



Pensions Act 1995

1995 CHAPTER 26

PART I

OCCUPATIONAL PENSIONS

Occupational Pensions Regulatory Authority

1 The new authority

- (1) There shall be a body corporate called the Occupational Pensions Regulatory Authority (referred to in this Part as “the Authority”).
- (2) The Authority shall consist of not less than seven members appointed by the Secretary of State, one of whom shall be so appointed as chairman.
- (3) In addition to the chairman, the Authority shall comprise—
 - (a) a member appointed after the Secretary of State has consulted organisations appearing to him to be representative of employers,
 - (b) a member appointed after the Secretary of State has consulted organisations appearing to him to be representative of employees,
 - (c) a member who appears to the Secretary of State to be knowledgeable about life assurance business,
 - (d) a member who appears to the Secretary of State to have experience of, and to have shown capacity in, the management or administration of occupational pension schemes, and
 - (e) two members who appear to the Secretary of State to be knowledgeable about occupational pension schemes,and such other member or members as the Secretary of State may appoint.
- (4) Neither the Authority nor any person who is a member or employee of the Authority shall be liable in damages for anything done or omitted in the discharge or purported discharge of the functions of the Authority under this Part or the Pension Schemes Act

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1993, or any provisions in force in Northern Ireland corresponding to either of them, unless it is shown that the act or omission was in bad faith.

- (5) Schedule 1 (constitution, procedure, etc. of the Authority) shall have effect.
- (6) In this section, “life assurance business” means the issue of, or the undertaking of liability under, policies of assurance upon human life, or the granting of annuities upon human life.

2 Reports to Secretary of State

- (1) The Authority must prepare a report for the first twelve months of their existence, and a report for each succeeding period of twelve months, and must send each report to the Secretary of State as soon as practicable after the end of the period for which it is prepared.
- (2) A report prepared under this section for any period must deal with the activities of the Authority in the period.
- (3) The Secretary of State must lay before each House of Parliament a copy of every report received by him under this section.

Supervision by the Authority

3 Prohibition orders

- (1) The Authority may by order prohibit a person from being a trustee of a particular trust scheme in any of the following circumstances.
- (2) The circumstances are—
 - (a) that the Authority are satisfied that while being a trustee of the scheme the person has been in serious or persistent breach of any of his duties under—
 - (i) this Part, other than the following provisions: sections 51 to 54, 62 to 65 and 110 to 112, or
 - (ii) the following provisions of the Pension Schemes Act 1993: section 6 (registration), Chapter IV of Part IV (transfer values), section 113 (information) and section 175 (levy),
 - (b) that the Authority are satisfied that, while being a trustee of the scheme, this section has applied to the person by virtue of any other provision of this Part,
 - (c) that the person is a company and any director of the company is prohibited under this section from being a trustee of the scheme,
 - (d) that the person is a Scottish partnership and any of the partners is prohibited under this section from being a trustee of the scheme, or
 - (e) that the person is a director of a company which, by reason of circumstances falling within paragraph (a) or (b), is prohibited under this section from being a trustee of the scheme and the Authority are satisfied that the acts or defaults giving rise to those circumstances were committed with the consent or connivance of, or attributable to any neglect on the part of, the director;

or any other prescribed circumstances.
- (3) The making of an order under subsection (1) against a person who is a trustee of the scheme in question has the effect of removing him.

- (4) The Authority may, on the application of any person against whom an order under subsection (1) is in force, by order revoke the order, but a revocation made at any time cannot affect anything done before that time.

4 Suspension orders

- (1) The Authority may by order suspend a trustee of a trust scheme—
- (a) pending consideration being given to the making of an order against him under section 3(1),
 - (b) where proceedings have been instituted against him for an offence involving dishonesty or deception and have not been concluded,
 - (c) where a petition has been presented to the court for an order adjudging him bankrupt, or for the sequestration of his estate, and proceedings on the petition have not been concluded,
 - (d) where the trustee is a company, if a petition for the winding up of the company has been presented to the court and proceedings on the petition have not been concluded,
 - (e) where an application has been made to the court for a disqualification order against him under the Company Directors Disqualification Act 1986 and proceedings on the application have not been concluded, or
 - (f) where the trustee is a company or Scottish partnership and, if any director or, as the case may be, partner were a trustee, the Authority would have power to suspend him under paragraph (b), (c) or (e).
- (2) An order under subsection (1)—
- (a) if made by virtue of paragraph (a), has effect for an initial period not exceeding twelve months, and
 - (b) in any other case, has effect until the proceedings in question are concluded; but the Authority may by order extend the initial period referred to in paragraph (a) for a further period of twelve months, and any order suspending a person under subsection (1) ceases to have effect if an order is made against that person under section 3(1).
- (3) An order under subsection (1) has the effect of prohibiting the person suspended, during the period of his suspension, from exercising any functions as trustee of any trust scheme to which the order applies; and the order may apply to a particular trust scheme, a particular class of trust schemes or trust schemes in general.
- (4) An order under subsection (1) may be made on one of the grounds in paragraphs (b) to (e) whether or not the proceedings were instituted, petition presented or application made (as the case may be) before or after the coming into force of that subsection.
- (5) The Authority may, on the application of any person suspended under subsection (1), by order revoke the order, either generally or in relation to a particular scheme or a particular class of schemes; but a revocation made at any time cannot affect anything done before that time.
- (6) An order under this section may make provision as respects the period of the trustee's suspension for matters arising out of it, and in particular for enabling any person to execute any instrument in his name or otherwise act for him and for adjusting any rules governing the proceedings of the trustees to take account of the reduction in the number capable of acting.

5 Removal of trustees: notices

- (1) Before the Authority make an order under section 3 against a person without his consent, the Authority must, unless he cannot be found or has no known address, give him not less than one month's notice of their proposal, inviting representations to be made to them within a time specified in the notice.
- (2) Where any such notice is given, the Authority must take into consideration any representations made to them about the proposals within the time specified in the notice.
- (3) Before making an order under section 3 against a person, the Authority must give notice of their intention to do so to each of the trustees of the scheme, except that person (if he is a trustee) and any trustee who cannot be found or has no known address.
- (4) Where the Authority make an order under section 4 against a person, they must—
 - (a) immediately give notice of that fact to that person, and
 - (b) as soon as reasonably practicable, give notice of that fact to the other trustees of any trust scheme to which the order applies, except any trustee who cannot be found or has no known address.
- (5) Any notice to be given to any person under this section may be given by delivering it to him or by leaving it at his proper address or by sending it to him by post; and, for the purposes of this subsection and section 7 of the Interpretation Act 1978 in its application to this subsection, the proper address of any person is his latest address known to the Authority.

6 Removal or suspension of trustees: consequences

- (1) A person who purports to act as trustee of a trust scheme while prohibited from being a trustee of the scheme under section 3 or suspended in relation to the scheme under section 4 is guilty of an offence and liable—
 - (a) on summary conviction, to a fine not exceeding the statutory maximum, and
 - (b) on conviction on indictment, to a fine or imprisonment or both.
- (2) An offence under subsection (1) may be charged by reference to any day or longer period of time; and a person may be convicted of a second or subsequent offence under that subsection by reference to any period of time following the preceding conviction of the offence.
- (3) Things done by a person purporting to act as trustee of a trust scheme while prohibited from being a trustee of the scheme under section 3 or suspended in relation to the scheme under section 4 are not invalid merely because of that prohibition or suspension.
- (4) Nothing in section 3 or 4 or this section affects the liability of any person for things done, or omitted to be done, by him while purporting to act as trustee of a trust scheme.

7 Appointment of trustees

- (1) Where a trustee of a trust scheme is removed by an order under section 3, or a trustee of such a scheme ceases to be a trustee by reason of his disqualification, the Authority may by order appoint another trustee in his place.

- (2) Where a trustee appointed under subsection (1) is appointed to replace a trustee appointed under section 23(1)(b), sections 22 to 26 shall apply to the replacement trustee as they apply to a trustee appointed under section 23(1)(b).
- (3) The Authority may also by order appoint a trustee of a trust scheme where they are satisfied that it is necessary to do so in order—
 - (a) to secure that the trustees as a whole have, or exercise, the necessary knowledge and skill for the proper administration of the scheme,
 - (b) to secure that the number of trustees is sufficient for the proper administration of the scheme, or
 - (c) to secure the proper use or application of the assets of the scheme.
- (4) The Authority may also appoint a trustee of a trust scheme in prescribed circumstances.
- (5) The power to appoint a trustee by an order under this section includes power by such an order—
 - (a) to determine the appropriate number of trustees for the proper administration of the scheme,
 - (b) to require a trustee appointed by the order to be paid fees and expenses out of the scheme's resources,
 - (c) to provide for the removal or replacement of such a trustee.
- (6) Regulations may make provision about the descriptions of persons who may or may not be appointed trustees under this section.

8 Appointment of trustees: consequences

- (1) An order under section 7 appointing a trustee may provide that an amount equal to the amount (if any) to which subsection (2) applies is to be treated for all purposes as a debt due from the employer to the trustees.
- (2) This subsection applies to any amount which has been paid to the trustee so appointed out of the resources of the scheme and has not been reimbursed by the employer.
- (3) Subject to subsection (4), a trustee appointed under that section shall, unless he is the independent trustee and section 22 applies in relation to the scheme, have the same powers and duties as the other trustees.
- (4) Such an order may make provision—
 - (a) for restricting the powers or duties of a trustee so appointed, or
 - (b) for powers or duties to be exercisable by a trustee so appointed to the exclusion of other trustees.

9 Removal and appointment of trustees: property

Where the Authority have power under this Part to appoint or remove a trustee, they may exercise the same jurisdiction and powers as are exercisable by the High Court or, in relation to a trust scheme subject to the law of Scotland, the Court of Session for vesting any property in, or transferring any property to, trustees in consequence of the appointment or of the removal.

10 Civil penalties

- (1) Where the Authority are satisfied that by reason of any act or omission this section applies to any person, they may by notice in writing require him to pay, within a prescribed period, a penalty in respect of that act or omission not exceeding the maximum amount.
- (2) In this section “the maximum amount” means—
 - (a) £5,000 in the case of an individual and £50,000 in any other case, or
 - (b) such lower amount as may be prescribed in the case of an individual or in any other case,and the Secretary of State may by order amend paragraph (a) by substituting higher amounts for the amounts for the time being specified in that paragraph.
- (3) Regulations made by virtue of this Part may provide for any person who has contravened any provision of such regulations to pay, within a prescribed period, a penalty under this section not exceeding an amount specified in the regulations; and the regulations must specify different amounts in the case of individuals from those specified in other cases and any amount so specified may not exceed the amount for the time being specified in the case of individuals or, as the case may be, others in subsection (2)(a).
- (4) An order made under subsection (2) or regulations made by virtue of subsection (3) do not affect the amount of any penalty recoverable under this section by reason of an act or omission occurring before the order or, as the case may be, regulations are made.
- (5) Where—
 - (a) apart from this subsection, a penalty under this section is recoverable from a body corporate or Scottish partnership by reason of any act or omission of the body or partnership as a trustee of a trust scheme, and
 - (b) the act or omission was done with the consent or connivance of, or is attributable to any neglect on the part of, any persons mentioned in subsection (6),this section applies to each of those persons who consented to or connived in the act or omission or to whose neglect the act or omission was attributable.
- (6) The persons referred to in subsection (5)(b)—
 - (a) in relation to a body corporate, are—
 - (i) any director, manager, secretary, or other similar officer of the body, or a person purporting to act in any such capacity, and
 - (ii) where the affairs of a body corporate are managed by its members, any member in connection with his functions of management, and
 - (b) in relation to a Scottish partnership, are the partners.
- (7) Where the Authority requires any person to pay a penalty by virtue of subsection (5), they may not also require the body corporate, or Scottish partnership, in question to pay a penalty in respect of the same act or omission.
- (8) A penalty under this section is recoverable by the Authority.
- (9) The Authority must pay to the Secretary of State any penalty recovered under this section.

11 Powers to wind up schemes

- (1) Subject to the following provisions of this section, the Authority may by order direct or authorise an occupational pension scheme to be wound up if they are satisfied that—
 - (a) the scheme, or any part of it, ought to be replaced by a different scheme,
 - (b) the scheme is no longer required, or
 - (c) it is necessary in order to protect the interests of the generality of the members of the scheme that it be wound up.
- (2) The Authority may not make an order under this section on either of the grounds referred to in subsection (1)(a) or (b) unless they are satisfied that the winding up of the scheme—
 - (a) cannot be achieved otherwise than by means of such an order, or
 - (b) can only be achieved in accordance with a procedure which—
 - (i) is liable to be unduly complex or protracted, or
 - (ii) involves the obtaining of consents which cannot be obtained, or can only be obtained with undue delay or difficulty,and that it is reasonable in all the circumstances to make the order.
- (3) An order made under this section on either of the grounds referred to in subsection (1) (a) or (b) may be made only on the application of—
 - (a) the trustees or managers of the scheme,
 - (b) any person other than the trustees or managers who has power to alter any of the rules of the scheme, or
 - (c) the employer.
- (4) An order under this section authorising a scheme to be wound up must include such directions with respect to the manner and timing of the winding up as the Authority think appropriate having regard to the purposes of the order.
- (5) The winding up of a scheme in pursuance of an order of the Authority under this section is as effective in law as if it had been made under powers conferred by or under the scheme.
- (6) An order under this section may be made and complied with in relation to a scheme—
 - (a) in spite of any enactment or rule of law, or any rule of the scheme, which would otherwise operate to prevent the winding up, or
 - (b) except for the purpose of the Authority determining whether or not they are satisfied as mentioned in subsection (2), without regard to any such enactment, rule of law or rule of the scheme as would otherwise require, or might otherwise be taken to require, the implementation of any procedure or the obtaining of any consent, with a view to the winding up.
- (7) In the case of a public service pension scheme—
 - (a) an order under subsection (1) directing or authorising the scheme to be wound up may only be made on the grounds referred to in paragraph (c), and
 - (b) such an order may, as the Authority think appropriate, adapt, amend or repeal any enactment in which the scheme is contained or under which it is made.

12 Powers to wind up public service schemes

- (1) The appropriate authority may by order direct a public service pension scheme to be wound up if they are satisfied that—
 - (a) the scheme, or any part of it, ought to be replaced by a different scheme, or
 - (b) the scheme is no longer required.
- (2) Subsection (2) of section 11 applies for the purposes of this section as it applies for the purposes of that, but as if references to the Authority were to the appropriate authority.
- (3) In this section “the appropriate authority”, in relation to a scheme, means such Minister of the Crown or government department as may be designated by the Treasury as having responsibility for the particular scheme.
- (4) An order under this section must include such directions with respect to the manner and timing of the winding up as that authority think appropriate.
- (5) Such an order may, as that authority think appropriate, adapt, amend or repeal any enactment in which the scheme is contained or under which it is made.

13 Injunctions and interdicts

- (1) If, on the application of the Authority, the court is satisfied that—
 - (a) there is a reasonable likelihood that a particular person will do any act which constitutes a misuse or misappropriation of assets of an occupational pension scheme, or
 - (b) that a particular person has done any such act and that there is a reasonable likelihood that he will continue or repeat the act in question or do a similar act,the court may grant an injunction restraining him from doing so or, in Scotland, an interdict prohibiting him from doing so.
- (2) The jurisdiction conferred by this section is exercisable by the High Court or the Court of Session.

14 Restitution

- (1) If, on the application of the Authority, the court is satisfied—
 - (a) that a power to make a payment, or distribute any assets, to the employer, has been exercised in contravention of section 37, 76 or 77, or
 - (b) that any act or omission of the trustees or managers of an occupational pension scheme was in contravention of section 40,the court may order the employer and any other person who appears to the court to have been knowingly concerned in the contravention to take such steps as the court may direct for restoring the parties to the position in which they were before the payment or distribution was made, or the act or omission occurred.
- (2) The jurisdiction conferred by this section is exercisable by the High Court or the Court of Session.

15 Directions

- (1) The Authority may, where in the case of any trust scheme the employer fails to comply with any requirement included in regulations by virtue of section 49(5), direct the

trustees to make arrangements for the payment to the members of the benefit to which the requirement relates.

- (2) The Authority may—
 - (a) where in the case of any trust scheme an annual report is published, direct the trustees to include a statement prepared by the Authority in the report, and
 - (b) in the case of any trust scheme, direct the trustees to send to the members a copy of a statement prepared by the Authority.
- (3) A direction under this section must be given in writing.
- (4) Where a direction under this section is not complied with, sections 3 and 10 apply to any trustee who has failed to take all such steps as are reasonable to secure compliance.

Member-nominated trustees and directors

16 Requirement for member-nominated trustees

- (1) The trustees of a trust scheme must (subject to section 17) secure—
 - (a) that such arrangements for persons selected by members of the scheme to be trustees of the scheme as are required by this section are made, and
 - (b) that those arrangements, and the appropriate rules, are implemented.
- (2) Persons who become trustees under the arrangements required by subsection (1) are referred to in this Part as “member-nominated trustees”.
- (3) The arrangements must provide—
 - (a) for any person who has been nominated and selected in accordance with the appropriate rules to become a trustee by virtue of his selection, and
 - (b) for the removal of such a person to require the agreement of all the other trustees.
- (4) Where a vacancy for a member-nominated trustee is not filled because insufficient nominations are received, the arrangements must provide for the filling of the vacancy, or for the vacancy to remain, until the expiry of the next period in which persons may be nominated and selected in accordance with the appropriate rules.
- (5) The arrangements must provide for the selection of a person as a member-nominated trustee to have effect for a period of not less than three nor more than six years.
- (6) The arrangements must provide for the number of member-nominated trustees to be—
 - (a) at least two or (if the scheme comprises less than 100 members) at least one, and
 - (b) at least one-third of the total number of trustees;but the arrangements must not provide for a greater number of member-nominated trustees than that required to satisfy that minimum unless the employer has given his approval to the greater number.
- (7) The arrangements must not provide for the functions of member-nominated trustees to differ from those of any other trustee but, for the purposes of this subsection—
 - (a) any provision made by an order under section 8(4), and
 - (b) section 25(2),shall be disregarded.

- (8) The arrangements must provide that, if a member-nominated trustee who was a member of the scheme when he was appointed ceases to be a member of the scheme, he ceases to be a trustee by virtue of that fact.

17 Exceptions

- (1) Section 16 does not apply to a trust scheme if—
- (a) a proposal has been made by the employer for the continuation of existing arrangements, or the adoption of new arrangements, for selecting the trustees of the scheme,
 - (b) the arrangements referred to in the proposal are for the time being approved under the statutory consultation procedure, and
 - (c) such other requirements as may be prescribed are satisfied.
- (2) Where—
- (a) by virtue of subsection (1), section 16 does not apply to a trust scheme, and
 - (b) the employer’s proposal was for the adoption of new arrangements which, in consequence of subsection (1)(b), are adopted,
- the trustees shall secure that the proposed arrangements are made and implemented.
- (3) For the purposes of this section, the arrangements for selecting the trustees of a scheme include all matters relating to the continuation in office of the existing trustees, the selection or appointment of new trustees and the terms of their appointments and any special rules for decisions to be made by particular trustees.
- (4) Section 16 does not apply to a trust scheme if—
- (a) the trustees of the scheme consist of all the members, or
 - (b) it falls within a prescribed class.
- (5) Section 10 applies to any employer who—
- (a) makes such a proposal as is referred to in subsection (1)(a), but
 - (b) fails to give effect to the statutory consultation procedure.

18 Corporate trustees: member-nominated directors

- (1) Where a company is a trustee of a trust scheme and the employer is connected with the company or prescribed conditions are satisfied, the company must, subject to section 19, secure—
- (a) that such arrangements for persons selected by the members of the scheme to be directors of the company as are required by this section are made, and
 - (b) that those arrangements, and the appropriate rules, are implemented.
- (2) Persons who become directors under the arrangements required by subsection (1) are referred to in this Part as “member-nominated directors”.
- (3) The arrangements must provide—
- (a) for any person who has been nominated and selected in accordance with the appropriate rules to become a director by virtue of his selection, and
 - (b) for the removal of such a person to require the agreement of all the other directors.

- (4) Where a vacancy for a member-nominated director is not filled because insufficient nominations are received, the arrangements must provide for the filling of the vacancy, or for the vacancy to remain, until the expiry of the next period in which persons may be nominated and selected in accordance with the appropriate rules.
- (5) The arrangements must provide for the selection of a person as a member-nominated director to have effect for a period of not less than three nor more than six years.
- (6) The arrangements must provide for the number of member-nominated directors to be—
 - (a) at least two or (if the scheme comprises less than 100 members) at least one, and
 - (b) at least one-third of the total number of directors;but the arrangements must not provide for a greater number of member-nominated directors than that required to satisfy that minimum unless the employer has given his approval to the greater number.
- (7) The arrangements must provide that, if a member-nominated director who was a member of the scheme when he was appointed ceases to be a member of the scheme, he ceases to be a director by virtue of that fact.
- (8) Where this section applies to a company which is—
 - (a) a trustee of two or more trust schemes, and
 - (b) a wholly-owned subsidiary (within the meaning of section 736 of the Companies Act 1985) of a company which is the employer in relation to those schemes,the following provisions apply as if those schemes were a single scheme and the members of each of the schemes were members of that scheme, that is: the preceding provisions of this section, section 20 and section 21(8).

19 Corporate trustees: exceptions

- (1) Section 18 does not apply to a company which is a trustee of a trust scheme if—
 - (a) a proposal has been made by the employer for the continuation of existing arrangements, or the adoption of new arrangements, for selecting the directors of the company,
 - (b) the arrangements referred to in the proposal are for the time being approved under the statutory consultation procedure, and
 - (c) such other requirements as may be prescribed are satisfied.
- (2) Where—
 - (a) by virtue of subsection (1), section 18 does not apply to a company which is a trustee of a trust scheme, and
 - (b) the employer's proposal was for the adoption of new arrangements which, in consequence of subsection (1)(b), are adopted,the company must secure that the proposed arrangements are made and implemented.
- (3) For the purposes of this section, the arrangements for selecting the directors of a company include all matters relating to the continuation in office of the existing directors, the selection or appointment of new directors and the terms of their appointments and any special rules for decisions to be made by particular directors.

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- (4) Section 18 does not apply to a company which is a trustee of a trust scheme if the scheme falls within a prescribed class.
- (5) Section 10 applies to any employer who—
 - (a) makes such a proposal as is referred to in subsection (1)(a), but
 - (b) fails to give effect to the statutory consultation procedure.

20 Selection, and eligibility, of member-nominated trustees and directors

- (1) For the purposes of sections 16 to 21, the appropriate rules are rules which—
 - (a) make the provision required or authorised by this section, and no other provision, and
 - (b) are for the time being approved under the statutory consultation procedure or, if no rules are for the time being so approved, are prescribed rules;
 and the arrangements required by section 16 or 18 to be made must not make any provision which is required or authorised to be made by the rules.
- (2) The appropriate rules—
 - (a) must determine the procedure for the nomination and selection of a person to fill a vacancy as a member-nominated trustee, and
 - (b) may determine, or provide for the determination of, the conditions required of a person for filling such a vacancy.
- (3) The appropriate rules must provide for a member-nominated trustee to be eligible for re-selection at the end of his period of service.
- (4) Where a vacancy for a member-nominated trustee is not filled because insufficient nominations are received, the appropriate rules must provide for determining the next period in which persons may be nominated and selected in accordance with the rules, being a period ending at a prescribed time.
- (5) The appropriate rules must provide that, where the employer so requires, a person who is not a member of the scheme must have the employer's approval to qualify for selection as a member-nominated trustee.
- (6) Where section 18 applies to a trust scheme, references in this section to a member-nominated trustee include a member-nominated director.

21 Member-nominated trustees and directors: supplementary

- (1) If, in the case of a trust scheme—
 - (a) such arrangements as are required by section 16(1) or 17(2) to be made have not been made, or
 - (b) arrangements required by section 16(1) or 17(2) to be implemented, or the appropriate rules, are not being implemented,
 sections 3 and 10 apply to any trustee who has failed to take all such steps as are reasonable to secure compliance.
- (2) If, in the case of a company which is a trustee of a trust scheme—
 - (a) such arrangements as are required by section 18(1) or 19(2) to be made have not been made, or

- (b) arrangements required by section 18(1) or 19(2) to be implemented, or the appropriate rules, are not being implemented, sections 3 and 10 apply to the company.
- (3) No such arrangements or rules as are required by section 16(1) or 17(2), or any corresponding provisions in force in Northern Ireland, to be made or implemented shall be treated as effecting an alteration to the scheme in question for the purposes of section 591B of the Taxes Act 1988.
- (4) Regulations may make provision for determining the time by which—
 - (a) such arrangements (or further arrangements) as are referred to in section 16(1), 17(2), 18(1) or 19(2) are required to be made, and
 - (b) trustees or directors are required to be selected in pursuance of the appropriate rules.
- (5) Regulations may make provision for determining when any approval under the statutory consultation procedure—
 - (a) of the appropriate rules, or
 - (b) of arrangements for selecting the trustees of a scheme, or the directors of a company, given on a proposal by the employer,is to cease to have effect.
- (6) The Secretary of State may by regulations modify sections 16 to 20 and this section in their application to prescribed cases.
- (7) In sections 16 to 20 and this section, “the statutory consultation procedure” means the prescribed procedure for obtaining the views of members of schemes.
- (8) For the purposes of this and those sections—
 - (a) approval of the appropriate rules, or of arrangements, under the statutory consultation procedure must be given by—
 - (i) the active and pensioner members of the scheme, and
 - (ii) if the trustees so determine, such deferred members of the scheme as the trustees may determine,taken as a whole, and
 - (b) references to the approval of the appropriate rules, or of arrangements under section 17 or 19, by any persons under the statutory consultation procedure are to prescribed conditions in respect of those rules or, as the case may be, arrangements being satisfied in the case of those persons in pursuance of the procedure, and those conditions may relate to the extent to which those persons have either endorsed, or not objected to, the rules or, as the case may be, arrangements.

Independent trustees

22 Circumstances in which following provisions apply

- (1) This section applies in relation to a trust scheme—
 - (a) if a person (referred to in this section and sections 23 to 26 as “the practitioner”) begins to act as an insolvency practitioner in relation to a company which, or an individual who, is the employer in relation to the scheme, or

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- (b) if the official receiver becomes—
 - (i) the liquidator or provisional liquidator of a company which is the employer in relation to the scheme, or
 - (ii) the receiver and the manager, or the trustee, of the estate of a bankrupt who is the employer in relation to the scheme.
- (2) Where this section applies in relation to a scheme, it ceases to do so—
 - (a) if some person other than the employer mentioned in subsection (1) becomes the employer, or
 - (b) if at any time neither the practitioner nor the official receiver is acting in relation to the employer;

but this subsection does not affect the application of this section in relation to the scheme on any subsequent occasion when the conditions specified in subsection (1) (a) or (b) are satisfied in relation to it.
- (3) In this section and sections 23 to 26—
 - “acting as an insolvency practitioner” and “official receiver” shall be construed in accordance with sections 388 and 399 of the Insolvency Act 1986,
 - “bankrupt” has the meaning given by section 381 of the Insolvency Act 1986,
 - “company” means a company within the meaning given by section 735(1) of the Companies Act 1985 or a company which may be wound up under Part V of the Insolvency Act 1986 (unregistered companies), and
 - “interim trustee” and “permanent trustee” have the same meanings as they have in the Bankruptcy (Scotland) Act 1985.

23 Requirement for independent trustee

- (1) While section 22 applies in relation to a scheme, the practitioner or official receiver must—
 - (a) satisfy himself that at all times at least one of the trustees of the scheme is an independent person, and
 - (b) if at any time he is not so satisfied, appoint under this paragraph, or secure the appointment of, an independent person as a trustee of the scheme.
- (2) The duty under subsection (1)(b) must be performed as soon as reasonably practicable and, if a period is prescribed for the purposes of that subsection, within that period.
- (3) For the purposes of subsection (1) a person is independent only if—
 - (a) he has no interest in the assets of the employer or of the scheme, otherwise than as trustee of the scheme,
 - (b) he is neither connected with, nor an associate of—
 - (i) the employer,
 - (ii) any person for the time being acting as an insolvency practitioner in relation to the employer, or
 - (iii) the official receiver, acting in any of the capacities mentioned in section 22(1)(b) in relation to the employer, and
 - (c) he satisfies any prescribed requirements;

and any reference in this Part to an independent trustee shall be construed accordingly.

- (4) Where, apart from this subsection, the duties imposed by subsection (1) in relation to a scheme would fall to be discharged at the same time by two or more persons acting in different capacities, those duties shall be discharged—
- (a) if the employer is a company, by the person or persons acting as the company’s liquidator, provisional liquidator or administrator, or
 - (b) if the employer is an individual, by the person or persons acting as his trustee in bankruptcy or interim receiver of his property or as permanent or interim trustee in the sequestration of his estate.
- (5) References in this section to an individual include, except where the context otherwise requires, references to a partnership and to any debtor within the meaning of the Bankruptcy (Scotland) Act 1985.

24 Members' powers to apply to court to enforce duty

- (1) If—
- (a) section 22 applies in relation to a trust scheme, but
 - (b) the practitioner or official receiver neglects or refuses to discharge any duty imposed on him by section 23(1) in relation to the scheme,
- any member of the scheme may apply to the appropriate court for an order requiring him to discharge his duties under section 23(1).
- (2) In subsection (1) “the appropriate court” means—
- (a) if the employer in question is a company—
 - (i) where a winding-up order has been made or a provisional liquidator appointed, the court which made the order or appointed the liquidator,
 - (ii) in any other case, any court having jurisdiction to wind up the company, and
 - (b) in any other case—
 - (i) in England and Wales, the court (as defined in section 385 of the Insolvency Act 1986), or
 - (ii) in Scotland, where a sequestration has been awarded or, by virtue of the proviso to section 13(1) of the Bankruptcy (Scotland) Act 1985 (petition presented by creditor or trustee acting under trust deed) an interim trustee has been appointed, the court which made the award or appointment and, if no such award or appointment has been made, any court having jurisdiction under section 9 of that Act.

25 Appointment and powers of independent trustees: further provisions

- (1) If, immediately before the appointment of an independent trustee under section 23(1) (b), there is no trustee of the scheme other than the employer, the employer shall cease to be a trustee upon the appointment of the independent trustee.
- (2) While section 22 applies in relation to a scheme—
- (a) any power vested in the trustees of the scheme and exercisable at their discretion may be exercised only by the independent trustee, and
 - (b) any power—
 - (i) which the scheme confers on the employer (otherwise than as trustee of the scheme), and

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- (ii) which is exercisable by him at his discretion but only as trustee of the power,
 may be exercised only by the independent trustee,
 but if, in either case, there is more than one independent trustee, the power may also be exercised with the consent of at least half of those trustees by any person who could exercise it apart from this subsection.
- (3) While section 22 applies in relation to a scheme, no independent trustee of the scheme may be removed from being a trustee by virtue only of any provision of the scheme.
- (4) If a trustee appointed under section 23(1)(b) ceases to be an independent person, then—
- (a) he must immediately give written notice of that fact to the practitioner or official receiver by whom the duties under that provision fall to be discharged, and
 - (b) subject to subsection (5), he shall cease to be a trustee of the scheme.
- (5) If, in a case where subsection (4) applies, there is no other trustee of the scheme than the former independent trustee, he shall not cease by virtue of that subsection to be a trustee until such time as another trustee is appointed.
- (6) A trustee appointed under section 23(1)(b) is entitled to be paid out of the scheme's resources his reasonable fees for acting in that capacity and any expenses reasonably incurred by him in doing so, and to be so paid in priority to all other claims falling to be met out of the scheme's resources.

26 Insolvency practitioner or official receiver to give information to trustees

- (1) Notwithstanding anything in section 155 of the Insolvency Act 1986 (court orders for inspection etc.), while section 22 applies in relation to a scheme, the practitioner or official receiver must provide the trustees of the scheme, as soon as practicable after the receipt of a request, with any information which the trustees may reasonably require for the purposes of the scheme.
- (2) Any expenses incurred by the practitioner or official receiver in complying with a request under subsection (1) are recoverable by him as part of the expenses incurred by him in discharge of his duties.
- (3) The practitioner or official receiver is not required under subsection (1) to take any action which involves expenses that cannot be so recovered, unless the trustees of the scheme undertake to meet them.

Trustees: general

27 Trustee not to be auditor or actuary of the scheme

- (1) A trustee of a trust scheme, and any person who is connected with, or an associate of, such a trustee, is ineligible to act as an auditor or actuary of the scheme.
- (2) Subsection (1) does not make a person who is a director, partner or employee of a firm of actuaries ineligible to act as an actuary of a trust scheme merely because another director, partner or employee of the firm is a trustee of the scheme.

- (3) Subsection (1) does not make a person who falls within a prescribed class or description ineligible to act as an auditor or actuary of a trust scheme.
- (4) A person must not act as an auditor or actuary of a trust scheme if he is ineligible under this section to do so.
- (5) In this section and section 28 references to a trustee of a trust scheme do not include—
 - (a) a trustee, or
 - (b) a trustee of a scheme,falling within a prescribed class or description.

28 Section 27: consequences

- (1) Any person who acts as an auditor or actuary of a trust scheme in contravention of section 27(4) is guilty of an offence and liable—
 - (a) on summary conviction, to a fine not exceeding the statutory maximum, and
 - (b) on conviction on indictment, to imprisonment or a fine, or both.
- (2) An offence under subsection (1) may be charged by reference to any day or longer period of time; and a person may be convicted of a second or subsequent offence under that subsection by reference to any period of time following the preceding conviction of the offence.
- (3) Acts done as an auditor or actuary of a trust scheme by a person who is ineligible under section 27 to do so are not invalid merely because of that fact.
- (4) Where—
 - (a) a trustee of a trust scheme acts as auditor or actuary of the scheme, or
 - (b) a person acts as auditor or actuary of a trust scheme when he is ineligible under section 27 to do so by reason of being connected with, or an associate of, a trustee of the scheme,section 3 applies to the trustee.

