



simply pensions

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⇒ Pensions Act 2004

paternity and adoption leave

Here we give information about changes to provisions for members on paternity or adoption leave for trustees of money purchase schemes.

Depending on the type of leave, and whether it is paid or unpaid, an employer may be required by law to treat the employee on leave as working normally for pensions purposes and to continue to make pension contributions for them on that basis. Currently the rules differ depending on whether the leave relates to a woman on maternity leave, or a parent on paternity or adoption leave. However, new provisions being introduced by the Pensions Act 2004 will bring paid paternity and adoption leave into line with the legislation on paid maternity leave.

1. Effective date of change

We expect the new requirements to come into force on 6 April 2006.

2. The proposed change for employees on paternity or adoption leave as it applies to money purchase schemes

The change is part of the process of ensuring equal treatment under occupational pension schemes. The effect is that for any period of paternity or adoption leave during which an employee receives contractual or statutory pay, pension benefits will continue and the employer will be required to make contributions for the employee as if they were working normally and receiving normal pay. However, where the employee is obliged to make contributions, the employee will only be required to do so (during the period of paid leave) based on the pay they actually receive.

The legislation sets down minimum requirements. It does not prevent an employer or scheme making more generous provision.

3. What happens now?

Until the proposals have been brought into force by law, no action can be taken. We will tell you when the details have been confirmed. At that time, you should make your employer aware of the new regulations relating to employees on paternity or adoption leave.

This note is based on Scottish Equitable's current understanding of the legislation and proposed regulations. However, whilst every effort has been made to ensure its accuracy, Scottish Equitable cannot accept any legal responsibility for the information provided.