Changes to legislation: *Pension Schemes Act 1993, SCHEDULE 3 is up to date with all changes known to be in force on or before 31 May 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details) View outstanding changes*

SCHEDULES

SCHEDULE 3

Sections 84 and 102(3).

METHODS OF REVALUING ACCRUED PENSION BENEFITS

Commencement Information

I1 Schs. 1-4 in force at 7.2.1994 by S.I. 1994/86, **art. 2**

The final salary method

1 [F1(1) The final salary method is to add to the amount that would be payable but for Chapter 2 of Part 4, or regulations made under it, the additional amount specified in sub-paragraph (1A), (1B), (1C) or (1D) (whichever applies).

(1A) Where—

(a) the termination of pensionable service occurs before 1st January 1991, and

(b) the whole of the member's pensionable service falls on or after 1st January 1985,

the additional amount is the appropriate higher revaluation percentage of the accrued benefit.

(1B) Where—

(a) the termination of pensionable service occurs before 1st January 1991, and

(b) some of the member's pensionable service falls before 1st January 1985,

the additional amount is such proportion of the appropriate higher revaluation percentage of the accrued benefit as the member's pensionable service falling on or after 1st January 1985 bears to the member's total pensionable service.

(1C) Where the termination of pensionable service occurs—

(a) on or after 1st January 1991, but

(b) before the day on which section 101 of the Pensions Act 2008 comes into force (“the 2008 Act commencement day”),

the additional amount is the appropriate higher revaluation percentage of the accrued benefit.

(1D) Where the termination of pensionable service occurs on or after the 2008 Act commencement day, the additional amount is the aggregate of—

(a) the appropriate higher revaluation percentage of so much of the accrued benefit as is attributable to the member's pensionable service falling before the 2008 Act commencement day, and

(b) the appropriate lower revaluation percentage of so much of the accrued benefit as is attributable to the member's pensionable service falling on or after that day.

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(1E) In this paragraph "the accrued benefit" means the amount of the pension or other benefit which on the termination date has accrued to the member or to any other person in respect of the member (excluding any part of that amount which consists of—

(a) the member's guaranteed minimum, or

(b) the guaranteed minimum of the member's widow, widower **[**[F2], surviving same sex spouse**]** or surviving civil partner).

(2) For the purposes of this paragraph, a member's pensionable service includes any notional pensionable service which is credited to the member by the scheme ("notional service").

But notional service shall not be taken into account in determining which of sub-paragraphs (1A), (1B), (1C) and (1D) applies.

(3) For the purposes of determining the additional amount where sub-paragraph (1B) applies, any notional service shall be taken to have ended immediately before the member's actual pensionable service began.

(3A) For the purposes of determining the additional amount where sub-paragraph (1D) applies, any notional service shall be treated as falling on or after the 2008 Act commencement day only if, or to the extent that, it is so treated for the purposes of the scheme.**]**

(4) Any rule of a scheme the effect of which is that benefit falls to be revalued by reference to any period is to be disregarded in making any calculation required by this method.

[[F3](5) The sub-paragraphs above are subject to sub-paragraph (6).

(6) If paragraph 2A applies to the pension or other benefit, the final salary method is to apply the requirement of the rules of the scheme mentioned in paragraph 2A(1).**]**

Textual Amendments

F1 Sch. 3 para. 1(1)-(3A) substituted for Sch. 3 para 1(1)-(3) (6.4.2009) by Pensions Act 2008 (c. 30), s. 149(1), **Sch. 2 para. 2** (with s. 101(2)(3)); S.I. 2009/82, art. 2(2)(f)

F2 Words in Sch. 3 para. 1(1E)(b) inserted (E.W.) (13.3.2014) by Marriage (Same Sex Couples) Act 2013 (c. 30), s. 21(3), **Sch. 4 para. 26**; S.I. 2014/93, **art. 3(j)(vii)**; same words inserted (S.) (16.12.2014) by The Marriage and Civil Partnership (Scotland) Act 2014 and Civil Partnership Act 2004 (Consequential Provisions and Modifications) Order 2014 (S.I. 2014/3229), art. 1(2), **Sch. 5 para. 11(9)**

