

SCHEDULE 2

Regulations 3, 44, 45, 144 and 180

Scheme flexibilities

PART 1

General

Interpretation of Schedule

1. This Schedule—

“additional pension contributions” means contributions for an additional pension;

“additional pension election” means an election under Part 2 of this Schedule;

“amount of accrued extra earned pension” means the amount of accrued earned pension attributable to a faster accrual election;

“amount of extra pension” has the meaning given in paragraph 2;

“buy-out contributions” means contributions to buy out the standard reduction;

“buy-out election” means an election under Part 4 of this Schedule;

“buy-out value” means an amount determined or re-determined by the scheme manager in accordance with Part 4 of this Schedule;

“contributions” means—

- (a) additional pension contributions;
- (b) faster accrual contributions; or
- (c) buy-out contributions;

“contributions payment period”, for contributions paid monthly, means the period beginning on the start date and ending with the date on which the final monthly payment is due;

“election” means—

- (a) an additional pension election;
- (b) a faster accrual election; or
- (c) a buy-out election;

“faster accrual contributions” means contributions for a faster accrual rate;

“faster accrual election” means an election under Part 3 of this Schedule;

“faster accrual rate”, in relation to P’s pensionable earnings, means 1/45th, 1/50th or 1/55th;

“maximum” has the meaning given in Chapter 1 of Part 4 of this Schedule;

“monthly payments”, in respect of an election, means contributions paid monthly;

“overall amount” means the overall amount of extra pension as defined in paragraph 3;

“refund period”, in relation to additional pension contributions, means the period ending one year after the start date;

“start date”—

- (a) for contributions paid by lump sum, means the date on which the scheme manager receives the lump sum; and
- (b) for monthly payments, means the first day of the second month after the month in which the election is accepted.

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Meaning of “amount of extra pension”

2. The amount of extra pension for a person (P) at any given time is the sum of the following—
- (a) the amount of accrued extra earned pension (if any) at that time;
 - (b) the amount of accrued additional pension (if any) at that time;
 - (c) the buy-out value at that time, if P has elected to buy out the standard reduction.

Meaning of “overall amount of extra pension”

- 3.—(1) The overall amount of extra pension is—
- (a) £6,500 for any financial year ending before 1st April 2016; and
 - (b) for any financial year beginning on or after that date—
 - (i) an amount determined by the Treasury for that financial year; or
 - (ii) if the Treasury has not determined an amount for that financial year, the amount calculated under sub-paragraph (2).
- (2) If the Treasury has not determined an amount under sub-paragraph (1)(b)(i) for any financial year, the overall amount for that financial year is the amount to which the annual rate of a pension of an amount equal to the overall amount for the previous financial year would have been increased under PIA 1971 if—
- (a) that pension were eligible to be so increased; and
 - (b) the beginning date for that pension were the first day of the previous financial year.

Limit on elections

- 4.—(1) The scheme manager must not accept an additional pension election or a faster accrual election in relation to a member (P) at any time if—
- (a) the scheme manager has accepted a buy-out election from P; and
 - (b) the buy-out value at that time exceeds the overall amount of extra pension at that time.
- (2) The scheme manager must not accept an additional pension election or a faster accrual election that would result in the amount of extra pension exceeding the overall amount of extra pension.

Actuarial advice

5. The scheme manager must take advice from the scheme actuary before determining any amount under this Part.

PART 2

Additional pension election

CHAPTER 1

Making an additional pension election

Election to pay contributions for additional pension

- 6.—(1) A member (P), or P’s employer with the consent of P, may elect to pay contributions for an additional pension in respect of P (“additional pension election”).
- (2) An additional pension election must—

- (a) state whether the election is for—
 - (i) an additional (self only) pension; or
 - (ii) an additional (self only) pension and an additional (surviving adult) pension; and
- (b) specify the annual rate of additional (self only) pension to be paid with P's retirement pension.

Annual rate of additional (self only) pension

7. The annual rate of additional (self only) pension specified in an additional pension election must be a multiple of—

- (a) £250; or
- (b) any other amount determined by the scheme manager.

Lump sum or monthly payments

8.—(1) An employer's contributions for additional pension must be made by lump sum.

(2) A member's additional pension contributions may be paid by lump sum or by monthly payments.

