

SCHEDULE 2

Regulation F5

Maximum Pensions

1. In this Schedule, unless the context otherwise requires:

“Class A participant” means any participant who joined the principal scheme on or after 1st June 1989 or any other participant who has elected to become a Class A participant (however termed) under the rules of the principal scheme;

“Class B participant” means any participant who joined the principal scheme on or after 17th March 1987 and before 1st June 1989 and has not elected to become a Class A participant;

“Class C participant” means any participant who joined the principal scheme before 17th March 1987 and has not elected to become a Class A participant;

“index” at any time, means the index of retail prices published by the Central Statistical Office of the Chancellor of the Exchequer, or any successor agreed as appropriate by the Board of Inland Revenue, for the calendar month three months prior to that time;

“pensionable service” means actual service as a participant;

“retained benefits” means benefits for a participant derived from—

- (a) retirement benefits schemes approved or seeking approval under Chapter I Part XIV or relevant statutory schemes as defined in section 611A of the Taxes Act 1988⁽¹⁾, excluding benefits in respect of service;
- (b) funds to which section 608 of the Taxes Act 1988 applies, excluding benefits in respect of service;
- (c) retirement benefit schemes which have been accepted by the Board of Inland Revenue as “corresponding” for the purposes of section 596(2)(b)⁽²⁾ of the Taxes Act 1988, excluding benefits in respect of service;
- (d) retirement annuity contracts or trust schemes approved under section 620 of the Taxes Act 1988, or personal pension schemes (other than arrangements to which only minimum contributions are paid) which related to relevant earnings from the current employment, or previous employments (including periods of self employment whether alone or in partnership);
- (e) transfer payments from overseas schemes held in a type of arrangement defined in (a) or (d) above excluding those in respect of service,

including such benefits which have been transferred to another scheme, whether or not in the United Kingdom, but excluding such benefits which relate to service with an unassociated employer which is concurrent with service;

provided that:

- (i) if the total of the retained benefits is less than a pension of £260 those retained benefits may be disregarded; and
- (ii) if the participant’s earnings in the 12 months after entry to the principal scheme do not exceed one quarter of the permitted maximum, benefits from those sources, other than those transferred into the principal scheme, shall not be classed as retained benefits.

“service” means service as a Member of the House of Commons or as an office holder, and includes, where appropriate, any increase in reckonable service attributable to sums received by way of transfer value or to the purchase of added years.

⁽¹⁾ Section 611A was inserted by the Finance Act 1989 (c. 26), Schedule 6, paragraphs 15 and 18(1).

⁽²⁾ Section 596(2) was amended by the Finance Act 1989 (c. 26) Schedule 6, paragraphs 8(1), 2(b) and 18(1).

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

2. This Schedule sets out the maximum pension payable to a person at the relevant date.

Class A Participant

3.—(1) On retirement at any time after age 50, except before normal retirement date on grounds of incapacity, a pension of 1/60th of the multiple for each year of service (not exceeding 40 years) or, if greater,

the lesser of—

- (a) 1/30th of the multiple for each year of service (not exceeding 20 years), and
- (b) 2/3rds of the multiple minus the pension value of all retained benefits.

(2) On retirement before the normal retirement date on grounds of incapacity an immediate pension in accordance with sub-paragraph (1) above on the basis of the number of years which would have counted as service had the participant remained in service to the normal retirement date.

(3) On leaving pensionable service before the normal retirement date a deferred pension—

- (a) for participants who remain in service, of that proportion of the amount calculated in accordance with sub-paragraph (2) above that the number (not exceeding 40) of years of service completed before leaving pensionable service bears to the potential number (not exceeding 40) of years of service had the participant remained in service to the normal retirement date;

(b) for other participants the amount calculated in accordance with sub-paragraph (1) above; increased by up to 3 per cent for each complete year, or, if greater, in proportion to any increase in the index which has occurred during the period of deferment.

(4) Benefits for a Class A participant are further restricted as necessary to ensure that the participant’s total retirement benefit under these Regulations, from any free standing additional voluntary contributions scheme and from any other additional voluntary contributions does not exceed 1/30th of the permitted maximum for each year of service. For the purpose of this limit service is the aggregate of service provided that the total shall not exceed 20 years. The permitted maximum in this context is that for the year of assessment in which the benefits commence to be paid or, if earlier, are transferred out under regulation P1 or P2. For the purpose of calculating the total retirement benefit the pension equivalent of benefits in any form other than pension is one twelfth of its cash value.

Class B and Class C Participants

4.—(1) On retirement at the normal retirement date a pension of 1/60th of the multiple for each year of service (not exceeding 40 years) or, if greater,

the lesser of—

- (a) (i) for Class C participants the fraction of the multiple ascertained from the following table:

<i>Years of service</i>	<i>Appropriate fraction</i>
6	8/60
7	16/60
8	24/60
9	32/60
10 or more	40/60

- (ii) for Class B participants $\frac{1}{30}$ th of the multiple for each year of service (not exceeding 20 years), and
 - (b) $\frac{2}{3}$ rds of the multiple minus the pension value of all retained benefits.
- (2) On retirement before normal retirement date—
 - (a) on grounds of incapacity, the amount calculated in accordance with sub-paragraph (1) above on the basis that service is taken as the potential number of years of service had the participant remained in service to the normal retirement date;
 - (b) other than on grounds of incapacity the greater of
 - (i) $\frac{1}{60}$ th of the multiple for each year of service (not exceeding 40 years), and
 - (ii) that proportion of the amount calculated in accordance with paragraph (a) above that the number (not exceeding 40) of years of service completed before leaving service bears to the potential number (not exceeding 40) of years of service had the participant remained in service to normal retirement date.
- (3) On retirement after normal retirement date a pension of the greatest of:
 - (a) the amount calculated in accordance with sub-paragraph (1) above at the actual date of retirement, save that, to the extent that the amount is calculated by reference to that part of the participant's actual period of reckonable service as a participant as fell after he attained the age of sixty-five years, the overall limit of two-thirds of the multiple may be disregarded; or
 - (b) the amount which could have been provided at normal retirement date in accordance with sub-paragraph (1) above increased either actuarially in respect of the period of deferment or in proportion to any increase in the Index during that period.
- (4) On leaving pensionable service before normal retirement date a deferred pension calculated in accordance with paragraph (2)(b) above but increased by up to 3 per cent for each complete year, or, if greater, in proportion to any increase in the index which has accrued during the period of deferment.