

PENSION SCHEMES ACT 2015

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 4 Pension Flexibilities

Section 74: Meaning of “flexible benefit”

Section 75: Meaning of “cash balance benefit”

Section 76: Interpretation of Part 4

243. Sections 74, 75 and 76 are interpretation provisions for the terms used in Part 4 of the Act. Section 74 introduces a definition of a ‘flexible benefit’ which is relevant for provisions relating to guidance (section 47), independent advice (sections 48 and 51), drawdown and treatment of lumps sums (sections 56, 57, 62 and 63) and transfers (sections 67 to 69). Section 75 provides a definition of ‘cash balance benefits’ which fall within the scope of flexible benefits.
244. The definition of “flexible benefit” includes all those benefit categories which fall within the scope of the flexibilities introduced by the Taxation of Pensions Act 2014. The definition includes money purchase benefits, cash balance benefits and also a residual category of benefits which are neither money purchase nor cash balance benefits for the purposes of pensions legislation (other than the provisions relating to pensions in the Finance Act 2004). This residual category may include a benefit structure which provides a sum of money at the member’s retirement date, but is also subject to an additional guarantee, such as the option of a guaranteed annuity rate offered by a scheme before the member becomes entitled to receive their pension.