Making an additional pension election

9.—(1) An additional pension election in relation to a member (P)—

- (a) must be made by written notice to the scheme manager; and
- (b) must be accompanied by a declaration by P that P is in normal health.

(2) When the election is made, P must be—

- (a) in pensionable service; and
- (b) under normal pension age.

(3) The notice must state whether additional pension contributions are to be paid—

- (a) as a lump sum; or
- (b) by monthly payments.

(4) If monthly payments are to be made, the notice must—

- (a) state the number of monthly payments, which must not be more than 240; and
- (b) if P is in pensionable service in relation to more than one employment, specify which employer is to deduct the contributions.

(5) The scheme manager may request further information to be provided.

Accepting an additional pension election

10.—(1) The scheme manager may accept an additional pension election by giving written notice to the person who made the election (P).

(2) An additional pension election is accepted when P receives notice that the scheme manager has accepted the election.

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CHAPTER 2

Amount of additional pension contributions

Determination of contributions payable

11.—(1) The scheme manager must determine the amount to be paid as a lump sum or as a monthly payment.

(2) The amount of the lump sum or monthly payment must reflect the cost of paying an additional (self only) pension and any additional (surviving adult) pension.

(3) The scheme manager may determine different amounts of lump sum or monthly payment—

- (a) for different classes or descriptions of member; and
- (b) depending on whether the additional pension election is for—
 - (i) an additional (self only) pension; or
 - (ii) an additional (self only) pension and an additional (surviving adult) pension.

(4) The scheme manager—

- (a) may determine the amount of a monthly payment by reference to the length of the contributions payment period; and
- (b) may exercise the functions under this paragraph so as to re-determine the amount of a monthly payment during the contributions payment period.

(5) Unless the scheme manager re-determines the amount, monthly payments following a gap in service during which an ill health pension was payable are the same as before the gap.

CHAPTER 3

Additional pension contributions paid by lump sum

Lump sum contributions: payment of contributions and credit of additional pension

12.—(1) This paragraph applies to a member—

- (a) in respect of whom an additional pension election is accepted; and
- (b) whose notice of election states that contributions are to be paid by lump sum.

(2) The member's additional pension account is to be credited with an amount equal to the annual rate of additional (self only) pension stated in the notice of election ("the amount of additional pension") if the lump sum contribution is paid within one month after the additional pension election is accepted.

(3) The member's additional pension account is not to be credited with the amount of additional pension unless the lump sum contribution is paid within that time.

Refund of lump sum contribution

13.—(1) This paragraph applies if a member (P) has paid a lump sum contribution for additional pension.

(2) The lump sum contribution must be refunded if, before the end of the refund period—

- (a) P dies;
- (b) an ill-health pension becomes payable to P; or
- (c) P leaves all pensionable service and P is neither qualified nor re-qualified for retirement benefits in respect of that service.

CHAPTER 4

Additional pension contributions by monthly payments

Application of Chapter

- 14.** This Chapter applies to a member (P)—
- (a) in respect of whom an additional pension election is accepted; and
 - (b) whose notice of election states that contributions are to be paid by monthly payments.

Payment of contributions

- 15.—**(1) P must—
- (a) make the first monthly payment within 2 months after the end of the month in which the additional pension election is accepted; and
 - (b) continue to make the monthly payments until the end of the contributions payment period.
- (2) The final monthly payment must be made before P reaches normal pension age.
- (3) If the scheme manager re-determines the amount of the monthly payment during the contributions payment period, P must pay the re-determined amount from the beginning of the next financial year.
- (4) P is taken to revoke an additional pension election if—
- (a) a monthly payment is missed; and
 - (b) the payment is not made within 3 months after P receives a written demand from the scheme manager.

Member leaves all pensionable service before end of contributions payment period

- 16.—**(1) This paragraph applies if P leaves all pensionable service before the end of the contributions payment period.
- (2) If this paragraph applies—
- (a) monthly payments for additional pension cease to be payable at the end of the period of one month beginning with the last day of pensionable service (“the one-month period”); and
 - (b) the amount of accrued additional pension as at the last day of pensionable service is an amount determined by the scheme manager.
- (3) This paragraph does not apply if, within 2 months after the last day of pensionable service, P pays the scheme manager a lump sum of an amount determined by the scheme manager.
- (4) For the purpose of this paragraph, P is not taken to have left all pensionable service if—
- (a) during the one-month period, P begins a period of non-pensionable sick leave; and
 - (b) during the period of non-pensionable sick leave, an ill-health pension becomes payable to P.

