

SCHEDULE 1

ARRANGEMENT OF RULES

PART D

RETIREMENT BENEFITS

Entitlement to Benefits

D.1 Retirement after reaching pension age

(1) The general rule is that a member is entitled to a pension for life and a lump sum if the member ceases to be in service by virtue of which he is eligible to be an active member of the Scheme at or after reaching pension age.

(2) The pension and the lump sum become payable immediately on the member ceasing to be in service.

(3) The amount of the annual pension payable under this rule is calculated by multiplying one seventieth of the member's final pensionable earnings by the member's reckonable service, expressed as a number of years.

(4) The amount of the lump sum payable under this rule is calculated by multiplying the amount of the annual pension so payable by 3.

(5) This rule does not apply to pensions derived from pension credit rights.

D.2 Retirement before reaching pension age

(1) A member who ceases to be in service by virtue of which he is eligible to be an active member of the Scheme before reaching pension age is entitled to a pension for life and a lump sum if the member attains pension benefit age and either—

(a) he has at least two years' qualifying service, or

(b) he was formerly entitled to rights under a personal pension scheme or a retirement annuity contract in respect of which a transfer value payment has been accepted by the Scheme under Part F (transfers).

(2) The pension and the lump sum become payable immediately on the member attaining pension benefit age.

(3) The amount of the annual pension payable under this rule is calculated by multiplying one seventieth of the member's final pensionable earnings by the member's reckonable service, expressed as a number of years.

(4) The amount of the lump sum payable under this rule is calculated by multiplying the amount of the annual pension so payable by 3.

(5) This rule does not apply to pensions derived from pension credit rights.

D.3 Pension credit members' pensions

(1) The general rule is that a pension credit member is entitled to a pension for life and a lump sum derived from the member's pension credit rights.

(2) But no lump sum is payable if the pension debit member is a pensioner member when the pension sharing order under which the member is entitled to the pension credit takes effect.

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- (3) The pension and any lump sum become payable—
 - (a) immediately on the pension credit member attaining pension benefit age, or
 - (b) if it is later, when the pension sharing order under which the member is entitled to the pension credit takes effect.
- (4) If no lump sum is payable under this rule, the pension must be of such an amount that its value is equal to the member's pension credit, as calculated in accordance with regulations made under paragraph 5(b) of Schedule 5 to the Welfare Reform and Pensions Act 1999.
- (5) If a lump sum is payable under this rule—
 - (a) the lump sum so payable must be equal to three times the amount of the annual pension so payable, and
 - (b) the pension so payable must be of such an amount that its value, when aggregated with the lump sum so payable, is equal to the member's pension credit, as calculated in accordance with those regulations.

D.4 Early payment of pensions with actuarial reduction

(1) A member who is not entitled to immediate payment of a pension under D.1, D.2 or D.3 apart from this rule may opt for immediate payment of a reduced pension and lump sum under rule D.2 or D.3 if the member has reached the relevant age and paragraph (2) or (3) applies.

In this paragraph "the relevant age" means—

- (a) in the case of a pension credit member, 60, and
 - (b) otherwise, 55.
- (2) This paragraph applies if the member—
- (a) meets the condition in rule D.2(1)(a) or (b), and
 - (b) has ceased to be in service that qualifies him to belong to the Scheme.
- (3) This paragraph applies if—
- (a) the pension is derived from pension credit rights, and
 - (b) the pension sharing order from which the rights derive has taken effect.

(4) If a member exercises the option under this rule, the amount of the annual pension to which he becomes entitled is first calculated as mentioned in rule D.2(3) or, as the case may be, rule D.3(4) and then that amount is reduced by such amount as the Secretary of State determines after consulting the Scheme actuary.

This is subject to paragraph (5).

(5) If the member has a guaranteed minimum under section 14 of the Pension Schemes Act 1993 in relation to service by reference to which he is entitled to benefits under the Scheme, the weekly rate of the pension immediately payable in respect of that service (after taking into account any option exercised under rule D.10) must not be less than that guaranteed minimum, multiplied by such factor as is indicated in tables provided by the Scheme actuary for a person of the member's age and sex at the date on which the pension becomes payable.