F3 Sch. 3 para. 1(5)(6) inserted (3.1.2012) by Pensions Act 2011 (c. 19), **ss. 19(5)**, 38(4); S.I. 2011/3034, art. 3(b)

The revaluation percentage and the appropriate revaluation percentage

2 (1) For the purposes of paragraph 1 the Secretary of State shall in each calendar year by order **[**[F4]specify (so far as it is necessary to do so)—

(a) a higher revaluation percentage, and

(b) a lower revaluation percentage,

for each period**]** which is a revaluation period in relation to that order.

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(2) A period is a "revaluation period", in relation to an order under this paragraph, if it is a period which—

(a) begins with 1st January 1986 or with an anniversary of that date falling before the making of the order; and

(b) ends with the next day after the making of the order which is 31st December.

[[F5](3) The higher revaluation percentage which the Secretary of State is to specify in relation to a revaluation period is the lesser of—

(a) the percentage which appears to the Secretary of State to be the percentage increase in the general level of prices in Great Britain during the period which is the reference period in relation to the revaluation period ("the inflation percentage"), and

(b) the higher maximum rate.

(3A) The lower revaluation percentage which the Secretary of State is to specify in relation to a revaluation period is the lesser of—

(a) the percentage which appears to the Secretary of State to be the inflation percentage, and

(b) the lower maximum rate.**]**

(4) The Secretary of State may estimate the percentage increase mentioned in sub-paragraph (3)(a) in such manner as he thinks fit.

(5) For the purposes of that sub-paragraph, the reference period in relation to a revaluation period is—

(a) in the case of the revaluation period beginning on 1st January 1986, the period which begins with 1st October 1985 and ends with the last day before the making of the order which is 30th September; and

(b) in the case of the revaluation periods with later commencement dates, the period which—

(i) begins with the last day before the commencement of the revaluation period which is 1st October; and

(ii) ends with the last day before the making of the order which is 30th September.

[[F6](6) For the purposes of sub-paragraph (3)(b) and (3A)(b)—

"the higher maximum rate", in relation to a revaluation period, is—

(a) in the case of a revaluation period of 12 months, 5 per cent; and

(b) in any other case, the percentage that would be the inflation percentage had the general level of prices increased at the rate of 5 per cent compound per annum during the reference period in question;

"the lower maximum rate", in relation to a revaluation period, is—

(a) in the case of a revaluation period of 12 months, 2.5 per cent; and

(b) in any other case, the percentage that would be the inflation percentage had the general level of prices increased at the rate of 2.5 per cent compound per annum during the reference period in question.

(7) In paragraph 1—

"the appropriate higher revaluation percentage" means the higher revaluation percentage specified in the last calendar year before the date on which the member attains normal pension age as the higher revaluation

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percentage for the revaluation period which is of the same length as the number of complete years in the pre-pension period;

"the appropriate lower revaluation percentage" has a corresponding meaning.**]**

Textual Amendments

F4 Words in Sch. 3 para. 2(1) substituted (6.4.2009) by Pensions Act 2008 (c. 30), s. 149(1), **Sch. 2 para. 3(2)** (with s. 101(2)(3)); S.I. 2009/82, art. 2(2)(f)

F5 Sch. 3 para. 2(3)(3A) substituted for Sch. 3 para. 2(3) (6.4.2009) by Pensions Act 2008 (c. 30), s. 149(1), **Sch. 2 para. 3(3)** (with s. 101(2)(3)); S.I. 2009/82, **art. 2(2)(f)**

F6 Sch. 3 para. 2(6)(7) substituted (6.4.2009) by Pensions Act 2008 (c. 30), s. 149(1), **Sch. 2 para. 3(4)** (with s. 101(2)(3)); S.I. 2009/82, art. 2(2)(f)

[F7 2A (1) This paragraph applies to the pension or other benefit if the rules of the scheme under which it is payable contain a requirement that the accrued benefit be revalued by adding to the accrued benefit an amount of at least the relevant amount.

