



2015 CHAPTER 5

PART 6

PRIVATE PENSIONS

*Automatic enrolment*

**Alternative quality requirements for UK defined benefits scheme**

- 38.**—(1) The Pensions (No. 2) Act is amended as follows.  
(2) After section 23 insert—

**“23A Alternative quality requirements for UK defined benefits schemes**

(1) The Department may by regulations provide that a defined benefits scheme that has its main administration in the United Kingdom satisfies the quality requirement in relation to a jobholder if any one or more of the following is satisfied—

- (a) the scheme is of a prescribed description and satisfies the quality requirement under section 20 in relation to that jobholder;
- (b) the cost of providing the benefits accruing for or in respect of the relevant members over a relevant period would require contributions to be made of a total amount equal to at least a prescribed percentage of the members’ total relevant earnings over that period;
- (c) in the case of each of at least 90% of the relevant members, the cost of providing the benefits accruing for or in respect of the member over a relevant period would require contributions to be made of a

total amount equal to at least a prescribed percentage of the member's total relevant earnings over that period.

(2) For this purpose—

“contributions” means contributions to the scheme by, or on behalf or in respect of, a relevant member;

“relevant earnings” means earnings of a prescribed description;

“relevant members” means members of the scheme of a prescribed description;

“relevant period” means a period specified in or determined in accordance with the regulations.

(3) A percentage prescribed under subsection (1)(b) or (c) must be at least 8%.

(4) Regulations under subsection (1)(b) or (c) may make provision—

(a) about how to calculate whether the requirement is satisfied, including provision requiring the calculation to be made in accordance with prescribed methods or assumptions;

(b) requiring benefits of a prescribed description to be disregarded in determining whether the requirement is satisfied;

(c) that a scheme only satisfies the requirement if the scheme actuary certifies that it does; and for this purpose “scheme actuary” has the prescribed meaning.

(5) Section 13(3) (meaning of “earnings”) applies for the purposes of this section as it applies for the purposes of that section.”.

(3) In section 24 (quality requirement: UK hybrid schemes), in subsection (1) (b), for “23” substitute “23A”.

(4) In section 28 (certification that quality requirement or alternative requirement is satisfied)—

(a) after subsection (3A) insert—

“(3B) This section also applies to a defined benefits scheme that has its main administration in the United Kingdom and is of a description prescribed under section 23A(1)(a).”;

(b) in subsection (4), after paragraph (d) insert—

“(e) for a scheme within subsection (3B), means the quality requirement under section 23A(1)(a).”.

(5) In section 29 (transitional periods for money purchase and personal pension schemes), in subsections (1) and (3) omit “for money purchase and personal pension schemes”.

(6) Section 30 (transitional period for defined benefits and hybrid schemes) is amended as follows.

(7) In subsection (3), at the end of the substituted subsection (2) insert—  
“A reference in this subsection to a scheme does not include a scheme to which section 30(11)(a) or (b) applies.”.

(8) In subsection (5), in the substituted subsection (2)—

(a) in paragraph (a), after “defined benefits scheme” insert “other than a scheme to which section 30(11)(a) applies”;

(b) in paragraph (aa) (inserted by section 39), after “a hybrid scheme” insert “other than a scheme to which section 30(11)(b) applies”;

(c) after paragraph (c) (inserted by section 39), insert—

“(d) becomes an active member, with effect from the automatic enrolment date, of an automatic enrolment scheme which is a defined benefits scheme to which section 30(11)(b) applies, or

(e) becomes a defined benefits member, with effect from the automatic enrolment date, of an automatic enrolment scheme which is a hybrid scheme to which section 30(11)(b) applies.”.

(9) After subsection (10) (added by section 39) add—

“(11) In subsection (2) references to a scheme do not include—

(a) a defined benefits scheme that satisfies the quality requirement in relation to the jobholder by reason only of section 23A(1)(a), or

(b) a hybrid scheme if—

(i) the appropriate paragraph of section 24(1) for any provisions of the scheme is paragraph (b) (those provisions are referred to below as “the defined benefits section”),

(ii) the defined benefits section satisfies section 23A(1)(a) as applied by section 24(1)(b), and

(iii) the defined benefits section does not satisfy any of the other requirements mentioned in section 24(1)(b).”.