29 Persons disqualified for being trustees

- (1) Subject to subsection (5), a person is disqualified for being a trustee of any trust scheme if—
 - (a) he has been convicted of any offence involving dishonesty or deception,
 - (b) he has been adjudged bankrupt or sequestration of his estate has been awarded and (in either case) he has not been discharged,
 - (c) where the person is a company, if any director of the company is disqualified under this section,
 - (d) where the person is a Scottish partnership, if any partner is disqualified under this section,
 - (e) he has made a composition contract or an arrangement with, or granted a trust deed for the behoof of, his creditors and has not been discharged in respect of it, or
 - (f) he is subject to a disqualification order under the Company Directors Disqualification Act 1986 or to an order made under section 429(2)(b) of the Insolvency Act 1986 (failure to pay under county court administration order).

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(2) In subsection (1)—

- (a) paragraph (a) applies whether the conviction occurred before or after the coming into force of that subsection, but does not apply in relation to any conviction which is a spent conviction for the purposes of the Rehabilitation of Offenders Act 1974,
- (b) paragraph (b) applies whether the adjudication of bankruptcy or the sequestration occurred before or after the coming into force of that subsection,
- (c) paragraph (e) applies whether the composition contract or arrangement was made, or the trust deed was granted, before or after the coming into force of that subsection, and
- (d) paragraph (f) applies in relation to orders made before or after the coming into force of that subsection.

(3) Where a person—

- (a) is prohibited from being a trustee of a trust scheme by an order under section 3, or
- (b) has been removed as a trustee of a trust scheme by an order made (whether before or after the coming into force of this subsection) by the High Court or the Court of Session on the grounds of misconduct or mismanagement in the administration of the scheme for which he was responsible or to which he was privy, or which he by his conduct contributed to or facilitated,

the Authority may, if in their opinion it is not desirable for him to be a trustee of any trust scheme, by order disqualify him for being a trustee of any trust scheme.

(4) The Authority may by order disqualify a person for being a trustee of any trust scheme where—

- (a) in their opinion he is incapable of acting as such a trustee by reason of mental disorder (within the meaning of the Mental Health Act 1983 or, as respects Scotland, the Mental Health (Scotland) Act 1984), or
- (b) the person is a company which has gone into liquidation (within the meaning of section 247(2) of the Insolvency Act 1986).

(5) The Authority may, on the application of any person disqualified under this section—

- (a) give notice in writing to him waiving his disqualification,
- (b) in the case of a person disqualified under subsection (3) or (4), by order revoke the order disqualifying him,

either generally or in relation to a particular scheme or particular class of schemes.

(6) A notice given or revocation made at any time by virtue of subsection (5) cannot affect anything done before that time.

30 Persons disqualified: consequences

(1) A trustee of a trust scheme who becomes disqualified under section 29 shall, while he is so disqualified, cease to be a trustee.

(2) Where—

- (a) a trustee of a trust scheme becomes disqualified under section 29, or
- (b) in the case of a trustee of a trust scheme who has become so disqualified, his disqualification is waived or the order disqualifying him is revoked or he otherwise ceases to be disqualified,

the Authority may exercise the same jurisdiction and powers as are exercisable by the High Court or, in relation to a trust scheme subject to the law of Scotland, the Court of Session for vesting any property in, or transferring any property to, the trustees.

- (3) A person who purports to act as a trustee of a trust scheme while he is disqualified under section 29 is guilty of an offence and liable—
 - (a) on summary conviction to a fine not exceeding the statutory maximum, and
 - (b) on conviction on indictment, to a fine or imprisonment or both.
- (4) An offence under subsection (3) may be charged by reference to any day or longer period of time; and a person may be convicted of a second or subsequent offence under that subsection by reference to any period of time following the preceding conviction of the offence.
- (5) Things done by a person disqualified under section 29 while purporting to act as trustee of a trust scheme are not invalid merely because of that disqualification.
- (6) Nothing in section 29 or this section affects the liability of any person for things done, or omitted to be done, by him while purporting to act as trustee of a trust scheme.
- (7) The Authority must keep, in such manner as they think fit, a register of all persons who are disqualified under section 29(3) or (4); and the Authority must, if requested to do so, disclose whether the name of a person specified in the request is included in the register in respect of a scheme so specified.

31 Trustees not to be indemnified for fines or civil penalties

- (1) No amount may be paid out of the assets of a trust scheme for the purpose of reimbursing, or providing for the reimbursement of, any trustee of the scheme in respect of—
 - (a) a fine imposed by way of penalty for an offence of which he is convicted, or
 - (b) a penalty which he is required to pay under section 10 or under section 168(4) of the Pension Schemes Act 1993.
- (2) For the purposes of subsection (1), providing for the reimbursement of a trustee in respect of a fine or penalty includes (among other things) providing for the payment of premiums in respect of a policy of insurance where the risk is or includes the imposition of such a fine or the requirement to pay such a penalty.
- (3) Where any amount is paid out of the assets of a trust scheme in contravention of this section, sections 3 and 10 apply to any trustee who fails to take all such steps as are reasonable to secure compliance.
- (4) Where a trustee of a trust scheme—
 - (a) is reimbursed, out of the assets of the scheme or in consequence of provision for his reimbursement made out of those assets, in respect of any of the matters referred to in subsection (1)(a) or (b), and
 - (b) knows, or has reasonable grounds to believe, that he has been reimbursed as mentioned in paragraph (a),then, unless he has taken all such steps as are reasonable to secure that he is not so reimbursed, he is guilty of an offence.
- (5) A person guilty of an offence under subsection (4) is liable—
 - (a) on summary conviction, to a fine not exceeding the statutory maximum, and

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- (b) on conviction on indictment, to imprisonment, or a fine, or both.

Functions of trustees

32 Decisions by majority

- (1) Decisions of the trustees of a trust scheme may, unless the scheme provides otherwise, be taken by agreement of a majority of the trustees.
- (2) Where decisions of the trustees of a trust scheme may be taken by agreement of a majority of the trustees—
 - (a) the trustees may, unless the scheme provides otherwise, by a determination under this subsection require not less than the number of trustees specified in the determination to be present when any decision is so taken, and
 - (b) notice of any occasions at which decisions may be so taken must, unless the occasion falls within a prescribed class or description, be given to each trustee to whom it is reasonably practicable to give such notice.
- (3) Notice under subsection (2)(b) must be given in a prescribed manner and not later than the beginning of a prescribed period.
- (4) This section is subject to sections 8(4)(b), 16(3)(b) and 25(2).
- (5) If subsection (2)(b) is not complied with, sections 3 and 10 apply to any trustee who has failed to take all such steps as are reasonable to secure compliance.

33 Investment powers: duty of care

- (1) Liability for breach of an obligation under any rule of law to take care or exercise skill in the performance of any investment functions, where the function is exercisable—
 - (a) by a trustee of a trust scheme, or
 - (b) by a person to whom the function has been delegated under section 34, cannot be excluded or restricted by any instrument or agreement.
- (2) In this section, references to excluding or restricting liability include—
 - (a) making the liability or its enforcement subject to restrictive or onerous conditions,
 - (b) excluding or restricting any right or remedy in respect of the liability, or subjecting a person to any prejudice in consequence of his pursuing any such right or remedy, or
 - (c) excluding or restricting rules of evidence or procedure.
- (3) This section does not apply—
 - (a) to a scheme falling within any prescribed class or description, or
 - (b) to any prescribed description of exclusion or restriction.

34 Power of investment and delegation

- (1) The trustees of a trust scheme have, subject to any restriction imposed by the scheme, the same power to make an investment of any kind as if they were absolutely entitled to the assets of the scheme.

- (2) Any discretion of the trustees of a trust scheme to make any decision about investments—
 - (a) may be delegated by or on behalf of the trustees to a fund manager to whom subsection (3) applies to be exercised in accordance with section 36, but
 - (b) may not otherwise be delegated except under section 25 of the Trustee Act 1925 (delegation of trusts during absence abroad) or subsection (5) below.
- (3) This subsection applies to a fund manager who, in relation to the decisions in question, falls, or is treated as falling, within any of paragraphs (a) to (c) of section 191(2) of the Financial Services Act 1986 (occupational pension schemes: exemptions where decisions taken by authorised and other persons).
- (4) The trustees are not responsible for the act or default of any fund manager in the exercise of any discretion delegated to him under subsection (2)(a) if they have taken all such steps as are reasonable to satisfy themselves or the person who made the delegation on their behalf has taken all such steps as are reasonable to satisfy himself—
 - (a) that the fund manager has the appropriate knowledge and experience for managing the investments of the scheme, and
 - (b) that he is carrying out his work competently and complying with section 36.
- (5) Subject to any restriction imposed by a trust scheme—
 - (a) the trustees may authorise two or more of their number to exercise on their behalf any discretion to make any decision about investments, and
 - (b) any such discretion may, where giving effect to the decision would not constitute carrying on investment business in the United Kingdom (within the meaning of the Financial Services Act 1986), be delegated by or on behalf of the trustees to a fund manager to whom subsection (3) does not apply to be exercised in accordance with section 36;but in either case the trustees are liable for any acts or defaults in the exercise of the discretion if they would be so liable if they were the acts or defaults of the trustees as a whole.
- (6) Section 33 does not prevent the exclusion or restriction of any liability of the trustees of a trust scheme for the acts or defaults of a fund manager in the exercise of a discretion delegated to him under subsection (5)(b) where the trustees have taken all such steps as are reasonable to satisfy themselves, or the person who made the delegation on their behalf has taken all such steps as are reasonable to satisfy himself—
 - (a) that the fund manager has the appropriate knowledge and experience for managing the investments of the scheme, and
 - (b) that he is carrying out his work competently and complying with section 36;and subsection (2) of section 33 applies for the purposes of this subsection as it applies for the purposes of that section.
- (7) The provisions of this section override any restriction inconsistent with the provisions imposed by any rule of law or by or under any enactment, other than an enactment contained in, or made under, this Part or the Pension Schemes Act 1993.

35 Investment principles

- (1) The trustees of a trust scheme must secure that there is prepared, maintained and from time to time revised a written statement of the principles governing decisions about investments for the purposes of the scheme.

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- (2) The statement must cover, among other things—
 - (a) the trustees' policy for securing compliance with sections 36 and 56, and
 - (b) their policy about the following matters.
- (3) Those matters are—
 - (a) the kinds of investments to be held,
 - (b) the balance between different kinds of investments,
 - (c) risk,
 - (d) the expected return on investments,
 - (e) the realisation of investments, and
 - (f) such other matters as may be prescribed.
- (4) Neither the trust scheme nor the statement may impose restrictions (however expressed) on any power to make investments by reference to the consent of the employer.
- (5) The trustees of a trust scheme must, before a statement under this section is prepared or revised—
 - (a) obtain and consider the written advice of a person who is reasonably believed by the trustees to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of such schemes, and
 - (b) consult the employer.
- (6) If in the case of any trust scheme—
 - (a) a statement under this section has not been prepared or is not being maintained, or
 - (b) the trustees have not obtained and considered advice in accordance with subsection (5),sections 3 and 10 apply to any trustee who has failed to take all such steps as are reasonable to secure compliance.
- (7) This section does not apply to any scheme which falls within a prescribed class or description.

36 Choosing investments

- (1) The trustees of a trust scheme must exercise their powers of investment in accordance with subsections (2) to (4) and any fund manager to whom any discretion has been delegated under section 34 must exercise the discretion in accordance with subsection (2).
- (2) The trustees or fund manager must have regard—
 - (a) to the need for diversification of investments, in so far as appropriate to the circumstances of the scheme, and
 - (b) to the suitability to the scheme of investments of the description of investment proposed and of the investment proposed as an investment of that description.
- (3) Before investing in any manner (other than in a manner mentioned in Part I of Schedule 1 to the Trustee Investments Act 1961) the trustees must obtain and consider proper advice on the question whether the investment is satisfactory having regard to

the matters mentioned in subsection (2) and the principles contained in the statement under section 35.

- (4) Trustees retaining any investment must—
 - (a) determine at what intervals the circumstances, and in particular the nature of the investment, make it desirable to obtain such advice as is mentioned in subsection (3), and
 - (b) obtain and consider such advice accordingly.
- (5) The trustees, or the fund manager to whom any discretion has been delegated under section 34, must exercise their powers of investment with a view to giving effect to the principles contained in the statement under section 35, so far as reasonably practicable.
- (6) For the purposes of this section “proper advice” means—
 - (a) where giving the advice constitutes carrying on investment business in the United Kingdom (within the meaning of the Financial Services Act 1986), advice—
 - (i) given by a person authorised under Chapter III of Part I of that Act,
 - (ii) given by a person exempted under Chapter IV of that Part who, in giving the advice, is acting in the course of the business in respect of which he is exempt,
 - (iii) given by a person where, by virtue of paragraph 27 of Schedule 1 to that Act, paragraph 15 of that Schedule does not apply to giving the advice, or
 - (iv) given by a person who, by virtue of regulation 5 of the Banking Coordination (Second Council Directive) Regulations 1992, may give the advice though not authorised as mentioned in sub-paragraph (i) above.
 - (b) in any other case, the advice of a person who is reasonably believed by the trustees to be qualified by his ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of the investments of trust schemes.
- (7) Trustees shall not be treated as having complied with subsection (3) or (4) unless the advice was given or has subsequently been confirmed in writing.
- (8) If the trustees of a trust scheme do not obtain and consider advice in accordance with this section, sections 3 and 10 apply to any trustee who has failed to take all such steps as are reasonable to secure compliance.

37 Payment of surplus to employer

- (1) This section applies to a trust scheme if—
 - (a) apart from this section, power is conferred on any person (including the employer) to make payments to the employer out of funds which are held for the purposes of the scheme,
 - (b) the scheme is one to which Schedule 22 to the Taxes Act 1988 (reduction of pension fund surpluses in certain exempt approved schemes) applies, and
 - (c) the scheme is not being wound up.
- (2) Where the power referred to in subsection (1)(a) is conferred by the scheme on a person other than the trustees, it cannot be exercised by that person but may be exercised

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- instead by the trustees; and any restriction imposed by the scheme on the exercise of the power shall, so far as capable of doing so, apply to its exercise by the trustees.
- (3) The power referred to in subsection (1)(a) cannot be exercised unless the requirements of subsection (4) and (in prescribed circumstances) (5), and any prescribed requirements, are satisfied.
- (4) The requirements of this subsection are that—
- (a) the power is exercised in pursuance of proposals approved under paragraph 6(1) of Schedule 22 to the Taxes Act 1988,
 - (b) the trustees are satisfied that it is in the interests of the members that the power be exercised in the manner so proposed,
 - (c) where the power is conferred by the scheme on the employer, the employer has asked for the power to be exercised, or consented to it being exercised, in the manner so proposed,
 - (d) the annual rates of the pensions under the scheme which commence or have commenced are increased by the appropriate percentage, and
 - (e) notice has been given in accordance with prescribed requirements to the members of the scheme of the proposal to exercise the power.
- (5) The requirements of this subsection are that the Authority are of the opinion that—
- (a) any requirements prescribed by virtue of subsection (3) are satisfied, and
 - (b) the requirements of subsection (4) are satisfied.
- (6) In subsection (4)—
- (a) “annual rate” and “appropriate percentage” have the same meaning as in section 54, and
 - (b) “pension” does not include—
 - (i) any guaranteed minimum pension (as defined in section 8(2) of the Pension Schemes Act 1993) or any increase in such a pension under section 109 of that Act, or
 - (ii) any money purchase benefit (as defined in section 181(1) of that Act).
- (7) This section does not apply to any payment to which, by virtue of section 601(3) of the Taxes Act 1988, section 601(2) of that Act does not apply.
- (8) If, where this section applies to any trust scheme, the trustees purport to exercise the power referred to in subsection (1)(a) by making a payment to which this section applies without complying with the requirements of this section, sections 3 and 10 apply to any trustee who has failed to take all such steps as are reasonable to secure compliance.
- (9) If, where this section applies to any trust scheme, any person, other than the trustees, purports to exercise the power referred to in subsection (1)(a) by making a payment to which this section applies, section 10 applies to him.
- (10) Regulations may provide that, in prescribed circumstances, this section does not apply to schemes falling within a prescribed class or description, or applies to them with prescribed modifications.

38 Power to defer winding up

- (1) If, apart from this section, the rules of a trust scheme would require the scheme to be wound up, the trustees may determine that the scheme is not for the time being to be wound up but that no new members are to be admitted to the scheme.
- (2) Where the trustees make a determination under subsection (1), they may also determine—
 - (a) that no further contributions are to be paid towards the scheme, or
 - (b) that no new benefits are to accrue to, or in respect of, members of the scheme;but this subsection does not authorise the trustees to determine, where there are accrued rights to any benefit, that the benefit is not to be increased.
- (3) This section does not apply to—
 - (a) a money purchase scheme, or
 - (b) a scheme falling within a prescribed class or description.

39 Exercise of powers by member trustees

No rule of law that a trustee may not exercise the powers vested in him so as to give rise to a conflict between his personal interest and his duties to the beneficiaries shall apply to a trustee of a trust scheme, who is also a member of the scheme, exercising the powers vested in him in any manner, merely because their exercise in that manner benefits, or may benefit, him as a member of the scheme.

Functions of trustees or managers

40 Restriction on employer-related investments

- (1) The trustees or managers of an occupational pension scheme must secure that the scheme complies with any prescribed restrictions with respect to the proportion of its resources that may at any time be invested in, or in any description of, employer-related investments.
- (2) In this section—

“employer-related investments” means—

 - (a) shares or other securities issued by the employer or by any person who is connected with, or an associate of, the employer,
 - (b) land which is occupied or used by, or subject to a lease in favour of, the employer or any such person,
 - (c) property (other than land) which is used for the purposes of any business carried on by the employer or any such person,
 - (d) loans to the employer or any such person, and
 - (e) other prescribed investments,

“securities” means any asset, right or interest falling within paragraph 1, 2, 4 or 5 of Schedule 1 to the Financial Services Act 1986.
- (3) To the extent (if any) that sums due and payable by a person to the trustees or managers of an occupational pension scheme remain unpaid—
 - (a) they shall be regarded for the purposes of this section as loans made to that person by the trustees or managers, and

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- (b) resources of the scheme shall be regarded as invested accordingly.
- (4) If in the case of a trust scheme subsection (1) is not complied with, sections 3 and 10 apply to any trustee who fails to take all such steps as are reasonable to secure compliance.
- (5) If any resources of an occupational pension scheme are invested in contravention of subsection (1), any trustee or manager who agreed in the determination to make the investment is guilty of an offence and liable—
 - (a) on summary conviction, to a fine not exceeding the statutory maximum, and
 - (b) on conviction on indictment, to a fine or imprisonment, or both.

41 Provision of documents for members

- (1) Regulations may require the trustees or managers of an occupational pension scheme—
 - (a) to obtain at prescribed times the documents mentioned in subsection (2), and
 - (b) to make copies of them, and of the documents mentioned in subsection (3), available to the persons mentioned in subsection (4).
- (2) The documents referred to in subsection (1)(a) are—
 - (a) the accounts audited by the auditor of the scheme,
 - (b) the auditor's statement about contributions under the scheme,
 - (c) a valuation by the actuary of the assets and liabilities of the scheme, and a statement by the actuary concerning such aspects of the valuation as may be prescribed.
- (3) The documents referred to in subsection (1)(b) are—
 - (a) any valuation, or certificate, prepared under section 57 or 58 by the actuary of the scheme,
 - (b) any report prepared by the trustees or managers under section 59(3).
- (4) The persons referred to in subsection (1)(b) are—
 - (a) members and prospective members of the scheme,
 - (b) spouses of members and of prospective members,
 - (c) persons within the application of the scheme and qualifying or prospectively qualifying for its benefits,
 - (d) independent trade unions recognised to any extent for the purposes of collective bargaining in relation to members and prospective members of the scheme.
- (5) Regulations may in the case of occupational pension schemes to which section 47 does not apply—
 - (a) prescribe the persons who may act as auditors or actuaries for the purposes of subsection (2), or
 - (b) provide that the persons who may so act shall be—
 - (i) persons with prescribed professional qualifications or experience, or
 - (ii) persons approved by the Secretary of State.
- (6) Regulations shall make provision for referring to an industrial tribunal any question whether an organisation is such a trade union as is mentioned in subsection (4)(d) and

may make provision as to the form and content of any such document as is referred to in subsection (2).

Employee trustees

42 Time off for performance of duties and for training

- (1) The employer in relation to a trust scheme must permit any employee of his who is a trustee of the scheme to take time off during his working hours for the purpose of—
 - (a) performing any of his duties as such a trustee, or
 - (b) undergoing training relevant to the performance of those duties.
- (2) The amount of time off which an employee is to be permitted to take under this section and the purposes for which, the occasions on which and any conditions subject to which time off may be so taken are those that are reasonable in all the circumstances having regard in particular to—
 - (a) how much time off is required for the performance of the duties of a trustee of the scheme and the undergoing of relevant training, and how much time off is required for performing the particular duty or, as the case may be, for undergoing the particular training, and
 - (b) the circumstances of the employer's business and the effect of the employee's absence on the running of that business.
- (3) An employee may present a complaint to an industrial tribunal that his employer has failed to permit him to take time off as required by this section.
- (4) For the purposes of this section, the working hours of an employee are any time when in accordance with his contract of employment he is required to be at work.

43 Payment for time off

- (1) An employer who permits an employee to take time off under section 42 must pay him for the time taken off pursuant to the permission.
- (2) Where the employee's remuneration for the work he would ordinarily have been doing during that time does not vary with the amount of work done, he must be paid as if he had worked at that work for the whole of that time.
- (3) Where the employee's remuneration for the work he would ordinarily have been doing during that time varies with the amount of work done, he must be paid an amount calculated by reference to the average hourly earnings for that work.
- (4) The average hourly earnings mentioned in subsection (3) are those of the employee concerned or, if no fair estimate can be made of those earnings, the average hourly earnings for work of that description of persons in comparable employment with the same employer or, if there are no such persons, a figure of average hourly earnings which is reasonable in the circumstances.
- (5) A right to be paid an amount under this section does not affect any right of an employee in relation to remuneration under his contract of employment, but—
 - (a) any contractual remuneration paid to an employee in respect of a period of time off to which this section applies shall go towards discharging any liability of the employer under this section in respect of that period, and

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- (b) any payment under this section in respect of a period shall go towards discharging any liability of the employer to pay contractual remuneration in respect of that period.
- (6) An employee may present a complaint to an industrial tribunal that his employer has failed to pay him in accordance with this section.

44 Time limit for proceedings

An industrial tribunal must not consider a complaint under section 42 or 43 unless it is presented to the tribunal—

- (a) within three months of the date when the failure occurred, or
- (b) where the tribunal is satisfied that it was not reasonably practicable for the complaint to be presented within that period, within such further period as the tribunal considers reasonable.

45 Remedies

- (1) Where the tribunal finds a complaint under section 42 is well-founded, it must make a declaration to that effect and may make an award of compensation to be paid by the employer to the employee.
- (2) The amount of the compensation shall be such as the tribunal considers just and equitable in all the circumstances having regard to the employer's default in failing to permit time off to be taken by the employee and to any loss sustained by the employee which is attributable to the matters complained of.
- (3) Where on a complaint under section 43 the tribunal finds that the employer has failed to pay the employee in accordance with that section, it must order him to pay the amount which it finds to be due.
- (4) The remedy of an employee for infringement of the rights conferred on him by section 42 or 43 is by way of complaint to an industrial tribunal in accordance with this Part, and not otherwise.

46 Right not to suffer detriment in employment or be unfairly dismissed

- (1) Subject to subsection (2), an employee has the right not to be subjected to any detriment by any act, or any deliberate failure to act, by his employer done on the ground that, being a trustee of a trust scheme which relates to his employment, the employee performed (or proposed to perform) any functions as such a trustee.
- (2) Subsection (1) does not apply where the detriment in question amounts to dismissal, except where an employee is dismissed in circumstances in which, by virtue of section 142 of the Employment Protection (Consolidation) Act 1978 ("the 1978 Act"), section 54 of that Act does not apply to the dismissal.
- (3) Sections 22B and 22C of the 1978 Act (which relate to proceedings brought by an employee on the grounds that he has been subjected to a detriment in contravention of section 22A of that Act) shall have effect as if the reference in section 22B(1) to section 22A included a reference to subsection (1).
- (4) In the following provisions of the 1978 Act—
 - (a) section 129 (remedy for infringement of certain rights),

- (b) section 141(2) (employee ordinarily working outside Great Britain), and
 - (c) section 150 and Schedule 12 (death of employee or employer),any reference to Part II of that Act includes a reference to subsection (1).
- (5) The dismissal of an employee by an employer shall be regarded for the purposes of Part V of the 1978 Act as unfair if the reason (or, if more than one, the principal reason) for it is that, being a trustee of a trust scheme which relates to his employment, the employee performed (or proposed to perform) any functions as such a trustee.
- (6) Where the reason or the principal reason for which an employee was selected for dismissal was that he was redundant, but it is shown—
 - (a) that the circumstances constituting the redundancy applied equally to one or more other employees in the same undertaking who held positions similar to that held by him and who have not been dismissed by the employer, and
 - (b) that the reason (or, if more than one, the principal reason) for which he was selected for dismissal was that specified in subsection (5),then, for the purposes of Part V of the 1978 Act, the dismissal shall be regarded as unfair.
- (7) Section 54 of the 1978 Act (right of employee not to be unfairly dismissed) applies to a dismissal regarded as unfair by virtue of subsection (5) or (6) regardless of the period for which the employee has been employed and of his age; and accordingly section 64(1) of that Act (which provides a qualifying period and an upper age limit) does not apply to such a dismissal.
- (8) Any provision in an agreement (whether a contract of employment or not) shall be void in so far as it purports—
 - (a) to exclude or limit the operation of any provision of this section, or
 - (b) to preclude any person from presenting a complaint to an industrial tribunal by virtue of any provision of this section.
- (9) Subsection (8) does not apply to an agreement to refrain from presenting or continuing with a complaint where—
 - (a) a conciliation officer has taken action under section 133(2) or (3) of the 1978 Act (general provisions as to conciliation) or under section 134(1), (2) or (3) (conciliation in case of unfair dismissal) of that Act, or
 - (b) the conditions regulating compromise agreements under the 1978 Act (as set out in section 140(3) of that Act) are satisfied in relation to the agreement.
- (10) In this section, “dismissal” has the same meaning as in Part V of the 1978 Act.
- (11) Section 153 of the 1978 Act (general interpretation) has effect for the purposes of this section as it has effect for the purposes of that Act.

Advisers

47 Professional advisers

- (1) For every occupational pension scheme there shall be—
 - (a) an individual, or a firm, appointed by the trustees or managers as auditor (referred to in this Part, in relation to the scheme, as “the auditor”), and

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- (b) an individual appointed by the trustees or managers as actuary (referred to in this Part, in relation to the scheme, as “the actuary”).
- (2) For every occupational pension scheme the assets of which consist of or include investments (within the meaning of the Financial Services Act 1986) there shall be an individual or a firm appointed by or on behalf of the trustees or managers as fund manager.
- (3) If in the case of an occupational pension scheme any person—
 - (a) is appointed otherwise than by the trustees or managers as legal adviser or to exercise any prescribed functions in relation to the scheme, or
 - (b) is appointed otherwise than by or on behalf of the trustees or managers as a fund manager,sections 3 and 10 apply to any trustee, and section 10 applies to any manager, who in exercising any of his functions places reliance on the skill or judgement of that person.
- (4) In this Part, in relation to an occupational pension scheme—
 - (a) the auditor, actuary and legal adviser appointed by the trustees or managers,
 - (b) any fund manager appointed by or on behalf of the trustees or managers, and
 - (c) any person appointed by the trustees or managers to exercise any of the functions referred to in subsection (3)(a),are referred to as “professional advisers”.
- (5) This section does not apply to an occupational pension scheme falling within a prescribed class or description and regulations may—
 - (a) make exceptions to subsections (1) to (3),
 - (b) specify the qualifications and experience, or approval, required for appointment as a professional adviser.
- (6) Regulations may make provision as to—
 - (a) the manner in which professional advisers may be appointed and removed,
 - (b) the terms on which professional advisers may be appointed (including the manner in which the professional advisers may resign).
- (7) Subject to regulations made by virtue of subsection (6), professional advisers shall be appointed on such terms as the trustees or managers may determine.
- (8) If in the case of an occupational pension scheme an auditor, actuary or fund manager is required under this section to be appointed but the appointment has not been made, or not been made in accordance with any requirements imposed under this section, sections 3 and 10 apply to any trustee, and section 10 applies to any manager, who has failed to take all such steps as are reasonable to secure compliance.
- (9) Regulations may in the case of occupational pension schemes—
 - (a) impose duties on any person who is or has been the employer, and on any person who acts as auditor or actuary to such a person, to disclose information to the trustees or managers and to the scheme’s professional advisers,
 - (b) impose duties on the trustees or managers to disclose information to, and make documents available to, the scheme’s professional advisers.
- (10) If in the case of an occupational pension scheme a person fails to comply with any duty imposed under subsection (9)(a), section 10 applies to him.

- (11) If in the case of an occupational pension scheme any duty imposed under subsection (9)(b) is not complied with, sections 3 and 10 apply to any trustee, and section 10 applies to any manager, who has failed to take all such steps as are reasonable to secure compliance.

48 “Blowing the whistle”

- (1) If the auditor or actuary of any occupational pension scheme has reasonable cause to believe that—
- (a) any duty relevant to the administration of the scheme imposed by any enactment or rule of law on the trustees or managers, the employer, any professional adviser or any prescribed person acting in connection with the scheme has not been or is not being complied with, and
 - (b) the failure to comply is likely to be of material significance in the exercise by the Authority of any of their functions,
- he must immediately give a written report of the matter to the Authority.
- (2) The auditor or actuary of any occupational pension scheme must, in any prescribed circumstances, immediately give a written report of any prescribed matter to the Authority.
- (3) No duty to which the auditor or actuary of any occupational pension scheme is subject shall be regarded as contravened merely because of any information or opinion contained in a written report under this section.
- (4) If in the case of any occupational pension scheme any professional adviser (other than the auditor or actuary), any trustee or manager or any person involved in the administration of the scheme has reasonable cause to believe as mentioned in paragraphs (a) and (b) of subsection (1), he may give a report of the matter to the Authority.
- (5) In the case of any such scheme, no duty to which any such adviser, trustee or manager or other person is subject shall be regarded as contravened merely because of any information or opinion contained in a report under this section; but this subsection does not apply to any information disclosed in such a report by the legal adviser of an occupational pension scheme if he would be entitled to refuse to produce a document containing the information in any proceedings in any court on the grounds that it was the subject of legal professional privilege or, in Scotland, that it contained a confidential communication made by or to an advocate or solicitor in that capacity.
- (6) Subsections (1) to (5) apply to any occupational pension scheme to which section 47 applies.
- (7) Section 10 applies to any auditor or actuary who fails to comply with subsection (1) or (2).
- (8) If it appears to the Authority that an auditor or actuary has failed to comply with subsection (1) or (2), the Authority may by order disqualify him for being the auditor or, as the case may be, actuary of any occupational pension scheme specified in the order.
- (9) An order under subsection (8) may specify the scheme to which the failure relates, all schemes falling within any class or description of occupational pension scheme or all occupational pension schemes.

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- (10) The Authority may, on the application of any person disqualified under this section who satisfies the Authority that he will in future comply with those subsections, by order revoke the order disqualifying him; but a revocation made at any time cannot affect anything done before that time.
- (11) An auditor or actuary of an occupational pension scheme who becomes disqualified under this section shall, while he is so disqualified, cease to be auditor or, as the case may be, actuary of any scheme specified in the order disqualifying him.
- (12) A person who, while he is disqualified under this section, purports to act as auditor or actuary of an occupational pension scheme specified in the order disqualifying him is guilty of an offence and liable—
 - (a) on summary conviction, to a fine not exceeding the statutory maximum, and
 - (b) on conviction on indictment, to a fine or imprisonment, or both.
- (13) An offence under subsection (12) may be charged by reference to any day or longer period of time; and a person may be convicted of a second or subsequent offence under that subsection by reference to any period of time following the preceding conviction of the offence.

Receipts, payments and records

49 Other responsibilities of trustees, employers, etc

- (1) The trustees of any trust scheme must, except in any prescribed circumstances, keep any money received by them in a separate account kept by them at an institution authorised under the Banking Act 1987.
- (2) Regulations may require the trustees of any trust scheme to keep—
 - (a) records of their meetings (including meetings of any of their number), and
 - (b) books and records relating to any prescribed transaction.
- (3) Regulations may, in the case of any trust scheme, require the employer, and any prescribed person acting in connection with the scheme, to keep books and records relating to any prescribed transaction.
- (4) Regulations may require books or records kept under subsection (2) or (3) to be kept in a prescribed form and manner and for a prescribed period.
- (5) Regulations must, in cases where payments of benefit to members of trust schemes are made by the employer, require the employer to make into a separate account kept by him at an institution authorised under the Banking Act 1987 any payments of benefit which have not been made to the members within any prescribed period.
- (6) If in the case of any trust scheme any requirements imposed by or under subsection (1) or (2) are not complied with, sections 3 and 10 apply to any trustee who has failed to take all such steps as are reasonable to secure compliance.
- (7) If in the case of any trust scheme any person fails to comply with any requirement imposed under subsection (3) or (5), section 10 applies to him.
- (8) Where—

- (a) on making a payment of any earnings in respect of any employment there is deducted any amount corresponding to any contribution payable on behalf of an active member of an occupational pension scheme, and
- (b) the amount deducted is not, within a prescribed period, paid to the trustees or managers of the scheme and there is no reasonable excuse for the failure to do so,

the employer is guilty of an offence and liable, on summary conviction, to a fine not exceeding the statutory maximum and, on conviction on indictment, to imprisonment, or a fine, or both.

