HMRC - PTM054100 - Multiple Arrangements Under A Pension Scheme Providing Same Type Of Benefit

The concept of an arrangement is explained in PTM023000.

Whether an individual has one arrangement providing a particular type of benefit, for example defined benefits, under a pension scheme or more than one arrangement providing the same type of benefit under the scheme can have a bearing on the application of the annual allowance rules.

Deferred pensioner carve-out and life cover

One illustration of how the issue of whether member’s benefits are held under one arrangement or more can have a bearing is in PTM053910 (under the under section ‘Members with continuing life cover’).

This relates to an employee continuing in the service of an employer who ceases pensionable service for defined benefit accrual and has revaluation as for leavers from employment generally, but who continues to have life cover under the scheme while an employee.

It may be that ceasing pensionable service happened some time ago but the question of arrangement set up had not been considered to date. Taking into account matters of fact and scheme construction the scheme administrator might determine now that (unless there is specific evidence to the contrary) the life cover has always been provided from a separate arrangement from the defined benefit retirement benefit.

Deferred pensioner carve-out and other risk cover

A similar case might arise in the same way as in PTM053910 under the section headed ‘Members with continuing ill-health cover’.

Split NRA service

Some schemes have retirement benefits where one part of the benefits has one effective normal pension age and another part another, “split” according to service as in the following example:

6 April 1987 - 5 April 1991 (normal pension age 60), and

6 April 1991 onwards (normal pension age 65).

In other words, if the member retires from service at any time below age 65, the post 6 April 1991 part will be reduced by an age related factor; and if the member retires from service below age 60 the 1987-1991 part will be reduced by an age related factor. (Below these respective ages the member does not have right to an unreduced pension, and these are respectively the earliest age for which this is true). So these are the relevant assumed ages for the valuation assumptions used for annual allowance calculations. This is the meaning of ‘normal pension age’ throughout this page.

Assuming that there are no facts or issues of scheme construction preventing this, the scheme administrator might now determine that the two tranches of benefit are, and have been since before 6 April 2006, all under one arrangement; or they might determine that the benefit arising in relation to the service 1987 to 1991 is in one arrangement, and that the benefit arising in relation to service from 1991 onwards is in another.

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