(2) "The accrued benefit" has the same meaning as in paragraph 1.

(3) "The relevant amount" means the amount which, ignoring paragraph 1(5) and (6), would be the additional amount specified in paragraph 1(1A), (1B), (1C) or (1D) (as the case may be) were the appropriate higher revaluation percentage and the appropriate lower revaluation percentage to be determined on the following basis.

(4) The higher revaluation percentage and the lower revaluation percentage for the revaluation period mentioned in paragraph 2(7) are to be taken to be the percentages which would have been specified in the Secretary of State's order—

(a) had the following been substituted for paragraph 2(3)(a)—

"(a) the percentage increase in the retail prices index for the reference period in relation to the revaluation period ("the inflation percentage"), and",

(b) had, in paragraph 2(3A)(a), the words "the percentage which appears to the Secretary of State to be" been omitted,

(c) had paragraph 2(4) been omitted,

(d) had, in paragraph 2(5), the words "sub-paragraph (3)(a)" been substituted for "that sub-paragraph",

(e) had, in paragraph (b) of the definitions of "the higher maximum rate" and "the lower maximum rate" in paragraph 2(6), the words "retail prices index" been substituted for "general level of prices", and

(f) had the following been inserted after paragraph 2(6)—

"(6A) In this paragraph "retail prices index" means—

(a) the general index of retail prices (for all items) published by the Statistics Board (or any predecessor), or

(b) where that index is not published for a month, any substituted index or figures published by the Board (or any predecessor)."**]**

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Textual Amendments

F7 Sch. 3 para. 2A inserted (3.1.2012) by Pensions Act 2011 (c. 19), **ss. 19(6)**, 38(4); S.I. 2011/3034, art. 3(b)

The average salary method

3 (1) The average salary method is to revalue the member's salaries as respects the pre-pension period in any way in which they would have been revalued during that period if he had remained in the same pensionable service.

(2) In this paragraph "salaries" means, subject to sub-paragraph (4), the member's salaries for the period between the date when his pensionable service began and the termination date, or such part of them as was relevant under the scheme to the calculation of the retirement benefits payable under the scheme to him or to any other person in respect of him.

(3) For the purpose of this paragraph those salaries are to be taken to include—

(a) any amount which is attributed to them, otherwise than by virtue of this paragraph, as the result of a revaluation for which the rules of the scheme provide; and

(b) any amount which is for any reason credited to the member by way of salary notionally earned.

(4) Where the member's pensionable service ended before 1st January 1991, sub-paragraph (2) shall have effect with the substitution for the words from "means" to "termination date" of the words "means the member's salaries for the period between 1st January 1985 and the termination date".

(5) For the purposes of the application of this paragraph to a case where a member is credited with an amount by reference to salary notionally earned over a period of time of a particular length, that period shall be taken to have ended immediately before the member's actual pensionable service began.

***[F8** The cash balance method*

Textual Amendments

F8 Sch. 3 para. 3A and cross-heading inserted (24.7.2014) by The Pensions Act 2011(Consequential and Supplementary Provisions) Regulations 2014 (S.I. 2014/1954), regs. 1(2), **3(3)** (with reg. 2)

3A. The cash balance method of revaluing a **[F9**benefit**]** is to revalue the available sum in respect of the benefit in any way in which it would have been revalued if the member's pensionable service had not terminated.**]**

Textual Amendments

F9 Word in Sch. 3 para. 3A substituted (11.2.2021 for specified purposes, 1.8.2022 in so far as not already in force) by Pension Schemes Act 2021 (c. 1), s. 131(1)(3)(a), **Sch. 3 para. 5**; S.I. 2022/721, regs. 1(2), 3(a)

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The flat rate method

4 The flat rate method is to revalue the benefits which have accrued to the member as respects the pre-pension period in any way in which they would have been revalued during that period if he had remained in the same pensionable service.