Resolution of disputes

50 Resolution of disputes

- (1) The trustees or managers of an occupational pension scheme must secure that such arrangements as are required by or under this section for the resolution of disagreements between prescribed persons about matters in relation to the scheme are made and implemented.
- (2) The arrangements must—
 - (a) provide for a person, on the application of a complainant of a prescribed description, to give a decision on such a disagreement, and
 - (b) require the trustees or managers, on the application of such a complainant following a decision given in accordance with paragraph (a), to reconsider the matter in question and confirm the decision or give a new decision in its place.
- (3) Regulations may make provision about—
 - (a) applications for decisions under such arrangements, and
 - (b) the procedure for reaching and giving such decisions,including the times by which applications are to be made and decisions given.
- (4) Applications and decisions under subsection (2) must be in writing.
- (5) Arrangements under subsection (1) must, in the case of existing schemes, have effect as from the commencement of this section.
- (6) If, in the case of any occupational pension scheme, such arrangements as are required by this section to be made have not been made, or are not being implemented, section 10 applies to any of the trustees or managers who have failed to take all such steps as are reasonable to secure that such arrangements are made or implemented.
- (7) This section does not apply to a scheme of a prescribed description and subsection (1) does not apply to prescribed matters in relation to the scheme.

Indexation

51 Annual increase in rate of pension

- (1) Subject to subsection (6) this section applies to a pension under an occupational pension scheme if—
 - (a) the scheme—

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- (i) is an approved scheme, within the meaning of Chapter I of Part XIV of the Taxes Act 1988 (retirement benefit schemes approved by the Commissioners of Inland Revenue) or is a scheme for which such approval has been applied for under that Chapter and not refused, and
 - (ii) is not a public service pension scheme, and
 - (b) apart from this section, the annual rate of the pension would not be increased each year by at least the appropriate percentage of that rate.
- (2) Subject to section 52, where a pension to which this section applies, or any part of it, is attributable to pensionable service on or after the appointed day or, in the case of money purchase benefits, to payments in respect of employment carried on on or after the appointed day—
- (a) the annual rate of the pension, or
 - (b) if only part of the pension is attributable to pensionable service or, as the case may be, to payments in respect of employment carried on on or after the appointed day, so much of the annual rate as is attributable to that part,
- must be increased annually by at least the appropriate percentage.
- (3) Subsection (2) does not apply to a pension under an occupational pension scheme if the rules of the scheme require—
- (a) the annual rate of the pension, or
 - (b) if only part of the pension is attributable to pensionable service or, as the case may be, to payments in respect of employment carried on on or after the appointed day, so much of the annual rate as is attributable to that part,
- to be increased at intervals of not more than twelve months by at least the relevant percentage and the scheme complies with any prescribed requirements.
- (4) For the purposes of subsection (3) the relevant percentage is—
- (a) the percentage increase in the retail prices index for the reference period, being a period determined, in relation to each periodic increase, under the rules, or
 - (b) the percentage for that period which corresponds to 5 per cent per annum,
- whichever is the lesser.
- (5) Regulations may provide that the provisions of subsections (2) and (3) apply in relation to a pension as if so much of it as would not otherwise be attributable to pensionable service or to payments in respect of employment were attributable to pensionable service or, as the case may be, payments in respect of employment—
- (a) before the appointed day,
 - (b) on or after that day, or
 - (c) partly before and partly on or after that day.
- (6) This section does not apply to any pension or part of a pension which, in the opinion of the trustees or managers, is derived from the payment by any member of the scheme of voluntary contributions.

52 Restriction on increase where member is under 55

- (1) Subject to subsection (2), no increase under section 51 is required to be paid to or for a member of a scheme whose pension is in payment but who has not attained the age of 55 at the time when the increase takes effect.
- (2) Subsection (1) does not apply if the member—

- (a) is permanently incapacitated by mental or physical infirmity from engaging in regular full-time employment, or
 - (b) has retired on account of mental or physical infirmity from the employment in respect of which, or on retirement from which, the pension is payable.
- (3) The rules of a scheme may provide that if, in a case where a pension has been paid to or for a member under the age of 55 at an increased rate in consequence of subsection (2), the member—
- (a) ceases to suffer from the infirmity in question before he attains the age of 55, but
 - (b) continues to be entitled to the pension,
- any increases subsequently taking effect under section 51 in the annual rate of the pension shall not be paid or shall not be paid in full.
- (4) In any case where—
- (a) by virtue only of subsection (1) or (3), increases are not paid to or for a member or are not paid in full, but
 - (b) the member attains the age of 55 or, in a case falling within subsection (3), again satisfies the condition set out in subsection (2)(a) or (b),
- his pension shall then become payable at the annual rate at which it would have been payable apart from subsection (1) or (3).

53 Effect of increases above the statutory requirement

- (1) Where in any tax year the trustees or managers of an occupational pension scheme make an increase in a person's pension, not being an increase required by section 109 of the Pension Schemes Act 1993 or section 51 of this Act, they may deduct the amount of the increase from any increase which, but for this subsection, they would be required to make under either of those sections in the next tax year.
- (2) Where in any tax year the trustees or managers of such a scheme make an increase in a person's pension and part of the increase is not required by section 109 of the Pension Schemes Act 1993 or section 51 of this Act, they may deduct that part of the increase from any increase which, but for this subsection, they would be required to make under either of those sections in the next tax year.
- (3) Where by virtue of subsection (1) or (2) any pensions are not required to be increased in pursuance of section 109 of the Pension Schemes Act 1993 or section 51 of this Act, or not by the full amount that they otherwise would be, their amount shall be calculated for any purpose as if they had been increased in pursuance of the section in question or, as the case may be, by that full amount.
- (4) In section 110 of the Pension Schemes Act 1993 (resources for annual increase of guaranteed minimum pension)—
 - (a) subsections (2) to (4) are omitted, and
 - (b) in subsection (1), for “subsection (2) or (3)” there is substituted “section 53 of the Pensions Act 1995”.

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54 Sections 51 to 53: supplementary

- (1) The first increase required by section 51 in the rate of a pension must take effect not later than the first anniversary of the date on which the pension is first paid; and subsequent increases must take effect at intervals of not more than twelve months.
- (2) Where the first such increase is to take effect on a date when the pension has been in payment for a period of less than twelve months, the increase must be of an amount at least equal to one twelfth of the amount of the increase so required (apart from this subsection) for each complete month in that period.
- (3) In sections 51 to 53 and this section—
 - “annual rate”, in relation to a pension, means the annual rate of the pension, as previously increased under the rules of the scheme or under section 51,
 - “the appointed day” means the day appointed under section 180 for the commencement of section 51,
 - “appropriate percentage”, in relation to an increase in the whole or part of the annual rate of a pension, means the revaluation percentage for the revaluation period the reference period for which ends with the last preceding 30th September before the increase is made (expressions used in this definition having the same meaning as in paragraph 2 of Schedule 3 to the Pension Schemes Act 1993 (methods of revaluing accrued pension benefits)),
 - “pension”, in relation to a scheme, means any pension in payment under the scheme and includes an annuity.

55 Section 51: end of annual increase in GMP

In section 109 of the Pension Schemes Act 1993 (annual increase of guaranteed minimum pensions)—

- (a) in subsection (2) (increase in rate of that part of guaranteed minimum pension attributable to earnings factors for tax year 1988-89 and subsequent tax years) for “the tax year 1988-89 and subsequent tax years” there is substituted “the tax years in the relevant period”, and
- (b) after subsection (3) there is inserted—
 - “(3A) The relevant period is the period—
 - (a) beginning with the tax year 1988-89, and
 - (b) ending with the last tax year that begins before the principal appointed day for the purposes of Part III of the Pensions Act 1995”.

Minimum funding requirement

56 Minimum funding requirement

- (1) Every occupational pension scheme to which this section applies is subject to a requirement (referred to in this Part as “the minimum funding requirement”) that the value of the assets of the scheme is not less than the amount of the liabilities of the scheme.
- (2) This section applies to an occupational pension scheme other than—
 - (a) a money purchase scheme, or

- (b) a scheme falling within a prescribed class or description.
- (3) For the purposes of this section and sections 57 to 61, the liabilities and assets to be taken into account, and their amount or value, shall be determined, calculated and verified by a prescribed person and in the prescribed manner.
- (4) In calculating the value of any liabilities for those purposes, a provision of the scheme which limits the amount of its liabilities by reference to the amount of its assets is to be disregarded.
- (5) In sections 57 to 61, in relation to any occupational pension scheme to which this section applies—
 - (a) the amount of the liabilities referred to in subsection (1) is referred to as “the amount of the scheme liabilities”,
 - (b) the value of the assets referred to in that subsection is referred to as “the value of the scheme assets”,
 - (c) an “actuarial valuation” means a written valuation prepared and signed by the actuary of the scheme of the assets and liabilities referred to in subsection (1), and
 - (d) the “effective date” of an actuarial valuation is the date by reference to which the assets and liabilities are valued.

57 Valuation and certification of assets and liabilities

- (1) The trustees or managers of an occupational pension scheme to which section 56 applies must—
 - (a) obtain, within a prescribed period, an actuarial valuation and afterwards obtain such a valuation before the end of prescribed intervals, and
 - (b) on prescribed occasions or within prescribed periods, obtain a certificate prepared by the actuary of the scheme—
 - (i) stating whether or not in his opinion the contributions payable towards the scheme are adequate for the purpose of securing that the minimum funding requirement will continue to be met throughout the prescribed period or, if it appears to him that it is not met, will be met by the end of that period, and
 - (ii) indicating any relevant changes that have occurred since the last actuarial valuation was prepared.
- (2) Subject to subsection (3), the trustees or managers must—
 - (a) if the actuary states in such a certificate that in his opinion the contributions payable towards the scheme are not adequate for the purpose of securing that the minimum funding requirement will continue to be met throughout the prescribed period or, if it appears to him that it is not met, will be met by the end of that period, or
 - (b) in prescribed circumstances,obtain an actuarial valuation within the period required by subsection (4).
- (3) In a case within subsection (2)(a), the trustees or managers are not required to obtain an actuarial valuation if—
 - (a) in the opinion of the actuary of the scheme, the value of the scheme assets is not less than 90 per cent. of the amount of the scheme liabilities, and

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- (b) since the date on which the actuary signed the certificate referred to in that subsection, the schedule of contributions for the scheme has been revised under section 58(3)(b).
- (4) If the trustees or managers obtain a valuation under subsection (2) they must do so—
 - (a) in the case of a valuation required by paragraph (a), within the period of six months beginning with the date on which the certificate was signed, and
 - (b) in any other case, within a prescribed period.
- (5) A valuation or certificate obtained under subsection (1) or (2) must be prepared in such manner, give such information and contain such statements as may be prescribed.
- (6) The trustees or managers must secure that any valuation or certificate obtained under this section is made available to the employer within seven days of their receiving it.
- (7) Where, in the case of an occupational pension scheme to which section 56 applies, subsection (1), (2) or (6) is not complied with—
 - (a) section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance, and
 - (b) section 10 applies to any trustee or manager who has failed to take all such steps.

58 Schedules of contributions

- (1) The trustees or managers of an occupational pension scheme to which section 56 applies must secure that there is prepared, maintained and from time to time revised a schedule (referred to in sections 57 to 59 as a “schedule of contributions”) showing—
 - (a) the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme, and
 - (b) the dates on or before which such contributions are to be paid.
- (2) The schedule of contributions for a scheme must satisfy prescribed requirements.
- (3) The schedule of contributions for a scheme—
 - (a) must be prepared before the end of a prescribed period beginning with the signing of the first actuarial valuation for the scheme,
 - (b) may be revised from time to time where the revisions are previously agreed by the trustees or managers and the employer and any revision in the rates of contributions is certified by the actuary of the scheme, and
 - (c) must be revised before the end of a prescribed period beginning with the signing of each subsequent actuarial valuation.
- (4) The matters shown in the schedule of contributions for a scheme—
 - (a) must be matters previously agreed by the trustees or managers and the employer, or
 - (b) if no such agreement has been made as to all the matters shown in the schedule, must be—
 - (i) rates of contributions determined by the trustees or managers, being such rates as in their opinion are adequate for the purpose of securing that the minimum funding requirement will continue to be met throughout the prescribed period or, if it appears to them that it is not met, will be met by the end of that period, and
 - (ii) other matters determined by the trustees or managers;

and the rates of contributions shown in the schedule must be certified by the actuary of the scheme.

- (5) An agreement for the purposes of subsection (4)(a) is one which is made by the trustees or managers and the employer during the prescribed period beginning with the signing of the last preceding actuarial valuation for the scheme.
- (6) The actuary may not certify the rates of contributions shown in the schedule of contributions—
 - (a) in a case where on the date he signs the certificate it appears to him that the minimum funding requirement is met, unless he is of the opinion that the rates are adequate for the purpose of securing that the requirement will continue to be met throughout the prescribed period, and
 - (b) in any other case, unless he is of the opinion that the rates are adequate for the purpose of securing that the requirement will be met by the end of that period.
- (7) The Authority may in prescribed circumstances extend (or further extend) the period referred to in subsection (6).
- (8) Where, in the case of any occupational pension scheme to which section 56 applies, this section is not complied with—
 - (a) section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance, and
 - (b) section 10 applies to any trustee or manager who has failed to take all such steps.

59 Determination of contributions: supplementary

- (1) Except in prescribed circumstances, the trustees or managers of an occupational pension scheme to which section 56 applies must, where any amounts payable by or on behalf of the employer or the active members of the scheme in accordance with the schedule of contributions have not been paid on or before the due date, give notice of that fact, within the prescribed period, to the Authority and to the members of the scheme.
- (2) Any such amounts which for the time being remain unpaid after that date (whether payable by the employer or not) shall, if not a debt due from the employer to the trustees or managers apart from this subsection, be treated as such a debt.
- (3) If, in the case of an occupational pension scheme to which section 56 applies, it appears to the trustees or managers, at the end of any prescribed period that the minimum funding requirement is not met, they must prepare a report giving the prescribed information about the failure to meet that requirement.
- (4) If in the case of any such scheme, subsection (1) or (3) is not complied with—
 - (a) section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance, and
 - (b) section 10 applies to any trustee or manager who has failed to take all such steps.

60 Serious underprovision

- (1) Subsection (2) applies where, in the case of an occupational pension scheme to which section 56 applies, an actuarial valuation shows that, on the effective date of the

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valuation, the value of the scheme assets is less than 90 per cent. of the amount of the scheme liabilities (the difference shown in the valuation being referred to in this section as “the shortfall”).

- (2) The employer must—
- (a) by making an appropriate payment to the trustees or managers, or
 - (b) by a prescribed method,
- secure an increase in the value of the scheme assets which, taken with any contributions paid, is not less than the shortfall.
- (3) The required increase in that value must be secured—
- (a) before the end of a prescribed period beginning with the signing of the valuation, or
 - (b) if the actuarial valuation was obtained by reason of such a statement in a certificate as is referred to in section 57(2), before the end of a prescribed period beginning with the signing of the certificate.
- (4) Except in prescribed circumstances, if the employer fails to secure the required increase in value before the end of the period applicable under subsection (3), the trustees or managers must, within the period of fourteen days (or such longer period as is prescribed) beginning with the end of that period, give written notice of that fact to the Authority and to the members of the scheme.
- (5) If the employer fails to secure the required increase in value before the end of the period applicable under subsection (3), then so much of the shortfall as, at any subsequent time, has not been met by an increase in value under subsection (2) made—
- (a) by making an appropriate payment to the trustees or managers,
 - (b) by a prescribed method, or
 - (c) by contributions made before the end of that period,
- shall, if not a debt due from the employer to the trustees or managers apart from this subsection, be treated at that time as such a debt.
- (6) Where an increase in value is secured by a prescribed method, the increase is to be treated for the purposes of this section as being of an amount determined in accordance with regulations.
- (7) The Authority may in prescribed circumstances extend (or further extend) the period applicable under subsection (3).
- (8) If subsection (4) is not complied with—
- (a) section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance, and
 - (b) section 10 applies to any trustee or manager who has failed to take all such steps.

61 Sections 56 to 60: supplementary

Regulations may modify sections 56 to 60 as they apply in prescribed circumstances.

Equal treatment

62 The equal treatment rule

- (1) An occupational pension scheme which does not contain an equal treatment rule shall be treated as including one.
- (2) An equal treatment rule is a rule which relates to the terms on which—
 - (a) persons become members of the scheme, and
 - (b) members of the scheme are treated.
- (3) Subject to subsection (6), an equal treatment rule has the effect that where—
 - (a) a woman is employed on like work with a man in the same employment,
 - (b) a woman is employed on work rated as equivalent with that of a man in the same employment, or
 - (c) a woman is employed on work which, not being work in relation to which paragraph (a) or (b) applies, is, in terms of the demands made on her (for instance under such headings as effort, skill and decision) of equal value to that of a man in the same employment,but (apart from the rule) any of the terms referred to in subsection (2) is or becomes less favourable to the woman than it is to the man, the term shall be treated as so modified as not to be less favourable.
- (4) An equal treatment rule does not operate in relation to any difference as between a woman and a man in the operation of any of the terms referred to in subsection (2) if the trustees or managers of the scheme prove that the difference is genuinely due to a material factor which—
 - (a) is not the difference of sex, but
 - (b) is a material difference between the woman's case and the man's case.
- (5) References in subsection (4) and sections 63 to 65 to the terms referred to in subsection (2), or the effect of any of those terms, include—
 - (a) a term which confers on the trustees or managers of an occupational pension scheme, or any other person, a discretion which, in a case within any of paragraphs (a) to (c) of subsection (3)—
 - (i) may be exercised so as to affect the way in which persons become members of the scheme, or members of the scheme are treated, and
 - (ii) may (apart from the equal treatment rule) be so exercised in a way less favourable to the woman than to the man, and
 - (b) the effect of any exercise of such a discretion;and references to the terms on which members of the scheme are treated are to be read accordingly.
- (6) In the case of a term within subsection (5)(a) the effect of an equal treatment rule is that the term shall be treated as so modified as not to permit the discretion to be exercised in a way less favourable to the woman than to the man.

63 Equal treatment rule: supplementary

- (1) The reference in section 62(2) to the terms on which members of a scheme are treated includes those terms as they have effect for the benefit of dependants of members, and the reference in section 62(5) to the way in which members of a scheme are

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treated includes the way they are treated as it has effect for the benefit of dependants of members.

- (2) Where the effect of any of the terms referred to in section 62(2) on persons of the same sex differs according to their family or marital status, the effect of the term is to be compared for the purposes of section 62 with its effect on persons of the other sex who have the same status.
- (3) An equal treatment rule has effect subject to paragraphs 5 and 6 of Schedule 5 to the Social Security Act 1989 (employment-related benefit schemes: maternity and family leave provisions).
- (4) Section 62 shall be construed as one with section 1 of the Equal Pay Act 1970 (requirement of equal treatment for men and women in the same employment); and sections 2 and 2A of that Act (disputes and enforcement) shall have effect for the purposes of section 62 as if—
 - (a) references to an equality clause were to an equal treatment rule,
 - (b) references to employers and employees were to the trustees or managers of the scheme (on the one hand) and the members, or prospective members, of the scheme (on the other),
 - (c) for section 2(4) there were substituted—
 - “(4) No claim in respect of the operation of an equal treatment rule in respect of an occupational pension scheme shall be referred to an industrial tribunal otherwise than by virtue of subsection (3) above unless the woman concerned has been employed in a description or category of employment to which the scheme relates within the six months preceding the date of the reference”, and
 - (d) references to section 1(2)(c) of the Equal Pay Act 1970 were to section 62(3)(c) of this Act.
- (5) Regulations may make provision for the Equal Pay Act 1970 to have effect, in relation to an equal treatment rule, with prescribed modifications; and subsection (4) shall have effect subject to any regulations made by virtue of this subsection.
- (6) Section 62, so far as it relates to the terms on which members of a scheme are treated, is to be treated as having had effect in relation to any pensionable service on or after 17th May 1990.

64 Equal treatment rule: exceptions

- (1) An equal treatment rule does not operate in relation to any variation as between a woman and a man in the effect of any of the terms referred to in section 62(2) if the variation is permitted by or under any of the provisions of this section.
- (2) Where a man and a woman are eligible, in prescribed circumstances, to receive different amounts by way of pension, the variation is permitted by this subsection if, in prescribed circumstances, the differences are attributable only to differences between men and women in the benefits under sections 43 to 55 of the Social Security Contributions and Benefits Act 1992 (State retirement pensions) to which, in prescribed circumstances, they are or would be entitled.
- (3) A variation is permitted by this subsection if—

- (a) the variation consists of the application of actuarial factors which differ for men and women to the calculation of contributions to a scheme by employers, being factors which fall within a prescribed class or description, or
- (b) the variation consists of the application of actuarial factors which differ for men and women to the determination of benefits falling within a prescribed class or description;

and in this subsection “benefits” include any payment or other benefit made to or in respect of a person as a member of the scheme.

(4) Regulations may—

- (a) permit further variations, or
- (b) amend or repeal subsection (2) or (3);

and regulations made by virtue of this subsection may have effect in relation to pensionable service on or after 17th May 1990 and before the date on which the regulations are made.

65 Equal treatment rule: consequential alteration of schemes

(1) The trustees or managers of an occupational pension scheme may, if—

- (a) they do not (apart from this section) have power to make such alterations to the scheme as may be required to secure conformity with an equal treatment rule, or
- (b) they have such power but the procedure for doing so—
 - (i) is liable to be unduly complex or protracted, or
 - (ii) involves the obtaining of consents which cannot be obtained, or can only be obtained with undue delay or difficulty,

by resolution make such alterations to the scheme.

(2) The alterations may have effect in relation to a period before the alterations are made.

66 Equal treatment rule: effect on terms of employment, etc

(1) In section 6 of the Equal Pay Act 1970 (exclusions), for subsections (1A) and (2) (exclusion for terms related to death or retirement) there is substituted—

“(1B) An equality clause shall not operate in relation to terms relating to a person’s membership of, or rights under, an occupational pension scheme, being terms in relation to which, by reason only of any provision made by or under sections 62 to 64 of the Pensions Act 1995 (equal treatment), an equal treatment rule would not operate if the terms were included in the scheme.

(1C) In subsection (1B), “occupational pension scheme” has the same meaning as in the Pension Schemes Act 1993 and “equal treatment rule” has the meaning given by section 62 of the Pensions Act 1995”.

(2) In section 4(1) of the Sex Discrimination Act 1975 (victimisation of complainants etc.)—

- (a) in paragraphs (a), (b) and (c), after “Equal Pay Act 1970” there is inserted “or sections 62 to 65 of the Pensions Act 1995”, and
- (b) at the end of paragraph (d) there is added “or under sections 62 to 65 of the Pensions Act 1995”.

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- (3) In section 6 of the Sex Discrimination Act 1975 (discrimination against applicants and employees), for subsection (4) there is substituted—
- “(4) Subsections (1)(b) and (2) do not render it unlawful for a person to discriminate against a woman in relation to her membership of, or rights under, an occupational pension scheme in such a way that, were any term of the scheme to provide for discrimination in that way, then, by reason only of any provision made by or under sections 62 to 64 of the Pensions Act 1995 (equal treatment), an equal treatment rule would not operate in relation to that term.
- (4A) In subsection (4), “occupational pension scheme” has the same meaning as in the Pension Schemes Act 1993 and “equal treatment rule” has the meaning given by section 62 of the Pensions Act 1995”.
- (4) Regulations may make provision—
- (a) for the Equal Pay Act 1970 to have effect, in relation to terms of employment relating to membership of, or rights under, an occupational pension scheme with prescribed modifications, and
 - (b) for imposing requirements on employers as to the payment of contributions and otherwise in case of their failing or having failed to comply with any such terms.
- (5) References in subsection (4) to terms of employment include (where the context permits)—
- (a) any collective agreement or pay structure, and
 - (b) an agricultural wages order within section 5 of the Equal Pay Act 1970.

Modification of schemes

67 Restriction on powers to alter schemes

- (1) This section applies to any power conferred on any person by an occupational pension scheme (other than a public service pension scheme) to modify the scheme.
- (2) The power cannot be exercised on any occasion in a manner which would or might affect any entitlement, or accrued right, of any member of the scheme acquired before the power is exercised unless the requirements under subsection (3) are satisfied.
- (3) Those requirements are that, in respect of the exercise of the power in that manner on that occasion—
 - (a) the trustees have satisfied themselves that—
 - (i) the certification requirements, or
 - (ii) the requirements for consent,
 are met in respect of that member, and
 - (b) where the power is exercised by a person other than the trustees, the trustees have approved the exercise of the power in that manner on that occasion.
- (4) In subsection (3)—
 - (a) “the certification requirements” means prescribed requirements for the purpose of securing that no power to which this section applies is exercised in any manner which, in the opinion of an actuary, would adversely affect any

member of the scheme (without his consent) in respect of his entitlement, or accrued rights, acquired before the power is exercised, and

- (b) “the consent requirements” means prescribed requirements for the purpose of obtaining the consent of members of a scheme to the exercise of a power to which this section applies.

(5) Subsection (2) does not apply to the exercise of a power in a prescribed manner.

(6) Where a power to which this section applies may not (apart from this section) be exercised without the consent of any person, regulations may make provision for treating such consent as given in prescribed circumstances.

68 Power of trustees to modify schemes by resolution

(1) The trustees of a trust scheme may by resolution modify the scheme with a view to achieving any of the purposes specified in subsection (2).

(2) The purposes referred to in subsection (1) are—

- (a) to extend the class of persons who may receive benefits under the scheme in respect of the death of a member of the scheme,
(b) to enable the scheme to conform with such arrangements as are required by section 16(1) or 17(2),
(c) to enable the scheme to comply with such terms and conditions as may be imposed by the Compensation Board in relation to any payment made by them under section 83 or 84,
(d) to enable the scheme to conform with section 37(2), 76(2), 91 or 92, and
(e) prescribed purposes.

(3) No modification may be made by virtue of subsection (2)(a) without the consent of the employer.

(4) Modifications made by virtue of subsection (2)(b) may include in particular—

- (a) modification of any limit on the number of, or of any category of, trustees, or
(b) provision for the transfer or vesting of property.

(5) Nothing done by virtue of subsection (2)(d), or any corresponding provisions in force in Northern Ireland, shall be treated as effecting an alteration to the scheme in question for the purposes of section 591B (cessation of approval) of the Taxes Act 1988.

(6) Regulations may provide that this section does not apply to trust schemes falling within a prescribed class or description.

69 Grounds for applying for modifications

(1) The Authority may, on an application made to them by persons competent to do so, make an order in respect of an occupational pension scheme (other than a public service pension scheme)—

- (a) authorising the modification of the scheme with a view to achieving any of the purposes mentioned in subsection (3), or
(b) modifying the scheme with a view to achieving any such purpose.

(2) Regulations may make provision about the manner of dealing with applications under this section.

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- (3) The purposes referred to in subsection (1) are—
- (a) in the case of a scheme to which Schedule 22 to the Taxes Act 1988 (reduction of pension fund surpluses in certain exempt approved schemes) applies, to reduce or eliminate on any particular occasion any excess in accordance with any proposal submitted under paragraph 3(1) of that Schedule, where any requirements mentioned in section 37(4), and any other prescribed requirements, will be satisfied in relation to the reduction or elimination,
 - (b) in the case of an exempt approved scheme (within the meaning given by section 592(1) of the Taxes Act 1988) which is being wound up, to enable assets remaining after the liabilities of the scheme have been fully discharged to be distributed to the employer, where prescribed requirements in relation to the distribution are satisfied, or
 - (c) to enable the scheme to be so treated during a prescribed period that an employment to which the scheme applies may be contracted-out employment by reference to it.
- (4) The persons competent to make an application under this section are—
- (a) in the case of the purposes referred to in paragraph (a) or (b) of subsection (3), the trustees of the scheme, and
 - (b) in the case of the purposes referred to in paragraph (c) of that subsection—
 - (i) the trustees or managers of the scheme,
 - (ii) the employer, or
 - (iii) any person other than the trustees or managers who has power to alter the rules of the scheme.
- (5) An order under subsection (1)(a) must be framed—
- (a) if made with a view to achieving either of the purposes referred to in subsection (3)(a) or (b), so as to confer the power of modification on the trustees, and
 - (b) if made with a view to achieving the purposes referred to in subsection (3)(c), so as to confer the power of modification on such persons (who may include persons who were not parties to the application made to the Authority) as the Authority think appropriate.
- (6) Regulations may provide that in prescribed circumstances this section does not apply to occupational pension schemes falling within a prescribed class or description or applies to them with prescribed modifications.

70 Section 69: supplementary

- (1) The Authority may not make an order under section 69 unless they are satisfied that the purposes for which the application for the order was made—
- (a) cannot be achieved otherwise than by means of such an order, or
 - (b) can only be achieved in accordance with a procedure which—
 - (i) is liable to be unduly complex or protracted, or
 - (ii) involves the obtaining of consents which cannot be obtained, or can only be obtained with undue delay or difficulty.
- (2) The extent of the Authority's powers to make such an order is not limited, in relation to any purposes for which they are exercisable, to the minimum necessary to achieve those purposes.

- (3) The Authority may not make an order under section 69 with a view to achieving the purpose referred to in subsection (3)(c) of that section unless they are satisfied that it is reasonable in all the circumstances to make it.

71 Effect of orders under section 69

- (1) An order under paragraph (a) of subsection (1) of section 69 may enable those exercising any power conferred by the order to exercise it retrospectively (whether or not the power could otherwise be so exercised) and an order under paragraph (b) of that subsection may modify a scheme retrospectively.
- (2) Any modification of a scheme made in pursuance of an order of the Authority under section 69 is as effective in law as if it had been made under powers conferred by or under the scheme.
- (3) An order under section 69 may be made and complied with in relation to a scheme—
- (a) in spite of any enactment or rule of law, or any rule of the scheme, which would otherwise operate to prevent the modification being made, or
 - (b) without regard to any such enactment, rule of law or rule of the scheme as would otherwise require, or might otherwise be taken to require, the implementation of any procedure or the obtaining of any consent, with a view to the making of the modification.
- (4) In this section, “retrospectively” means with effect from a date before that on which the power is exercised or, as the case may be, the order is made.

72 Modification of public service pension schemes

- (1) The appropriate authority may make such provision for the modification of a public service pension scheme as could be made in respect of a scheme other than a public service pension scheme by an order of the Authority under section 69(1)(b).
- (2) In this section “the appropriate authority”, in relation to a scheme, means such Minister of the Crown or government department as may be designated by the Treasury as having responsibility for the particular scheme.
- (3) The powers of the appropriate authority under this section are exercisable by means of an order—
- (a) directly modifying the scheme (without regard, in the case of a scheme contained in or made under powers conferred by an enactment, to the terms of the enactment or any of its restrictions), or
 - (b) modifying an enactment under which the scheme was made or by virtue of which it has effect.
- (4) Any such order may adapt, amend or repeal any such enactment as is referred to in paragraph (a) or (b) of subsection (3) as that authority thinks appropriate.

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Winding up

73 Preferential liabilities on winding up

- (1) This section applies, where a salary related occupational pension scheme to which section 56 applies is being wound up, to determine the order in which the assets of the scheme are to be applied towards satisfying the liabilities in respect of pensions and other benefits (including increases in pensions).
- (2) The assets of the scheme must be applied first towards satisfying the amounts of the liabilities mentioned in subsection (3) and, if the assets are insufficient to satisfy those amounts in full, then—
 - (a) the assets must be applied first towards satisfying the amounts of the liabilities mentioned in earlier paragraphs of subsection (3) before the amounts of the liabilities mentioned in later paragraphs, and
 - (b) where the amounts of the liabilities mentioned in one of those paragraphs cannot be satisfied in full, those amounts must be satisfied in the same proportions.
- (3) The liabilities referred to in subsection (2) are—
 - (a) any liability for pensions or other benefits which, in the opinion of the trustees, are derived from the payment by any member of the scheme of voluntary contributions,
 - (b) where a person's entitlement to payment of pension or other benefit has arisen, liability for that pension or benefit and for any pension or other benefit which will be payable to dependants of that person on his death (but excluding increases to pensions),
 - (c) any liability for—
 - (i) pensions or other benefits which have accrued to or in respect of any members of the scheme (but excluding increases to pensions), or
 - (ii) (in respect of members with less than two years pensionable service) the return of contributions,
 - (d) any liability for increases to pensions referred to in paragraphs (b) and (c);and, for the purposes of subsection (2), the amounts of the liabilities mentioned in paragraphs (b) to (d) are to be taken to be the amounts calculated and verified in the prescribed manner.
- (4) To the extent that any liabilities, as calculated in accordance with the rules of the scheme, have not been satisfied under subsection (2), any remaining assets of the scheme must then be applied towards satisfying those liabilities (as so calculated) in the order provided for in the rules of the scheme.
- (5) If the scheme confers power on any person other than the trustees or managers to apply the assets of the scheme in respect of pensions or other benefits (including increases in pensions), it cannot be exercised by that person but may be exercised instead by the trustees or managers.
- (6) If this section is not complied with—
 - (a) section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance, and
 - (b) section 10 applies to any trustee or manager who has failed to take all such steps.

- (7) Regulations may modify subsection (3).
- (8) This section does not apply to an occupational pension scheme falling within a prescribed class or description.
- (9) This section shall have effect with prescribed modifications in cases where part of a salary related occupational pension scheme to which section 56 applies is being wound up.

