be a dependant or dying, or until the earliest of the dependant’s marrying, entering into a civil partnership, ceasing to be a dependant or dying.”
- 40 In paragraph 20 (definition of dependants’ short-term annuity) after sub-paragraph (1) insert—
- “(1ZA) For the purposes of this Part, but subject to any provision made under sub-paragraph (1C)(za), an annuity payable to a dependant is also a dependants’ short-term annuity if—
- (a) it is purchased by the application of sums or assets representing the whole or any part of the dependant’s drawdown pension fund, or of the dependant’s flexi-access drawdown fund, in respect of an arrangement,
 - (b) it is payable by an insurance company,
 - (c) the dependant becomes entitled to it on or after 6 April 2015, and
 - (d) it is payable for a term which does not exceed five years and ends before the dependant dies.”

Further annuities amendments

- 41 In section 165(1) of FA 2004 (the pension rules) in pension rule 2 (death of a member)
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- (a) in the first sentence after “an annuity,” insert “and if in the case of an annuity that day was before 6 April 2015,”,
 - (b) after that sentence insert—
 - “If the member becomes entitled to an annuity on or after 6 April 2015 and the annuity is payable until the later of the member’s death and the end of a term certain, payment of the annuity may continue to be made (to any person) until the end of that term.”, and
 - (c) in the final sentence for “But no other” substitute “Except as provided by the preceding provisions of this rule, no”.
- 42 Schedule 28 to FA 2004 (registered pension schemes) is further amended as follows.
- 43 In paragraph 3(1) (definition of member’s lifetime annuity) after paragraph (b) insert—
- “(ba) the member becomes entitled to it before 6 April 2015.”.
- 44 (1) In paragraph 3(2C) (regulations for cases where lifetime annuity ceases and funds are transferred)—
- (a) before paragraph (a) insert—
 - “(za) in a case where—
 - (i) a new annuity becomes payable,

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- (ii) the member becomes entitled to it on or after 6 April 2015,
- (iii) it would be a lifetime annuity if any provision made under this paragraph were ignored,
- (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (2E)), and
- (v) any other conditions prescribed by the regulations are met,

the new annuity is not a lifetime annuity for the purposes of this Part,” and

- (b) in paragraph (b) for “any other case” substitute “a case other than one where a new lifetime annuity becomes payable”.

(2) In paragraph 3 after sub-paragraph (2D) insert—

“(2E) In sub-paragraph (2C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(d); and any such regulations are to be treated as having effect for this purpose.”

45 In paragraph 6(1) (definition of member’s short-term annuity) after paragraph (c) insert—

“(ca) the member becomes entitled to it before 6 April 2015.”

46 (1) In paragraph 6(1C) (regulations for cases where short-term annuity ceases and funds are transferred)—

(a) before paragraph (a) insert—

“(za) in a case where—

- (i) a new annuity becomes payable,
- (ii) the member becomes entitled to it on or after 6 April 2015,
- (iii) it would be a short-term annuity if any provision made under this paragraph were ignored,
- (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (1E)), and
- (v) any other conditions prescribed by the regulations are met,

the new annuity is not a short-term annuity for the purposes of this Part,” and

- (b) in paragraph (b) for “any other case” substitute “a case other than one where a new short-term annuity becomes payable”.

(2) In paragraph 6 after sub-paragraph (1D) insert—

“(1E) In sub-paragraph (1C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(e); and any such regulations are to be treated as having effect for this purpose.”

47 In paragraph 17(1) (definition of dependants’ annuity) for paragraph (za) substitute—

“(za) either—

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- (i) it is purchased together with a lifetime annuity payable to the member and the member becomes entitled to that lifetime annuity before 6 April 2015, or
 - (ii) it is purchased after the member’s death and the dependant becomes entitled to it before 6 April 2015.”.
- 48 In paragraph 17(1A) for “sub-paragraph (1)(za)” substitute “sub-paragraphs (1)(za) and (1ZA)(a)”.
- 49 (1) In paragraph 17(4) (regulations for cases where dependants’ annuity ceases and funds are transferred)—
- (a) before paragraph (a) insert—
 - “(za) in a case where—
 - (i) a new annuity becomes payable,
 - (ii) the dependant becomes entitled to it on or after 6 April 2015,
 - (iii) it would be a dependants’ annuity if any provision made under this paragraph were ignored,
 - (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (6)), and
 - (v) any other conditions prescribed by the regulations are met,
 the new annuity is not a dependants’ annuity for the purposes of this Part,” and
 - (b) in paragraph (b) for “any other case” substitute “a case other than one where a new dependants’ annuity becomes payable”.
- (2) In paragraph 17 after sub-paragraph (5) insert—
- “(6) In sub-paragraph (4)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(c); and any such regulations are to be treated as having effect for this purpose.”
- 50 In paragraph 20(1) (definition of dependants’ short-term annuity) after paragraph (c) insert—
- “(ca) the dependant becomes entitled to it before 6 April 2015,”.
- 51 (1) In paragraph 20(1C) (regulations for cases where dependants’ short-term annuity ceases and funds are transferred)—
- (a) before paragraph (a) insert—
 - “(za) in a case where—
 - (i) a new annuity becomes payable,
 - (ii) the dependant becomes entitled to it on or after 6 April 2015,
 - (iii) it would be a dependants’ short-term annuity if any provision made under this paragraph were ignored,
 - (iv) the terms of the contract for it are such that there will or could be decreases in its amount other than allowed decreases (see sub-paragraph (1E)), and
 - (v) any other conditions prescribed by the regulations are met,

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the new annuity is not a dependants' short-term annuity for the purposes of this Part,”, and

- (b) in paragraph (b) for “any other case” substitute “a case other than one where a new dependants' short-term annuity becomes payable”.

(2) In paragraph 20 after sub-paragraph (1D) insert—

“(1E) In sub-paragraph (1C)(za)(iv) “allowed decreases” means decreases from time to time allowed by regulations under sub-paragraph (1)(e); and any such regulations are to be treated as having effect for this purpose.”

Consequential amendment

- 52 In Schedule 16 to FA 2011 (benefits under pension schemes) in each of paragraphs 87 and 95 (entitlement to unsecured or alternatively secured pension on 5 April 2011) for “the reference” substitute “a reference”.