The money purchase method

5 (1) Subject to sub-paragraphs (2) and (3), the money purchase method is to apply the investment yield and any bonuses arising from payments made by or on behalf of a member towards providing any pension or other retirement benefit which is payable under the scheme to him or to any other person in respect of him in the manner in which they would have been applied if his pensionable service had not terminated.

(2) The Secretary of State may by regulations authorise trustees and managers of occupational pension schemes to deduct from any pension or other retirement benefit provided by virtue of the money purchase method an appropriate amount in respect of the administrative expenses incurred by them in carrying this method into effect.

(3) The trustees and managers of a personal pension scheme may, when providing a pension or other retirement benefit by virtue of the money purchase method, deduct—

(a) the actual administrative expenses of doing so, or

(b) the amount of the administrative expenses which would have been incurred in providing a money purchase benefit for the same member if contributions had not ceased to be paid to the scheme in respect of him,

whichever is the less.

Changes to legislation:
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View outstanding changes

Changes and effects yet to be applied to :

- Sch. 3 para. 3A omitted by 2015 c. 8 Sch. 1 para. 9
- Sch. 3 para. 4 omitted by 2015 c. 8 Sch. 1 para. 9
- Sch. 3 para. 5(1) words substituted by 2015 c. 8 Sch. 1 para. 10

Changes and effects yet to be applied to the whole Act associated Parts and Chapters:
Whole provisions yet to be inserted into this Act (including any effects on those provisions):

- s. 46(1A)(1B) inserted by 2008 c. 30 s. 103(2) (This amendment not applied to legislation.gov.uk. S. 103(2)(4)(5) repealed (1.10.2014) without ever being in force by 2014 c. 19, Sch. 12 para. 96(a); S.I. 2014/2377, art. 2(1)(a)(ii)(3)(c))
- s. 46(1A) words substituted by 2011 c. 19 Sch. 3 para. 10
- s. 71(1A) inserted by 2015 c. 8 s. 39(2)(b)
- s. 82A inserted by 2015 c. 8 Sch. 1 para. 2
- s. 83(1A)-(1AC) substituted for s. 83(1A) by 2015 c. 8 Sch. 1 para. 3
- s. 84-84F substituted for s. 84 by 2015 c. 8 Sch. 1 para. 4
- s. 85A inserted by 2015 c. 8 Sch. 1 para. 5
- s. 86A86B inserted by 2015 c. 8 Sch. 1 para. 6
- s. 94(2A)(a)(viii) inserted by 2014 c. 19 Sch. 17 para. 20(2)(a)
- s. 94(2A)(b)(vi) inserted by 2014 c. 19 Sch. 17 para. 20(2)(b)
- s. 101AI(8)(a)(viii) inserted by 2014 c. 19 Sch. 17 para. 20(3)(a)
- s. 101AI(8)(b)(vi) inserted by 2014 c. 19 Sch. 17 para. 20(3)(b)
- s. 113(4)(4A) substituted for s. 113(4) by 2015 c. 8 s. 38(5)
- s. 145(1A)-(1C) inserted by 2004 c. 35 Sch. 12 para. 23
- s. 146(6A) inserted by 2004 c. 35 Sch. 12 para. 24(b)
- s. 175A inserted by 2008 c. 30 Sch. 10 para. 1
- s. 185(2)(ca) inserted by 2018 c. 10 s. 19(5)
- s. 186(3)(ba) inserted by 2015 c. 8 Sch. 1 para. 7
- s. 186(3)(za) inserted by 2008 c. 30 s. 103(5) (This amendment not applied to legislation.gov.uk. S. 103(2)(4)(5) repealed (1.10.2014) without ever being in force by 2014 c. 19, Sch. 12 para. 96(a); S.I. 2014/2377, art. 2(1)(a)(ii)(3)(c))
- Sch. 3 para. A1 and cross-heading inserted by 2015 c. 8 Sch. 1 para. 8