74 Discharge of liabilities by insurance, etc

- (1) This section applies where a salary related occupational pension scheme to which section 56 applies, other than a scheme falling within a prescribed class or description, is being wound up.
- (2) A liability to or in respect of a member of the scheme in respect of pensions or other benefits (including increases in pensions) is to be treated as discharged (to the extent that it would not be so treated apart from this section) if the trustees or managers of the scheme have, in accordance with prescribed arrangements, provided for the discharge of the liability in one or more of the ways mentioned in subsection (3).
- (3) The ways referred to in subsection (2) are—
 - (a) by acquiring transfer credits allowed under the rules of another occupational pension scheme which satisfies prescribed requirements and the trustees or managers of which are able and willing to accept payment in respect of the member,
 - (b) by acquiring rights allowed under the rules of a personal pension scheme which satisfies prescribed requirements and the trustees or managers of which are able and willing to accept payment in respect of the member's accrued rights,
 - (c) by purchasing one or more annuities which satisfy prescribed requirements from one or more insurance companies, being companies willing to accept payment in respect of the member from the trustees or managers,
 - (d) by subscribing to other pension arrangements which satisfy prescribed requirements.
- (4) If the assets of the scheme are insufficient to satisfy in full the liabilities, as calculated in accordance with the rules of the scheme, in respect of pensions and other benefits (including increases in pensions), the reference in subsection (2) to providing for the discharge of any liability in one or more of the ways mentioned in subsection (3) is to applying any amount available, in accordance with section 73, in one or more of those ways.
- (5) Regulations may provide for this section—
 - (a) to have effect in relation to so much of any liability as may be determined in accordance with the regulations, or
 - (b) to have effect with prescribed modifications in relation to schemes falling within a prescribed class or description.

75 Deficiencies in the assets

- (1) If, in the case of an occupational pension scheme which is not a money purchase scheme, the value at the applicable time of the assets of the scheme is less than the

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amount at that time of the liabilities of the scheme, an amount equal to the difference shall be treated as a debt due from the employer to the trustees or managers of the scheme.

(2) If in the case of an occupational pension scheme which is not a money purchase scheme—

- (a) a relevant insolvency event occurs in relation to the employer, and
- (b) a debt due from the employer under subsection (1) has not been discharged at the time that event occurs,

the debt in question shall be taken, for the purposes of the law relating to winding up, bankruptcy or sequestration as it applies in relation to the employer, to arise immediately before that time.

(3) In this section “the applicable time” means —

- (a) if the scheme is being wound up before a relevant insolvency event occurs in relation to the employer, any time when it is being wound up before such an event occurs, and
- (b) otherwise, immediately before the relevant insolvency event occurs.

(4) For the purposes of this section a relevant insolvency event occurs in relation to the employer—

- (a) in England and Wales—
 - (i) where the employer is a company, when it goes into liquidation, within the meaning of section 247(2) of the Insolvency Act 1986, or
 - (ii) where the employer is an individual, at the commencement of his bankruptcy, within the meaning of section 278 of that Act, or
- (b) in Scotland—
 - (i) where the employer is a company, at the commencement of its winding up, within the meaning of section 129 of that Act, or
 - (ii) where the employer is a debtor within the meaning of the Bankruptcy (Scotland) Act 1985, on the date of sequestration as defined in section 12(4) of that Act.

(5) For the purposes of subsection (1), the liabilities and assets to be taken into account, and their amount or value, must be determined, calculated and verified by a prescribed person and in the prescribed manner.

(6) In calculating the value of any liabilities for those purposes, a provision of the scheme which limits the amount of its liabilities by reference to the amount of its assets is to be disregarded.

(7) This section does not prejudice any other right or remedy which the trustees or managers may have in respect of a deficiency in the scheme’s assets.

(8) A debt due by virtue only of this section shall not be regarded—

- (a) as a preferential debt for the purposes of the Insolvency Act 1986, or
- (b) as a preferred debt for the purposes of the Bankruptcy (Scotland) Act 1985.

(9) This section does not apply to an occupational pension scheme falling within a prescribed class or description.

(10) Regulations may modify this section as it applies in prescribed circumstances.

76 Excess assets on winding up

- (1) This section applies to a trust scheme in any circumstances if—
 - (a) it is an exempt approved scheme, within the meaning given by section 592(1) of the Taxes Act 1988,
 - (b) the scheme is being wound up, and
 - (c) in those circumstances power is conferred on the employer or the trustees to distribute assets to the employer on a winding up.
- (2) The power referred to in subsection (1)(c) cannot be exercised unless the requirements of subsections (3) and (in prescribed circumstances) (4), and any prescribed requirements, are satisfied.
- (3) The requirements of this subsection are that—
 - (a) the liabilities of the scheme have been fully discharged,
 - (b) where there is any power under the scheme, after the discharge of those liabilities, to distribute assets to any person other than the employer, the power has been exercised or a decision has been made not to exercise it,
 - (c) the annual rates of the pensions under the scheme which commence or have commenced are increased by the appropriate percentage, and
 - (d) notice has been given in accordance with prescribed requirements to the members of the scheme of the proposal to exercise the power.
- (4) The requirements of this subsection are that the Authority are of the opinion that—
 - (a) any requirements prescribed by virtue of subsection (2) are satisfied, and
 - (b) the requirements of subsection (3) are satisfied.
- (5) In subsection (3)—
 - (a) “annual rate” and “appropriate percentage” have the same meaning as in section 54, and
 - (b) “pension” does not include—
 - (i) any guaranteed minimum pension (as defined in section 8(2) of the Pension Schemes Act 1993) or any increase in such a pension under section 109 of that Act, or
 - (ii) any money purchase benefit (as defined in section 181(1) of that Act).
- (6) If, where this section applies to any trust scheme, the trustees purport to exercise the power referred to in subsection (1)(c) without complying with the requirements of this section, sections 3 and 10 apply to any of them who have failed to take all such steps as are reasonable to secure compliance.
- (7) If, where this section applies to any trust scheme, any person other than the trustees purports to exercise the power referred to in subsection (1)(c) without complying with the requirements of this section, section 10 applies to him.
- (8) Regulations may provide that, in prescribed circumstances, this section does not apply to schemes falling within a prescribed class or description, or applies to them with prescribed modifications.

77 Excess assets remaining after winding up: power to distribute

- (1) This section applies to a trust scheme in any circumstances if—

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- (a) it is an exempt approved scheme, within the meaning given by section 592(1) of the Taxes Act 1988,
 - (b) the scheme is being wound up,
 - (c) the liabilities of the scheme have been fully discharged,
 - (d) where there is any power under the scheme, after the discharge of those liabilities, to distribute assets to any person other than the employer, the power has been exercised or a decision has been made not to exercise it,
 - (e) any assets remain undistributed, and
 - (f) the scheme prohibits the distribution of assets to the employer in those circumstances.
- (2) The annual rates of the pensions under the scheme which commence or have commenced must be increased by the appropriate percentage, so far as the value of the undistributed assets allows.
- (3) In subsection (2)—
- (a) “annual rate” and “appropriate percentage” have the same meaning as in section 54, and
 - (b) “pension” does not include—
 - (i) any guaranteed minimum pension (as defined in section 8(2) of the Pension Schemes Act 1993) or any increase in such a pension under section 109 of that Act, or
 - (ii) any money purchase benefit (as defined in section 181(1) of that Act).
- (4) Where any assets remain undistributed after the discharge of the trustees' duty under subsection (2)—
- (a) the trustees must use those assets for the purpose of providing additional benefits or increasing the value of any benefits, but subject to prescribed limits, and
 - (b) the trustees may then distribute those assets (so far as undistributed) to the employer.
- (5) If, where this section applies to a trust scheme, the requirements of this section are not complied with, section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance.
- (6) Regulations may modify this section as it applies in prescribed circumstances.

The Pensions Compensation Board

78 The Compensation Board

- (1) There shall be a body corporate called the Pensions Compensation Board (referred to in this Part as “the Compensation Board”).
- (2) The Compensation Board shall consist of not less than three members appointed by the Secretary of State, one of whom shall be so appointed as chairman.
- (3) In addition to the chairman, the Board shall comprise—
 - (a) a member appointed after the Secretary of State has consulted—
 - (i) organisations appearing to him to be representative of employers, and
 - (ii) the chairman,

- (b) a member appointed after the Secretary of State has consulted—
 - (i) organisations appearing to him to be representative of employees, and
 - (ii) the chairman,and such other member or members as the Secretary of State may appoint after consultation with the chairman.
- (4) Payments made by the Compensation Board may be made on such terms (including terms requiring repayment in whole or in part) and on such conditions as the Board think appropriate.
- (5) The Compensation Board may borrow from an institution authorised under the Banking Act 1987 such sums as they may from time to time require for exercising any of their functions.
- (6) The aggregate amount outstanding in respect of the principal of any money borrowed by the Compensation Board under subsection (5) must not exceed the prescribed amount.
- (7) Neither the Compensation Board nor any person who is a member or employee of the Compensation Board shall be liable in damages for anything done or omitted in the discharge or purported discharge of the functions of the Compensation Board under this Part, or any corresponding provisions in force in Northern Ireland, unless it is shown that the act or omission was in bad faith.
- (8) Schedule 2 (constitution, procedure, etc. of the Compensation Board) shall have effect.

79 Reports to Secretary of State

- (1) The Compensation Board must prepare a report for the first twelve months of their existence, and a report for each succeeding period of twelve months, and must send each report to the Secretary of State as soon as practicable after the end of the period for which it is prepared.
- (2) A report prepared under this section for any period must deal with the activities of the Compensation Board in the period.
- (3) The Secretary of State must lay before each House of Parliament a copy of every report received by him under this section.

80 Review of decisions

- (1) Subject to the following provisions of this section, any determination by the Compensation Board of a question which it is within their functions to determine shall be final.
- (2) The Compensation Board may on the application of a person appearing to them to be interested—
 - (a) at any time review any such determination of theirs as is mentioned in subsection (1) (including a determination given by them on a previous review), if they are satisfied that there has been a relevant change of circumstances since the determination was made, or that the determination was made in ignorance of a material fact or based on a mistake as to a material fact or was erroneous in point of law, and

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- (b) at any time within a period of three months from the date of the determination, or within such longer period as they may allow in any particular case, review such a determination on any ground.
- (3) The Compensation Board’s powers on a review under this section include power—
- (a) to vary or revoke any determination previously made,
 - (b) to substitute a different determination, and
 - (c) generally to deal with the matters arising on the review as if they had arisen on the original determination;
- and also include power to make savings and transitional provisions.
- (4) Subject to subsection (5), regulations may make provision with respect to the procedure to be adopted on any application for a review under this section, or under any corresponding provision in force in Northern Ireland, and generally with respect to such applications and reviews.
- (5) Nothing in subsection (4) shall be taken to prevent such a review being entered upon by the Compensation Board without an application being made.

The compensation provisions

81 Cases where compensation provisions apply

- (1) Subject to subsection (2), this section applies to an application for compensation under section 82 in respect of an occupational pension scheme if all the following conditions are met—
- (a) the scheme is a trust scheme,
 - (b) the employer is insolvent,
 - (c) the value of the assets of the scheme has been reduced, and there are reasonable grounds for believing that the reduction was attributable to an act or omission constituting a prescribed offence,
 - (d) in the case of a salary related trust scheme, immediately before the date of the application the value of the assets of the scheme is less than 90 per cent. of the amount of the liabilities of the scheme, and
 - (e) it is reasonable in all the circumstances that the members of the scheme should be assisted by the Compensation Board paying to the trustees of the scheme, out of funds for the time being held by them, an amount determined in accordance with the compensation provisions.
- (2) Subsection (1) does not apply in respect of a trust scheme falling within a prescribed class or description; and paragraph (c) applies only to reductions in value since the appointed day.
- (3) In this Part the “compensation provisions” means the provisions of this section and sections 82 to 85; and below in the compensation provisions as they relate to a trust scheme—
- (a) “the application date” means the date of the application for compensation under section 82,
 - (b) “the appointed day” means the day appointed under section 180 for the commencement of this section,
 - (c) “the insolvency date” means the date on which the employer became insolvent,

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- (d) “the settlement date” means the date determined by the Compensation Board, after consulting the trustees, to be the date after which further recoveries of value are unlikely to be obtained without disproportionate cost or within a reasonable time,
 - (e) “the shortfall at the application date” means the amount of the reduction falling within subsection (1)(c) or (if there was more than one such reduction) the aggregate of the reductions, being the amount or aggregate immediately before the application date,
 - (f) “recovery of value” means any increase in the value of the assets of the scheme, being an increase attributable to any payment received (otherwise than from the Compensation Board) by the trustees of the scheme in respect of any act or omission—
 - (i) which there are reasonable grounds for believing constituted a prescribed offence, and
 - (ii) to which any reduction in value falling within subsection (1)(c) was attributable.
- (4) It is for the Compensation Board to determine whether anything received by the trustees of the scheme is to be treated as a payment received for any such act or omission as is referred to in subsection (3)(f); and in this section “payment” includes any money or money’s worth.
- (5) Where this section applies to an application for compensation under section 82, the trustees must obtain any recoveries of value, to the extent that they may do so without disproportionate cost and within a reasonable time.
- (6) If subsection (5) is not complied with, section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance.
- (7) Section 56(3) and (4) applies for the purposes of the compensation provisions as it applies for the purposes of sections 56 to 61.
- (8) Section 123 of the Pension Schemes Act 1993 (meaning of insolvency) applies for the purposes of the compensation provisions as it applies for the purposes of Chapter II of Part VII of that Act (unpaid scheme contributions).

82 Applications for payments

- (1) Compensation may be paid under section 83 only on an application to which section 81 applies made within the qualifying period by a prescribed person.
- (2) An application under this section must be made in the manner, and give the information, required by the Compensation Board.
- (3) For the purposes of this section the “qualifying period”, subject to subsection (5), is the period expiring with the period of twelve months mentioned in subsection (4).
- (4) The period of twelve months referred to in subsection (3) is that beginning with the later of the following times—
 - (a) the insolvency date,
 - (b) when the auditor or actuary of the scheme, or the trustees, knew or ought reasonably to have known that a reduction of value falling within section 81(1)(c) had occurred,being, in each case, a time after the appointed day.

- (5) The Compensation Board may extend, or further extend, the qualifying period.

83 Amount of compensation

- (1) Where in the opinion of the Compensation Board section 81 applies to an application for compensation under section 82 in respect of a trust scheme, and the Board have determined the settlement date, the Board may make a payment or payments to the trustees of the scheme in accordance with this section.
- (2) The amount of any payment must be determined in accordance with regulations and must take account of any payment already made under section 84, and the Compensation Board must give written notice of their determination to the person who made the application under section 82 and (if different) to the trustees.
- (3) The amount of the payment or (if there is more than one) the aggregate—
- (a) must not exceed 90 per cent. of the shortfall at the application date, together with interest at the prescribed rate for the prescribed period on the shortfall or (if the shortfall comprises more than one reduction in value) on each of the reductions, and also,
 - (b) in the case of a salary related scheme, must not exceed the amount which, on the settlement date, is required to be paid to the trustees of the scheme in order to secure that the value on that date of the assets of the scheme is equal to 90 per cent. of the amount on that date of the liabilities of the scheme.

84 Payments made in anticipation

- (1) The Compensation Board may, on an application for compensation under section 82, make a payment or payments to the trustees of a trust scheme where in their opinion—
- (a) section 81 applies, or may apply, to the application, and
 - (b) the trustees would not otherwise be able to meet liabilities falling within a prescribed class,
- but the Board have not determined the settlement date.
- (2) Amounts payable under this section must be determined in accordance with regulations.
- (3) Where any payment is made under this section, the Compensation Board may, except in prescribed circumstances—
- (a) if they subsequently form the opinion that section 81 does not apply to the application for compensation in respect of the scheme, or
 - (b) if they subsequently form the opinion that the amount of the payment was excessive,
- recover so much of the payment as they consider appropriate.

85 Surplus funds

- (1) If the Secretary of State, after consultation with the Compensation Board, considers that the funds for the time being held by the Board exceed what is reasonably required for the purpose of exercising their functions under this Part, he may by order require them to distribute any of those funds appearing to him to be surplus to their requirements among occupational pension schemes.

- (2) A distribution under subsection (1) must be made in the prescribed manner and subject to the prescribed conditions.
- (3) The Compensation Board may invest any funds for the time being held by them which appear to them to be surplus to their requirements—
 - (a) in any investment for the time being falling within Part I, Part II or Part III of Schedule 1 to the Trustee Investments Act 1961, or
 - (b) in any prescribed investment.

86 Modification of compensation provisions

Regulations may modify the compensation provisions in their application to trust schemes falling within a prescribed class or description.

Money purchase schemes

87 Schedules of payments to money purchase schemes

- (1) This section applies to an occupational pension scheme which is a money purchase scheme, other than one falling within a prescribed class or description.
- (2) The trustees or managers of every occupational pension scheme to which this section applies must secure that there is prepared, maintained and from time to time revised a schedule (referred to in this section and section 88 as a “payment schedule”) showing—
 - (a) the rates of contributions payable towards the scheme by or on behalf of the employer and the active members of the scheme,
 - (b) such other amounts payable towards the scheme as may be prescribed, and
 - (c) the dates on or before which payments of such contributions or other amounts are to be made (referred to in those sections as “due dates”).
- (3) The payment schedule for a scheme must satisfy prescribed requirements.
- (4) The matters shown in the payment schedule for a scheme—
 - (a) to the extent that the scheme makes provision for their determination, must be so determined, and
 - (b) otherwise,
 - (i) must be matters previously agreed between the employer and the trustees or managers of the scheme, or
 - (ii) if no such agreement has been made as to all matters shown in the schedule (other than those for whose determination the scheme makes provision), must be matters determined by the trustees or managers of the scheme.
- (5) Where in the case of a scheme this section is not complied with—
 - (a) section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance, and
 - (b) section 10 applies to any trustee or manager who has failed to take all such steps.

88 Schedules of payments to money purchase schemes: supplementary

- (1) Except in prescribed circumstances, the trustees or managers of an occupational pension scheme to which section 87 applies must, where any amounts payable in accordance with the payment schedule have not been paid on or before the due date, give notice of that fact, within the prescribed period, to the Authority and to the members of the scheme.
- (2) Any such amounts which for the time being remain unpaid after that date (whether payable by the employer or not) shall, if not a debt due from the employer to the trustees or managers apart from this subsection, be treated as such a debt.
- (3) Where any amounts payable in accordance with the payment schedule by or on behalf of the employer have not been paid on or before the due date, section 10 applies to the employer.
- (4) If, in the case of an occupational pension scheme to which section 87 applies, subsection (1) is not complied with—
 - (a) section 3 applies to any trustee who has failed to take all such steps as are reasonable to secure compliance, and
 - (b) section 10 applies to any trustee or manager who has failed to take all such steps.

89 Application of further provisions to money purchase schemes

- (1) In the case of money purchase schemes falling within a prescribed class or description, regulations may—
 - (a) provide for any of the provisions of sections 56 to 60 to apply, or apply with prescribed modifications (in spite of anything in those sections), and
 - (b) provide for any of the provisions of sections 87 and 88 to apply with prescribed modifications or not to apply,to such extent as may be prescribed.
- (2) Regulations may provide for any of the provisions of section 75 to apply, or apply with prescribed modifications, to money purchase schemes to such extent as may be prescribed (in spite of anything in that section), and the power conferred by this subsection includes power to apply section 75 in circumstances other than those in which the scheme is being wound up or a relevant insolvency event occurs (within the meaning of that section).

90 Unpaid contributions in cases of insolvency

In section 124 of the Pension Schemes Act 1993 (duty of Secretary of State to pay unpaid contributions to schemes), after subsection (3) there is inserted—

“(3A) Where the scheme in question is a money purchase scheme, the sum payable under this section by virtue of subsection (3) shall be the lesser of the amounts mentioned in paragraphs (a) and (c) of that subsection”, and, accordingly, at the beginning of subsection (3) there is inserted “Subject to subsection (3A),”.

Assignment, forfeiture, bankruptcy etc.

91 Inalienability of occupational pension

- (1) Subject to subsection (5), where a person is entitled, or has an accrued right, to a pension under an occupational pension scheme—
 - (a) the entitlement or right cannot be assigned, commuted or surrendered,
 - (b) the entitlement or right cannot be charged or a lien exercised in respect of it, and
 - (c) no set-off can be exercised in respect of it,and an agreement to effect any of those things is unenforceable.
- (2) Where by virtue of this section a person's entitlement, or accrued right, to a pension under an occupational pension scheme cannot, apart from subsection (5), be assigned, no order can be made by any court the effect of which would be that he would be restrained from receiving that pension.
- (3) Where a bankruptcy order is made against a person, any entitlement or right of his which by virtue of this section cannot, apart from subsection (5), be assigned is excluded from his estate for the purposes of Parts VIII to XI of the Insolvency Act 1986 or the Bankruptcy (Scotland) Act 1985.
- (4) Subsection (2) does not prevent the making of—
 - (a) an attachment of earnings order under the Attachment of Earnings Act 1971, or
 - (b) an income payments order under the Insolvency Act 1986.
- (5) In the case of a person (“the person in question”) who is entitled, or has an accrued right, to a pension under an occupational pension scheme, subsection (1) does not apply to any of the following, or any agreement to effect any of the following—
 - (a) an assignment in favour of the person in question's widow, widower or dependant,
 - (b) a surrender, at the option of the person in question, for the purpose of—
 - (i) providing benefits for that person's widow, widower or dependant, or
 - (ii) acquiring for the person in question entitlement to further benefits under the scheme,
 - (c) a commutation—
 - (i) of the person in question's benefit on or after retirement or in exceptional circumstances of serious ill health,
 - (ii) in prescribed circumstances, of any benefit for that person's widow, widower or dependant, or
 - (iii) in other prescribed circumstances,
 - (d) subject to subsection (6), a charge or lien on, or set-off against, the person in question's entitlement, or accrued right, to pension (except to the extent that it includes transfer credits other than prescribed transfer credits) for the purpose of enabling the employer to obtain the discharge by him of some monetary obligation due to the employer and arising out of a criminal, negligent or fraudulent act or omission by him,
 - (e) subject to subsection (6), except in prescribed circumstances a charge or lien on, or set-off against, the person in question's entitlement, or accrued right, to

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pension, for the purpose of discharging some monetary obligation due from the person in question to the scheme and—

- (i) arising out of a criminal, negligent or fraudulent act or omission by him, or
 - (ii) in the case of a trust scheme of which the person in question is a trustee, arising out of a breach of trust by him.
- (6) Where a charge, lien or set-off is exercisable by virtue of subsection (5)(d) or (e)—
- (a) its amount must not exceed the amount of the monetary obligation in question, or (if less) the value (determined in the prescribed manner) of the person in question's entitlement or accrued right, and
 - (b) the person in question must be given a certificate showing the amount of the charge, lien or set-off and its effect on his benefits under the scheme,
- and where there is a dispute as to its amount, the charge, lien or set-off must not be exercised unless the obligation in question has become enforceable under an order of a competent court or in consequence of an award of an arbitrator or, in Scotland, an arbiter to be appointed (failing agreement between the parties) by the sheriff.
- (7) This section is subject to section 159 of the Pension Schemes Act 1993 (inalienability of guaranteed minimum pension and protected rights payments).

92 Forfeiture, etc

- (1) Subject to the provisions of this section and section 93, an entitlement, or accrued right, to a pension under an occupational pension scheme cannot be forfeited.
- (2) Subsection (1) does not prevent forfeiture by reference to—
- (a) a transaction or purported transaction which under section 91 is of no effect, or
 - (b) the bankruptcy of the person entitled to the pension or whose right to it has accrued,
- whether or not that event occurred before or after the pension became payable.
- (3) Where such forfeiture as is mentioned in subsection (2) occurs, any pension which was, or would but for the forfeiture have become, payable may, if the trustees or managers of the scheme so determine, be paid to all or any of the following—
- (a) the member of the scheme to or in respect of whom the pension was, or would have become, payable,
 - (b) the spouse, widow or widower of the member,
 - (c) any dependant of the member, and
 - (d) any other person falling within a prescribed class.
- (4) Subsection (1) does not prevent forfeiture by reference to the person entitled to the pension, or whose right to it has accrued, having been convicted of one or more offences—
- (a) which are committed before the pension becomes payable, and
 - (b) which are—
 - (i) offences of treason,
 - (ii) offences under the Official Secrets Acts 1911 to 1989 for which the person has been sentenced on the same occasion to a term of imprisonment of, or to two or more consecutive terms amounting in the aggregate to, at least 10 years, or

- (iii) prescribed offences.
- (5) Subsection (1) does not prevent forfeiture by reference to a failure by any person to make a claim for pension—
 - (a) where the forfeiture is in reliance on any enactment relating to the limitation of actions, or
 - (b) where the claim is not made within six years of the date on which the pension becomes due.
- (6) Subsection (1) does not prevent forfeiture in prescribed circumstances.
- (7) In this section and section 93, references to forfeiture include any manner of deprivation or suspension.

93 Forfeiture by reference to obligation to employer

- (1) Subject to subsection (2), section 92(1) does not prevent forfeiture of a person's entitlement, or accrued right, to a pension under an occupational pension scheme by reference to the person having incurred some monetary obligation due to the employer and arising out of a criminal, negligent or fraudulent act or omission by the person.
- (2) A person's entitlement or accrued right to a pension may be forfeited by reason of subsection (1) to the extent only that it does not exceed the amount of the monetary obligation in question, or (if less) the value (determined in the prescribed manner) of the person's entitlement or accrued right to a pension under the scheme.
- (3) Such forfeiture as is mentioned in subsection (1) must not take effect where there is a dispute as to the amount of the monetary obligation in question, unless the obligation has become enforceable under an order of a competent court or in consequence of an award of an arbitrator or, in Scotland, an arbiter to be appointed (failing agreement between the parties) by the sheriff.
- (4) Where a person's entitlement or accrued right to a pension is forfeited by reason of subsection (1), the person must be given a certificate showing the amount forfeited and the effect of the forfeiture on his benefits under the scheme.
- (5) Where such forfeiture as is mentioned in subsection (1) occurs, an amount not exceeding the amount forfeited may, if the trustees or managers of the scheme so determine, be paid to the employer.

94 Sections 91 to 93: supplementary

- (1) Regulations may—
 - (a) modify sections 91 to 93 in their application to public service pension schemes or to other schemes falling within a prescribed class or description, or
 - (b) provide that those sections do not apply in relation to schemes falling within a prescribed class or description.
- (2) In those sections, "pension" in relation to an occupational pension scheme, includes any benefit under the scheme and any part of a pension and any payment by way of pension.
- (3) In the application of sections 91 and 92 to Scotland—

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- (a) references to a charge are to be read as references to a right in security or a diligence and “charged” is to be interpreted accordingly,
- (b) references to assignment are to be read as references to assignation and “assign” is to be interpreted accordingly,
- (c) the reference to a person’s bankruptcy is to be read as a reference to the sequestration of his estate or the appointment on his estate of a judicial factor under section 41 of the Solicitors (Scotland) Act 1980,
- (d) the reference to an income payments order under the Insolvency Act 1986 is to be read as a reference to an order under section 32(2) of the Bankruptcy (Scotland) Act 1985, and
- (e) the reference to the making of a bankruptcy order is to be read as a reference to the award of sequestration or the making of the appointment of such a judicial factor.

95 Pension rights of individuals adjudged bankrupt etc

- (1) After section 342 of the Insolvency Act 1986 (adjustment of certain transactions entered into by individuals subsequently adjudged bankrupt), there is inserted—

“342A Recovery of excessive pension contributions

- (1) Where an individual is adjudged bankrupt and—
- (a) he has during the relevant period made contributions as a member of an occupational pension scheme, or
 - (b) contributions have during the relevant period been made to such a scheme on his behalf,
- the trustee of the bankrupt’s estate may apply to the court for an order under this section.
- (2) If, on an application for an order under this section, the court is satisfied that the making of any of the contributions (“the excessive contributions”) has unfairly prejudiced the individual’s creditors, the court may make such order as it thinks fit for restoring the position to what it would have been if the excessive contributions had not been made.
- (3) The court shall, in determining whether it is satisfied under subsection (2), consider in particular—
- (a) whether any of the contributions were made by or on behalf of the individual for the purpose of putting assets beyond the reach of his creditors or any of them,
 - (b) whether the total amount of contributions made by or on behalf of the individual (including contributions made to any other occupational pension scheme) during the relevant period was excessive in view of the individual’s circumstances at the time when they were made, and
 - (c) whether the level of benefits under the scheme, together with benefits under any other occupational pension scheme, to which the individual is entitled, or is likely to become entitled, is excessive in all the circumstances of the case.

342B Orders under section 342A

- (1) Without prejudice to the generality of section 342A(2), an order under that section may include provision—
 - (a) requiring the trustees or managers of the scheme to pay an amount to the individual's trustee in bankruptcy,
 - (b) reducing the amount of any benefit to which the individual (or his spouse, widow, widower or dependant) is entitled, or to which he has an accrued right, under the scheme,
 - (c) reducing the amount of any benefit to which, by virtue of any assignment, commutation or surrender of the individual's entitlement (or that of his spouse, widow, widower or dependant) or accrued right under the scheme, another person is entitled or has an accrued right,
 - (d) otherwise adjusting the liabilities of the scheme in respect of any such person as is mentioned in paragraph (b) or (c).
- (2) The maximum amount by which an order under section 342A may require the assets of an occupational pension scheme to be reduced is the lesser of—
 - (a) the amount of the excessive contributions, and
 - (b) the value (determined in the prescribed manner) of the assets of the scheme which represent contributions made by or on behalf of the individual.
- (3) Subject to subsections (4) and (5), an order under section 342A must reduce the amount of the liabilities of the scheme by an amount equal to the amount of the reduction made in the value of the assets of the scheme.
- (4) Subsection (3) does not apply where the individual's entitlement or accrued right to benefits under the scheme which he acquired by virtue of the excessive contributions (his "excessive entitlement") has been forfeited.
- (5) Where part of the individual's excessive entitlement has been forfeited, the amount of the reduction in the liabilities of the scheme required by subsection (3) is the value of the remaining part of his excessive entitlement.
- (6) An order under section 342A in respect of an occupational pension scheme shall be binding on the trustees or managers of the scheme.

342C Orders under section 342A: supplementary

- (1) Nothing in—
 - (a) any provision of section 159 of the Pension Schemes Act 1993 or section 91 of the Pensions Act 1995 (which prevent assignment, or orders being made restraining a person from receiving anything which he is prevented from assigning, and make provision in relation to a person's pension on bankruptcy),
 - (b) any provision of any enactment (whether passed or made before or after the passing of the Pensions Act 1995) corresponding to any of the provisions mentioned in paragraph (a), or
 - (c) any provision of the scheme in question corresponding to any of those provisions,

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applies to a court exercising its powers under section 342A.

- (2) Where any sum is required by an order under section 342A to be paid to the trustee in bankruptcy, that sum shall be comprised in the bankrupt's estate.
 - (3) Where contributions have been made during the relevant period to any occupational pension scheme and the entitlement or accrued right to benefits acquired thereby has been transferred to a second or subsequent occupational pension scheme ("the transferee scheme"), sections 342A and 342B and this section shall apply as though the contributions had been made to the transferee scheme.
 - (4) For the purposes of this section and sections 342A and 342B—
 - (a) contributions are made during the relevant period if—
 - (i) they are made by or on behalf of the individual at any time during the period of 5 years ending with the day of presentation of the bankruptcy petition on which the individual is adjudged bankrupt, or
 - (ii) they are made on behalf of the individual at any time during the period between the presentation of the petition and the commencement of the bankruptcy,

and

 - (b) the accrued rights of an individual under an occupational pension scheme at any time are the rights which have accrued to or in respect of him at that time to future benefits under the scheme.
 - (5) In this section and sections 342A and 342B—

"occupational pension scheme" has the meaning given by section 1 of the Pension Schemes Act 1993, and

"trustees or managers", in relation to an occupational pension scheme, means—

 - (a) in the case of a scheme established under a trust, the trustees of the scheme, and
 - (b) in any other case, the managers of the scheme."
- (2) After section 36 of the Bankruptcy (Scotland) Act 1985 there is inserted—

"36A Recovery of excessive pension contributions

- (1) Where a debtor's estate has been sequestrated and—
 - (a) he has during the relevant period made contributions as a member of an occupational pension scheme; or
 - (b) contributions have during the relevant period been made to such a scheme on his behalf;

the permanent trustee may apply to the court for an order under this section.
- (2) If, on an application for an order under this section, the court is satisfied that the making of any of the contributions ("the excessive contributions") has unfairly prejudiced the debtor's creditors, the court may make such order as it thinks fit for restoring the position to what it would have been if the excessive contributions had not been made.

- (3) The court shall, in determining whether it is satisfied under subsection (2) above, consider in particular—
- (a) whether any of the contributions were made by or on behalf of the debtor for the purpose of putting assets beyond the reach of his creditors or any of them;
 - (b) whether the total amount of contributions made by or on behalf of the debtor (including contributions made to any other occupational pension scheme) during the relevant period was excessive in view of the debtor's circumstances at the time when they were made; and
 - (c) whether the level of benefits under the scheme, together with benefits under any other occupational pension scheme, to which the debtor is entitled, or is likely to become entitled, is excessive in all the circumstances of the case.

