

## **PENSION SCHEMES ACT 2015**

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### **EXPLANATORY NOTES**

#### **COMMENTARY ON SECTIONS**

#### **Part 3 – General Changes to Pensions Legislation about Pension Schemes**

#### ***Section 39: Extension of preservation of benefit under occupational pension schemes***

107. This section amends Part 4 of the Pension Schemes Act 1993, which concerns the preservation of benefit for early leavers of occupational pension schemes. Pension scheme members whose pensionable service is terminated before reaching normal pension age are entitled to payment of the benefit accrued up to that point, providing they have two years' qualifying service or have previously transferred their rights into the scheme from a personal pension. (Members who leave without a preserved benefit are entitled to transfer the value of the benefits they have accrued or receive a refund of their own contributions.)
108. The preserved benefit to which such members are entitled – termed 'short service benefit' – is the same as that which would have been payable if they had remained members in pensionable service in the scheme until retirement.
109. The Pensions Act 2014 introduced a requirement that, where all benefits for a member are money purchase benefits, a preserved pension must be provided after 30 days' qualifying service.
110. **Section 39** amends section 71 of the Pension Schemes Act 1993 so that schemes must provide a short service benefit where leavers have at least 30 days' qualifying service and all the pension benefit is a non-salary related one (that is, not calculated either by rate or amount with reference to the member's salary) or where it is a collective benefit. If any of the pension benefit is salary related, the two year rule still applies.
111. Where a benefit may be calculated on a salary related basis in some circumstances and a non-salary related basis in others (e.g. an underpin benefit which pays the higher of the two calculations), it will be treated as salary-related for these purposes.
112. If a member's pensionable service began before the amendments came into force, the previous requirements for preservation of benefits will continue to apply.
113. The section also ensures the uniform accrual rules do not apply in respect of collective benefits.