Retirement pension (other than ill health pension) becomes payable before end of contributions payment period

- 17.—**(1) This paragraph applies if any of the following retirement pensions becomes payable to a member (P) before the end of the contributions payment period—
- (a) an age retirement pension;
 - (b) a phased retirement pension (if P has elected to receive additional pension with it);

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- (c) a premature retirement pension;
- (d) an early retirement pension.
- (2) If this paragraph applies—
 - (a) monthly payments for additional pension cease to be payable on the entitlement day for that pension; and
 - (b) the amount of accrued additional pension as at the relevant last day is an amount determined by the scheme manager.

CHAPTER 5

Revocation and refund

Revoking an additional pension election

18.—(1) P may revoke an additional pension election at any time before the end of the contributions payment period.

- (2) P is taken to revoke an additional pension election if—
 - (a) P leaves all pensionable service before the end of the contributions payment period; and
 - (b) P is qualified or re-qualified for retirement benefits in respect of that service.
- (3) On the date of revocation—
 - (a) monthly payments for additional pension under that election cease to be payable; and
 - (b) the amount of accrued additional pension as at that date is an amount determined by the scheme manager.
- (4) A revocation must be by written notice to the scheme manager.
- (5) A revocation has effect from the date it is received by the scheme manager (“date of revocation”).

Ill health pension becomes payable before end of contributions payment period

19.—(1) This regulation applies if an ill-health pension becomes payable to a member (P) before the end of the contributions payment period for an additional pension election.

- (2) If an ill-health pension becomes payable to P before the end of the refund period—
 - (a) any monthly payments that have been made under that additional pension election must be refunded to P; and
 - (b) the amount of accrued additional pension as at the last day of pensionable service must be adjusted by deducting the amount of accrued additional pension attributable to that election.
- (3) If an ill-health pension becomes payable to P after the end of the refund period—
 - (a) the monthly payments under the additional pension election are treated as being paid until the earlier of—
 - (i) the end of the contributions payment period for that election; or
 - (ii) the day on which an ill health pension ceases to be payable under regulation 111; and
 - (b) for the purpose of calculating the annual rate of ill health pension, the amount of accrued additional pension is—
 - (i) if the declaration that accompanied the additional pension election was made in good faith, the amount of accrued additional pension calculated under regulation 44 or 45 as at the last day of pensionable service; or

(ii) if that declaration was not made in good faith, an amount determined by the scheme manager having regard to the contributions paid or treated as being paid.

(4) If P re-enters pensionable service when an ill health pension ceases to be payable under regulation 111, P may choose to resume the monthly payments.

Death in service before end of contributions payment period

20.—(1) This paragraph applies on the death of a member (D)—

- (a) whose additional pension election is for an additional (self only) pension and an additional (surviving adult) pension;
- (b) who dies in service within the meaning of Part 6 before the end of the contributions payment period for that election.

(2) If D dies before the end of the refund period—

- (a) the monthly payments must be refunded to D’s surviving adult; and
- (b) the additional pension account must be closed.

(3) If D dies after the end of the refund period—

- (a) the monthly payments cease to be payable as at the date of D’s death; and
- (b) for the purpose of calculating a survivor’s pension, the amount of accrued additional pension is—
 - (i) if the declaration that accompanied the additional pension election was made in good faith, the amount of accrued additional pension calculated under regulation 44 or 45 as at the day of D’s death; or
 - (ii) if that declaration was not made in good faith, an amount determined by the scheme manager having regard to the contributions paid or treated as being paid.

Member leaves all pensionable service before qualifying for retirement benefits

21. If a member (P) leaves all pensionable service before P is qualified for retirement benefits in respect of that service—

- (a) any monthly payments made before the last day of pensionable service must be refunded to P; and
- (b) the additional pension account must be closed.

PART 3

Faster accrual election

CHAPTER 1

Making the election

Faster accrual election

22.—(1) A member (P) may elect, in relation to pensionable service in an eligible employment, to pay contributions to accrue earned pension at a faster accrual rate in a financial year (“faster accrual election”).