36B Orders under section 36A

- (1) Without prejudice to the generality of subsection (2) of section 36A of this Act, an order under that section may include provision—
- (a) requiring the trustees or managers of the scheme to pay an amount to the permanent trustee;
 - (b) reducing the amount of any benefit to which the debtor (or his spouse, widow, widower or dependant) is entitled, or to which he has an accrued right, under the scheme;
 - (c) reducing the amount of any benefit to which, by virtue of any assignation, commutation or surrender of the debtor's entitlement (or that of his spouse, widow, widower or dependant) or accrued right under the scheme, another person is entitled or has an accrued right;
 - (d) otherwise adjusting the liabilities of the scheme in respect of any such person as is mentioned in paragraph (b) or (c) above.
- (2) The maximum amount by which an order under section 36A of this Act may require the assets of an occupational pension scheme to be reduced is the lesser of—
- (a) the amount of the excessive contributions; and
 - (b) the value (determined in the prescribed manner) of the assets of the scheme which represent contributions made by or on behalf of the debtor.
- (3) Subject to subsections (4) and (5) below, an order under section 36A of this Act must reduce the amount of the liabilities of the scheme by an amount equal to the amount of the reduction made in the value of the assets of the scheme.
- (4) Subsection (3) above does not apply where the debtor's entitlement or accrued right to benefits under the scheme which he acquired by virtue of the excessive contributions (his "excessive entitlement") has been forfeited.
- (5) Where part of the debtor's excessive entitlement has been forfeited, the amount of the reduction in the liabilities of the scheme required by subsection (3) above is the value of the remaining part of his excessive entitlement.

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- (6) An order under section 36A of this Act in respect of an occupational pension scheme shall be binding on the trustees or managers of the scheme.
- (7) The court may, on the application of any person having an interest, review, rescind or vary an order under section 36A of this Act.

36C Orders under section 36A: supplementary

- (1) Nothing in—
 - (a) any provision of section 159 of the Pension Schemes Act 1993 or 91 of the Pensions Act 1995 (which prevent assignation, or orders being made restraining a person from receiving anything which he is prevented from assigning, and make provision in relation to a person’s pension on sequestration);
 - (b) any provision of any enactment (whether passed or made before or after the passing of the Pensions Act 1995) corresponding to any of the provisions mentioned in paragraph (a) above; or
 - (c) any provision of the scheme in question corresponding to any of those provisions,
 applies to a court exercising its powers under section 36A of this Act.
- (2) Where any sum is required by an order under section 36A of this Act to be paid to the permanent trustee, that sum shall be comprised in the debtor’s estate.
- (3) Where contributions have been made during the relevant period to any occupational pension scheme and the entitlement or accrued right to benefits acquired thereby has been transferred to a second or subsequent occupational pension scheme (“the transferee scheme”), sections 36A and 36B of this Act and this section shall apply as though the contributions had been made to the transferee scheme.
- (4) For the purposes of this section and sections 36A and 36B of this Act—
 - (a) contributions are made during the relevant period if they are made at any time during the period of 5 years ending with the date of sequestration; and
 - (b) the accrued rights of a debtor under an occupational pension scheme at any time are the rights which have accrued to or in respect of him at that time to future benefits under the scheme.
- (5) In this section and sections 36A and 36B of this Act—
 - “occupational pension scheme” has the meaning given by section 1 of the Pension Schemes Act 1993; and
 - “trustees or managers”, in relation to an occupational pension scheme, means—
 - (a) in the case of a scheme established under a trust, the trustees of the scheme; and
 - (b) in any other case, the managers of the scheme.”

Questioning the decisions of the Authority

96 Review of decisions

- (1) Subject to the following provisions of this section and to section 97, any determination by the Authority of a question which it is within their functions to determine shall be final.
- (2) The Authority must, on the application of any person (“the applicant”) at any time within the prescribed period, review any determination of theirs—
 - (a) to make an order against the applicant under section 3,
 - (b) to require the applicant to pay a penalty under section 10 of this Act or section 168(4) of the Pension Schemes Act 1993, or
 - (c) to disqualify the applicant from being a trustee of any trust scheme under section 29(3) or (4).
- (3) The Authority may on the application of a person appearing to them to be interested—
 - (a) at any time review any other such determination of theirs as is mentioned in subsection (1) (including a determination given by them on a previous review), if they are satisfied that there has been a relevant change of circumstances since the determination was made, or that the determination was made in ignorance of a material fact or based on a mistake as to a material fact or was erroneous in point of law,
 - (b) at any time within a period of six months from the date of the determination, or within such longer period as they may allow in any particular case, review such a determination on any ground.
- (4) The Authority’s powers on a review under subsection (2) or (3) include power—
 - (a) to vary or revoke any determination or order previously made,
 - (b) to substitute a different determination or order, and
 - (c) generally to deal with the matters arising on the review as if they had arisen on the original determination;and also include power to make savings and transitional provisions.
- (5) Subject to subsection (6), regulations may make provision with respect to the procedure to be adopted on any application for a review under subsection (2) or (3) or under any corresponding provision in force in Northern Ireland and generally with respect to such applications and reviews.
- (6) Nothing in subsection (5) shall be taken to prevent such a review being entered upon by the Authority without an application being made.

97 References and appeals from the Authority

- (1) Any question of law arising in connection with—
 - (a) any matter arising under this Part for determination, or
 - (b) any matter arising on an application to the Authority for a review of a determination, or on a review by them entered upon without an application,may, if the Authority think fit, be referred for decision to the court.
- (2) If the Authority determine in accordance with subsection (1) to refer any question of law to the court, they must give notice in writing of their intention to do so—

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- (a) in a case where the question arises on an application made to the Authority, to the applicant, and
 - (b) in any case to such persons as appear to them to be concerned with the question.
- (3) Any person who is aggrieved—
- (a) by a determination of the Authority given on a review under section 96, or
 - (b) by the refusal of the Authority to review a determination,
- where the determination involves a question of law and that question is not referred by the Authority to the court under subsection (1), may on that question appeal from the determination to the court.
- (4) The Authority is entitled to appear and be heard on any reference or appeal under this section.
- (5) The rules of court must include provision for regulating references and appeals to the court under this section and for limiting the time within which such appeals may be brought.
- (6) The decision of the court on a reference or appeal under this section is final, and this subsection overrides any other enactment.
- (7) On any such reference or appeal the court may order the Authority to pay the costs or, in Scotland, the expenses of any other person, whether or not the decision is in that other person's favour and whether or not the Authority appear on the reference or appeal.
- (8) In this section “the court” means the High Court or the Court of Session.

Gathering information: the Authority

98 Provision of information

- (1) In the case of any occupational pension scheme—
- (a) a trustee, manager, professional adviser or employer, and
 - (b) any other person appearing to the Authority to be a person who holds, or is likely to hold, information relevant to the discharge of the Authority's functions,
- must, if required to do so by them by notice in writing, produce any document relevant to the discharge of those functions.
- (2) To comply with subsection (1) the document must be produced in such a manner, at such a place and within such a period as may be specified in the notice.
- (3) In this section and sections 99 to 101, “document” includes information recorded in any form, and any reference to production of a document, in relation to information recorded otherwise than in legible form, is to producing a copy of the information in legible form.

99 Inspection of premises

- (1) An inspector may, for the purposes of investigating whether, in the case of any occupational pension scheme, the regulatory provisions are being, or have been,

complied with, at any reasonable time enter premises liable to inspection and, while there—

- (a) may make such examination and inquiry as may be necessary for such purposes,
- (b) may require any person on the premises to produce, or secure the production of, any document relevant to compliance with those provisions for his inspection, and
- (c) may, as to any matter relevant to compliance with those provisions, examine, or require to be examined, either alone or in the presence of another person, any person on the premises whom he has reasonable cause to believe to be able to give information relevant to that matter.

(2) In subsection (1), “the regulatory provisions” means provisions made by or under—

- (a) the provisions of this Part, other than the following provisions: sections 51 to 54, 62 to 65 and 110 to 112,
- (b) the following provisions of the Pension Schemes Act 1993: section 6 (registration), Chapter IV of Part IV (transfer values), section 113 (information) or section 175 (levy), or
- (c) any corresponding provisions in force in Northern Ireland.

(3) Premises are liable to inspection for the purposes of this section if the inspector has reasonable grounds to believe that—

- (a) members of the scheme are employed there,
- (b) documents relevant to the administration of the scheme are being kept there, or
- (c) the administration of the scheme, or work connected with the administration of the scheme, is being carried out there,

unless the premises are a private dwelling-house not used by, or by permission of, the occupier for the purposes of a trade or business.

(4) An inspector applying for admission to any premises for the purposes of this section must, if so required, produce his certificate of appointment.

(5) In this Part “inspector” means a person appointed by the Authority as an inspector.

100 Warrants

(1) A justice of the peace may issue a warrant under this section if satisfied on information on oath given by or on behalf of the Authority that there are reasonable grounds for believing—

- (a) that there are on any premises documents whose production has been required under section 98(1) or 99(1)(b), or any corresponding provisions in force in Northern Ireland, and which have not been produced in compliance with the requirement,
- (b) that there are on any premises documents whose production could be so required and that if their production were so required the documents would not be produced but would be removed from the premises, hidden, tampered with or destroyed, or
- (c) that—
 - (i) an offence has been committed under this Act or the Pension Schemes Act 1993, or any enactment in force in Northern Ireland corresponding to either of them,

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- (ii) a person will do any act which constitutes a misuse or misappropriation of the assets of an occupational pension scheme,
 - (iii) a person is liable to pay a penalty under section 10 of this Act or section 168(4) of the Pension Schemes Act 1993, or any enactment in force in Northern Ireland corresponding to either of them, or
 - (iv) a person is liable to be prohibited from being a trustee of a trust scheme under section 3,
- and that there are on any premises documents which relate to whether the offence has been committed, whether the act will be done, or whether the person is so liable, and whose production could be required under section 98(1) or 99(1)(b) or any corresponding provisions in force in Northern Ireland.
- (2) A warrant under this section shall authorise an inspector—
 - (a) to enter the premises specified in the information, using such force as is reasonably necessary for the purpose,
 - (b) to search the premises and take possession of any documents appearing to be such documents as are mentioned in subsection (1) or to take in relation to such documents any other steps which appear necessary for preserving them or preventing interference with them,
 - (c) to take copies of any such documents, or
 - (d) to require any person named in the warrant to provide an explanation of them or to state where they may be found.
 - (3) A warrant under this section shall continue in force until the end of the period of one month beginning with the day on which it is issued.
 - (4) Any documents of which possession is taken by virtue of a warrant under this section may be retained—
 - (a) for a period of six months, or
 - (b) if within that period proceedings to which the documents are relevant are commenced against any person for any offence under this Act or the Pension Schemes Act 1993, or any enactment in force in Northern Ireland corresponding to either of them, until the conclusion of those proceedings.
 - (5) In the application of this section in Scotland—
 - (a) the reference to a justice of the peace is to be read as a reference to a justice within the meaning of the Criminal Procedure (Scotland) Act 1975, and
 - (b) the references to information are to be read as references to evidence.

101 Information and inspection: penalties

- (1) A person who, without reasonable excuse, neglects or refuses to produce a document when required to do so under section 98 is guilty of an offence.
- (2) A person who without reasonable excuse—
 - (a) intentionally delays or obstructs an inspector exercising any power under section 99,
 - (b) neglects or refuses to produce, or secure the production of, any document when required to do so under that section, or
 - (c) neglects or refuses to answer a question or to provide information when so required,

is guilty of an offence.

- (3) A person guilty of an offence under subsection (1) or (2) is liable on summary conviction to a fine not exceeding level 5 on the standard scale.
- (4) An offence under subsection (1) or (2)(b) or (c) may be charged by reference to any day or longer period of time; and a person may be convicted of a second or subsequent offence by reference to any period of time following the preceding conviction of the offence.
- (5) Any person who knowingly or recklessly provides the Authority with information which is false or misleading in a material particular is guilty of an offence if the information—
 - (a) is provided in purported compliance with a requirement under section 99, or
 - (b) is provided otherwise than as mentioned in paragraph (a) above but in circumstances in which the person providing the information intends, or could reasonably be expected to know, that it would be used by the Authority for the purpose of discharging their functions under this Act.
- (6) Any person who intentionally and without reasonable excuse alters, suppresses, conceals or destroys any document which he is or is liable to be required under section 98 or 99 to produce to the Authority is guilty of an offence.
- (7) Any person guilty of an offence under subsection (5) or (6) is liable—
 - (a) on summary conviction, to a fine not exceeding the statutory maximum,
 - (b) on conviction on indictment, to imprisonment or a fine, or both.

102 Savings for certain privileges etc

- (1) Nothing in sections 98 to 101 requires a person to answer any question or give any information if to do so would incriminate that person or that person's spouse.
- (2) Nothing in those sections requires any person to produce any document to the Authority, or to any person acting on their behalf, if he would be entitled to refuse to produce the document in any proceedings in any court on the grounds that it was the subject of legal professional privilege or, in Scotland, that it contained a confidential communication made by or to an advocate or solicitor in that capacity.
- (3) Where a person claims a lien on a document, its production under section 98 or 99 shall be without prejudice to the lien.

103 Publishing reports

- (1) The Authority may, if they consider it appropriate to do so in any particular case, publish in such form and manner as they think fit a report of any investigation under this Part and of the result of that investigation.
- (2) For the purposes of the law of defamation, the publication of any matter by the Authority shall be absolutely privileged.

Disclosure of information: the Authority

104 Restricted information

- (1) Except as provided by sections 106 to 108, restricted information must not be disclosed by the Authority or by any person who receives the information directly or indirectly from them, except with the consent of the person to whom it relates and (if different) the person from whom the Authority obtained it.
- (2) For the purposes of this section and sections 105 to 108, “restricted information” means any information obtained by the Authority in the exercise of their functions which relates to the business or other affairs of any person, except for information—
 - (a) which at the time of the disclosure is or has already been made available to the public from other sources, or
 - (b) which is in the form of a summary or collection of information so framed as not to enable information relating to any particular person to be ascertained from it.
- (3) Any person who discloses information in contravention of this section is guilty of an offence and liable—
 - (a) on summary conviction, to a fine not exceeding the statutory maximum, and
 - (b) on conviction on indictment, to a fine or imprisonment, or both.

105 Information supplied to the Authority by corresponding overseas authorities

- (1) Subject to subsection (2), for the purposes of section 104, “restricted information” includes information which has been supplied to the Authority for the purposes of their functions by an authority which exercises functions corresponding to the functions of the Authority in a country or territory outside the United Kingdom.
- (2) Sections 106 to 108 do not apply to such information as is mentioned in subsection (1), and such information must not be disclosed except—
 - (a) as provided in section 104,
 - (b) for the purpose of enabling or assisting the Authority to discharge their functions, or
 - (c) with a view to the institution of, or otherwise for the purposes of, criminal proceedings, whether under this Act or otherwise.

106 Disclosure for facilitating discharge of functions by the Authority

- (1) Section 104 does not preclude the disclosure of restricted information in any case in which disclosure is for the purpose of enabling or assisting the Authority to discharge their functions.
- (2) If, in order to enable or assist the Authority properly to discharge any of their functions, the Authority consider it necessary to seek advice from any qualified person on any matter of law, accountancy, valuation or other matter requiring the exercise of professional skill, section 104 does not preclude the disclosure by the Authority to that person of such information as appears to the Authority to be necessary to ensure that he is properly informed with respect to the matters on which his advice is sought.

107 Disclosure for facilitating discharge of functions by other supervisory authorities

- (1) Section 104 does not preclude the disclosure by the Authority of restricted information to any person specified in the first column of the following Table if the Authority consider that the disclosure would enable or assist that person to discharge the functions specified in relation to him in the second column of that Table.

TABLE

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|---|---|
| The Secretary of State. | Functions under the Insurance Companies Act 1982, Part XIV of the Companies Act 1985, the Insolvency Act 1986, the Financial Services Act 1986, Part III of the Companies Act 1989 or Part III of the Pension Schemes Act 1993. |
| The Treasury. | Functions under the Financial Services Act 1986. |
| The Bank of England. | Functions under the Banking Act 1987 or any other functions. |
| The Charity Commissioners. | Functions under the Charities Act 1993. |
| The Lord Advocate. | Functions under Part I of the Law Reform (Miscellaneous Provisions) (Scotland) Act 1990. |
| The Pensions Ombudsman and the Registrar of Occupational and Personal Pension Schemes. | Functions under the Pension Schemes Act 1993 or the Pension Schemes (Northern Ireland) Act 1993. |
| The Compensation Board. | Functions under this Act or any corresponding enactment in force in Northern Ireland. |
| The Policyholders Protection Board. | Functions under the Policyholders Protection Act 1975. |
| The Deposit Protection Board. | Functions under the Banking Act 1987. |
| The Investor Protection Board. | Functions under the Building Societies Act 1986. |
| The Friendly Societies Commission. | Functions under the enactments relating to friendly societies. |
| The Building Societies Commission. | Functions under the Building Societies Act 1986. |
| The Commissioners of Inland Revenue or their officers. | Functions under the Taxes Act 1988 or the Taxation of Chargeable Gains Act 1992. |
| The Official Receiver, or, in Northern Ireland, the Official Receiver for Northern Ireland. | Functions under the enactments relating to insolvency. |

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| An inspector appointed by the Secretary of State. | Functions under Part XIV of the Companies Act 1985 or section 94 or 177 of the Financial Services Act 1986. |
| A person authorised to exercise powers under section 43A or 44 of the Insurance Companies Act 1982, section 447 of the Companies Act 1985, section 106 of the Financial Services Act 1986, Article 440 of the Companies (Northern Ireland) Order 1986, or section 84 of the Companies Act 1989. | Functions under those sections or that Article. |
| A designated agency or transferee body or the competent authority (within the meaning of the Financial Services Act 1986). | Functions under the Financial Services Act 1986. |
| A recognised self-regulating organisation, recognised professional body, recognised investment exchange or recognised clearing house (within the meaning of the Financial Services Act 1986). | Functions in its capacity as an organisation, body, exchange or clearing house recognised under the Financial Services Act 1986. |
| A person administering a scheme for compensating investors under section 54 of the Financial Services Act 1986. | Functions under that section. |
| A recognised professional body (within the meaning of section 391 of the Insolvency Act 1986). | Functions in its capacity as such a body under that Act. |
| The Department of Economic Development in Northern Ireland. | Functions under Part XV of the Companies (Northern Ireland) Order 1986, the Insolvency (Northern Ireland) Order 1989 or Part II of the Companies (No. 2)(Northern Ireland) Order 1990. |
| The Department of Health and Social Services for Northern Ireland. | Functions under Part III of the Pension Schemes (Northern Ireland) Act 1993. |
| An inspector appointed by the Department of Economic Development in Northern Ireland. | Functions under Part XV of the Companies (Northern Ireland) Order 1986. |
| A recognised professional body within the meaning of Article 350 of the Insolvency (Northern Ireland) Order 1989. | Functions in its capacity as such a body under that Order. |

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- (2) The Secretary of State may after consultation with the Authority—
- (a) by order amend the Table in subsection (1) by—
 - (i) adding any person exercising regulatory functions and specifying functions in relation to that person,
 - (ii) removing any person for the time being specified in the Table, or

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- (iii) altering the functions for the time being specified in the Table in relation to any person, or
- (b) by order restrict the circumstances in which, or impose conditions subject to which, disclosure may be made to any person for the time being specified in the Table.

108 Other permitted disclosures

- (1) Section 104 does not preclude the disclosure by the Authority of restricted information to—
 - (a) the Secretary of State, or
 - (b) the Department of Health and Social Services for Northern Ireland,if the disclosure appears to the Authority to be desirable or expedient in the interests of members of occupational pension schemes or in the public interest.
- (2) Section 104 does not preclude the disclosure of restricted information—
 - (a) with a view to the institution of, or otherwise for the purposes of, criminal proceedings, whether under this Act or otherwise,
 - (b) in connection with any other proceedings arising out of—
 - (i) this Act, or
 - (ii) the Pension Schemes Act 1993,or any corresponding enactment in force in Northern Ireland or any proceedings for breach of trust in relation to an occupational pension scheme,
 - (c) with a view to the institution of, or otherwise for the purposes of, proceedings under section 7 or 8 of the Company Directors Disqualification Act 1986 or Article 10 or 11 of the Companies (Northern Ireland) Order 1989,
 - (d) in connection with any proceedings under the Insolvency Act 1986 or the Insolvency (Northern Ireland) Order 1989 which the Authority have instituted or in which they have a right to be heard,
 - (e) with a view to the institution of, or otherwise for the purposes of, any disciplinary proceedings relating to the exercise of his professional duties by a solicitor, an actuary or an accountant,
 - (f) with a view to the institution of, or otherwise for the purposes of, any disciplinary proceedings relating to the discharge by a public servant of his duties,
 - (g) for the purpose of enabling or assisting an authority in a country outside the United Kingdom to exercise functions corresponding to those of the Authority under this Act, or
 - (h) in pursuance of a Community obligation.
- (3) Section 104 does not preclude the disclosure by the Authority of information to the Director of Public Prosecutions, the Director of Public Prosecutions for Northern Ireland, the Lord Advocate, a procurator fiscal or a constable.
- (4) Section 104 does not preclude the disclosure by any person mentioned in subsection (1) or (3) of information obtained by the person by virtue of that subsection, if the disclosure is made with the consent of the Authority.
- (5) Section 104 does not preclude the disclosure by any person specified in the first column of the Table in section 107 of information obtained by the person by virtue of that subsection, if the disclosure is made—

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- (a) with the consent of the Authority, and
 - (b) for the purpose of enabling or assisting the person to discharge any functions specified in relation to him in the second column of the Table.
- (6) The Authority must, before deciding whether to give their consent to such a disclosure as is mentioned in subsection (4) or (5), take account of any representations made to them by the person seeking to make the disclosure as to the desirability of the disclosure or the necessity for it.
- (7) In subsection (2), “public servant” means an officer or servant of the Crown or of any prescribed authority.

109 Disclosure of information by the Inland Revenue

- (1) This section applies to information held by any person in the exercise of tax functions about any matter relevant, for the purposes of those functions, to tax or duty in the case of an identifiable person (in this section referred to as “tax information”).
- (2) No obligation as to secrecy imposed by section 182 of the Finance Act 1989 or otherwise shall prevent the disclosure of tax information to the Authority for the purpose of enabling or assisting the Authority to discharge their functions.
- (3) Where tax information is disclosed to the Authority by virtue of subsection (2), it shall, subject to subsection (4), be treated for the purposes of section 104 as restricted information.
- (4) Sections 106 to 108 do not apply to tax information and such information must not be disclosed except—
- (a) to, or in accordance with authority duly given by, the Commissioners of Inland Revenue or the Commissioners of Customs and Excise, or
 - (b) with a view to the institution of, or otherwise for the purposes of, criminal proceedings under this Act or the Pension Schemes Act 1993, or any enactment in force in Northern Ireland corresponding to either of them.
- (5) In this section “tax functions” has the same meaning as in section 182 of the Finance Act 1989.

Gathering information: the Compensation Board

110 Provision of information

- (1) In the case of any trust scheme—
- (a) a trustee, professional adviser or employer, and
 - (b) any other person appearing to the Compensation Board to be a person who holds, or is likely to hold, information relevant to the discharge of the Board’s functions,
- must, if required to do so by the Board by notice in writing, produce any document relevant to the discharge of those functions.
- (2) To comply with subsection (1) the document must be produced in such a manner, at such a place and within such a period as may be specified in the notice.

- (3) In this section and section 111, “document” includes information recorded in any form, and any reference to production of a document, in relation to information recorded otherwise than in legible form, is to producing a copy of the information in legible form.

111 Information: penalties

- (1) A person who without reasonable excuse neglects or refuses to produce a document when required to do so under section 110 is guilty of an offence.
- (2) A person guilty of an offence under subsection (1) is liable on summary conviction to a fine not exceeding level 5 on the standard scale.
- (3) An offence under subsection (1) may be charged by reference to any day or longer period of time; and a person may be convicted of a second or subsequent offence by reference to any period of time following the preceding conviction of the offence.
- (4) Any person who knowingly or recklessly provides the Compensation Board with information which is false or misleading in a material particular is guilty of an offence if the information is provided in circumstances in which the person providing the information intends, or could reasonably be expected to know, that it would be used by the Board for the purpose of discharging their functions under this Act or any corresponding enactment in force in Northern Ireland.
- (5) Any person who intentionally and without reasonable excuse alters, suppresses, conceals or destroys any document which he is or is liable to be required under section 110 to produce to the Compensation Board is guilty of an offence.
- (6) Any person guilty of an offence under subsection (4) or (5) is liable—
- (a) on summary conviction, to a fine not exceeding the statutory maximum,
 - (b) on conviction on indictment, to imprisonment or a fine, or both.

112 Savings for certain privileges

Nothing in section 110 or 111 requires a person—

- (a) to answer any question or give any information if to do so would incriminate that person or that person’s spouse, or
- (b) to produce any document if he would be entitled to refuse to produce the document in any proceedings in any court on the grounds that it was the subject of legal professional privilege or, in Scotland, that it contained a confidential communication made by or to an advocate or solicitor in that capacity.

113 Publishing reports

- (1) The Compensation Board may, if they consider it appropriate to do so in any particular case, publish in such form and manner as they think fit a report of any investigation under this Part and of the result of that investigation.
- (2) For the purposes of the law of defamation, the publication of any matter by the Compensation Board shall be absolutely privileged.

114 Disclosure of information

- (1) A person to whom this section applies may disclose to the Compensation Board any information received by him under or for the purposes of any enactment if the disclosure is made by him for the purpose of enabling or assisting the Board to discharge any of their functions.
- (2) In the case of information which a person holds or has held in the exercise of functions—
 - (a) of the Commissioners of Inland Revenue or their officers, and
 - (b) relating to any tax within the general responsibility of the Commissioners,subsection (1) does not authorise any disclosure unless made in accordance with an authorisation given by the Commissioners.
- (3) Subject to subsection (4), the Compensation Board may disclose to a person to whom this section applies any information received by them under or for the purposes of any enactment, where the disclosure is made by the Board—
 - (a) for any purpose connected with the discharge of their functions, or
 - (b) for the purpose of enabling or assisting that person to discharge any of his functions.
- (4) Where any information disclosed to the Compensation Board under this section is so disclosed subject to any express restriction on the disclosure of the information by the Board, the Board's power of disclosure under subsection (3) is, in relation to the information, exercisable by them subject to any such restriction.
- (5) In the case of any such information as is mentioned in subsection (2), subsection (3) does not authorise any disclosure of that information by the Compensation Board unless made—
 - (a) to, or in accordance with authority duly given by, the Commissioners of Inland Revenue or the Commissioners of Customs and Excise, or
 - (b) with a view to the institution of, or otherwise for the purposes of, criminal proceedings under this Act or the Pension Schemes Act 1993, or any enactment in force in Northern Ireland corresponding to either of them.
- (6) Nothing in this section shall be construed as affecting any power of disclosure exercisable apart from this section.
- (7) This section applies to the following (and, accordingly, in this section “person” shall be construed as including any of them)—
 - (a) any department of the Government (including the government of Northern Ireland),
 - (b) the Director of Public Prosecutions,
 - (c) the Director of Public Prosecutions for Northern Ireland,
 - (d) the Lord Advocate,
 - (e) any constable,
 - (f) any designated agency or recognised self-regulating organisation (within the meaning of the Financial Services Act 1986),
 - (g) a recognised professional body (within the meaning of section 391 of the Insolvency Act 1986),
 - (h) the Pensions Ombudsman,
 - (j) the Policyholders Protection Board,

- (k) the Authority,
- (l) the Registrar of Occupational and Personal Pension Schemes,
- (m) the Official Receiver, or, in Northern Ireland, the Official Receiver for Northern Ireland, and
- (n) such other persons as may be prescribed.

General

115 Offences by bodies corporate and partnerships

- (1) Where an offence under this Part committed by a body corporate is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, a director, manager, secretary or other similar officer of the body, or a person purporting to act in any such capacity, he as well as the body corporate is guilty of the offence and liable to be proceeded against and punished accordingly.
- (2) Where the affairs of a body corporate are managed by its members, subsection (1) applies in relation to the acts and defaults of a member in connection with his functions of management as to a director of a body corporate.
- (3) Where an offence under this Part committed by a Scottish partnership is proved to have been committed with the consent or connivance of, or to be attributable to any neglect on the part of, a partner, he as well as the partnership is guilty of the offence and liable to be proceeded against and punished accordingly.

116 Breach of regulations

- (1) Regulations made by virtue of any provision of this Part may provide for the contravention of any provision contained in any such regulations to be an offence under this Part and for the recovery on summary conviction for any such offence of a fine not exceeding level 5 on the standard scale.
- (2) An offence under any provision of the regulations may be charged by reference to any day or longer period of time; and a person may be convicted of a second or subsequent offence under such a provision by reference to any period of time following the preceding conviction of the offence.
- (3) Where by reason of the contravention of any provision contained in regulations made by virtue of this Part—
 - (a) a person is convicted of an offence under this Part, or
 - (b) a person pays a penalty under section 10,then, in respect of that contravention, he shall not, in a case within paragraph (a), be liable to pay such a penalty or, in a case within paragraph (b), be convicted of such an offence.

117 Overriding requirements

- (1) Where any provision mentioned in subsection (2) conflicts with the provisions of an occupational pension scheme—
 - (a) the provision mentioned in subsection (2), to the extent that it conflicts, overrides the provisions of the scheme, and

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- (b) the scheme has effect with such modifications as may be required in consequence of paragraph (a).
- (2) The provisions referred to in subsection (1) are those of—
- (a) this Part,
 - (b) any subordinate legislation made or having effect as if made under this Part, or
 - (c) any arrangements under section 16(1) or 17(2).

118 Powers to modify this Part

- (1) Regulations may modify any provisions of this Part, in their application—
- (a) to a trust scheme which applies to earners in employments under different employers,
 - (b) to a trust scheme of which there are no members who are in pensionable service under the scheme, or
 - (c) to any case where a partnership is the employer, or one of the employers, in relation to a trust scheme.
- (2) Regulations may provide for sections 22 to 26, and section 117 (so far as it applies to those sections), not to apply in relation to a trust scheme falling within a prescribed class or description.

119 Calculations etc. under regulations: sub-delegation

Regulations made by virtue of section 56(3), 73(3) or 75 may provide for the values of the assets and the amounts of the liabilities there mentioned to be calculated and verified in accordance with guidance—

- (a) prepared and from time to time revised by a prescribed body, and
- (b) approved by the Secretary of State.

120 Consultations about regulations

- (1) Before the Secretary of State makes any regulations by virtue of this Part, he must consult such persons as he considers appropriate.
- (2) Subsection (1) does not apply—
- (a) to regulations made for the purpose only of consolidating other regulations revoked by them,
 - (b) to regulations in the case of which the Secretary of State considers consultation inexpedient because of urgency,
 - (c) to regulations made before the end of the period of six months beginning with the coming into force of the provision of this Part by virtue of which the regulations are made, or
 - (d) to regulations which—
 - (i) state that they are consequential upon a specified enactment, and
 - (ii) are made before the end of the period of six months beginning with the coming into force of that enactment.

121 Crown application

- (1) This Part applies to an occupational pension scheme managed by or on behalf of the Crown as it applies to other occupational pension schemes; and, accordingly, references in this Part to a person in his capacity as a trustee or manager of an occupational pension scheme include the Crown, or a person acting on behalf of the Crown, in that capacity.
- (2) References in this Part to a person in his capacity as employer in relation to an occupational pension scheme include the Crown, or a person acting on behalf of the Crown, in that capacity.
- (3) This section does not apply to any provision made by or under this Part under which a person may be prosecuted for an offence; but such a provision applies to persons in the public service of the Crown as it applies to other persons.
- (4) This section does not apply to sections 42 to 46.
- (5) Nothing in this Part applies to Her Majesty in Her private capacity (within the meaning of the Crown Proceedings Act 1947).

122 Consequential amendments

Schedule 3 (amendments consequential on this Part) shall have effect.

123 “Connected” and “associated” persons

- (1) Sections 249 and 435 of the Insolvency Act 1986 (connected and associated persons) shall apply for the purposes of the provisions of this Act listed in subsection (3) as they apply for the purposes of that Act.
- (2) Section 74 of the Bankruptcy (Scotland) Act 1985 (associated persons) shall apply for the purposes of the provisions so listed as it applies for the purposes of that Act.
- (3) The provisions referred to in subsections (1) and (2) are—
 - (a) section 23(3)(b),
 - (b) sections 27 and 28,
 - (c) section 40,but in the case of section 40 the provisions mentioned in subsections (1) and (2) shall apply for those purposes with any prescribed modifications.

