

Appendix C

Steps to take to determine if your defined benefit (DB) pension scheme is a qualifying scheme - Transcript

This is a transcript of the flowchart intended as supporting material for **Detailed guidance no 4 – Pension schemes.**

Please note this flowchart doesn't cover lump sum schemes.

This flowchart shows the considerations an employer must make in satisfying themselves that a DB pension scheme, with its main administration in the UK is a qualifying scheme. It will also tell you whether it can be used to fulfil any automatic enrolment duties. It is important to note that the criteria are the minimum features the scheme is required to have. There will be other things to consider before an employer makes a decision about what type of scheme to use. If the scheme is administered outside of the UK, then the employer may wish to consider if it meets the additional criteria for non-UK schemes.

Please note

¹ Includes final salary lump sum schemes

² Includes average salary lump sum schemes

1. Is the scheme tax registered in the UK with HM Revenue and Customs?

Yes – Go to 3

No – Go to 2

2. The scheme is not a qualifying scheme and cannot be used for the employer duties for existing members who are eligible jobholders, or for automatic enrolment of future eligible jobholders.

3. Are all jobholders in contracted out employment?

Yes – Go to 5

No – Go to 4

4. Is the DB scheme an average salary or final salary scheme?

Average salary² – Go to 4.2

Final salary¹ – Go to 4.1

4.1. Do you believe that the scheme meets either the 'test scheme standard' or one of the alternative DB requirements? In order to assist you with this decision, the Department for Work and Pensions has issued guidance notes for employers and actuaries on meeting the test scheme standard. They will be issuing guidance on meeting the alternative DB requirements shortly.

(If you conclude that the scheme is a shared risk scheme which satisfies the specific conditions necessary to allow it to qualify by meeting the DC minimum requirements, please refer to the flowchart for occupational pension schemes set out in Appendix D.)

If the scheme does meet one of the above requirements, it can continue to be used for existing members. If the employer wants to use it for the automatic enrolment of future eligible jobholders, it will also need to have some additional features (described below).

Go to 9

- 4.2. Do you believe that the scheme meets either the 'test scheme standard' or one of the alternative DB requirements? In order to assist you with this decision, the Department for Work and Pensions has issued guidance notes for employers and actuaries on meeting the test scheme standard. They will be issuing guidance on meeting the alternative DB requirements shortly.

(If you conclude that the scheme is a shared risk scheme which satisfies the specific conditions necessary to allow it to qualify by meeting the DC minimum requirements, please refer to the flowchart for occupational pension schemes set out in Appendix D after checking whether or not it meets the 'additional criteria' referred to below.)

If the scheme does meet one of the above requirements, it will be qualifying as long as it also meets the 'additional criteria'. Follow the flowchart to find out exactly what the 'additional criteria' are and whether your scheme meets them.

Additional Criteria – Go to 6

5. **Is the DB scheme an average salary or final salary scheme?**

Final salary¹ – Go to 7

Average salary² – Go to 6

6. **Is there any provision for the revaluation of accrued benefits?**

No – Go to 8

Yes – Go to 6.1

- 6.1. Does this provide for the revaluation on a non-discretionary basis at or more than the minimum rate (currently the lesser of RPI , CPI or 2.5%)?

Yes – Go to 7

No – Go to 6.2

- 6.2. Does this provide for the revaluation on a non-discretionary basis at less than the minimum rate?

Yes – Go to 6.4

No – Go to 6.3

6.3. May a discretionary power be exercised in the revaluation of such benefits?

No – Go to 8

Yes – Go to 6.4

6.4. Is the funding of the scheme based on the assumption that accrued benefits would be revalued at or more than the minimum rate?

No – Go to 8

Yes – Go to 6.5

6.5. Is such funding provided for the scheme's statement of funding principles (SFP) or equivalent (where a scheme is not required to have an SFP)?

No – Go to 8

Yes – Go to 7

7. **The scheme is a qualifying scheme and can continue to be used for existing members. If the employer wants to use the scheme for automatic enrolment, it will also need to have additional features (described below).**

Go to 9

8. **As it stands, the scheme is not a qualifying scheme so it will not be able to be used for the employer duties for existing members who are eligible jobholders, nor for automatic enrolment of future eligible jobholders. However, the rules of the scheme could be amended to make it a qualifying scheme. If the rules are not amended:**

- there will be an automatic enrolment duty to fulfil for the eligible jobholders that are in the scheme, and
- the scheme cannot be used for the automatic enrolment of future eligible jobholders

If amending the rules of the scheme is an option and the employer also wants to know if it could be used for automatic enrolment, it will have to have some additional features (described below).

Go to 9

9. **Additional features**

Are both of the following statements true?

- (1) The scheme does not contain any provision which would prevent the employer from making the required arrangements to automatically enrol, opt-in or re-enrol a jobholder (for example, it does not require a member to give consent to join).
- (2) The scheme does not require the member to provide any information or make any choices in order to remain an active member.

No, at least one statement is untrue – Go to 9.2

Yes, both statements are true – Go to 9.1

9.1. Yes, both statements are true

The scheme is an automatic enrolment scheme

9.2. No, at least one statement is untrue

As it stands, the scheme is not an automatic enrolment scheme so it will not be able to be used for the automatic enrolment of eligible jobholders. However, the scheme rules could be amended to make it an automatic enrolment scheme. If not amended, another scheme will need to be selected for automatic enrolment.