(6) If a member exercises the option under this rule, the amount of the lump sum to which he becomes entitled is first calculated as mentioned in rule D.2(4) or, as the case may be, rule D.3(5) and then that amount is reduced by such amount as the Secretary of State determines after consulting the Scheme actuary.

(7) The option under this rule may only be exercised by notice in writing to the Scheme administrator in such form as the Secretary of State requires.

D.5 Early payment of benefits: active members with permanent serious ill-health

(1) An active member who ceases to be in service by virtue of which he is eligible to be an active member of the Scheme is entitled to immediate payment of a pension and a lump sum before reaching pension age if—

- (a) after consultation with the Scheme medical adviser, the Secretary of State is of the opinion that the member has suffered a permanent breakdown in health involving incapacity for any full-time employment, and
- (b) the member either—
 - (i) has at least two years' qualifying service, or
 - (ii) was formerly entitled to rights under a personal pension scheme or a retirement annuity contract in respect of which a transfer value payment has been accepted by the Scheme under Part F (transfers).

(2) For the purpose of these Rules a member's breakdown in health is "permanent" if, in the opinion of the Secretary of State, after consultation with the Scheme medical adviser, it will continue at least until the member reaches pension age.

(3) For the purpose of these Rules a member's breakdown in health involves incapacity for any full-time employment if, in the opinion of the Secretary of State, after consultation with the Scheme medical adviser, as a result of the breakdown the member is incapable of any gainful full-time employment.

(4) The amount of the annual pension payable under this rule is calculated by multiplying one seventieth of the member's final pensionable earnings by **N**.

(5) For the purposes of paragraph (4), **N** is equal to the greater of—

- (a) the sum of the member's reckonable service and half of the further reckonable service which he would have been able to count under the Scheme if he had remained an active member from the date he ceased to be such a member until pension age (both expressed as a number of years), and
- (b) 20.

(6) The amount of the lump sum payable under this rule is calculated by multiplying the amount of the annual pension so payable by 3.

D.6 Early payment of benefits: active members with significant impairment of capacity for gainful employment

(1) An active member who ceases to be in service by virtue of which he is eligible to be an active member of the Scheme is entitled to immediate payment of a pension and a lump sum before reaching pension age if—

- (a) in the opinion of the Secretary of State, after consultation with the scheme medical adviser, the member has suffered a breakdown in health as a result of which his capacity for gainful employment is significantly impaired, and
- (b) the member either—
 - (i) has at least two years' qualifying service, or
 - (ii) was formerly entitled to rights under a personal pension scheme or a retirement annuity contract in respect of which a transfer value payment has been accepted by the Scheme under Part F (transfers), and
- (c) the member is not entitled to a pension under rule D.5.(1).

(2) The amount of the annual pension payable under this rule is calculated by multiplying one seventieth of the member's final pensionable earnings by **N**.

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(3) For the purposes of paragraph (2), **N** is equal to the sum of the member's reckonable service and one-third of the further reckonable service which he would have been able to count under the Scheme if he had remained an active member from the date he ceased to be such a member until pension age (both expressed as a number of years).

(4) The amount of the lump sum payable under this rule is calculated by multiplying the amount of the annual pension so payable by 3.

D.7 Early payment of benefits: deferred members with permanent serious ill-health

(1) A former active member is entitled to immediate payment of a pension and a lump sum before reaching pension benefit age if—

- (a) in the opinion of the Secretary of State, after consultation with the Scheme medical adviser and, if the Scheme medical adviser requests a further opinion, with such other person as is consulted in pursuance of that request, the member has suffered a permanent breakdown in health involving incapacity for any full-time employment (see rule D.5(2) and (3)),
- (b) the member either—
 - (i) has at least two years' qualifying service, or
 - (ii) was formerly entitled to rights under a personal pension scheme or a retirement annuity contract in respect of which a transfer value payment has been accepted by the Scheme under Part F (transfers), and
- (c) the member makes a claim for immediate payment of the pension and lump sum under this rule to the Scheme administrator.

(2) The amount of the annual pension payable under this rule is calculated by multiplying one seventieth of the member's final pensionable earnings by the length of the member's reckonable service, expressed as a number of years.

(3) The amount of the lump sum payable under this rule is calculated by multiplying the amount of the annual pension so payable by 3.

