

## SCHEDULE 3

Regulations 49 and 165

### Payments for added pension

## PART 1

### General

#### Interpretation

**1.** In this Schedule—

“added pension option” means the option to make payments for added pension;

“amount of accrued added pension” means the total of—

- (a) the amount of accrued added (self only) pension (if any); and
- (b) the amount of accrued added (all beneficiaries) pension (if any);

“appropriate pay period” means the pay period that the scheme manager considers appropriate;

“overall limit of added pension” has the meaning given in paragraph 2;

“periodical payment period” means the period for which periodical payments for added pension are payable;

“period of service”, in relation to this scheme, means a continuous period of pensionable service under this scheme;

“the relevant day”, in relation to a lump sum payment for added pension, means—

- (a) if the scheme manager provides a statement of the amount of added pension, the first day after the period of one month beginning with the date of the statement; or
- (b) otherwise, the day on which the lump sum payment is received by the scheme manager;

“the relevant scheme year” means the scheme year in which the relevant day falls; and

“statement of the amount of added pension” means the statement referred to in paragraph 15.

#### Meaning of “overall limit of added pension”

**2.—(1)** The overall limit of added pension is—

- (a) £6,500 for any scheme year ending before 1st April 2016; and
- (b) for any scheme year beginning on or after 1st April 2016—
  - (i) the overall limit of added pension determined by the Treasury in respect of that scheme year as published before the start of that scheme year; or
  - (ii) if no such determination is made, the amount calculated under sub-paragraph (2).

(2) The amount is the amount to which the annual rate of a pension of an amount equal to the overall limit of added pension for the previous scheme 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 scheme year.

#### Amount of accrued added pension may not exceed overall limit of added pension

**3.—(1)** At any given time, the total amount of accrued added pension in the active member’s account may not exceed the overall limit of added pension.

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(2) If a member has opted to make periodical payments for added pension under this scheme, the scheme manager may by written notice to the member cancel the added pension option if it appears to the scheme manager that the overall limit of added pension will be exceeded if the member continues to make the periodical payments.

(3) If the scheme manager cancels the option, the periodical payments cease to be payable from the next pay period beginning after the date specified in the notice of cancellation.

#### **Refund of overpayments**

4. The scheme manager must refund to a member the amount of any payment for added pension made by the member that results in the overall limit of added pension being exceeded.

## **PART 2**

### **Exercising the added pension option**

#### **Added pension option exercisable by member**

5.—(1) An active member of this scheme may opt to make payments for added pension to increase—

- (a) the member’s retirement benefits<sup>(1)</sup> for a period of service; or
- (b) the member’s retirement benefits and death benefits payable in respect of the member for a period of service.

(2) A member may exercise the added pension option by written notice to the scheme manager (“the option notice”).

(3) The option notice must state whether the payments for added pension are to be made by—

- (a) periodical payments; or
- (b) a lump sum payment.

(4) A member may exercise the added pension option more than once but an option to make a lump sum payment for added pension may only be exercised once in any scheme year.

(5) An option to make a lump sum payment for added pension may only be exercised if the member—

- (a) has been an active member of this scheme in relation to a continuous period of pensionable service for at least 12 months; and
- (b) has been provided with a statement of the amount of added pension (if paragraph 15 applies).

## **PART 3**

### **Periodical payments for added pension**

#### **Application of Part**

6. This Part applies in relation to an active member of this scheme who opts to make periodical payments for added pension under this scheme.

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(1) Added pension which increases the member’s retirement benefits is payable to the member as part of the member’s full retirement pension in accordance with the provisions of Part 7.

### **Member's option to make periodical payments for added pension**

- 7.—(1) The option notice must specify—
- (a) the periodical payment period; and
  - (b) the amount of the periodical payment to be deducted by the member's employer from the member's pay in each pay period.
- (2) The amount of the periodical payment may be expressed as—
- (a) a percentage of the amount of a payment of the member's pensionable earnings; or
  - (b) a fixed sum.
- (3) The amount of the periodical payment must not be less than any minimum amount determined by the scheme manager.

### **Cancellation of option by member**

- 8.—(1) The member may, by written notice to the scheme manager, cancel the option at any time during the periodical payment period ("notice of cancellation").
- (2) If the member cancels the option, the periodical payments cease to be payable from the beginning of the next scheme year after the scheme manager receives the notice of cancellation.