124 Interpretation of Part I

- (1) In this Part—
 - “active member”, in relation to an occupational pension scheme, means a person who is in pensionable service under the scheme,
 - “the actuary” and “the auditor”, in relation to an occupational pension scheme, have the meanings given by section 47,
 - “the Authority” has the meaning given by section 1(1),
 - “the Compensation Board” has the meaning given by section 78(1),
 - “the compensation provisions” has the meaning given by section 81(3),
 - “contravention” includes failure to comply,

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“deferred member”, in relation to an occupational pension scheme, means a person (other than an active or pensioner member) who has accrued rights under the scheme,

“employer”, in relation to an occupational pension scheme, means the employer of persons in the description or category of employment to which the scheme in question relates (but see section 125(3)),

“equal treatment rule” has the meaning given by section 62,

“firm” means a body corporate or a partnership,

“fund manager”, in relation to an occupational pension scheme, means a person who manages the investments held for the purposes of the scheme,

“independent trustee” has the meaning given by section 23(3),

“managers”, in relation to an occupational pension scheme other than a trust scheme, means the persons responsible for the management of the scheme,

“member”, in relation to an occupational pension scheme, means any active, deferred or pensioner member (but see section 125(4)),

“member-nominated director” has the meaning given by section 18(2),

“member-nominated trustee” has the meaning given by section 16(2),

“the minimum funding requirement” has the meaning given by section 56,

“normal pension age” has the meaning given by section 180 of the Pension Schemes Act 1993,

“payment schedule” has the meaning given by section 87(2),

“pensionable service”, in relation to a member of an occupational pension scheme, means service in any description or category of employment to which the scheme relates which qualifies the member (on the assumption that it continues for the appropriate period) for pension or other benefits under the scheme,

“pensioner member”, in relation to an occupational pension scheme, means a person who in respect of his pensionable service under the scheme or by reason of transfer credits, is entitled to the present payment of pension or other benefits,

“prescribed” means prescribed by regulations,

“professional adviser”, in relation to a scheme, has the meaning given by section 47,

“public service pension scheme” has the meaning given by section 1 of the Pension Schemes Act 1993,

“regulations” means regulations made by the Secretary of State,

“resources”, in relation to an occupational pension scheme, means the funds out of which the benefits provided by the scheme are payable from time to time, including the proceeds of any policy of insurance taken out, or annuity contract entered into, for the purposes of the scheme,

“Scottish partnership” means a partnership constituted under the law of Scotland,

“the Taxes Act 1988” means the Income and Corporation Taxes Act 1988,

“transfer credits” means rights allowed to a member under the rules of an occupational pension scheme by reference to a transfer to that scheme of his accrued rights from another scheme (including any transfer credits allowed by that scheme),

“trustees or managers”, in relation to an occupational pension scheme, means—

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- (a) in the case of a trust scheme, the trustees of the scheme, and
 - (b) in any other case, the managers of the scheme,
- “trust scheme” means an occupational pension scheme established under a trust.
- (2) For the purposes of this Part—
- (a) the accrued rights of a member of an occupational pension scheme at any time are the rights which have accrued to or in respect of him at that time to future benefits under the scheme, and
 - (b) at any time when the pensionable service of a member of an occupational pension scheme is continuing, his accrued rights are to be determined as if he had opted, immediately before that time, to terminate that service;
- and references to accrued pension or accrued benefits are to be interpreted accordingly.
- (3) In determining what is “pensionable service” for the purposes of this Part—
- (a) service notionally attributable for any purpose of the scheme is to be disregarded, and
 - (b) no account is to be taken of any rules of the scheme by which a period of service can be treated for any purpose as being longer or shorter than it actually is.
- (4) In the application of this Part to Scotland, in relation to conviction on indictment, references to imprisonment are to be read as references to imprisonment for a term not exceeding two years.
- (5) Subject to the provisions of this Act, expressions used in this Act and in the Pension Schemes Act 1993 have the same meaning in this Act as in that.

125 Section 124: supplementary

- (1) For the purposes of this Part, an occupational pension scheme is salary related if—
- (a) the scheme is not a money purchase scheme, and
 - (b) the scheme does not fall within a prescribed class or description,
- and “salary related trust scheme” is to be read accordingly.
- (2) Regulations may apply this Part with prescribed modifications to occupational pension schemes—
- (a) which are not money purchase schemes, but
 - (b) where some of the benefits that may be provided are money purchase benefits.
- (3) Regulations may, in relation to occupational pension schemes, extend for the purposes of this Part the meaning of “employer” to include persons who have been the employer in relation to the scheme.
- (4) For any of the purposes of this Part, regulations may in relation to occupational pension schemes—
- (a) extend or restrict the meaning of “member”,
 - (b) determine who is to be treated as a prospective member, and
 - (c) determine the times at which a person is to be treated as becoming, or as ceasing to be, a member or prospective member.

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PART II

STATE PENSIONS

126 Equalisation of pensionable age and of entitlement to certain benefits

Schedule 4 to this Act, of which—

- (a) Part I has effect to equalise pensionable age for men and women progressively over a period of ten years beginning with 6th April 2010,
 - (b) Part II makes provision for bringing equality for men and women to certain pension and other benefits, and
 - (c) Part III makes consequential amendments of enactments,
- shall have effect.

127 Enhancement of additional pension, etc. where family credit or disability working allowance paid

- (1) After section 45 of the Social Security Contributions and Benefits Act 1992 (additional pension in a Category A retirement pension) there is inserted—

“45A Effect of family credit and disability working allowance on earnings factor

- (1) For the purpose of calculating additional pension under sections 44 and 45 above where, in the case of any relevant year, family credit is paid in respect of any employed earner, or disability working allowance is paid to any employed earner, section 44(6)(a)(i) above shall have effect as if—
 - (a) where that person had earnings of not less than the qualifying earnings factor for that year, being earnings upon which primary Class 1 contributions were paid or treated as paid (“qualifying earnings”) in respect of that year, the amount of those qualifying earnings were increased by the aggregate amount (call it “AG”) of family credit or, as the case may be, disability working allowance paid in respect of that year, and
 - (b) in any other case, that person had qualifying earnings in respect of that year and the amount of those qualifying earnings were equal to AG plus the qualifying earnings factor for that year.
- (2) The reference in subsection (1) above to the person in respect of whom family credit is paid—
 - (a) where it is paid to one of a married or unmarried couple, is a reference to the prescribed member of the couple, and
 - (b) in any other case, is a reference to the person to whom it is paid.
- (3) A person’s qualifying earnings in respect of any year cannot be treated by virtue of subsection (1) above as exceeding the upper earnings limit for that year multiplied by fifty-three.
- (4) Subsection (1) above does not apply to any woman who has made, or is treated as having made, an election under regulations under section 19(4) above, which has not been revoked, that her liability in respect of primary Class 1 contributions shall be at a reduced rate.

- (5) In this section—
- “married couple” and “unmarried couple” (defined in section 137 below) have the same meaning as in Part VII, and
- “relevant year” has the same meaning as in section 44 above.”
- (2) Accordingly, in the following provisions of the Social Security Contributions and Benefits Act 1992, for “sections 44 and 45” there is substituted “sections 44 to 45A”: sections 39(1) to (3), 50(3) to (5) and 51(2) and (3).
- (3) Subject to subsections (4) and (5) below, this section applies to a person (“the pensioner”) who attains pensionable age after 5th April 1999 and, in relation to such persons, has effect for 1995-96 and subsequent tax years.
- (4) Where the pensioner is a woman, this section has effect in the case of additional pension falling to be calculated under sections 44 and 45 of the Social Security Contributions and Benefits Act 1992 by virtue of section 39 of that Act (widowed mother’s allowance and widow’s pension), including Category B retirement pension payable under section 48B(4), if her husband—
- (a) dies after 5th April 1999, and
- (b) has not attained pensionable age on or before that date.
- (5) This section has effect where additional pension falls to be calculated under sections 44 and 45 of the Social Security Contributions and Benefits Act 1992 as applied by sections 48A or 48B(2) of that Act (other Category B retirement pension) if—
- (a) the pensioner attains pensionable age after 5th April 1999, and
- (b) the pensioner’s spouse has not attained pensionable age on or before that date.

128 Additional pension: calculation of surpluses

- (1) In section 44 of the Social Security Contributions and Benefits Act 1992 (Category A retirement pension), for subsection (5) (surplus on which additional pension is calculated) there is substituted—
- “(5A) For the purposes of this section and section 45 below—
- (a) there is a surplus in the pensioner’s earnings factor for a relevant year if that factor exceeds the qualifying earnings factor for that year, and
- (b) the amount of the surplus is the amount of that excess, as increased by the last order under section 148 of the Administration Act to come into force before the end of the final relevant year”.
- (2) In subsection (6) of that section (calculation of earnings factors), for paragraphs (a) (ii) and (b) there is substituted—
- “(ii) his earnings factors derived from Class 2 and Class 3 contributions actually paid in respect of that year, or, if less, the qualifying earnings factor for that year; and
- (b) where the relevant year is an earlier tax year, to the aggregate of—
- (i) his earnings factors derived from Class 1 contributions actually paid by him in respect of that year, and
- (ii) his earnings factors derived from Class 2 and Class 3 contributions actually paid by him in respect of that year, or, if less, the qualifying earnings factor for that year.”

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- (3) Section 148 of the Social Security Administration Act 1992 (revaluation of earnings factors) shall have effect in relation to surpluses in a person's earnings factors under section 44(5A) of the Social Security Contributions and Benefits Act 1992 as it has effect in relation to earnings factors.
- (4) Subject to subsections (5) and (6) below, this section has effect in relation to a person ("the pensioner") who attains pensionable age after 5th April 2000.
- (5) Where the pensioner is a woman, this section has effect in the case of additional pension falling to be calculated under sections 44 and 45 of the Social Security Contributions and Benefits Act 1992 by virtue of section 39 of that Act (widowed mother's allowance and widow's pension), including Category B retirement pension payable under section 48B(4), if her husband—
- (a) dies after 5th April 2000, and
 - (b) has not attained pensionable age on or before that date.
- (6) This section has effect where additional pension falls to be calculated under sections 44 and 45 of the Social Security Contributions and Benefits Act 1992 as applied by section 48A or 48B(2) of that Act (other Category B retirement pension) if—
- (a) the pensioner attains pensionable age after 5th April 2000, and
 - (b) the pensioner's spouse has not attained pensionable age on or before that date.

129 Contribution conditions

In Schedule 3 to the Social Security Contributions and Benefits Act 1992 (contribution conditions), in paragraph 5(3)(a) (conditions for widowed mother's allowance, widow's pension and Category A and Category B retirement pension), after "class" there is inserted "or been credited (in the case of 1987-88 or any subsequent year) with earnings".

130 Up-rating of pensions increased under section 52 of the Social Security Contributions and Benefits Act

- (1) For section 156 of the Social Security Administration Act 1992 there is substituted—

“156 Up-rating under section 150 above of pensions increased under section 52(3) of the Contributions and Benefits Act

- (1) This section applies in any case where a person is entitled to a Category A retirement pension with an increase, under section 52(3) of the Contributions and Benefits Act, in the additional pension on account of the contributions of a spouse who has died.
- (2) Where in the case of any up-rating order under section 150 above—
 - (a) the spouse's final relevant year is the tax year preceding the tax year in which the up-rating order comes into force, but
 - (b) the person's final relevant year was an earlier tax year,
 then the up-rating order shall not have effect in relation to that part of the additional pension which is attributable to the spouse's contributions.
- (3) Where in the case of any up-rating order under section 150 above—

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- (a) the person’s final relevant year is the tax year preceding the tax year in which the up-rating order comes into force, but
 - (b) the spouse’s final relevant year was an earlier tax year,
- then the up-rating order shall not have effect in relation to that part of the additional pension which is attributable to the person’s contributions.”
- (2) In section 151(1) of that Act (effect of up-rating orders on additional pensions), after “and shall apply” there is inserted “subject to section 156 and”.

131 Graduated retirement benefit.1992 c. 4

- (1) In section 62(1) of the Social Security Contributions and Benefits Act 1992 (graduated retirement benefit), after paragraph (a) there is inserted—
- “(aa) for amending section 36(7) of that Act (persons to be treated as receiving nominal retirement pension) so that where a person has claimed a Category A or Category B retirement pension but—
 - (i) because of an election under section 54(1) above, or
 - (ii) because he has withdrawn his claim for the pension,he is not entitled to such a pension, he is not to be treated for the purposes of the preceding provisions of that section as receiving such a pension at a nominal weekly rate;”.
- (2) In section 150(11) of the Social Security Administration Act 1992 (application of up-rating provisions to graduated retirement benefit) for the words following “provisions of this section” there is substituted—
- “(a) to the amount of graduated retirement benefit payable for each unit of graduated contributions,
 - (b) to increases of such benefit under any provisions made by virtue of section 24(1)(b) of the Social Security Pensions Act 1975 or section 62(1)(a) of the Contributions and Benefits Act, and
 - (c) to any addition under section 37(1) of the National Insurance Act 1965 (addition to weekly rate of retirement pension for widows and widowers) to the amount of such benefit.”
- (3) In section 155(7) of that Act (effect of alteration of rates of graduated retirement benefit) for the words following “provisions of this section” there is substituted—
- “(a) to the amount of graduated retirement benefit payable for each unit of graduated contributions,
 - (b) to increases of such benefit under any provisions made by virtue of section 24(1)(b) of the Social Security Pensions Act 1975 or section 62(1)(a) of the Contributions and Benefits Act, and
 - (c) to any addition under section 37(1) of the National Insurance Act 1965 (addition to weekly rate of retirement pension for widows and widowers) to the amount of such benefit”.

132 Extension of Christmas bonus for pensioners

- (1) Section 150 of the Social Security Contributions and Benefits Act 1992 (Christmas bonus: interpretation) is amended as follows.
- (2) In subsection (1), after paragraph (k) there is inserted—

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“(l) a mobility supplement”.

(3) In subsection (2)—

(a) after the definition of “attendance allowance” there is inserted—

““mobility supplement” means a supplement awarded in respect of disablement which affects a person’s ability to walk and for which the person is in receipt of war disablement pension;”,

(b) in the definition of “retirement pension”, “if paid periodically” is omitted,

(c) in paragraph (b) of the definition of “unemployability supplement or allowance”, after sub-paragraph (iv) there is inserted “or

(v) under the Pensions (Navy, Army, Air Force and Mercantile Marine) Act 1939.”and accordingly, the “or” immediately following sub-paragraph (iii) is omitted.

133 Contributions paid in error

After section 61 of the Social Security Contributions and Benefits Act 1992 there is inserted—

“61A Contributions paid in error

(1) This section applies in the case of any individual if—

- (a) the individual has paid amounts by way of primary Class 1 contributions which, because the individual was not an employed earner, were paid in error, and
- (b) prescribed conditions are satisfied.

(2) Regulations may, where—

- (a) this section applies in the case of any individual, and
- (b) the Secretary of State is of the opinion that it is appropriate for the regulations to apply to the individual,

provide for entitlement to, and the amount of, additional pension to be determined as if the individual had been an employed earner and, accordingly, those contributions had been properly paid.

(3) The reference in subsection (2) above to additional pension is to additional pension for the individual or the individual’s spouse falling to be calculated under section 45 above for the purposes of—

- (a) Category A retirement pension,
- (b) Category B retirement pension for widows or widowers,
- (c) widowed mother’s allowance and widow’s pension, and
- (d) incapacity benefit (except in transitional cases).

(4) Regulations may, where—

- (a) this section applies in the case of any individual, and
- (b) the Secretary of State is of the opinion that it is appropriate for regulations made by virtue of section 4(8) of the Social Security (Incapacity for Work) Act 1994 (provision during transition from invalidity benefit to incapacity benefit for incapacity benefit to include

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the additional pension element of invalidity pension) to have the following effect in the case of the individual,
provide for the regulations made by virtue of that section to have effect as if, in relation to the provisions in force before the commencement of that section with respect to that additional pension element, the individual had been an employed earner and, accordingly, the contributions had been properly paid.

- (5) Where such provision made by regulations as is mentioned in subsection (2) or (4) above applies in respect of any individual, regulations under paragraph 8(1)(m) of Schedule 1 to this Act may not require the amounts paid by way of primary Class 1 contributions to be repaid.
- (6) Regulations may provide, where—
- (a) such provision made by regulations as is mentioned in subsection (2) or (4) above applies in respect of any individual,
 - (b) prescribed conditions are satisfied, and
 - (c) any amount calculated by reference to the contributions in question has been paid in respect of that individual by way of minimum contributions under section 43 of the Pension Schemes Act 1993 (contributions to personal pension schemes),
- for that individual to be treated for the purposes of that Act as if that individual had been an employed earner and, accordingly, the amount had been properly paid”.

134 Minor amendments

- (1) In section 23(1) of the Social Security Contributions and Benefits Act 1992 (contribution conditions: supplemental), for “22(1)(a)” there is substituted “22(1)”.
- (2) Section 54(4) of that Act (effect on advance claims for retirement pension of deferral of entitlement) is omitted.
- (3) For section 55 of that Act (deferred entitlement) there is substituted—

“55 Increase of retirement pension where entitlement is deferred

- (1) Where a person’s entitlement to a Category A or Category B retirement pension is deferred, Schedule 5 to this Act shall have effect for increasing the rate of pension.
- (2) For the purposes of this Act a person’s entitlement to a Category A or Category B retirement pension is deferred if and so long as that person—
- (a) does not become entitled to that pension by reason only—
 - (i) of not satisfying the conditions of section 1 of the Administration Act (entitlement to benefit dependent on claim), or
 - (ii) in the case of a Category B retirement pension payable by virtue of a spouse’s contributions, of the spouse not satisfying those conditions with respect to his Category A retirement pension; or
 - (b) in consequence of an election under section 54(1) above, falls to be treated as not having become entitled to that pension;

and, in relation to any such pension, “period of deferment” shall be construed accordingly”.

- (4) In section 122(1) of that Act (interpretation of Parts I to VI), after the definition of “week” there is inserted—

““working life” has the meaning given by paragraph 5(8) of Schedule 3 to this Act”.

- (5) In paragraph 5(8) of Schedule 3 to that Act (contribution conditions: meaning of “working life”) for “this paragraph” there is substituted “Parts I to VI of this Act”.

PART III

CERTIFICATION OF PENSION SCHEMES AND EFFECTS ON MEMBERS' STATE SCHEME RIGHTS AND DUTIES

Introductory

135 The “principal appointed day” for Part III

An order under section 180 of this Act appointing a day for the coming into force of any provisions of this Part, being 6th April in any year, may designate that day as the principal appointed day for the purposes of this Part.

New certification requirements applying as from the principal appointed day

136 New requirements for contracted-out schemes

- (1) In section 7 of the Pension Schemes Act 1993 (issue of contracting-out etc. certificates), after subsection (2) there is inserted—

“(2A) The regulations may provide, in the case of contracting-out certificates issued before the principal appointed day, for their cancellation by virtue of the regulations—

- (a) at the end of a prescribed period beginning with that day, or
 (b) if prescribed conditions are not satisfied at any time in that period,

but for them to continue to have effect until so cancelled; and the regulations may provide that a certificate having effect on and after that day by virtue of this subsection is to have effect, in relation to any earner’s service on or after that day, as if issued on or after that day.

- (2B) In this Part, “the principal appointed day” means the day designated by an order under section 180 of the Pensions Act 1995 as the principal appointed day for the purposes of Part III of that Act”.

- (2) In section 8 of that Act (definition of terms), for subsection (1)(a)(i) there is substituted—

“(i) his service in the employment is for the time being service which qualifies him for a pension provided by an occupational pension scheme contracted out by virtue of

satisfying section 9(2) (in this Act referred to as “a salary related contracted-out scheme”).

- (3) In section 9 of that Act (requirements for certification of schemes: general), for subsection (2) (requirement for guaranteed minimum pension) there is substituted—

“(2) An occupational pension scheme satisfies this subsection only if—

- (a) in relation to any earner’s service before the principal appointed day, it satisfies the conditions of subsection (2A), and
- (b) in relation to any earner’s service on or after that day, it satisfies the conditions of subsection (2B).

(2A) The conditions of this subsection are that—

- (a) the scheme complies in all respects with sections 13 to 23 or, in such cases or classes of case as may be prescribed, with those sections as modified by regulations, and
- (b) the rules of the scheme applying to guaranteed minimum pensions are framed so as to comply with the relevant requirements.

(2B) The conditions of this subsection are that the Secretary of State is satisfied that—

- (a) the scheme complies with section 12A,
- (b) restrictions imposed under section 40 of the Pensions Act 1995 (restriction on employer-related investments) apply to the scheme and the scheme complies with those restrictions,
- (c) the scheme satisfies such other requirements as may be prescribed (which—
 - (i) must include requirements as to the amount of the resources of the scheme and,
 - (ii) may include a requirement that, if the only members of the scheme were those falling within any prescribed class or description, the scheme would comply with section 12A); and
- (d) the scheme does not fall within a prescribed class or description, and is satisfied that the rules of the scheme are framed so as to comply with the relevant requirements.

(2C) Regulations may modify subsection (2B)(a) and (b) in their application to occupational pension schemes falling within a prescribed class or description.”

- (4) In subsection (3) of that section (requirement for protected rights, etc.) after “case” in paragraph (a) there is inserted—

“(aa) the Secretary of State is satisfied that the scheme does not fall within a prescribed class or description”.

- (5) After section 12 of that Act there is inserted—

*“Requirements for certification of occupational pension schemes
applying from the principal appointed day of the Pensions Act 1995*

12A The statutory standard

- (1) Subject to the provisions of this Part, the scheme must, in relation to the provision of pensions for earners in employed earner's employment, and for their widows or widowers, satisfy the statutory standard.
- (2) Subject to regulations made by virtue of section 9(2B)(c)(ii), in applying this section regard must only be had to—
 - (a) earners in employed earner's employment, or
 - (b) their widows or widowers,collectively, and the pensions to be provided for persons falling within paragraph (a) or (b) must be considered as a whole.
- (3) For the purposes of this section, a scheme satisfies the statutory standard if the pensions to be provided for such persons are broadly equivalent to, or better than, the pensions which would be provided for such persons under a reference scheme.
- (4) Regulations may provide for the manner of, and criteria for, determining whether the pensions to be provided for such persons under a scheme are broadly equivalent to, or better than, the pensions which would be provided for such persons under a reference scheme.
- (5) Regulations made by virtue of subsection (4) may provide for the determination to be made in accordance with guidance prepared from time to time by a prescribed body and approved by the Secretary of State.
- (6) The pensions to be provided for such persons under a scheme are to be treated as broadly equivalent to or better than the pensions which would be provided for such persons under a reference scheme if and only if an actuary (who, except in prescribed circumstances, must be the actuary appointed for the scheme in pursuance of section 47 of the Pensions Act 1995) so certifies.

12B Reference scheme

- (1) This section applies for the purposes of section 12A.
- (2) A reference scheme is an occupational pension scheme which—
 - (a) complies with each of subsections (3) and (4), and
 - (b) complies with any prescribed requirements.
- (3) In relation to earners employed in employed earner's employment, a reference scheme is one which provides—
 - (a) for them to be entitled to a pension under the scheme commencing at a normal pension age of 65 and continuing for life, and
 - (b) for the annual rate of the pension at that age to be—
 - (i) 1/80th of average qualifying earnings in the last three tax years preceding the end of service,multiplied by

- (ii) the number of years service, not exceeding such number as would produce an annual rate equal to half the earnings on which it is calculated.
- (4) In relation to widows or widowers, a reference scheme is one which provides—
 - (a) for the widows or widowers of earners employed in employed earner's employment (whether the earners die before or after attaining the age of 65) to be entitled, except in prescribed circumstances, to pensions under the scheme, and
 - (b) except in prescribed circumstances, for the annual rate of the pensions, at the time when the widows or widowers first become entitled to them, to be—
 - (i) in the case of widows or widowers of persons whose age when they died was, or was greater than, normal pension age, 50 per cent. of the annual rate which a reference scheme is required to provide for persons of that age, and
 - (ii) in the case of widows or widowers of other persons, 50 per cent. of the annual rate which a reference scheme would have been required to provide in respect of the persons' actual periods of service if those persons had attained that age.
- (5) For the purposes of this section, an earner's qualifying earnings in any tax year are 90 per cent. of the amount by which the earner's earnings—
 - (a) exceed the qualifying earnings factor for that year, and
 - (b) do not exceed the upper earnings limit for that year multiplied by fifty-three.
- (6) Regulations may modify subsections (2) to (5).
- (7) In this section—
 - “normal pension age”, in relation to a scheme, means the age specified in the scheme as the earliest age at which pension becomes payable under the scheme (apart from any special provision as to early retirement on grounds of ill-health or otherwise),
 - “qualifying earnings factor”, in relation to a tax year, has the meaning given by section 122(1) of the Social Security Contributions and Benefits Act 1992, and
 - “upper earnings limit”, in relation to a tax year, means the amount specified for that year by regulations made by virtue of section 5(3) of that Act as the upper earnings limit for Class 1 contributions.

12C Transfer, commutation, etc

- (1) Regulations may prohibit or restrict—
 - (a) the transfer of any liability—
 - (i) for the payment of pensions under a relevant scheme, or
 - (ii) in respect of accrued rights to such pensions,
 - (b) the discharge of any liability to provide pensions under a relevant scheme, or

- (c) the payment of a lump sum instead of a pension payable under a relevant scheme,
except in prescribed circumstances or on prescribed conditions.
- (2) In this section “relevant scheme” means a scheme contracted out by virtue of section 9(2B) of this Act and references to pensions and accrued rights under the scheme are to such pensions and rights so far as attributable to an earner’s service on or after the principal appointed day.
- (3) Regulations under subsection (1) may provide that any provision of this Part shall have effect subject to such modifications as may be specified in the regulations.

12D Entitlement to benefit

In the case of a scheme contracted out by virtue of section 9(2B) of this Act, regulations may make provision as to the ages by reference to which benefits under the scheme are to be paid”.

*Reduction in State scheme contributions, payment
of rebates and reduction in State scheme benefits*

137 State scheme contributions and rebates

- (1) In section 40 of the Pension Schemes Act 1993 (scope of Chapter II of Part III), in paragraph (b), after “members of” there is inserted “money purchase contracted-out schemes and members of”.
- (2) For section 41(1) of that Act (reduced rates of Class 1 contributions for earners in contracted-out employment), including the sidenote and the preceding heading, there is substituted—

*“Reduced rates of contributions for members
of salary related contracted-out schemes*

41 Reduced rates of Class 1 contributions

- (1) Where—
 - (a) the earnings paid to or for the benefit of an earner in any tax week are in respect of an employment which is contracted-out employment at the time of the payment, and
 - (b) the earner’s service in the employment is service which qualifies him for a pension provided by a salary related contracted-out scheme,
 the amount of a Class 1 contribution in respect of so much of the earnings paid in that week as exceeds the current lower earnings limit but not the current upper earnings limit for that week (or the prescribed equivalents if he is paid otherwise than weekly) shall be reduced by the following amount.
- (1A) The amount is—
 - (a) in the case of a primary Class 1 contribution, an amount equal to 1.8 per cent. of that part of those earnings, and

- (b) in the case of a secondary Class 1 contribution, an amount equal to 3 per cent. of that part of those earnings”.
- (3) In section 42 of that Act (review and alteration of rates of contributions applicable under section 41), for subsection (1)(a) there is substituted—
- “(a) a report by the Government Actuary or the Deputy Government Actuary on—
- (i) the percentages for the time being applying under section 41(1A)(a) and (b), and
- (ii) any changes since the preparation of the last report under this paragraph in the factors in his opinion affecting the cost of providing benefits of an actuarial value equivalent to that of the benefits which, under section 48A, are foregone by or in respect of members of salary related contracted-out schemes”.
- (4) In relation to the first report under section 42(1)(a) of that Act laid after the passing of this Act, that section shall have effect as if—
- (a) in subsection (1)(a), sub-paragraph (i) and, in sub-paragraph (ii), “any changes since the preparation of the last report under this paragraph in” were omitted,
- (b) for subsection (1)(b) there were substituted—
- “(b) a report by the Secretary of State stating what, in view of the report under paragraph (a), he considers the percentages under section 41(1A)(a) should be”,
- (c) for subsections (3) and (4) there were substituted—
- “(3) The Secretary of State shall prepare and lay before each House of Parliament with the report the draft of an order specifying the percentages; and if the draft is approved by resolution of each House the Secretary of State shall make the order in the form of the draft.
- (4) An order under subsection (3) shall have effect from the beginning of the tax year which begins with the principal appointed day, not being a tax year earlier than the second after that in which the order is made”,
- (d) in subsection (5), for “alteration” there were substituted “determination”, and
- (e) in subsection (6), for “an order making alterations in either or both of those percentages” there were substituted “such an order”.
- (5) After that section there is inserted—

“Reduced rates of contributions, and rebates, for members of money purchase contracted-out schemes

42A Reduced rates of Class 1 contributions, and rebates

- (1) Subsections (2) and (3) apply where—
- (a) the earnings paid to or for the benefit of an earner in any tax week are in respect of an employment which is contracted-out employment at the time of the payment, and
- (b) the earner’s service in the employment is service which qualifies him for a pension provided by a money purchase contracted-out scheme.

- (2) The amount of a Class 1 contribution in respect of so much of the earnings paid in that week in respect of that employment as exceeds the current lower earnings limit but not the current upper earnings limit for that week (or the prescribed equivalents if he is paid otherwise than weekly) shall be reduced by an amount equal to the appropriate flat-rate percentage of that part of those earnings.
- (3) The Secretary of State shall except in prescribed circumstances or in respect of prescribed periods pay in respect of that earner and that tax week to the trustees or managers of the scheme or, in prescribed circumstances, to a prescribed person the amount by which—
 - (a) the appropriate age-related percentage of that part of those earnings, exceeds
 - (b) the appropriate flat-rate percentage of that part of those earnings.
- (4) Regulations may make provision—
 - (a) as to the manner in which and time at which or period within which payments under subsection (3) are to be made,
 - (b) for the adjustment of the amount which would otherwise be payable under that subsection so as to avoid the payment of trivial or fractional amounts,
 - (c) for earnings to be calculated or estimated in such manner and on such basis as may be prescribed for the purpose of determining whether any, and if so what, payments under subsection (3) are to be made.
- (5) If the Secretary of State pays an amount under subsection (3) which he is not required to pay or is not required to pay to the person to whom, or in respect of whom, he pays it, he may recover it from any person to whom, or in respect of whom, he paid it.
- (6) Where—
 - (a) an earner has ceased to be employed in an employment, and
 - (b) earnings are paid to him or for his benefit within the period of six weeks, or such other period as may be prescribed, from the day on which he so ceased,that employment shall be treated for the purposes of this section as contracted-out employment at the time when the earnings are paid if it was contracted-out employment in relation to the earner when he was last employed in it.
- (7) Subsection (3) of section 41 applies for the purposes of this section as it applies for the purposes of that.

42B Determination and alteration of rates of contributions, and rebates, applicable under section 42A

- (1) The Secretary of State shall at intervals of not more than five years lay before each House of Parliament—
 - (a) a report by the Government Actuary or the Deputy Government Actuary on the percentages which, in his opinion, are required to be specified in an order under this section so as to reflect the cost of providing benefits of an actuarial value equivalent to that of the

- benefits which, under section 48A, are foregone by or in respect of members of money purchase contracted-out schemes,
- (b) a report by the Secretary of State stating what, in view of the report under paragraph (a), he considers those percentages should be, and
 - (c) a draft of an order under subsection (2).
- (2) An order under this subsection shall have effect in relation to a period of tax years (not exceeding five) and may—
- (a) specify different percentages for primary and secondary Class 1 contributions, and
 - (b) for each of the tax years for which it has effect—
 - (i) specify a percentage in respect of all earners which is “the appropriate flat-rate percentage” for the purposes of section 42A, and
 - (ii) specify different percentages (not being less than the percentage specified by virtue of sub-paragraph (i)) in respect of earners by reference to their ages on the last day of the preceding year (the percentage for each group of earners being “the appropriate age-related percentage” in respect of earners in that group for the purposes of section 42A).
- (3) If the draft of an order under subsection (2) is approved by resolution of each House of Parliament, the Secretary of State shall make the order in the form of the draft.
- (4) An order under subsection (2) shall have effect from the beginning of such tax year as may be specified in the order, not being a tax year earlier than the second after that in which the order is made.
- (5) Subsection (2) is without prejudice to the generality of section 182”.
- (6) In Schedule 4 to that Act (priority in bankruptcy, etc.), in paragraph 2(3)—
- (a) in paragraph (a), for “4.8 per cent.” there is substituted “the percentage for non-contributing earners”,
 - (b) in paragraph (b), for “3 per cent.” there is substituted “the percentage for contributing earners”.
- (7) In paragraph 2(5) of that Schedule—
- (a) before the definition of “employer” there is inserted—

““appropriate flat-rate percentage” has the same meaning as in section 42A”, and
 - (b) after the definition there is inserted—

““the percentage for contributing earners” means—

 - (a) in relation to a salary related contracted-out scheme, 3 per cent, and
 - (b) in relation to a money purchase contracted-out scheme, the percentage which is the appropriate flat-rate percentage for secondary Class 1 contributions,

“the percentage for non-contributing earners” means—

 - (a) in relation to a salary related contracted-out scheme, 4.8 per cent, and

- (b) in relation to a money purchase contracted-out scheme, a percentage equal to the sum of the appropriate flat-rate percentages for primary and secondary Class 1 contributions”.

138 Minimum contributions towards appropriate personal pension schemes

(1) Section 45 of the Pension Schemes Act 1993 (minimum contributions to personal pension schemes) is amended as follows.

(2) For subsection (1) there is substituted—

“(1) In relation to any tax week falling within a period for which the Secretary of State is required to pay minimum contributions in respect of an earner, the amount of those contributions shall be an amount equal to the appropriate age-related percentage of so much of the earnings paid in that week (other than earnings in respect of contracted-out employment) as exceeds the current lower earnings limit but not the current upper earnings limit for that week (or the prescribed equivalents if he is paid otherwise than weekly)”.

(3) Subsection (2) is omitted.

(4) In subsection (3)(e), the words following “prescribed period” are omitted.

(5) After that section there is inserted—

“45A Determination and alteration of rates of minimum contributions under section 45

(1) The Secretary of State shall at intervals of not more than five years lay before each House of Parliament—

- (a) a report by the Government Actuary or the Deputy Government Actuary on the percentages which, in his opinion, are required to be specified in an order under this section so as to reflect the cost of providing benefits of an actuarial value equivalent to that of the benefits which, under section 48A, are foregone by or in respect of members of appropriate personal pension schemes,
- (b) a report by the Secretary of State stating what, in view of the report under paragraph (a), he considers those percentages should be, and
- (c) a draft of an order under subsection (2).

(2) An order under this subsection—

- (a) shall have effect in relation to a period of tax years (not exceeding five), and
- (b) may, for each of the tax years for which it has effect, specify different percentages in respect of earners by reference to their ages on the last day of the preceding year (the percentage for each group of earners being “the appropriate age-related percentage” in respect of earners in that group for the purposes of section 45).

(3) If the draft of an order under subsection (2) is approved by resolution of each House of Parliament, the Secretary of State shall make the order in the form of the draft.

- (4) An order under subsection (2) shall have effect from the beginning of such tax year as may be specified in the order, not being a tax year earlier than the second after that in which the order is made.
- (5) Subsection (2) is without prejudice to the generality of section 182”.