(2) A faster accrual election must state the faster accrual rate which is to apply to P’s pensionable earnings in that employment for that financial year.

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- (3) A faster accrual election—
 - (a) must be made—
 - (i) in the financial year before the financial year to which it relates; or
 - (ii) if P is a new joiner, within one month after P enters pensionable service in relation to an employment;
 - (b) has effect from—
 - (i) the start of the financial year to which it relates; or
 - (ii) if P is a new joiner, one month after the election is received by the scheme manager; and
 - (c) ceases to have effect at the end of the financial year to which it relates unless it is revoked before then.
- (4) When making a faster accrual election, P must be—
 - (a) in pensionable service; and
 - (b) under normal pension age.

Making a faster accrual election

- 23.**—(1) A faster accrual election must be made by written notice to the scheme manager.
- (2) The notice of election must specify—
 - (a) if the member (P) is in more than one eligible employment, the name of the employer who is to deduct the contributions;
 - (b) P's name;
 - (c) P's date of birth;
 - (d) P's annual rate of pensionable earnings.
- (3) The scheme manager may request further information to be provided.

Accepting a faster accrual election

- 24.** The scheme manager may accept a faster accrual election by giving written notice to—
 - (a) the member (P); and
 - (b) P's employer.
- (2) For the purpose of these Regulations, a faster accrual election is accepted when P receives notice from the scheme manager.

CHAPTER 2

Payment of contributions

Determination of contributions payable

- 25.** The scheme manager must determine the amount of the monthly payment to be paid in respect of a faster accrual election.

Payment of contributions

- 26.**—(1) A member (P)—
 - (a) must make the first monthly payment within 2 months after the end of the month in which the faster accrual election is accepted; and

- (b) must continue to make the monthly payments until the end of the contributions payment period.
- (2) The final monthly payment is due in the last month of the financial year to which the faster accrual election relates.
- (3) P is taken to revoke a faster accrual election if—
 - (a) a monthly payment is missed; and
 - (b) the payment is not made within 3 months after P receives a written demand from the scheme manager.

CHAPTER 3

Revocation and refund

Revoking a faster accrual election

- 27.**—(1) A member (P) may revoke a faster accrual election at any time before the end of the contributions payment period.
- (2) P is taken to revoke a faster accrual election if P leaves pensionable service in the employment to which the election relates before the end of the contributions payment period.
- (3) If P revokes or is taken to revoke a faster accrual election and P is not entitled to be repaid the balance of contributions under regulation 183—
- (a) P’s monthly payments cease to be payable on the date of revocation; and
 - (b) P’s active member’s account (or if P has left all pensionable service, P’s deferred member’s account or pensioner member’s account) must be credited with an amount determined by the scheme manager.
- (4) If P revokes or is taken to revoke a faster accrual election and P is entitled to be repaid the balance of contributions under regulation 183—
- (a) P’s monthly payments cease to be payable on the date of revocation; and
 - (b) P’s rights under this scheme are extinguished.
- (5) A revocation must be by written notice to the scheme manager.
- (6) A revocation has effect from the date it is received by the scheme manager (“date of revocation”).

Member leaves all pensionable service before qualifying for retirement benefits

- 28.**—(1) This paragraph applies if a member (P) leaves all pensionable service before qualifying for retirement benefits in respect of that service.
- (2) If this paragraph applies, any monthly payments made before the last day of pensionable service must be refunded to P.

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PART 4

Election to buy out the standard reduction

CHAPTER 1

General

When the standard reduction applies

29.—(1) The standard reduction applies in respect of a member (P) to a maximum of 3 years from age 65 to P’s normal pension age (“the maximum”).

(2) If a retirement pension becomes payable to P on or after P reaches 65, the standard reduction applies to a proportion of the time left until P reaches normal pension age, as determined by the scheme manager.

Determination of the buy-out value

30.—(1) The buy-out value is an amount determined by the scheme manager.

(2) If an additional pension election or a faster accrual election is subsequently made in respect of a person (P), the scheme manager may—

- (a) re-determine the buy-out value; and
- (b) send a written notice to P stating the re-determined buy-out value.