### **Periodical payments**

- 9.—(1) The periodical payments are payable by deduction by the member's employer from the member's pay during the periodical payment period.
- (2) The periodical payment period—
- (a) begins with—
    - (i) if the member exercises the option within 3 months after joining this scheme, the first appropriate pay period beginning on or after the date on which the scheme manager receives the option notice; or
    - (ii) in any other case, the first appropriate pay period of the scheme year beginning on or after the date on which the scheme manager receives the option notice; and
  - (b) ends on the earlier of—
    - (i) the date on which the member ceases to be an active member of this scheme; and
    - (ii) the date specified in the option notice.
- (3) Subject to sub-paragraph (4), during a period of assumed pay the member may—
- (a) stop the periodical payments; or
  - (b) continue the periodical payments as if the member were receiving pensionable earnings at the rate that applied at the beginning of the period of assumed pay.
- (4) During any period in which the member is receiving statutory maternity pay within the meaning of the Social Security Contributions and Benefits Act 1992(2) or is on paid maternity leave, paid adoption leave, paid maternity support leave or paid adoption support leave, the member may—
- (a) stop the periodical payments; or
  - (b) make periodical payments of an amount determined by reference to the member's actual pay during that period.

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(2) 1992 c.4.

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(5) If a member stops the periodical payments during a period of assumed pay, the member may by written notice to the scheme manager resume the periodical payments in the next pay period after the period of assumed pay ends.

**Amount of added (self only) pension for a scheme year (periodical payments)**

**10.**—(1) This paragraph applies in relation to each scheme year during which a member makes periodical payments to increase the member’s retirement benefits only.

(2) An amount of added (self only) pension is credited to the active member’s account for that scheme year.

(3) The amount is determined by the scheme manager in accordance with actuarial tables, having regard to the cost in the scheme year of providing retirement benefits to a person of the member’s age and gender.

**Amount of added (all beneficiaries) pension for a scheme year (periodical payments)**

**11.**—(1) This paragraph applies in relation to each scheme year during which a member makes periodical payments to increase—

- (a) the member’s retirement benefits; and
- (b) death benefits payable in respect of the member.

(2) An amount of added (all beneficiaries) pension is credited to the active member’s account for that scheme year.

(3) The amount is determined by the scheme manager in accordance with actuarial tables, having regard to the cost in the scheme year of providing retirement benefits to—

- (a) a person of the member’s age; and
- (b) dependants of a person of that age.

## PART 4

### Lump sum payments for added pension made by member

#### Application of Part

**12.** This Part applies in relation to an active member of this scheme who opts to make a lump sum payment for added pension under this scheme.

#### Member’s option to make a lump sum payment for added pension

**13.**—(1) The option notice must specify the amount of the lump sum which must not be less than any minimum amount determined by the scheme manager.

(2) The lump sum is payable immediately to the scheme manager by deduction by the member’s employer from the member’s pay or otherwise.

#### Statement of amount of added pension

**14.**—(1) If the scheme manager so requires, the member before exercising the option must ask the scheme manager to provide a statement of the amount of added pension.

(2) A statement of the amount of added pension must set out the amount that would be credited to the active member's account if the lump sum is received by the scheme manager within one month after the date of the statement.

(3) The statement must also—

- (a) specify the overall limit of added pension; and
- (b) inform the member if it appears to the scheme manager that the overall limit of added pension would be exceeded if the active member's account is credited with the amount of added pension set out in the statement.

#### **Amount of added (self only) pension (lump sum payment)**

**15.**—(1) This paragraph applies if a member opts to make a lump sum payment to increase the member's retirement benefits only.

(2) Following payment of the lump sum by the member, an amount of added (self only) pension is credited to the active member's account for the relevant scheme year.

(3) The amount credited to the account is—

- (a) if the scheme manager has provided a statement of the amount of added pension and the lump sum is received by the scheme manager within one month after the date of the statement, the amount specified in the statement; or
- (b) otherwise, an amount determined by the scheme manager in accordance with actuarial tables having regard to—
  - (i) the amount of the lump sum;
  - (ii) the cost as at the relevant day of providing retirement benefits to a person of the member's age and gender;
  - (iii) factors relating to the member's circumstances as at the relevant day; and
  - (iv) any other factors as at the date of the statement of the amount of added pension to which the scheme actuary considers regard should be had.

#### **Amount of added (all beneficiaries) pension (lump sum payment)**

**16.**—(1) This paragraph applies if a member opts to pay a lump sum to increase—

- (a) the member's retirement benefits; and
- (b) death benefits payable in respect of the member.

(2) On payment of the lump sum by the member an amount of added (all beneficiaries) pension is credited to the active member's account in the relevant scheme year.

(3) The amount credited to the account is—

- (a) if the scheme manager has provided a statement of the amount of added pension and the lump sum is received by the scheme manager within one month after the date of the statement, the amount specified in the statement; or
- (b) otherwise, an amount determined by the scheme manager in accordance with actuarial tables having regard to—
  - (i) the amount of the lump sum;
  - (ii) the cost as at the relevant day of providing retirement benefits to a person of the member's age and dependants of a person of that age;
  - (iii) factors relating to the member's circumstances as at the relevant day; and

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- (iv) any other factors as at the date of the statement of the amount of added pension to which the scheme actuary considers regard should be had.