D.8 Member's requests for review of ill-health awards

- (1) This rule applies if a member—
 - (a) is entitled to a pension under rule D.6, or
 - (b) has received a lump sum under article 16 of the Armed Forces Early Departure Payments Scheme Order 2005(1) (lump sum awards: incapacity for armed forces service) ("article 16").
- (2) The member may request a review of his condition under this rule—
 - (a) at any time before the fifth anniversary of the day on which the member became entitled to the pension or lump sum, or
 - (b) after that time if in the opinion of the Secretary of State the circumstances are exceptional.
- (3) The request must be made by notice in writing in such form as the Secretary of State requires.
- (4) If a member within paragraph (1)(a) requests a review of his condition under this rule, the Secretary of State must—
 - (a) review the question whether the member has suffered a permanent breakdown in health involving incapacity for any employment (see rule D.5(2) and (3)), and
 - (b) if, after consultation with the Scheme medical adviser, he is of the opinion that he has suffered such a breakdown, determine whether—

(1) S.I.2005/437.

- (i) the member had suffered such a breakdown at the time when he became entitled to the pension under rule D.6, or
- (ii) the condition by virtue of which he became so entitled has deteriorated so that he suffered such a breakdown later.

(5) If—

- (a) on any review under paragraph (4), after consultation with the Scheme medical adviser, the Secretary of State is of the opinion that the member—
 - (i) has suffered such a breakdown as is mentioned in paragraph (4)(a), and
 - (ii) had done so at the time when he became entitled to the pension under rule D.6, and
- (b) the member meets the condition in rule D.5(1)(b),

then rule D.5 applies as if the conditions mentioned in that rule were met at the time the member ceased to be in service by virtue of which he was eligible to be an active member of the Scheme, and accordingly the member immediately becomes entitled to payment of such an amount as is specified in paragraph (6).

(6) The amount referred to in paragraph (5) is such an amount as represents the sum of—

- (a) the difference between the pension payments that have been made to the member under rule D.6 and those to which he was actually entitled under rule D.5, and
- (b) the difference between the lump sum paid to him under rule D.6 and the lump sum to which he was actually entitled under rule D.5.

(7) If—

- (a) on any review under paragraph (4), after consultation with the Scheme medical adviser, the Secretary of State is of the opinion that—
 - (i) the member has suffered such a breakdown as is mentioned in paragraph (4)(a), but
 - (ii) the condition by virtue of which he became entitled to the pension under rule D.6 has deteriorated so that he suffered such a breakdown later, and
- (b) the member meets the condition in rule D.5(1)(b),

then rule D.5 applies as from the date on which the review was requested, and accordingly the member is entitled to a lump sum under that rule equal to the difference between the lump sum paid to him under rule D.6 and the lump sum to which he was actually entitled under rule D.5 and to a pension under rule D.5 payable from that date.

(8) If a member within paragraph (1)(b) requests a review of his condition under this rule, the Secretary of State must—

- (a) review the question whether the member has suffered a breakdown in health as a result of which his capacity for gainful employment is significantly impaired, and
- (b) if, after consultation with the Scheme medical adviser, he is of the opinion that the member has suffered such a breakdown, determine whether—
 - (i) the member had suffered such a breakdown at the time when he became entitled to payment of the lump sum under article 16, or
 - (ii) the condition by virtue of which he became so entitled has deteriorated so that he suffered such a breakdown later.

(9) If—

- (a) on any review under paragraph (8), after consultation with the Scheme medical adviser, the Secretary of State is of the opinion that the member—
 - (i) has suffered such a breakdown as is mentioned in paragraph (8)(a), and

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(ii) had done so at the time when he became entitled to payment of the lump sum under article 16, and

(b) the member meets the condition in rule D.6(1)(b),

then rule D.6 applies as if the conditions mentioned in that rule were met at the time the member ceased to be in service by virtue of which he was eligible to be an active member of the Scheme, and accordingly the member is entitled to a lump sum under that rule and to a pension under that rule payable from that time (subject to paragraph (12)).