CHAPTER 2

Making a buy-out election

Eligible to make buy-out election

31.—(1) A member (P) who has a normal pension age over 65 may elect to pay contributions to buy out the standard reduction (“buy-out election”) for a period of up to 3 years.

(2) A buy-out election has effect from the day on which the scheme manager accepts the election.

(3) A buy-out election ceases to have effect when the earliest of the following occurs—

- (a) P reaches normal pension age;
- (b) a retirement pension other than a phased retirement pension becomes payable to P;
- (c) P revokes the election or is taken to revoke the election.

(4) A buy-out election may only be made within 6 months after P enters pensionable service under this scheme.

(5) When making a buy-out election, P must be—

- (a) in pensionable service; and
- (b) under normal pension age.

(6) P may by written notice to the scheme manager vary a buy-out election if P’s normal pension age changes before a retirement pension becomes payable to P.

Making a buy-out election

32.—(1) A buy-out election made by a member (P) must state the number of years in respect of which the standard reduction is to be bought out.

(2) A buy-out election must be made by written notice to the scheme manager.

- (3) The notice of election must specify—
 - (a) if P is in more than one eligible employment, the name of the employer who is to deduct the contributions;
 - (b) P's name;
 - (c) P's date of birth;
 - (d) P's normal pension age;
 - (e) the date on which P entered pensionable service;
 - (f) P's annual rate of pensionable earnings.
- (4) The scheme manager may ask P to provide further information.

Accepting a buy-out election

- 33.**—(1) The scheme manager may accept a buy-out election by giving written notice to the person who made the election (P).
- (2) The notice must state the buy-out value.
 - (3) A buy-out election is accepted when P receives notice that the scheme manager has accepted the election.

CHAPTER 3

Payment of buy-out contributions

Determination of contributions payable

- 34.**—(1) The scheme manager must determine the amount of the monthly payments to be paid in respect of a buy-out election.
- (2) The scheme manager—
 - (a) may determine the amount of the monthly payments by reference to the number of years stated in the buy-out election and the length of the contributions payment period; and
 - (b) may exercise the functions under this paragraph so as to re-determine the amount of the monthly payments during the contributions payment period.
 - (3) Unless the scheme manager re-determines the amount, monthly payments following a gap in service not exceeding 5 years are the same as before the gap.

Payment of buy-out contributions

- 35.**—(1) P must—
 - (a) make the first monthly payment within 2 months after the end of the month in which a buy-out election is accepted; and
 - (b) continue to make the monthly payments until the end of the contributions payment period.
- (2) The final monthly payment is due in the month before the buy-out period has effect.
 - (3) If the scheme manager re-determines the amount of the monthly payment during the contributions payment period, P must pay the re-determined amount from the beginning of the next financial year.
 - (4) P is taken to revoke a buy-out election if—
 - (a) a monthly payment is missed; and
 - (b) the payment is not made within 3 months after P receives a written demand from the scheme manager.

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Monthly payments during gap in service

36.—(1) A member (P) who has a gap in service during the contributions payment period may choose to resume monthly payments on re-entering pensionable service.

(2) P is taken to revoke a buy-out election if P’s gap in service exceeds 5 years.

CHAPTER 4

Revocation and refund

Revoking a buy-out election

37.—(1) A member (P) may revoke a buy-out election at any time before the end of the contributions payment period.

(2) If P revokes a buy-out election or is taken to revoke a buy-out election—

(a) P’s monthly payments cease to be payable on the date of revocation; and

(b) when a retirement pension becomes payable to P, the standard reduction applies to a proportion of the maximum as determined by the scheme manager.

(3) In determining the proportion, the scheme manager must take into account—

(a) the number of monthly payments made; and

(b) the number of years stated in the buy-out election.

(4) If P revokes the election or is taken to revoke a buy-out election, P may not make a subsequent buy-out election.

(5) A revocation must be by written notice to the scheme manager.

(6) A revocation has effect from the date it is received by the scheme manager (“date of revocation”).

Member leaves all pensionable service before qualifying for retirement benefits

38.—(1) This paragraph applies if a member (P) leaves all pensionable service under this scheme before qualifying for retirement benefits in respect of that service.

(2) If this paragraph applies, any monthly payments made before the last day of pensionable service must be refunded to P.