139 Money purchase and personal pension schemes: verification of ages

After section 45A of the Pension Schemes Act 1993 (inserted by section 138) there is inserted—

“45B Money purchase and personal pension schemes: verification of ages

- (1) Regulations may make provision for the manner in which an earner’s age is to be verified in determining the appropriate age-related percentages for the purposes of sections 42A and 45(1).
- (2) Information held by the Secretary of State as to the age of any individual may, whether or not it was obtained in pursuance of regulations under subsection (1), be disclosed by the Secretary of State—
 - (a) to the trustees or managers of a money purchase contracted-out scheme or an appropriate personal pension scheme, and
 - (b) to such other persons as may be prescribed,
 in connection with the making of payments under section 42A(3) or the payment of minimum contributions.”

140 Reduction in benefits for members of certified schemes

- (1) After section 48 of the Pension Schemes Act 1993 there is inserted—

“Effect of reduced contributions and rebates on social security benefits

48A Additional pension and other benefits

- (1) In relation to any tax week where—
 - (a) the amount of a Class 1 contribution in respect of the earnings paid to or for the benefit of an earner in that week is reduced under section 41 or 42A, or
 - (b) an amount is paid under section 45(1) in respect of the earnings paid to or for the benefit of an earner,
 section 44(6) of the Social Security Contributions and Benefits Act 1992 (earnings factors for additional pension) shall have effect, except in prescribed circumstances, as if no primary Class 1 contributions had been paid or treated as paid upon those earnings for that week and section 45A of that Act did not apply (where it would, apart from this subsection, apply).
- (2) Where the whole or part of a contributions equivalent premium has been paid or treated as paid in respect of the earner, the Secretary of State may make a determination reducing or eliminating the application of subsection (1).

- (3) Subsection (1) is subject to regulations under paragraph 5(3A) to (3E) of Schedule 2.
- (4) Regulations may, so far as is required for the purpose of providing entitlement to additional pension (such as is mentioned in section 44(3)(b) of the Social Security Contributions and Benefits Act 1992) but to the extent only that the amount of additional pension is attributable to provision made by regulations under section 45(5) of that Act, disapply subsection (1).
- (5) In relation to earners where, by virtue of subsection (1), section 44(6) of the Social Security Contributions and Benefits Act 1992 has effect, in any tax year, as mentioned in that subsection in relation to some but not all of their earnings, regulations may modify the application of section 44(5) of that Act.”
- (2) In section 48 of the Pension Schemes Act 1993 (effect of membership of money purchase contracted-out scheme or appropriate scheme on payment of social security benefits) in subsection (2), paragraph (b) is omitted and, in paragraph (c), “if the earner dies before reaching pensionable age” is omitted.
- (3) Section 48 of that Act shall cease to have effect in relation to minimum payments made, or minimum contributions paid, on or after the principal appointed day.

Premiums and return to State scheme

141 State scheme etc. premiums and buyback into State scheme

- (1) In section 55 of the Pension Schemes Act 1993 (payment of state scheme premiums on termination of certified status), for subsection (2) there is substituted—
 - “(2) Where—
 - (a) an earner is serving in employment which is contracted-out employment by reference to an occupational pension scheme (other than a money purchase contracted-out scheme),
 - (b) paragraph (a) ceases to apply, by reason of any of the following circumstances, before the earner attains the scheme’s normal pension age or (if earlier) the end of the tax year preceding that in which the earner attains pensionable age, and
 - (c) the earner has served for less than two years in the employment,
 the prescribed person may elect to pay a premium under this subsection (referred to in this Act as a “contributions equivalent premium”).
 - (2A) The circumstances referred to in subsection (2) are that—
 - (a) the earner’s service in the employment ceases otherwise than on the earner’s death,
 - (b) the earner ceases to be a member of the scheme otherwise than on the earner’s death,
 - (c) the earner’s service in the employment ceases on the earner’s death and the earner dies leaving a widow or widower,
 - (d) the scheme is wound up,
 - (e) the scheme ceases to be a contracted-out occupational pension scheme;

but paragraph (a), (b), (d) or (e) does not apply if the earner has an accrued right to short service benefit”.

(2) In Schedule 2 to that Act, in paragraph 5 (state scheme premiums)—

(a) in sub-paragraph (3)—

- (i) “in relation to state scheme premiums” is omitted,
- (ii) paragraph (b) is omitted, and
- (iii) at the end there is added—

“and in this sub-paragraph and the following provisions of this paragraph “premium” means a contributions equivalent premium”,

(b) after sub-paragraph (3) there is inserted—

“(3A) Sub-paragraph (3B) applies in relation to a member of a contracted-out occupational pension scheme which is being wound up if, in the opinion of the Secretary of State—

- (a) the resources of the scheme are insufficient to meet the whole of the liability for the cash equivalent of the member’s rights under the scheme, and
- (b) if the resources of the scheme are sufficient to meet a part of that liability, that part is less than the amount required for restoring his State scheme rights.

(3B) Where this sub-paragraph applies—

- (a) regulations may provide for treating the member as if sections 46 to 48 or, as the case may be, section 48A(1) did not apply, or applied only to such extent as is determined in accordance with the regulations, and
- (b) the amount required for restoring the member’s State scheme rights, or a prescribed part of that amount, shall be a debt due from the trustees or managers of the scheme to the Secretary of State.

(3C) Regulations may make provision—

- (a) for determining the cash equivalent of a member’s rights under a scheme and the extent (if any) to which the resources of the scheme are insufficient to meet the liability for that cash equivalent,
- (b) for the recovery of any debt due under sub-paragraph (3B) (b), and
- (c) for determining the amount required for restoring a member’s State scheme rights including provision requiring the Secretary of State to apply whichever prescribed actuarial table in force at the appropriate time is applicable.

(3D) Section 155 shall apply as if sub-paragraphs (3A) and (3B)(a), and regulations made by virtue of this sub-paragraph and sub-paragraph (3B)(b), were included among the provisions there referred to.

(3E) In sub-paragraphs (3A) and (3B), “State scheme rights”, in relation to a member of a scheme, are the rights for which, if

the scheme had not been a contracted-out scheme, the member would have been eligible by virtue of section 44(6) of the Social Security Contributions and Benefits Act 1992 (earnings factors for additional pension).”, and

- (c) sub-paragraph (5) is omitted.

Protected rights

142 Interim arrangements for giving effect to protected rights

- (1) Section 28 of the Pension Schemes Act 1993 (ways of giving effect to protected rights) is amended as follows.

- (2) In subsection (1), after paragraph (a) there is inserted—

“(aa) in any case where subsection (1A) so requires, by the making of such payments as are mentioned in that subsection.”.

- (3) After that subsection there is inserted—

“(1A) In the case of a personal pension scheme, where the member so elects, effect shall be given to his protected rights—

- (a) during the interim period, by the making of payments under an interim arrangement which—

(i) complies with section 28A,

(ii) satisfies such conditions as may be prescribed, and

- (b) at the end of the interim period, in such of the ways permitted by the following subsections as the rules of the scheme may specify.”

- (4) In subsection (3)—

(a) in paragraph (b), after “the member” there is inserted “or, where section 28A(2) applies, the member’s widow or widower”, and

(b) in the words following that paragraph, after “subsection” there is inserted “(1A)(a) or”.

- (5) In subsection (4)(a), for the words from “65” to the end there is substituted—

“65 or such later date as has been agreed by him, or

- (ii) in the case of a personal pension scheme, where the member has elected to receive payments under an interim arrangement, the date by reference to which the member elects to terminate that arrangement, and otherwise such date as has been agreed by him and is not earlier than his 60th birthday nor later than his 75th birthday.”

- (6) In subsection (5), after “subsection” there is inserted “(1A)”.

- (7) After subsection (7) there is added—

“(8) In this section and sections 28A, 28B and 29—

“the interim period” means the period beginning with the starting date in relation to the member in question and ending with the termination date;

“the starting date” means the date, which must not be earlier than the member’s 60th birthday, by reference to which the member elects to begin to receive payments under the interim arrangement;

“the termination date” means the date by reference to which the member (or, where section 28A(2) applies, the member’s widow or widower) elects to terminate the interim arrangement, and that date must be not later than—

- (i) the member’s 75th birthday, or
- (ii) where section 28A(2) applies, the earlier of the member’s widow or widower’s 75th birthday and the 75th anniversary of the member’s birth.”

143 Requirements for interim arrangements

After section 28 of the Pension Schemes Act 1993 there is inserted—

“28A Requirements for interim arrangements

- (1) An interim arrangement must provide for payments to be made to the member, and, where subsection (2) applies, to the member’s widow or widower, throughout the interim period, at intervals not exceeding twelve months.
- (2) This subsection applies where the member dies during the interim period and is survived by a widow or widower who at the date of the member’s death has not yet attained the age of 75 years.
- (3) The aggregate amount of payments made to a person under an interim arrangement in each successive period of twelve months must not be—
 - (a) greater than the annual amount of the annuity which would have been purchasable by him on the relevant reference date, or
 - (b) less than the prescribed percentage of that amount.
- (4) The percentage prescribed under subsection (3)(b) may be zero.
- (5) For the purposes of this section—
 - (a) the annual amount of the annuity which would have been purchasable by a person on any date shall be calculated in the prescribed manner by reference to—
 - (i) the value on that date, determined by or on behalf of the trustees or managers of the scheme, of the person’s protected rights, and
 - (ii) the current published tables of rates of annuities prepared in the prescribed manner by the Government Actuary for the purposes of this section, and
 - (b) the relevant reference date is—
 - (i) in relation to payments made to the member during the three years beginning with the member’s starting date, that date, and in relation to such payments made during each succeeding period of three years, the first day of the period of three years in question, or
 - (ii) where subsection (2) applies, in relation to payments made to the member’s widow or widower during the three years

beginning with the date of the member's death, that date, and in relation to such payments made during each succeeding period of three years, the first day of the period of three years in question.

28B Information about interim arrangements

- (1) The trustees or managers of a personal pension scheme must, if required to do so by the Secretary of State, produce any document relevant to—
 - (a) the level of payments made under any interim arrangement, or
 - (b) the value of protected rights to which such an arrangement gives effect, or otherwise connected with the making of payments under such an arrangement.
- (2) In this section, “document” includes information recorded in any form, and the reference to the production of a document, in relation to information recorded otherwise than in legible form, is a reference to producing a copy of the information in legible form.”

144 Interim arrangements: supplementary

- (1) Section 29 of the Pension Schemes Act 1993 (the pension and annuity requirements) is amended as follows.
- (2) In subsection (1) for paragraph (a) there is substituted—
 - “(a) in the case of an occupational pension scheme it commences on a date—
 - (i) not earlier than the member's 60th birthday, and
 - (ii) not later than his 65th birthday,
 or on such later date as has been agreed by him, and continues until the date of his death, or
 - (aa) in the case of a personal pension scheme—
 - (i) where the member has elected under section 28(1A) to receive payments under an interim arrangement, it commences on the termination date, and continues until the date of the member's death or, where section 28A(2) applies, until the death of the member's widow or widower, or
 - (ii) otherwise, it commences on such a date as has been agreed by the member and is not earlier than his 60th birthday nor later than his 75th birthday, and continues until the date of his death;”.
- (3) In subsection (3)(b)(iii), after “member” there is inserted “or, where section 28A(2) applies, the member's widow or widower”.
- (4) In subsection (4), after “member” there is inserted “(or a member's widow or widower)”.

145 Extension of interim arrangements to occupational pension schemes

Regulations made by the Secretary of State may provide that sections 141 to 143 shall have effect, subject to prescribed modifications, in relation to protected rights under an

occupational pension scheme as they have effect in relation to protected rights under a personal pension scheme.

146 Discharge of protected rights on winding up: insurance policies

(1) After section 32 of the Pension Schemes Act 1993 there is inserted—

“32A Discharge of protected rights on winding up: insurance policies

(1) Where an occupational pension scheme is being wound up and such conditions as may be prescribed are satisfied, effect may be given to the protected rights of a member of the scheme (in spite of section 28) by—

- (a) taking out an appropriate policy of insurance, or a number of such policies, under which the member is the beneficiary, or
- (b) assuring the benefits of a policy of insurance, or a number of such policies, to the member, where the policy assured is an appropriate policy.

(2) A policy of insurance is appropriate for the purposes of this section if—

- (a) the insurance company with which it is or was taken out or entered into—
 - (i) is, or was at the time when the policy was taken out or (as the case may be) the benefit of it was assured, carrying on ordinary long-term insurance business (within the meaning of the Insurance Companies Act 1982) in the United Kingdom or any other Member State, and
 - (ii) satisfies, or at that time satisfied, prescribed requirements, and
- (b) it may not be assigned or surrendered except on conditions which satisfy such requirements as may be prescribed, and
- (c) it contains or is endorsed with terms whose effect is that the amount secured by it may not be commuted except on conditions which satisfy such requirements as may be prescribed, and
- (d) it satisfies such other requirements as may be prescribed”.

(2) At the end of section 28 of that Act, as amended by this Act, (ways of giving effect to protected rights) there is inserted—

“(9) This section is subject to section 32A”.

Miscellaneous

147 Monitoring personal pension schemes

After section 33 of the Pension Schemes Act 1993 there is inserted—

“33A Appropriate schemes: “Blowing the whistle”

(1) If any person acting as an auditor or actuary of an appropriate scheme has reasonable cause to believe that—

- (a) any requirement which, in the case of the scheme, is required by section 9(5)(a) to be satisfied is not satisfied, and
- (b) the failure to satisfy the requirement is likely to be of material significance in the exercise by the Secretary of State of any of his functions relating to appropriate schemes,

that person must immediately give a written report of the matter to the Secretary of State.

- (2) No duty to which a person acting as auditor or actuary of an appropriate scheme is subject shall be regarded as contravened merely because of any information or opinion contained in a written report under this section.”

148 Earner employed in more than one employment

- (1) Paragraph 1 of Schedule 1 to the Social Security Contributions and Benefits Act 1992 (Class 1 contributions where earner in more than one employment) is amended as follows.

- (2) For sub-paragraph (3) there is substituted—

“(3) The amount of the primary Class 1 contribution shall be the aggregate of the amounts determined under the following paragraphs (applying earlier paragraphs before later ones)—

- (a) if the aggregated earnings are paid to or for the benefit of an earner in respect of whom minimum contributions are payable under section 43(1) of the Pension Schemes Act 1993 (contributions to personal pension schemes), the amount obtained by applying the rate of primary Class 1 contributions that would apply if all the aggregated earnings were attributable to employments which are not contracted-out to such part of the aggregated earnings so attributable as does not exceed the current upper earnings limit (referred to in this paragraph as “the APPS earnings”),
- (b) if some of the aggregated earnings are attributable to COMPS service, the amount obtained by applying the rate of primary Class 1 contributions that would apply if all the aggregated earnings were attributable to COMPS service—
 - (i) to such part of the aggregated earnings attributable to COMPS service as does not exceed the current upper earnings limit, or
 - (ii) if paragraph (a) applies, to such part of the earnings attributable to COMPS service as, when added to the APPS earnings, does not exceed the current upper earnings limit,
- (c) if some of the aggregated earnings are attributable to COSRS service, the amount obtained by applying the rate of primary Class 1 contributions that would apply if all the aggregated earnings were attributable to COSRS service—
 - (i) to such part of the aggregated earnings attributable to COSRS service as does not exceed the current upper earnings limit, or
 - (ii) if paragraph (a) or (b) applies, to such part of the earnings attributable to COSRS service as, when added to the APPS

earnings or the part attributable to COMPS service (or both), does not exceed the current upper earnings limit,

- (d) the amount obtained by applying the rate of primary Class 1 contributions that would apply if all the aggregated earnings were attributable to employments which are not contracted-out to such part of the aggregated earnings as, when added to the part or parts attributable to COMPS or COSRS service, does not exceed the current upper earnings limit”.

(3) For sub-paragraph (6) there is substituted—

“(6) The amount of the secondary Class 1 contribution shall be the aggregate of the amounts determined under the following paragraphs (applying earlier paragraphs before later ones)—

- (a) if the aggregated earnings are paid to or for the benefit of an earner in respect of whom minimum contributions are payable under section 43(1) of the Pension Schemes Act 1993, the amount obtained by applying the rate of secondary Class 1 contributions that would apply if all the aggregated earnings were attributable to employments which are not contracted-out to the APPS earnings,
- (b) if some of the aggregated earnings are attributable to COMPS service, the amount obtained by applying the rate of secondary Class 1 contributions that would apply if all the aggregated earnings were attributable to COMPS service to the part of the aggregated earnings attributable to such service,
- (c) if some of the aggregated earnings are attributable to COSRS service, the amount obtained by applying the rate of secondary Class 1 contributions that would apply if all the aggregated earnings were attributable to COSRS service to the part of the aggregated earnings attributable to such service,
- (d) the amount obtained by applying the rate of secondary Class 1 contributions that would apply if all the aggregated earnings were attributable to employments which are not contracted-out to the remainder of the aggregated earnings”.

(4) At the end of that paragraph there is added—

“(9) In this paragraph—

“COMPS service” means service in employment in respect of which minimum payments are made to a money purchase contracted-out scheme,

“COSRS service” means service in employment which qualifies the earner for a pension provided by a salary related contracted-out scheme”.

(5) Until the principal appointed day, that paragraph, as amended by this section, shall have effect as if—

(a) for sub-paragraph (3)(b) there were substituted—

“(b) if some of the aggregated earnings are attributable to service in contracted-out employment, the amount obtained by applying the rate of primary Class 1 contributions that would apply if all the aggregated earnings were attributable to such service—

- (i) to such part of the aggregated earnings attributable to such service as does not exceed the current upper earnings limit, or
- (ii) if paragraph (a) applies, to such part of the earnings attributable to such service as, when added to the APPS earnings, does not exceed the current upper earnings limit”,
- (b) sub-paragraph (3)(c) were omitted,
- (c) in sub-paragraph (3)(d), for “COMPS or COSRS service” there were substituted “service in contracted-out employment”,
- (d) for sub-paragraph (6)(b) there were substituted—
 - “(b) if some of the aggregated earnings are attributable to service in contracted-out employment, the amount obtained by applying the rate of secondary Class 1 contributions that would apply if all the aggregated earnings were attributable to such service to the part of the aggregated earnings attributable to such service”,
- (e) sub-paragraph (6)(c) were omitted, and
- (f) in sub-paragraph (9) the definitions of “COMPS service” and “COSRS service” were omitted.

149 Hybrid occupational pension schemes

- (1) In spite of anything in sections 9 and 12 of the Pension Schemes Act 1993 (requirements for certification and determination of basis on which scheme is contracted-out), the Secretary of State may by regulations provide, where the pensions provided by an occupational pension scheme include both—
 - (a) such pensions that, if the scheme provided only those pensions, it would satisfy section 9(2) of that Act, and
 - (b) such other pensions that, if the scheme provided only those other pensions, it would satisfy section 9(3) of that Act,
 for Part III of that Act to have effect as if the scheme were two separate schemes providing, respectively, the pensions referred to in paragraphs (a) and (b).
- (2) Regulations made by the Secretary of State may, in connection with any provision made by virtue of subsection (1), make such modifications of the following Acts, and the instruments made or having effect as if made under them, as appear to the Secretary of State desirable: the Social Security Contributions and Benefits Act 1992, the Pension Schemes Act 1993 and Part I of this Act.

150 Dissolution of Occupational Pensions Board

- (1) The Occupational Pensions Board (referred to in this section as “the Board”) is hereby dissolved.
- (2) An order under section 180 appointing the day on which subsection (1) is to come into force may provide—
 - (a) for all property, rights and liabilities to which the Board is entitled or subject immediately before that day to become property, rights and liabilities of the Authority or the Secretary of State, and

- (b) for any function of the Board falling to be exercised on or after that day, or which fell to be exercised before that day but has not been exercised, to be exercised by the Authority, the Secretary of State or the Department of Health and Social Services for Northern Ireland.

Minor and consequential amendments

151 Minor and consequential amendments related to sections 136 to 150

Schedule 5 (which makes amendments related to sections 136 to 150) shall have effect.

PART IV

MISCELLANEOUS AND GENERAL

Transfer values

152 Extension of scope of right to cash equivalent

- (1) Section 93 of the Pension Schemes Act 1993 (scope of provisions relating to transfer values) is amended as follows.
- (2) For subsection (1)(a) there is substituted—
 - “(a) to any member of an occupational pension scheme—
 - (i) whose pensionable service has terminated at least one year before normal pension age, and
 - (ii) who on the date on which his pensionable service terminated had accrued rights to benefit under the scheme,except a member of a salary related occupational pension scheme whose pensionable service terminated before 1st January 1986 and in respect of whom prescribed requirements are satisfied”.
- (3) After subsection (1) there is inserted—
 - “(1A) For the purposes of this section and the following provisions of this Chapter, an occupational pension scheme is salary related if—
 - (a) the scheme is not a money purchase scheme, and
 - (b) the scheme does not fall within a prescribed class.
 - (1B) Regulations may—
 - (a) provide for this Chapter not to apply in relation to a person of a prescribed description, or
 - (b) apply this Chapter with prescribed modifications to occupational pension schemes—
 - (i) which are not money purchase schemes, but
 - (ii) where some of the benefits that may be provided are money purchase benefits.”

Status: This is the original version (as it was originally enacted).

153 Right to guaranteed cash equivalent

After section 93 of the Pension Schemes Act 1993 there is inserted—

“93A Salary related schemes: right to statement of entitlement

- (1) The trustees or managers of a salary related occupational pension scheme must, on the application of any member, provide the member with a written statement (in this Chapter referred to as a “statement of entitlement”) of the amount of the cash equivalent at the guarantee date of any benefits which have accrued to or in respect of him under the applicable rules.
- (2) In this section—
 - “the applicable rules” has the same meaning as in section 94;
 - “the guarantee date” means the date by reference to which the value of the cash equivalent is calculated, and must be—
 - (a) within the prescribed period beginning with the date of the application, and
 - (b) within the prescribed period ending with the date on which the statement of entitlement is provided to the member.
- (3) Regulations may make provision in relation to applications for a statement of entitlement, including, in particular, provision as to the period which must elapse after the making of such an application before a member may make a further such application.
- (4) If, in the case of any scheme, a statement of entitlement has not been provided under this section, section 10 of the Pensions Act 1995 (power of the Regulatory Authority to impose civil penalties) applies to any trustee or manager who has failed to take all such steps as are reasonable to secure compliance with this section.”

154 Right to guaranteed cash equivalent: supplementary

- (1) In paragraph (a) of section 94(1) of the Pension Schemes Act 1993—
 - (a) after “occupational pension scheme” there is inserted “other than a salary related scheme”, and
 - (b) after “terminates” there is inserted “(whether before or after 1st January 1986)”.
- (2) After that paragraph there is inserted—
 - “(aa) a member of a salary related occupational pension scheme who has received a statement of entitlement and has made a relevant application within three months beginning with the guarantee date in respect of that statement acquires a right to his guaranteed cash equivalent”.
- (3) After that subsection there is inserted—
 - “(1A) For the purposes of subsection (1)(aa), a person’s “guaranteed cash equivalent” is the amount stated in the statement of entitlement mentioned in that subsection.”

- (4) In subsection (2) of that section, after the definition of “the applicable rules” there is inserted—

““the guarantee date” has the same meaning as in section 93A(2)”.

- (5) After that subsection there is inserted—

“(3) Regulations may provide that, in prescribed circumstances, subsection (1)(aa) does not apply to members of salary related occupational pension schemes or applies to them with prescribed modifications.”

Penalties

155 Breach of regulations under the Pension Schemes Act 1993

- (1) For section 168 of the Pension Schemes Act 1993 (penalties for breach of regulations) there is substituted—

“168 Breach of regulations

- (1) Regulations under any provision of this Act (other than Chapter II of Part VII) may make such provision as is referred to in subsection (2) or (4) for the contravention of any provision contained in regulations made or having effect as if made under any provision of this Act.
- (2) The regulations may provide for the contravention to be an offence under this Act and for the recovery on summary conviction of a fine not exceeding level 5 on the standard scale.
- (3) An offence under any provision of the regulations may be charged by reference to any day or longer period of time; and a person may be convicted of a second or subsequent offence under such a provision by reference to any period of time following the preceding conviction of the offence.
- (4) The regulations may provide for a person who has contravened the provision to pay to the Regulatory Authority, within a prescribed period, a penalty not exceeding an amount specified in the regulations; and the regulations must specify different amounts in the case of individuals from those specified in other cases and any amount so specified may not exceed the amount for the time being specified in the case of individuals or, as the case may be, others in section 10(2)(a) of the Pensions Act 1995.
- (5) Regulations made by virtue of subsection (4) do not affect the amount of any penalty recoverable under that subsection by reason of an act or omission occurring before the regulations are made.
- (6) Where—
 - (a) apart from this subsection, a penalty under subsection (4) is recoverable from a body corporate or Scottish partnership by reason of any act or omission of the body or partnership as a trustee of a trust scheme, and
 - (b) the act or omission was done with the consent or connivance of, or is attributable to any neglect on the part of, any persons mentioned in subsection (7),

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such a penalty is recoverable from each of those persons who consented to or connived in the act or omission or to whose neglect the act or omission was attributable.

- (7) The persons referred to in subsection (6)(b)—
- (a) in relation to a body corporate, are—
 - (i) any director, manager, secretary, or other similar officer of the body, or a person purporting to act in any such capacity, and
 - (ii) where the affairs of a body corporate are managed by its members, any member in connection with his functions of management, and
 - (b) in relation to a Scottish partnership, are the partners.
- (8) Where the Regulatory Authority requires any person to pay a penalty by virtue of subsection (6), they may not also require the body corporate, or Scottish partnership, in question to pay a penalty in respect of the same act or omission.
- (9) A penalty under subsection (4) is recoverable by the Authority and any such penalty recovered by the Authority must be paid to the Secretary of State.
- (10) Where by reason of the contravention of any provision contained in regulations made, or having effect as if made, under this Act—
- (a) a person is convicted of an offence under this Act, or
 - (b) a person pays a penalty under subsection (4),
- then, in respect of that contravention, he shall not, in a case within paragraph (a), be liable to pay such a penalty or, in a case within paragraph (b), be convicted of such an offence.
- (11) In this section “contravention” includes failure to comply, and “Scottish partnership” means a partnership constituted under the law of Scotland.

168A Offence in connection with the Registrar

- (1) Any person who knowingly or recklessly provides the Registrar with information which is false or misleading in a material particular is guilty of an offence if the information—
- (a) is provided in purported compliance with a requirement under section 6, or
 - (b) is provided otherwise than as mentioned in paragraph (a) above but in circumstances in which the person providing the information intends, or could reasonably be expected to know, that it would be used by the Registrar for the purpose of discharging his functions under this Act.
- (2) Any person guilty of an offence under subsection (1) is liable—
- (a) on summary conviction, to a fine not exceeding the statutory maximum,
 - (b) on conviction on indictment, to imprisonment or a fine, or both”.
- (2) In section 186 of that Act (Parliamentary control of orders and regulations), in subsection (3), after paragraph (c) there is inserted “or
- (d) regulations made by virtue of section 168(2)”.

Pensions Ombudsman

156 Employment of staff by the Pensions Ombudsman

For section 145(4) of the Pension Schemes Act 1993 (staff of the Pensions Ombudsman), there is substituted—

“(4A) The Pensions Ombudsman may (with the approval of the Secretary of State as to numbers) appoint such persons to be employees of his as he thinks fit, on such terms and conditions as to remuneration and other matters as the Pensions Ombudsman may with the approval of the Secretary of State determine.

(4B) The Secretary of State may, on such terms as to payment by the Pensions Ombudsman as the Secretary of State thinks fit, make available to the Pensions Ombudsman such additional staff and such other facilities as he thinks fit.

(4C) Any function of the Pensions Ombudsman, other than the determination of complaints made and disputes referred under this Part, may be performed by any—

- (a) employee appointed by the Pensions Ombudsman under subsection (4A), or
- (b) member of staff made available to him by the Secretary of State under subsection (4B),

who is authorised for that purpose by the Pensions Ombudsman.”

157 Jurisdiction of Pensions Ombudsman

(1) Sections 146 to 151 of the Pension Schemes Act 1993 are amended as shown in subsections (2) to (11).

(2) In section 146 (investigations concerning the trustees or managers of schemes), for subsections (1) to (4) there is substituted—

“(1) The Pensions Ombudsman may investigate and determine the following complaints and disputes—

- (a) a complaint made to him by or on behalf of an actual or potential beneficiary of an occupational or personal pension scheme who alleges that he has sustained injustice in consequence of maladministration in connection with any act or omission of a person responsible for the management of the scheme,
- (b) a complaint made to him—
 - (i) by or on behalf of a person responsible for the management of an occupational pension scheme who in connection with any act or omission of another person responsible for the management of the scheme, alleges maladministration of the scheme, or
 - (ii) by or on behalf of the trustees or managers of an occupational pension scheme who in connection with any act or omission of any trustee or manager of another such scheme, allege maladministration of the other scheme,

and in any case falling within sub-paragraph (ii) references in this Part to the scheme to which the complaint relates is to the other scheme referred to in that paragraph,

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- (c) any dispute of fact or law which arises in relation to an occupational or personal pension scheme between—
 - (i) a person responsible for the management of the scheme, and
 - (ii) an actual or potential beneficiary,
 and which is referred to him by or on behalf of the actual or potential beneficiary, and
 - (d) any dispute of fact or law which arises between the trustees or managers of an occupational pension scheme and—
 - (i) another person responsible for the management of the scheme, or
 - (ii) any trustee or manager of another such scheme,
 and which is referred to him by or on behalf of the person referred to in sub-paragraph (i) or (ii); and in any case falling within sub-paragraph (ii) references in this Part to the scheme to which the reference relates is to the scheme first mentioned in that paragraph.
- (2) Complaints and references made to the Pensions Ombudsman must be made to him in writing.
- (3) For the purposes of this Part, the following persons (subject to subsection (4)) are responsible for the management of an occupational pension scheme—
- (a) the trustees or managers, and
 - (b) the employer;
- but, in relation to a person falling within one of those paragraphs, references in this Part to another person responsible for the management of the same scheme are to a person falling within the other paragraph.
- (3A) For the purposes of this Part, a person is responsible for the management of a personal pension scheme if he is a trustee or manager of the scheme.
- (4) Regulations may provide that, subject to any prescribed modifications or exceptions, this Part shall apply in the case of an occupational or personal pension scheme in relation to any prescribed person or body of persons where the person or body—
- (a) is not a trustee or manager or employer, but
 - (b) is concerned with the financing or administration of, or the provision of benefits under, the scheme,
- as if for the purposes of this Part he were a person responsible for the management of the scheme”.
- (3) In subsection (7) of that section, for ““authorised complainants”” there is substituted “actual or potential beneficiaries”.
- (4) In section 147 (death, insolvency etc.), in subsections (1) and (2), for “authorised complainant” there is substituted “actual or potential beneficiary” and for “the authorised complainant's” there is substituted “his”.
- (5) In subsection (3) of that section, for “an authorised complainant” there is substituted “a person by whom, or on whose behalf, a complaint or reference has been made under this Part”.
- (6) In section 148 (staying court proceedings), in subsection (5), for paragraphs (a) and (b) there is substituted—

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- “(a) the person by whom, or on whose behalf, the complaint or reference has been made,
 - (b) any person responsible for the management of the scheme to which the complaint or reference relates”.
- (7) In section 149 (procedure on investigation), in subsection (1)(a), for “the trustees and managers of the scheme concerned” there is substituted “any person (other than the person by whom, or on whose behalf, the complaint or reference was made) responsible for the management of the scheme to which the complaint or reference relates”.
- (8) In section 150 (investigations: further provisions), in subsection (1)(a), for “any trustee or manager of the scheme concerned” there is substituted “any person responsible for the management of the scheme to which the complaint or reference relates”.
- (9) In section 151 (determinations of Pensions Ombudsman), for subsection (1)(a) and (b) there is substituted—
 - “(a) to the person by whom, or on whose behalf, the complaint or reference was made, and
 - (b) to any person (if different) responsible for the management of the scheme to which the complaint or reference relates”.
- (10) In subsection (2) of that section, for “the trustees or managers of the scheme concerned” there is substituted “any person responsible for the management of the scheme to which the complaint or reference relates”.
- (11) In subsection (3) of that section, for paragraphs (a) to (c) there is substituted—
 - “(a) the person by whom, or on whose behalf, the complaint or reference was made,
 - (b) any person (if different) responsible for the management of the scheme to which the complaint or reference relates, and
 - (c) any person claiming under a person falling within paragraph (a) or (b)”.
- (12) In Part I of Schedule 1 to the Tribunals and Inquiries Act 1992 (tribunals under the direct supervision of the Council on Tribunals), in paragraph 35(e), for “section 146(2)” there is substituted “section 146(1)(c) and (d)”.

158 Costs and expenses

In section 149 of the Pension Schemes Act 1993—

- (a) after subsection (3)(b) there is inserted “and
- (c) for the payment by the Ombudsman of such travelling and other allowances (including compensation for loss of remunerative time) as the Secretary of State may determine, to—
 - (i) actual or potential beneficiaries of a scheme to which a complaint or reference relates, or
 - (ii) persons appearing and being heard on behalf of such actual or potential beneficiaries,who attend at the request of the Ombudsman any oral hearing held in connection with an investigation into the complaint or dispute.”, and

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- (b) at the end of subsection (3)(a), “and” is omitted.

159 Disclosing information

- (1) In section 149 of the Pension Schemes Act 1993, after subsection (4) there is added—

“(5) The Pensions Ombudsman may disclose any information which he obtains for the purposes of an investigation under this Part to any person to whom subsection (6) applies, if the Ombudsman considers that the disclosure would enable or assist that person to discharge any of his functions.

