

## SCHEDULES

### SCHEDULE 3

Sections 84 and 102(3).

#### METHODS OF REVALUING ACCRUED PENSION BENEFITS

##### *The final salary method*

- 1 (1) The final salary method is to add to the amount that would be payable but for Chapter II of Part IV or regulations made under it—
- (a) in a case where—
    - (i) the termination of pensionable service occurs on or after 1st January 1991; or
    - (ii) the whole of the member's pensionable service falls on or after 1st January 1985,an amount equal to the appropriate revaluation percentage of the amount of the pension or other benefit which on the termination date has accrued to him or to any other person in respect of him (excluding any part of that amount which consists of the member's or the member's widow's or widower's guaranteed minimum); and
  - (b) in any other case, an amount equal to such proportion of the appropriate revaluation percentage of the amount of that pension or other benefit (excluding any such part) as the member's pensionable service falling on or after 1st January 1985 bears to his total pensionable service.
- (2) In sub-paragraph (1) "pensionable service" includes any notional pensionable service which is credited to the member by the scheme.
- (3) For the purposes of sub-paragraph (1)(b), any notional pensionable service which is credited to a member by a scheme shall be taken to have ended immediately before the member's actual pensionable service began.
- (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.

##### *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 specify a revaluation percentage for each period which is a revaluation period in relation to that order.
- (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.

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- (3) The revaluation percentage which the Secretary of State is to specify in relation to each revaluation period is—
- (a) the percentage which appears to him 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 that revaluation period; or
  - (b) the maximum rate,
- whichever is the less.
- (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.
- (6) For the purposes of sub-paragraph (3)(b) “the 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 revaluation percentage had the general level of prices increased at the rate of 5 per cent. compound per annum during the reference period in question.
- (7) In paragraph 1 “the appropriate revaluation percentage” means the revaluation percentage specified in the last calendar year before the date on which the member attains normal pension age as the revaluation percentage for the revaluation period which is of the same length as the number of complete years in the pre-pension period.

*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

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- (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 "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.

*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.