(10) If—

(a) on any review under paragraph (8), after consultation with the Scheme medical adviser, the Secretary of State is of the opinion that—

(i) the member has suffered such a breakdown as is mentioned in paragraph (8)(a), but

(ii) the condition by virtue of which he became entitled to payment of the lump sum under article 16 has deteriorated so that he suffered such a breakdown later, and

(b) the member meets the condition in rule D.6(1)(b),

then rule D.6 applies as from the date on which the review was requested, and accordingly the member is entitled to a lump sum under that rule and to a pension under that rule payable from that date (subject to paragraph (12)).

(11) If paragraph (9) or (10) applies and the lump sum paid to the member under article 16 was less than the lump sum to which he is entitled under rule D.6, the lump sum to which the member is so entitled is a lump sum equal to the difference.

(12) If paragraph (9) or (10) applies and the lump sum paid to the member under article 16 exceeded the lump sum to which he is entitled under rule D.6, then the member is not entitled to a lump sum under D.6 and the excess must be repaid.

D.9 Secretary of State's power to review ill-health awards

(1) This rule applies if—

(a) a member is entitled to a pension under rule D.5, D.6 or D.7, and

(b) it appears to the Secretary of State that there is evidence that he would not be of the same opinion as to the member's condition if he reconsidered the question as the opinion by virtue of which the entitlement arose.

(2) The Secretary of State may review the member's condition under this rule.

(3) If, on a review under this rule in the case of a member who is entitled to a pension under rule D.5, after consultation with the Scheme medical adviser, the Secretary of State is of the opinion—

(a) that the member has not suffered such a breakdown as is mentioned in D.5(1)(a), but

(b) that the member meets the condition in rule D.6(1)(a),

the Secretary of State may determine that the member is to cease to be entitled to a pension under rule D.5 and to become entitled to a pension under rule D.6 at the end of the day on which the determination is made.

(4) If, on a review under this rule in the case of a member who is entitled to a pension under rule D.6, after consultation with the Scheme medical adviser, the Secretary of State is not of the opinion mentioned in paragraph (1)(a) of that rule, the Secretary of State may determine that the member is to cease to be entitled to a pension under rule D.6 at the end of the day on which the determination is made.

(5) If, on a review under this rule in the case of a member who is entitled to a pension under rule D.7, after consultation with the Scheme medical adviser, the Secretary of State is not of the

opinion mentioned in paragraph (1)(a) of that rule, the Secretary of State may determine that the member is to cease to be entitled to a pension under that rule at the end of the day on which the determination is made.

Options to Change Benefits

D.10 Option to exchange lump sum for pension

(1) A member may opt to exchange the whole or any part of the lump sum to which he would otherwise be entitled under this Part for an increase in the amount of pension payable to himself or to any other person under these Rules.

(2) Where a member so opts, the pension in respect of which he exercises the option is to be increased as from the date it is otherwise payable by so much as in the opinion of the Scheme Actuary is equivalent in value to the amount of the whole or, as the case may be, the relevant part of the lump sum in question.

(3) A member who has exercised the option under paragraph (1) ceases to be entitled to payment of so much of the lump sum as is affected by the option.

(4) Paragraph (3) applies whether or not the pension that is to be increased as a result of the option actually becomes payable.

(5) The option under this rule may only be exercised by giving notice in writing to the Scheme administrator, in such form as the Secretary of State requires, during the period of 6 months ending with the day on which the person becomes entitled to the lump sum in question.

(6) For the purposes of this rule, the option is treated as having been exercised on the date on which it is received by the Scheme administrator.

D.11 Option for members in serious ill-health to exchange whole pension for lump sum

(1) Before a pension becomes payable to an active member, a deferred member or a pension credit member under this Part or at the time when a pension becomes payable under rule D.5 (early payment of benefits: serious ill-health), the member may opt to exchange the whole pension for a lump sum if, after consultation with the Scheme medical adviser, the Secretary of State is satisfied that the member has a life-expectancy of less than 12 months.

(2) Where a member so opts, he is to be paid as soon as is reasonably practicable an amount equal to the amount of the annual pension, multiplied by 5.

(3) In paragraph (2) “the amount of the annual pension” means the amount of the annual pension to which the member would be entitled under this Part apart from the option, calculated as at the time payment would otherwise first be due (but disregarding any service that the member might have accrued if he had continued in service until that time).