- (6) This subsection applies to the following—

- (a) the Regulatory Authority,
- (b) the Pensions Compensation Board,
- (c) the Registrar,
- (d) any department of the Government (including the government of Northern Ireland),
- (e) the Bank of England,
- (f) the Friendly Societies Commission,
- (g) the Building Societies Commission,
- (h) an inspector appointed by the Secretary of State under Part XIV of the Companies Act 1985 or section 94 or 177 of the Financial Services Act 1986,
- (j) an inspector appointed by the Department of Economic Development in Northern Ireland under Part XV of the Companies (Northern Ireland) Order 1986,
- (k) a person authorised under section 106 of the Financial Services Act 1986 to exercise powers conferred by section 105 of that Act,
- (l) a designated agency or transferee body or the competent authority within the meaning of that Act, and
- (m) a recognised self-regulating organisation, recognised professional body, recognised investment exchange or recognised clearing house, within the meaning of that Act.

- (7) The Secretary of State may by order—

- (a) amend subsection (6) by adding any person or removing any person for the time being specified in that subsection, or
- (b) restrict the circumstances in which, or impose conditions subject to which, disclosure may be made to any person for the time being specified in that subsection.”

- (2) In section 151 of that Act, in subsection (7)(a), after “this section” there is inserted—
“(aa) in disclosing any information under section 149(5)”.

160 Interest on late payment of benefit

After section 151 of the Pension Schemes Act 1993 there is inserted—

“151A Interest on late payment of benefit

Where under this Part the Pensions Ombudsman directs a person responsible for the management of an occupational or personal pension scheme to make any payment in respect of benefit under the scheme which, in his opinion, ought to have been paid earlier, his direction may also require the payment of interest at the prescribed rate”.

Modification and winding up of schemes

161 Repeal of sections 136 to 143 of the Pension Schemes Act 1993

Sections 136 to 141 (modification) and 142 and 143 (winding up) of the Pension Schemes Act 1993 are repealed.

Personal pensions

162 Annual increase in rate of personal pension

- (1) This section applies to any pension provided to give effect to protected rights of a member of a personal pension scheme if—
 - (a) there is in force, or was in force at any time after the appointed day, an appropriate scheme certificate issued in accordance with Chapter I of Part III (certification) of the Pension Schemes Act 1993, and
 - (b) apart from this section, the annual rate of the pension would not be increased each year by at least the appropriate percentage of that rate.
- (2) Where a pension to which this section applies, or any part of it, is attributable to contributions in respect of employment carried on on or after the appointed day—
 - (a) the annual rate of the pension, or
 - (b) if only part of the pension is attributable to contributions in respect of employment carried on on or after the appointed day, so much of the annual rate as is attributable to that part,must be increased annually by at least the appropriate percentage.

163 Section 162: supplementary

- (1) The first increase required by section 162 in the rate of a pension must take effect not later than the first anniversary of the date on which the pension is first paid; and subsequent increases must take effect at intervals of not more than twelve months.
- (2) Where the first such increase is to take effect on a date when the pension has been in payment for a period of less than 12 months, the increase must be of an amount at least equal to one twelfth of the amount of the increase so required (apart from this subsection) for each complete month in that period.
- (3) In section 162 and this section—

“annual rate”, in relation to a pension, means the annual rate of the pension, as previously increased under the rules of the scheme or under section 162,

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“the appointed day” means the day appointed under section 180 for the commencement of section 162,

“appropriate percentage”, in relation to an increase in the whole or part of the annual rate of a pension, means the revaluation percentage for the revaluation period the reference period for which ends with the last preceding 30th September before the increase is made (expressions used in this definition having the same meaning as in paragraph 2 of Schedule 3 to the Pension Schemes Act 1993 (methods of revaluing accrued pension benefits)),

“pension”, in relation to a scheme, means any pension in payment under the scheme and includes an annuity,

“protected rights” has the meaning given by section 10 of the Pension Schemes Act 1993 (money purchase benefits).

164 Power to reject notice choosing appropriate personal pension scheme

In section 44 of the Pension Schemes Act 1993 (earner’s chosen scheme)—

(a) in subsection (1), after paragraph (b) there is inserted—

“then, unless the Secretary of State rejects the notice on either or both of the grounds mentioned in subsection (1A)”, and

(b) after that subsection there is inserted—

“(1A) The grounds referred to in subsection (1) are that the Secretary of State is of the opinion—

- (a) that section 31(5) is not being complied with in respect of any members of the scheme,
- (b) that, having regard to any other provisions of sections 26 to 32 and 43 to 45, it is inexpedient to allow the scheme to be the chosen scheme of any further earners”.

Levy

165 Levy

For section 175 of the Pension Schemes Act 1993 (levies towards meeting certain costs and grants) there is substituted—

“175 Levies towards certain expenditure

(1) For the purpose of meeting expenditure—

- (a) under section 6,
- (b) under Part X and section 174, or
- (c) of the Regulatory Authority (including the establishment of the authority and, if the authority are appointed as Registrar under section 6 of this Act, their expenditure as Registrar),

regulations may make provision for imposing levies in respect of prescribed occupational or prescribed personal pension schemes.

(2) Any levy imposed under subsection (1) is payable to the Secretary of State by or on behalf of—

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- (a) the administrators of any prescribed public service pension scheme,
 - (b) the trustees or managers of any other prescribed occupational or prescribed personal pension scheme, or
 - (c) any other prescribed person,at prescribed rates and at prescribed times.
- (3) Regulations made by virtue of subsection (1)—
 - (a) in determining the amount of any levy in respect of the Regulatory Authority, must take account (among other things) of any amounts paid to the Secretary of State under section 168(4) of this Act or section 10 of the Pensions Act 1995, and
 - (b) in determining the amount of expenditure in respect of which any levy is to be imposed, may take one year with another and, accordingly, may have regard to expenditure estimated to be incurred in current or future periods and to actual expenditure incurred in previous periods (including periods ending before the coming into force of this subsection).
- (4) Regulations may make provision for imposing a levy in respect of prescribed occupational pension schemes for the purpose of meeting expenditure of the Pensions Compensation Board (including the establishment of the Board).
- (5) Any levy imposed under subsection (4) is payable to the Board by or on behalf of—
 - (a) the trustees of any prescribed occupational pension scheme, or
 - (b) any other prescribed person,at prescribed times and at a rate, not exceeding the prescribed rate, determined by the Board.
- (6) In determining the amount of expenditure in respect of which any levy under subsection (4) is to be imposed, the Board, and regulations made by virtue of subsection (5), may take one year with another and, accordingly, may have regard to expenditure estimated to be incurred in current or future periods and to actual expenditure incurred in previous periods (including periods ending before the coming into force of this subsection).
- (7) Notice of the rates determined by the Board under subsection (5) must be given to prescribed persons in the prescribed manner.
- (8) An amount payable by a person on account of a levy imposed under this section shall be a debt due from him to the appropriate person, that is—
 - (a) if the levy is imposed under subsection (1), the Secretary of State, and
 - (b) if the levy is imposed under subsection (4), the Board,and an amount so payable shall be recoverable by the appropriate person accordingly or, if the appropriate person so determines, be recoverable by the Registrar on behalf of the appropriate person.
- (9) Without prejudice to the generality of subsections (1) and (4), regulations under this section may include provision relating to—
 - (a) the collection and recovery of amounts payable by way of levy under this section, or
 - (b) the circumstances in which any such amount may be waived.”

Status: This is the original version (as it was originally enacted).

Pensions on divorce, etc.

166 Pensions on divorce etc

(1) In the Matrimonial Causes Act 1973, after section 25A there is inserted—

“25B Pensions

- (1) The matters to which the court is to have regard under section 25(2) above include—
- (a) in the case of paragraph (a), any benefits under a pension scheme which a party to the marriage has or is likely to have, and
 - (b) in the case of paragraph (h), any benefits under a pension scheme which, by reason of the dissolution or annulment of the marriage, a party to the marriage will lose the chance of acquiring,
- and, accordingly, in relation to benefits under a pension scheme, section 25(2) (a) above shall have effect as if “in the foreseeable future” were omitted.
- (2) In any proceedings for a financial provision order under section 23 above in a case where a party to the marriage has, or is likely to have, any benefit under a pension scheme, the court shall, in addition to considering any other matter which it is required to consider apart from this subsection, consider—
- (a) whether, having regard to any matter to which it is required to have regard in the proceedings by virtue of subsection (1) above, such an order (whether deferred or not) should be made, and
 - (b) where the court determines to make such an order, how the terms of the order should be affected, having regard to any such matter.
- (3) The following provisions apply where, having regard to any benefits under a pension scheme, the court determines to make an order under section 23 above.
- (4) To the extent to which the order is made having regard to any benefits under a pension scheme, the order may require the trustees or managers of the pension scheme in question, if at any time any payment in respect of any benefits under the scheme becomes due to the party with pension rights, to make a payment for the benefit of the other party.
- (5) The amount of any payment which, by virtue of subsection (4) above, the trustees or managers are required to make under the order at any time shall not exceed the amount of the payment which is due at that time to the party with pension rights.
- (6) Any such payment by the trustees or managers—
- (a) shall discharge so much of the trustees or managers liability to the party with pension rights as corresponds to the amount of the payment, and
 - (b) shall be treated for all purposes as a payment made by the party with pension rights in or towards the discharge of his liability under the order.
- (7) Where the party with pension rights may require any benefits which he has or is likely to have under the scheme to be commuted, the order may require him

to commute the whole or part of those benefits; and this section applies to the payment of any amount commuted in pursuance of the order as it applies to other payments in respect of benefits under the scheme.

25C Pensions: lump sums

- (1) The power of the court under section 23 above to order a party to a marriage to pay a lump sum to the other party includes, where the benefits which the party with pension rights has or is likely to have under a pension scheme include any lump sum payable in respect of his death, power to make any of the following provision by the order.
- (2) The court may—
 - (a) if the trustees or managers of the pension scheme in question have power to determine the person to whom the sum, or any part of it, is to be paid, require them to pay the whole or part of that sum, when it becomes due, to the other party,
 - (b) if the party with pension rights has power to nominate the person to whom the sum, or any part of it, is to be paid, require the party with pension rights to nominate the other party in respect of the whole or part of that sum,
 - (c) in any other case, require the trustees or managers of the pension scheme in question to pay the whole or part of that sum, when it becomes due, for the benefit of the other party instead of to the person to whom, apart from the order, it would be paid.
- (3) Any payment by the trustees or managers under an order made under section 23 above by virtue of this section shall discharge so much of the trustees, or managers, liability in respect of the party with pension rights as corresponds to the amount of the payment.

25D Pensions: supplementary

- (1) Where—
 - (a) an order made under section 23 above by virtue of section 25B or 25C above imposes any requirement on the trustees or managers of a pension scheme (“the first scheme”) and the party with pension rights acquires transfer credits under another pension scheme (“the new scheme”) which are derived (directly or indirectly) from a transfer from the first scheme of all his accrued rights under that scheme (including transfer credits allowed by that scheme), and
 - (b) the trustees or managers of the new scheme have been given notice in accordance with regulations,the order shall have effect as if it has been made instead in respect of the trustees or managers of the new scheme; and in this subsection “transfer credits” has the same meaning as in the Pension Schemes Act 1993.
- (2) Regulations may—
 - (a) in relation to any provision of sections 25B or 25C above which authorises the court making an order under section 23 above to require the trustees or managers of a pension scheme to make a payment

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for the benefit of the other party, make provision as to the person to whom, and the terms on which, the payment is to be made,

- (b) require notices to be given in respect of changes of circumstances relevant to such orders which include provision made by virtue of sections 25B and 25C above,
- (c) make provision for the trustees or managers of any pension scheme to provide, for the purposes of orders under section 23 above, information as to the value of any benefits under the scheme,
- (d) make provision for the recovery of the administrative expenses of—
 - (i) complying with such orders, so far as they include provision made by virtue of sections 25B and 25C above, and
 - (ii) providing such information,
 from the party with pension rights or the other party,
- (e) make provision for the value of any benefits under a pension scheme to be calculated and verified, for the purposes of orders under section 23 above, in a prescribed manner,

and regulations made by virtue of paragraph (e) above may provide for that value to be calculated and verified in accordance with guidance which is prepared and from time to time revised by a prescribed person and approved by the Secretary of State.

- (3) In this section and sections 25B and 25C above—
 - (a) references to a pension scheme include—
 - (i) a retirement annuity contract, or
 - (ii) an annuity, or insurance policy, purchased or transferred for the purpose of giving effect to rights under a pension scheme,
 - (b) in relation to such a contract or annuity, references to the trustees or managers shall be read as references to the provider of the annuity,
 - (c) in relation to such a policy, references to the trustees or managers shall be read as references to the insurer,

and in section 25B(1) and (2) above, references to benefits under a pension scheme include any benefits by way of pension, whether under a pension scheme or not.

- (4) In this section and sections 25B and 25C above—
 - “the party with pension rights” means the party to the marriage who has or is likely to have benefits under a pension scheme and “the other party” means the other party to the marriage,
 - “pension scheme” means an occupational pension scheme or a personal pension scheme (applying the definitions in section 1 of the Pension Schemes Act 1993, but as if the reference to employed earners in the definition of “personal pension scheme” were to any earners),
 - “prescribed” means prescribed by regulations, and
 - “regulations” means regulations made by the Lord Chancellor;
 and the power to make regulations under this section shall be exercisable by statutory instrument, which shall be subject to annulment in pursuance of a resolution of either House of Parliament.”

- (2) In section 25(2)(h) of that Act (loss of chance to acquire benefits), “(for example, a pension)” is omitted.
- (3) In section 31 of that Act (variation, discharge, etc. of orders)—
- (a) in subsection (2), after paragraph (d) there is inserted—
 - “(dd) any deferred order made by virtue of section 23(1)(c) (lump sums) which includes provision made by virtue of—
 - (i) section 25B(4), or
 - (ii) section 25C,(provision in respect of pension rights)”, and
 - (b) after subsection (2A) there is inserted—
 - “(2B) Where the court has made an order referred to in subsection (2)(dd) (ii) above, this section shall cease to apply to the order on the death of either of the parties to the marriage”.
- (4) Nothing in the provisions mentioned in subsection (5) applies to a court exercising its powers under section 23 of the Matrimonial Causes Act 1973 (financial provision in connection with divorce proceedings, etc.) in respect of any benefits under a pension scheme (within the meaning of section 25B(1) of the Matrimonial Causes Act 1973) which a party to the marriage has or is likely to have.
- (5) The provisions referred to in subsection (4) are —
- (a) section 203(1) and (2) of the Army Act 1955, 203(1) and (2) of the Air Force Act 1955, 128G(1) and (2) of the Naval Discipline Act 1957 or 159(4) and (4A) of the Pension Schemes Act 1993 (which prevent assignment, or orders being made restraining a person from receiving anything which he is prevented from assigning),
 - (b) section 91 of this Act,
 - (c) any provision of any enactment (whether passed or made before or after this Act is passed) corresponding to any of the enactments mentioned in paragraphs (a) and (b), and
 - (d) any provision of the scheme in question corresponding to any of those enactments.
- (6) Subsections (3) to (7) of section 25B, and section 25C of the Matrimonial Causes Act 1973, as inserted by this section, do not affect the powers of the court under section 31 of that Act (variation, discharge, etc.) in relation to any order made before the commencement of this section.

167 Pensions on divorce, etc.: Scotland

- (1) In section 8(1) (orders for financial provision) of the Family Law (Scotland) Act 1985 (“the 1985 Act”), after paragraph (b) there is inserted—
 - “(ba) an order under section 12A(2) or (3) of this Act;”.
- (2) In section 10 of the 1985 Act (sharing of value of matrimonial property)—
- (a) in subsection (5)—
 - (i) after “party” there is inserted “(a)”; and
 - (ii) for “or occupational pension scheme or similar arrangement” there is substituted—

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“or similar arrangement; and

- (b) in any benefits under a pension scheme which either party has or may have (including such benefits payable in respect of the death of either party),

which is”; and

- (b) after subsection (7) there is inserted—

“(8) The Secretary of State may by regulations make provision—

- (a) for the value of any benefits under a pension scheme to be calculated and verified, for the purposes of this Act, in a prescribed manner;
- (b) for the trustees or managers of any pension scheme to provide, for the purposes of this Act, information as to that value, and for the recovery of the administrative expenses of providing such information from either party,

and regulations made by virtue of paragraph (a) above may provide for that value to be calculated and verified in accordance with guidance which is prepared and from time to time revised by a prescribed body and approved by the Secretary of State.

- (9) Regulations under subsection (8) above shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.

(10) In this section—

“benefits under a pension scheme” includes any benefits by way of pension, whether under a pension scheme or not;

“pension scheme” means—

- (a) an occupational pension scheme or a personal pension scheme (applying the definitions in section 1 of the Pension Schemes Act 1993, but as if the reference to employed earners in the definition of “personal pension scheme” were to any earners);
- (b) a retirement annuity contract; or
- (c) an annuity, or insurance policy, purchased or transferred for the purpose of giving effect to rights under a pension scheme falling within paragraph (a) above; and

“prescribed” means prescribed by regulations.

(11) In this section, references to the trustees or managers of a pension scheme—

- (a) in relation to a contract or annuity referred to in paragraph (b) or (c) of the definition of “pension scheme” in subsection (10) above, shall be read as references to the provider of the annuity;
- (b) in relation to an insurance policy referred to in paragraph (c) of that definition, shall be read as a reference to the insurer.”.

- (3) After section 12 of the 1985 Act there is inserted—

“12A Orders for payment of capital sum: pensions lump sums

- (1) This section applies where the court makes an order under section 8(2) of this Act for payment of a capital sum (a “capital sum order”) by a party to the marriage (“the liable party”) in circumstances where—
 - (a) the matrimonial property within the meaning of section 10 of this Act includes any rights or interests in benefits under a pension scheme which the liable party has or may have (whether such benefits are payable to him or in respect of his death); and
 - (b) those benefits include a lump sum payable to him or in respect of his death.
- (2) Where the benefits referred to in subsection (1) above include a lump sum payable to the liable party, the court, on making the capital sum order, may make an order requiring the trustees or managers of the pension scheme in question to pay the whole or part of that sum, when it becomes due, to the other party to the marriage (“the other party”).
- (3) Where the benefits referred to in subsection (1) above include a lump sum payable in respect of the death of the liable party, the court, on making the capital sum order, may make an order—
 - (a) if the trustees or managers of the pension scheme in question have power to determine the person to whom the sum, or any part of it, is to be paid, requiring them to pay the whole or part of that sum, when it becomes due, to the other party;
 - (b) if the liable party has power to nominate the person to whom the sum, or any part of it, is to be paid, requiring the liable party to nominate the other party in respect of the whole or part of that sum;
 - (c) in any other case, requiring the trustees or managers of the pension scheme in question to pay the whole or part of that sum, when it becomes due, to the other party instead of to the person to whom, apart from the order, it would be paid.
- (4) Any payment by the trustees or managers under an order under subsection (2) or (3) above—
 - (a) shall discharge so much of the trustees' or managers' liability to or in respect of the liable party as corresponds to the amount of the payment; and
 - (b) shall be treated for all purposes as a payment made by the liable party in or towards the discharge of his liability under the capital sum order.
- (5) Where the liability of the liable party under the capital sum order has been discharged in whole or in part, other than by a payment by the trustees or managers under an order under subsection (2) or (3) above, the court may, on an application by any person having an interest, recall any order under either of those subsections or vary the amount specified in such an order, as appears to the court appropriate in the circumstances.
- (6) Where—
 - (a) an order under subsection (2) or (3) above imposes any requirement on the trustees or managers of a pension scheme (“the first scheme”) and the liable party acquires transfer credits under another scheme

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- (“the new scheme”) which are derived (directly or indirectly) from a transfer from the first scheme of all his accrued rights under that scheme; and
- (b) the trustees or managers of the new scheme have been given notice in accordance with regulations under subsection (8) below,
- the order shall have effect as if it had been made instead in respect of the trustees or managers of the new scheme; and in this subsection “transfer credits” has the same meaning as in the Pension Schemes Act 1993.
- (7) Without prejudice to subsection (6) above, the court may, on an application by any person having an interest, vary an order under subsection (2) or (3) above by substituting for the trustees or managers specified in the order the trustees or managers of any other pension scheme under which any lump sum referred to in subsection (1) above is payable to the liable party or in respect of his death.
- (8) The Secretary of State may by regulations—
- (a) require notices to be given in respect of changes of circumstances relevant to orders under subsection (2) or (3) above;
- (b) make provision for the recovery of the administrative expenses of complying with such orders from the liable party or the other party.
- (9) Regulations under subsection (8) above shall be made by statutory instrument which shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (10) Subsection (10) (other than the definition of “benefits under a pension scheme”) and subsection (11) of section 10 of this Act shall apply for the purposes of this section as those subsections apply for the purposes of that section.”.
- (4) Nothing in the provisions mentioned in section 166(5) above applies to a court exercising its powers under section 8 (orders for financial provision on divorce, etc.) or 12A (orders for payment of capital sum: pensions lump sums) of the 1985 Act in respect of any benefits under a pension scheme which fall within subsection (5)(b) of section 10 of that Act (“pension scheme” having the meaning given in subsection (10) of that section).

War Pensions

168 War pensions for widows: effect of remarriage

- (1) In determining whether a pension is payable to a person as a widow under any of the enactments mentioned in subsection (3) in respect of any period beginning on or after the commencement of this section, no account may be taken of the fact that the widow has married another if, before the beginning of that period, the marriage has been terminated or the parties have been judicially separated.
- (2) For the purposes of this section—
- (a) the reference to the termination of a marriage is to the termination of the marriage by death, dissolution or annulment, and

- (b) the reference to judicial separation includes any legal separation obtained in a country or territory outside the British Islands and recognised in the United Kingdom;

and for those purposes a divorce, annulment or legal separation obtained in a country or territory outside the British Islands must, if the Secretary of State so determines, be treated as recognised in the United Kingdom even though no declaration as to its validity has been made by any court in the United Kingdom.

- (3) The enactments referred to in subsection (1) are—
 - (a) The Naval, Military and Air Forces Etc. (Disablement and Death) Service Pensions Order 1983, and any order re-enacting the provisions of that order,
 - (b) The Personal Injuries (Civilians) Scheme 1983, and any subsequent scheme made under the Personal Injuries (Emergency Provisions) Act 1939,
 - (c) any scheme made under the Pensions (Navy, Army, Air Force and Mercantile Marine) Act 1939 or the Polish Resettlement Act 1947 applying the provisions of any such order as is referred to in paragraph (a),
 - (d) the order made under section 1(5) of the Ulster Defence Regiment Act 1969 concerning pensions and other grants in respect of disablement or death due to service in the Ulster Defence Regiment.

169 Extensions of Pensions Appeal Tribunals Act 1943

- (1) The Pensions Appeal Tribunals Act 1943 is amended as follows.
- (2) In section 1 (appeals against rejection of war pension claims made in respect of members of armed forces)—
 - (a) in subsection (1), after “administered by the Minister” there is inserted “or under a scheme made under section 1 of the Polish Resettlement Act 1947”, and
 - (b) in subsections (3) and (3A), for “or Order of His Majesty” there is substituted “, Order of Her Majesty or scheme”.
- (3) In section 7 (application of Act to past decisions and assessments)—
 - (a) in subsection (2), at the beginning there is inserted “Subject to subsection (2A) of this section,”, and
 - (b) after that subsection, there is inserted—

“(2A) Subsection (2) of this section shall not apply in relation to any decision given by the Minister before the passing of this Act which corresponds, apart from any difference of the kind referred to in that subsection, with such a decision as is referred to in section 1 of this Act in respect of claims made under the scheme referred to in that section.”
- (4) In section 10 (power to modify sections 1 to 4 by Order in Council), in subsections (1) and (2), for “or Order of His Majesty” there is substituted “, Order of Her Majesty or scheme”.
- (5) In section 12 (interpretation), in the definition of “relevant service”—
 - (a) for “or Order of His Majesty” there is substituted “, Order of Her Majesty or scheme”, and
 - (b) for “or Order” there is substituted “, Order or scheme”.

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(6) In the Schedule (constitution, jurisdiction and procedure of Pensions Appeal Tribunals), in paragraph 3(2), after paragraph (b) there is inserted—

- “(ba) if the claim was made under the scheme referred to in section 1 of this Act in respect of a person who is treated under the scheme as an officer, shall be a retired or demobilised officer of Her Majesty’s naval, military or air forces;
- (bb) if the claim was made under the aforesaid scheme in respect of a person who is treated under the scheme as a soldier, shall be a discharged or demobilised member of any of the said forces who was not at the time of his discharge or demobilisation an officer;”.

Official and public service pensions

170 Pensions for dependants of the Prime Minister etc

(1) Section 27 of the Parliamentary and Other Pensions Act 1972 (application of certain provisions with modifications in relation to the Prime Minister and the Speaker) is amended as follows.

(2) For subsection (1)(b) (amount by reference to which dependant’s pension calculated) there is substituted—

- “(b) for the purposes of that scheme, that person’s basic or prospective pension were of an amount equal to his section 26 entitlement”.

(3) After subsection (1) there is inserted—

“(1A) For the purposes of subsection (1)(b), the amount of a person’s section 26 entitlement—

- (a) where at the time of his death he was entitled to receive a pension under section 26 of this Act (whether or not, by virtue of subsection (2) of that section, the pension was payable), is the annual amount of the pension to which he was entitled under that section at the time when he ceased to hold that office or (if later) on 28th February 1991, and
- (b) where at the time of his death he held office as Prime Minister and First Lord of the Treasury or as Speaker of the House of Commons, is the annual amount of the pension to which he would have been entitled under that section if he had ceased to hold office immediately before his death,

but in either case, any provision which deems such a pension to have begun on a day earlier than the day referred to in section 8(2) of the Pensions (Increase) Act 1971 shall be disregarded.”

(4) For the purposes of the Pensions (Increase) Act 1971, a pension payable under section 27 of the Parliamentary and Other Pensions Act 1972 in respect of a person who ceased to hold the office of Prime Minister and First Lord of the Treasury or Speaker of the House of Commons before 28th February 1991 shall be deemed to have begun on that date.

(5) Where a person—

- (a) is entitled to receive a pension under that section by reason of the death of a person who, at any time before the commencement of this section, held the

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office of Prime Minister and First Lord of the Treasury or Speaker of the House of Commons, and

- (b) the amount of that pension determined in accordance with subsection (6) is greater than the amount of the pension determined in accordance with subsections (1) to (4),

it shall be determined in accordance with subsection (6).

- (6) The annual amount of the pension shall be determined as if—
 - (a) subsections (1) to (3) had not been enacted, and
 - (b) for the purposes of the Pensions (Increase) Act 1971, the pension had begun on the day following the date of the death.
- (7) This section has effect, and shall be treated as having had effect, in relation to any person who becomes entitled to a pension payable under section 27 of the Parliamentary and Other Pensions Act 1972 on or after 15th December 1994.

171 Equal treatment in relation to official pensions

- (1) Section 3 of the Pensions (Increase) Act 1971 (qualifying conditions for pensions increase) is amended as follows.
- (2) In subsection (2)(c), “is a woman who” is omitted.
- (3) In subsection (10)—
 - (a) for “woman is in receipt of a pension” there is substituted “person is in receipt of a pension the whole or any part of”, and
 - (b) for “woman and that pension” there is substituted “person and that pension or part”.
- (4) In subsection (11)—
 - (a) for “woman's” there is substituted “person's”, and
 - (b) for “woman” there is substituted “person”, and accordingly for “she” there is substituted “he”.
- (5) This section shall have effect, and shall be deemed to have had effect, in relation to pensions commencing after 17th May 1990, and in relation to so much of any such pension as is referable to service on or after that date.

172 Information about public service schemes

- (1) In prescribed circumstances, the Secretary of State may provide information to any prescribed person in connection with the following questions—
 - (a) whether an individual who during any period—
 - (i) has been eligible to be an active member of an occupational pension scheme under the Superannuation Act 1972, but
 - (ii) has instead made contributions to a personal pension scheme, has suffered loss as a result of a contravention which is actionable under section 62 of the Financial Services Act 1986 (actions for damages in respect of contravention of rules etc. made under the Act), and
 - (b) if so, what payment would need to be made to the occupational scheme in respect of the individual to restore the position to what it would have been

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if the individual had been an active member of the occupational scheme throughout the period in question,
and may impose on that person reasonable fees in respect of administrative expenses incurred in providing that information.

(2) Where—

- (a) such an individual as is mentioned in subsection (1) is admitted or readmitted as an active member of an occupational pension scheme under the Superannuation Act 1972, or
- (b) a payment is made to the Secretary of State in respect of such an individual for the purpose mentioned in paragraph (b) of that subsection,

the Secretary of State may impose on any prescribed person reasonable fees in respect of administrative expenses incurred in connection with the admission, readmission or payment.

(3) In the case of an occupational pension scheme under section 1 of the Superannuation Act 1972 (superannuation of civil servants), the references in subsections (1) and (2) to the Secretary of State shall be read as references to the Minister for the Civil Service, or such person as may be prescribed.

(4) In the case of an occupational pension scheme under section 7 of the Superannuation Act 1972 (superannuation of persons employed in local government etc.), the references in subsections (1) and (2) to the Secretary of State shall be read as references to a prescribed person.

(5) In this section—

“prescribed” means—

- (i) in the case of a scheme made under section 1 of the Superannuation Act 1972, prescribed by a scheme made by the Minister for the Civil Service, or
- (ii) in any other case, prescribed by regulations made by the Secretary of State, and

“active member”, in relation to an occupational pension scheme, has the same meaning as in Part I.

General minor and consequential amendments

173 General minor and consequential amendments

Schedule 6, which makes general minor and consequential amendments, shall have effect.

Subordinate legislation etc.

174 Orders and regulations (general provisions)

- (1) Any power under this Act to make regulations or orders (except a power of the court or the Authority to make orders) shall be exercisable by statutory instrument.
- (2) Except in so far as this Act provides otherwise, any power conferred by it to make regulations or an order may be exercised—

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- (a) either in relation to all cases to which the power extends, or in relation to those cases subject to specified exceptions, or in relation to any specified cases or classes of case,
- (b) so as to make, as respects the cases in relation to which it is exercised—
 - (i) the full provision to which the power extends or any less provision (whether by way of exception or otherwise),
 - (ii) the same provision for all cases in relation to which the power is exercised, or different provision for different cases or different classes of case or different provision as respects the same case or class of case for different purposes of this Act, or
 - (iii) any such provision either unconditionally or subject to any specified condition,

and where such a power is expressed to be exercisable for alternative purposes it may be exercised in relation to the same case for any or all of those purposes; and any power to make regulations or an order for the purposes of any one provision of this Act shall be without prejudice to any power to make regulations or an order for the purposes of any other provision.

- (3) Any power conferred by this Act to make regulations or an order includes power to make such incidental, supplementary, consequential or transitional provision as appears to the authority making the regulations or order to be expedient for the purposes of the regulations or order.
- (4) Regulations made by the Secretary of State may, for the purposes of or in connection with the coming into force of any provisions of this Act, make any such provision as could be made, by virtue of subsection (4)(a) of section 180, by an order bringing those provisions into force.

175 Parliamentary control of orders and regulations

- (1) Subject to subsections (2) and (3), a statutory instrument which contains any regulations or order made under this Act shall be subject to annulment in pursuance of a resolution of either House of Parliament.
- (2) A statutory instrument which contains any regulations made by virtue of—
 - (a) section 64(4),
 - (b) section 78(6),
 - (c) section 116(1), or
 - (d) section 149or order under section 10(2) must not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament.
- (3) Subsection (1) does not apply to an order under section 180.

General

176 Interpretation

In this Act—

“enactment” includes an enactment comprised in subordinate legislation (within the meaning of the Interpretation Act 1978),

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“occupational pension scheme” and “personal pension scheme” have the meaning given by section 1 of the Pension Schemes Act 1993, and the definition of “enactment” shall apply for the purposes of section 114 as if “Act” in section 21(1) of the Interpretation Act 1978 included any enactment.

177 Repeals

The enactments shown in Schedule 7 are repealed to the extent specified in the third column.

178 Extent

- (1) Subject to the following provisions, this Act does not extend to Northern Ireland.
- (2) Sections 1, 2, 21(3), 68(5), 78, 79, 80(4), 150, 168, 170(4) to (7), 172 and 179 extend to Northern Ireland.
- (3) The amendment by this Act of an enactment which extends to Northern Ireland extends also to Northern Ireland.

179 Northern Ireland

An Order in Council under paragraph 1(1)(b) of Schedule 1 to the Northern Ireland Act 1974 (legislation for Northern Ireland in the interim period) which states that it is made only for purposes corresponding to those of this Act—

- (a) shall not be subject to paragraph 1(4) and (5) of that Schedule (affirmative resolution of both Houses of Parliament), but
- (b) shall be subject to annulment in pursuance of a resolution of either House.

180 Commencement

- (1) Subject to the following provisions, this Act shall come into force on such day as the Secretary of State may by order made by statutory instrument appoint and different days may be appointed for different purposes.
- (2) The following provisions shall come into force on the day this Act is passed—
 - (a) subject to the provisions of Schedule 4, Part II,
 - (b) section 168,
 - (c) sections 170 and 171,
 - (d) section 179,
 and any repeal in Schedule 7 for which there is a note shall come into force in accordance with that note.
- (3) Section 166 shall come into force on such day as the Lord Chancellor may by order made by statutory instrument appoint and different days may be appointed for different purposes.
- (4) Without prejudice to section 174(3), the power to make an order under this section includes power—
 - (a) to make transitional adaptations or modifications—
 - (i) of the provisions brought into force by the order, or

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- (ii) in connection with those provisions, of any provisions of this Act, or the Pension Schemes Act 1993, then in force, or
 - (b) to save the effect of any of the repealed provisions of that Act, or those provisions as adapted or modified by the order,
- as it appears to the Secretary of State expedient, including different adaptations or modifications for different periods.

181 Short title

This Act may be cited as the Pensions Act 1995.