



# Pension Schemes Act 2021

## 2021 CHAPTER 1

### PART 1

#### COLLECTIVE MONEY PURCHASE BENEFITS

##### *Definitions*

#### **1 Collective money purchase benefits and schemes**

- (1) For the purposes of this Part, a benefit provided under a pension scheme is a “collective money purchase benefit” if—
- the benefit is a qualifying benefit (see section 2), and
  - the scheme is a qualifying scheme (see sections 3 and 4).
- (2) In this Part “collective money purchase scheme” means—
- a qualifying scheme, or
  - a section of a qualifying scheme (see sections 3(6) to (9) and 5), under which all of the benefits that may be provided are qualifying benefits.

#### **2 Qualifying benefits**

- (1) A benefit provided under a pension scheme is a “qualifying benefit” if—
- the benefit is provided out of the available assets of the scheme,
  - under the rules of the scheme, the rate or amount of the benefit is subject to periodic adjustments designed to achieve a balance between the value of the available assets of the scheme and the required amount, and
  - the benefit is not of a description specified in regulations made by the Secretary of State.
- (2) In subsection (1)—
- “the available assets of the scheme” means all the assets that—

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- (a) arise or derive from the payments made by or in respect of members of the scheme, and
- (b) are available (subject to any deductions that fall to be made in respect of administration charges) for the provision of benefits to or in respect of the members of the scheme collectively;

“the required amount” means the amount expected to be required, applying appropriate actuarial assumptions, for the purpose of providing benefits under the scheme to or in respect of the members of the scheme collectively.

- (3) Regulations under subsection (1)(c) are subject to affirmative resolution procedure.
- (4) Where a scheme is divided into sections, this section has effect as if—
  - (a) the reference to the scheme in subsection (1)(a) were a reference to a section of the scheme, and
  - (b) the other references to the scheme were references to that section of it.

### 3 **Qualifying schemes**

- (1) A pension scheme is a “qualifying scheme” if it meets the requirements in this section.
- (2) The scheme must be an occupational pension scheme established under an irrevocable trust by a person or persons to whom section 1(2)(a) (employer) of the Pension Schemes Act 1993 applied when the scheme was established (without other persons).
- (3) The scheme must be used, or intended to be used, only by—
  - (a) a single employer, or
  - (b) two or more employers that are connected with each other.
- (4) The scheme must not be a relevant public service pension scheme (see section 4).
- (5) The qualifying benefits provided under the scheme must consist of or include the payment of a pension.
- (6) If the scheme provides both qualifying benefits and other benefits, there must be appropriate separation of the qualifying benefits.
- (7) There is “appropriate separation” of qualifying benefits and other benefits if (and only if)—
  - (a) the scheme is divided into sections,
  - (b) none of the sections under which qualifying benefits are provided provides other types of benefit,
  - (c) payments made by or in respect of members of the scheme for the purpose of providing qualifying benefits under a section of the scheme are allocated to that section, and
  - (d) a proportion of the assets of the scheme is attributable to each section of the scheme and cannot be used for the purposes of any other section.
- (8) If the scheme provides a combination of qualifying benefits with different characteristics that is described in regulations made by the Secretary of State, there must be appropriate separation of those qualifying benefits.
- (9) There is “appropriate separation” of qualifying benefits with different characteristics if (and only if)—
  - (a) the scheme is divided into sections,

- (b) each of the different types of qualifying benefit is provided under a different section,
- (c) payments made by or in respect of members of the scheme for the purpose of providing qualifying benefits under a section of the scheme are allocated to that section, and
- (d) a proportion of the assets of the scheme is attributable to each section of the scheme and cannot be used for the purposes of any other section.

(10) Regulations under subsection (8) are subject to negative resolution procedure.

#### **4 Qualifying schemes: supplementary**

- (1) For the purposes of section 3(4) a pension scheme is a relevant public service pension scheme if it is—
- (a) a public service pension scheme within the meaning of the Pension Schemes Act 1993 (see section 1(1) of that Act),
  - (b) a scheme under section 1 of the Public Service Pensions Act 2013 (new public service schemes),
  - (c) a new public body pension scheme as defined in section 30 of that Act, or
  - (d) a statutory pension scheme that is connected with a scheme referred to in paragraph (b) or (c).
- (2) In subsection (1)(d) “connected” and “statutory pension scheme” have the same meaning as in the Public Service Pensions Act 2013 (see sections 4(6) and 37 of that Act).
- (3) The reference to a pension in section 3(5) does not include income withdrawal or dependants’ income withdrawal within the meaning of paragraphs 7 and 21 of Schedule 28 to the Finance Act 2004.

#### **5 Schemes divided into sections**

- (1) The Secretary of State may by regulations make provision about when a pension scheme is or is not divided into sections for the purposes of this Part.
- (2) The Secretary of State may by regulations provide that, where a collective money purchase scheme that is not divided into sections (an “undivided scheme”) becomes a collective money purchase scheme that is divided into sections, an authorisation previously granted in respect of the undivided scheme applies to any of those sections that—
- (a) is a collective money purchase scheme by reason of section 1(2)(b), and
  - (b) satisfies conditions specified in the regulations.
- (3) For the purposes of this Part, where—
- (a) a qualifying scheme is divided into sections, and
  - (b) each of those sections is a collective money purchase scheme by reason of section 1(2)(b),
- the qualifying scheme (taken as a whole) is to be treated as if it were not a collective money purchase scheme.
- (4) Regulations under subsection (1) are subject to negative resolution procedure.
- (5) Regulations under subsection (2) are subject to affirmative resolution procedure.

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## **6 Amendment of definitions of “money purchase benefits” etc**

- (1) Schedule 1 contains amendments of definitions of “money purchase benefits” in—
  - (a) Schedule 10A to the Building Societies Act 1986 (disclosures about directors, other officers and employees in notes to accounts);
  - (b) the Pension Schemes Act 1993;
  - (c) Part 1 of the Pensions Act 2008 (pension scheme membership for jobholders).
- (2) In section 32 of the Pensions Act 2011 (power to amend definitions of “money purchase benefits” in certain Acts)—
  - (a) in subsection (1)—
    - (i) for “purpose the” substitute “purpose—
      - (a) the”;
    - (ii) at the end insert “, or
      - (b) section 2 of the Pension Schemes Act 2021 (collective money purchase benefits: meaning of “qualifying benefits”).”;
  - (b) in subsection (2), at the end insert “or by Schedule 1 to the Pension Schemes Act 2021”.