(4) If the member has a guaranteed minimum under section 14 of the Pension Schemes Act 1993 in relation to service by reference to which he is entitled to the pension in question, paragraphs (1) to (3) only apply to so much of the pension as exceeds that guaranteed minimum.

(5) The option under this rule may only be exercised by notice in writing to the Scheme administrator in such form as the Secretary of State requires.

Pension Debit Members and Pension Credit Members

D.12 Reduction in pension debit member’s benefits

D.12

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The benefits to which a pension debit member is entitled under this Part are subject to the reduction to be made under section 31 of the Welfare Reform and Pensions Act 1999 (reduction of benefit).

D.13 Pension credit member's rights

(1) Where regulation 7(5) of the Pension Sharing (Pension Credit Benefit) Regulations 2000⁽²⁾ (early or deferred retirement) applies, the Secretary of State must be reasonably satisfied that the requirements of that regulation have been met.

(2) Section 68A(2)(a) of the Pension Schemes Act 1993⁽³⁾ (safeguarded rights) applies to the safeguarded rights of pension credit members.

(3) Benefits that are attributable to a pension credit may not be aggregated with any other benefits to which the pension credit member is entitled under the Scheme.

Allocation

D.14 Election to allocate pension

(1) An active member or deferred member may elect to allocate a part of the member's annual pension under the Scheme to the member's spouse or civil partner or a person who in the opinion of the Secretary of State meets one of the conditions specified in paragraph (2).

(2) The conditions are—

- (a) that the person is financially wholly or mainly dependent on the member, or
- (b) that the member and the person are financially interdependent.

(3) But no election may be made in respect of a pension payable under rule D.5, D.6 or D.7.

(4) The member may not elect to allocate more than one-half of the member's annual pension (before any exercise of the option under rule D.10: option to exchange lump sum for pension).

(5) If a member wishes to allocate pension to two or more persons—

- (a) he must make a separate election in respect of each of the persons, and
- (b) the limit under paragraph (4) applies to the aggregate amount allocated.

(6) If the member is entitled to a guaranteed minimum pension, the member may not elect to allocate more than the amount by which the member's annual pension (before any exercise of the option under rule D.10) exceeds that guaranteed minimum, multiplied by such factor as is indicated for a person of the member's description in tables provided by the Scheme actuary.

(7) If—

- (a) an election does not comply with paragraph (4) or (6), or
- (b) taken together the member's elections do not so comply,

the Scheme administrator may treat the election or, as the case may be, each of the elections, as allocating such smaller amount as would result in the election, or the elections taken together, so complying.

D.15 Procedure for election under rule D.14

(1) An election under rule D.14 may only be made on or before the date advised to the member by the Scheme administrator ("the closing date").

(2) A member may at any time on or before the closing date—

(2) S.I. 2000/1054.

(3) Section 68A is inserted by section 36 of the Welfare Reform and Pensions Act 1999 (c. 30).

- (a) revoke an election under that rule, or
 - (b) amend such an election by altering the amount allocated by it.
- (3) An election under that rule and any revocation or amendment of such an election must be made in writing in such form as the Secretary of State requires and be lodged with the Scheme administrator.
- (4) Subject to paragraphs (5) and (6), an election under rule D.14 takes effect on the closing date.
- (5) The election has no effect if—
- (a) the member dies before that date,
 - (b) it is in favour of a person who dies before that date, or
 - (c) the Secretary of State is not satisfied that at the time when the election is made that person is a person within rule D.14(1).
- (6) The election has no effect unless—
- (a) before the closing date the member has made a declaration about the state of his health in such form and, if required, has provided such evidence relating to his health, as the Secretary of State has requested, and
 - (b) after consultation with the Scheme medical adviser, the Secretary of State is satisfied that at the date on which the member makes the declaration the member is in good health.

