

SCHEDULE 2

TEMPORARY MODIFICATIONS OF THE ARMED FORCES PENSION SCHEME 2005

11. After rule D.17 insert—

“D.18 Inland Revenue limits on lump sums

- (1) The lump sum paid to member under this Part may not exceed—
 - (a) in the case of a Class A member other than a pension debit member, the amount of the annual pension multiplied by 2.25 or, if it is greater, three-eighths of the member’s final pensionable earnings, multiplied by the lesser of—
 - (i) the member’s reckonable service in years, and
 - (ii) 40 years, and
 - (b) in the case of a pension debit member, the amount of the annual pension multiplied by 3.
- (2) In paragraph (1)(a) “the amount of the annual pension” means the amount of the annual pension to which the member would be entitled under this Part (calculated as at the time payment is first due) on the assumption that—
 - (a) the member had exercised the option under rule D.10 in respect of the whole of the lump sum, and
 - (b) no allocation was made under rule D.14.
- (3) In paragraph (1)(b) “the amount of the annual pension” means the amount of the annual pension to which the member would be entitled under this Part (calculated as at the time payment is first due) on the assumption that—
 - (a) no allocation was made under rule D.14, and
 - (b) if, in the relevant tax year the member met the modest earnings test, the pension debit was disregarded.
- (4) For the purposes of paragraph (3)—
 - (a) a member meets the modest earnings test in a tax year if in that year the member’s pensionable earnings to which section 203 of the Income and Corporation Taxes Act 1988 (pay as you earn) applied do not exceed one quarter of the permitted maximum, as defined in section 590C(2) of that Act, for that year, and
 - (b) “the relevant tax year” means the tax year immediately before that in which the marriage in relation to which the pension sharing order in question was made ended.

D.19 Inland Revenue limits: general

- (1) Notwithstanding any other provision of the Scheme, no benefits may be paid to a member under this Part if or to the extent that their payment would prejudice the registration of the Scheme as a relevant statutory scheme under section 611A(1)(b) of the Income and Corporation Taxes Act 1988.
- (2) If the payment of benefits is restricted by virtue of paragraph (1) but the manner in which the restriction affects any particular benefit or benefits is not apparent from the rules relating to the restriction, the Secretary of State may determine the manner in which the restriction is to be given effect.”.