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amend the law relating to the purchase of annuities in respect of private and personal pensions, defined contribution and additional voluntary contribution pension schemes.

BE IT ENACTED by the Queen’s most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1 Amendment of the Income and Corporation Taxes Act 1988

- (1) The Income and Corporation Taxes Act 1988 is amended as follows.
- (2) In subsection (1) of section 630 (interpretation)—
- (a) in the definition of “personal pension scheme”, substitute for the words “or lump sums” the words “, lump sums, or sums for investment in a Retirement Income Fund”; and 5
 - (b) in the definition of “income withdrawal”, insert after the word “annuity” the words “or withdrawal of funds from a Retirement Income Fund”.
- (3) In section 633 (scope of benefits)— 10
- (a) in subsection (1)(a), the words from “section 634” to the end are omitted;
 - (b) in subsection (1)(c), the words from “section 636” to the end are omitted; and
 - (c) after subsection (1)(e) there is inserted— 15
 - (f) the payment to a member of income from a Retirement Income Fund satisfying the conditions in section 637B”.
- (4) In section 634 (annuity to member)—
- (a) after subsection (1), there is inserted— 20
 - “(1A) Subject to subsection (7) below, the annuity must provide the member with an annual income not less than the Minimum Retirement Income set under section 2 of the Pensions Annuities (Amendment) Act 2002.”;

- (b) in subsection (2) the words from “commence” to the end are replaced by the following—
- “(a) before the member attains the age of 50; or
 (b) in relation to a member who is in receipt of benefits under section 634A before the date of this Act’s entry into force, after the member attains the age of 75; or
 (c) in relation to any member aged 65 or over as at the date of this Act’s entry into force, within twelve months of that date; or
 (d) in relation to all other members, after the member attains the age of 65.”
- (c) after subsection (6) there is inserted—
- “(7) Section 45 of the Sex Discrimination Act 1975 shall not apply to the annuity provided under subsection (1A).
 (8) The income provided each year from the annuity under section (1A) must increase by reference to increases in the retail price index, so far as not exceeding 5%.”
- (5) Sections 634A and 636A are repealed.
- (6) Subsection (5) shall not apply to schemes executed before the date of entry into effect of this Act.
- (7) After section 637A (Return of contributions on death of a member), the following section is inserted—

“637B Retirement Income Fund

- (1) Subject to subsections (2) and (3) of this section, a Retirement Income Fund is a vehicle for the reinvestment of savings in retirement, which
- (a) has been established by a person designated by subsection (1) of section 632; and
- (b) is a vehicle whose investments are—
- (i) investments of a kind described in the Insurance Companies Regulations 1994, Schedule X, Part 1; or
- (ii) approved by the Inland Revenue.
- (2) Funds held in a Retirement Income Fund as referred to in subsection (1) may be withdrawn from the Retirement Income Fund by the member as and when he elects.
- (3) A member may not invest in a Retirement Income Fund unless the requirements of subsection (1A) of section 634, in relation to the Minimum Retirement Income, are satisfied.
- (4) A Retirement Income Fund, and any income derived from it, must not be capable of assignment or surrender by the member.
- (5) Any withdrawal from the Fund by the member under subsection (2) shall be regarded as “income” within section 1 of this Act.”

2 Minimum Retirement Income

The amount of the Minimum Retirement Income shall be set annually by the Chancellor of the Exchequer by order, and he shall set the amount for the

financial year in which this Act comes into force within two months of the date on which this Act is passed.

3 Short title and commencement

(1) This Act may be cited as the Pension Annuities (Amendment) Act 2002.

(2) This Act shall come into force on 6th April 2004.