

PREMIER PENSIONS MANAGEMENT

LEGISLATION UPDATE : 21/06

Life Assurance Only Members

The Pensions Regulator has now issued guidance on life cover only arrangements. Life Assurance arrangements will need to be considered in light of this.

The question is whether under Section 255 of the Pensions Act 2004 life assurance only benefits can be provided via an Occupational Pension Scheme.

The problem does not arise in relation to schemes which only provide life cover as they are no longer treated as Occupational Pension Schemes.

In relation to Occupational Pension Schemes, the Pensions Regulator has confirmed that life assurance benefits can be provided to the following: -

- (a) Employees who are in a waiting period.
- (b) Employees who have declined membership or who have withdrawn from membership of the Pension Scheme.
- (c) Existing members of a Scheme which has been closed to new entrants or to future accrual.
- (d) Retained members who remain in service.

The Regulator believes that if a scheme is closed to new entrants or future accrual could be in conflict with Section 255, in this case a separate life assurance scheme for new entrants may be appropriate.

However, if new employees are provided with pension benefits under another Employer scheme and there is a significant concentrated and identifiable link through the Employer between the provision of the lump sum death benefits under the scheme and the pension benefits under the other scheme, this may be sufficient to comply with Section 255.

Action: *All schemes with life assurance only members should review their provision and take legal advice if they are not sure whether they should be providing cover*

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*This update includes general information and cannot be relied upon for individual schemes issues. You should contact your adviser or P Couchman at Premier Pensions Management Ltd, Capital Business Centre, Units 14 & 15, 22 Carlton Road, South Croydon, Surrey, CR2 0BS.
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