D.16 Effect of allocation

- (1) Where an election under rule D.14 for the allocation of a member's pension to another person ("the beneficiary") has taken effect—
- (a) the member's pension is reduced accordingly (even if the beneficiary predeceases the member), and
 - (b) if the beneficiary survives the member, on the member's death the beneficiary becomes entitled to the payment of a pension for life of such amount as the Secretary of State may determine, after consultation with the Scheme actuary, having regard—
 - (i) to the amount of the allocation to the beneficiary, and
 - (ii) to the beneficiary's age and sex.
- (2) But the Secretary of State may withhold payment from the beneficiary if paragraph (3), (4) or (5) applies.
- (3) This paragraph applies if—
- (a) the member dies before the expiry of the period of two years beginning with the date on which the election takes effect, and
 - (b) the Secretary of State is satisfied that the member made a false declaration about the state of his health in connection with making the election.
- (4) This paragraph applies if the Secretary of State is of the opinion that the member made the election under duress.
- (5) This paragraph applies if the Secretary of State is of the opinion that the member was mentally impaired at the time when he made the election and would not have made the election apart from the impairment.
- (6) If the Secretary of State proposes to withhold payment under paragraph (2), he must notify the person in writing that he proposes to do so.
- (7) Such a notification must give the person information about rights under—

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- (a) the arrangements established by the Secretary of State for the resolution of disputes relating to the Scheme that are in force at the time the notification is given, and
 - (b) Part 10 of the Pension Schemes Act 1993⁽⁴⁾ (investigations: the Pensions Ombudsman),
- in respect of any decision made under paragraph (2).
- (8) References in these Rules to pensions under this Part do not include pensions under this rule.

Contracting-out Obligations (GMPs etc.)

D.17 Guaranteed minimum pensions etc

(1) Paragraphs (2) to (5) apply where a member has a guaranteed minimum under section 14 of the Pension Schemes Act 1993 in relation to benefits under the Scheme.

(2) If apart from this rule—

- (a) no pension would be payable to the member under the Scheme, or
- (b) the weekly rate of the pension payable would be less than the guaranteed minimum,

a pension, the weekly rate of which is equal to the guaranteed minimum, is payable to the member for life from the date on which the member reaches state pension age.

(3) If—

- (a) when the member reaches state pension age he is still in employment (whether or not it is scheme employment), and
- (b) if it is not scheme employment, he consents to a postponement of his entitlement under paragraph (2),

paragraph (2) does not apply until he leaves employment.

This is subject to paragraph (4).

(4) If the member continues in employment for a further period of 5 years after reaching state pension age, and does not then leave it, he is entitled from the end of that period to so much of his pension under this Part as equals his guaranteed minimum, unless he consents to a further postponement of the entitlement.

(5) Where paragraph (3) or (4) applies the amount of the guaranteed minimum to which the member is entitled under this rule is increased in accordance with section 15 of the Pension Schemes Act 1993.

(6) This paragraph applies where a person has ceased to be in employment that is contracted-out by reference to the Scheme, and either—

- (a) all his rights to benefits under the Scheme, except his rights in respect of his guaranteed minimum or his rights under section 9(2B) of the Pension Schemes Act 1993⁽⁵⁾ (“his contracting-out rights”), have been transferred under Part F (transfers), or
- (b) he has no rights to benefits under the Scheme apart from his contracting-out rights.

(7) Where paragraph (6) applies—

- (a) from the date on which the person reaches state pension age he is entitled to a pension payable for life at a weekly rate equal to his guaranteed minimum, and

⁽⁴⁾ 1993 c. 48.

⁽⁵⁾ Subsections (2) to (2C) are substituted for subsection (2) of section 9 by section 136(3) of the Pensions Act 1995 (c. 26); section 9(2B) is amended by paragraph 35(2) of Schedule 1 to the Social Security Contributions (Transfer of Functions, etc.) Act 1999 (c. 2).

(b) from the date on which he reaches pension age he is entitled to a lump sum and pension in respect of his rights under section 9(2B) of the Pension Schemes Act 1993.

(8) But a person falling within paragraph (6) is not to be regarded as a pensioner for the purposes of Part E (death benefits).

(9) This rule does not apply if—

(a) the pension is forfeited in a case where rule J.6(1)(a) (conviction of treason or Official Secrets Acts offences) applies, or

(b) the pension is commuted under rule J.8 (commutation of small pensions) and the conditions in regulation 60 of the Occupational Pension Schemes (Contracting-out) Regulations 1996 are met,

but if any other provision of the Scheme is inconsistent with this rule, this rule prevails.

(10) In this rule “scheme employment”, in relation to a member, means service by virtue of which he is eligible to be an active member of the Scheme.