
STATUTORY INSTRUMENTS

2015 No. 445

The Police Pensions Regulations 2015

PART 7

Retirement benefits

CHAPTER 6

Payment options

Options under this Chapter

120. The options under this Chapter are—

- (a) the option under regulation 122 to buy out the early payment reduction;
- (b) the option under regulation 123 to defer payment of a retirement added pension;
- (c) the option under regulation 124 (option to commute part of pension) to exchange part of a full retirement pension or ill-health pension for a lump sum.

Exercising an option under this Chapter

121.—(1) A member may exercise an option under this Chapter by written notice to the scheme manager.

(2) In this Chapter, “option notice” means a notice by which a member exercises an option under this Chapter.

Option to buy out early payment reduction

122.—(1) This regulation applies if a member of this scheme claims payment of a full retirement pension under Chapter 2 and—

- (a) if the member is an active member, the member has not reached normal pension age under this scheme; or
- (b) if the member is a deferred member, the member has not reached the member's state pension age.

(2) The member may opt under this regulation to buy out the early payment reduction that would otherwise apply to the calculation of the annual rate of full retirement pension.

(3) The cost must be met by way of a special payment to this scheme—

- (a) made by the member;
- (b) made by the employer of an active member or a deferred member in eligible service (“the employer”); or
- (c) made partly by the member and partly by the employer.

(4) The employer, in relation to an active member or a deferred member in eligible service, may make a special payment using a lump sum payable to the member under the compensation scheme

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if the employer determines that such a payment would assist the economical, effective and efficient management of its functions having taken account of the costs likely to be incurred in the particular case.

- (5) Any special payment by the employer must be made—
 - (a) in accordance with the compensation scheme; or
 - (b) with the consent of the Secretary of State.
- (6) If the employer makes a special payment under paragraph (5)(a)—
 - (a) the lump sum payable to the member under the compensation scheme is reduced by the amount of the special payment; and
 - (b) if the amount of the special payment is more than the whole of the lump sum payable to the member under the compensation scheme, any difference is not chargeable to the member.
- (7) The cost of buying out the early payment reduction is an amount determined by the scheme manager in accordance with actuarial guidance.
- (8) Any special payment made by a member must be made in accordance with the requirements of the scheme manager.
- (9) In this regulation, “the compensation scheme” means the scheme contained in the determination made under regulation 14A of the 2003 Regulations (Annex DA) providing for payment of a compensation lump sum to a member of a police force on voluntary retirement.

Option to defer payment of retirement added pension

123.—(1) This regulation applies in relation to a member of this scheme who, on or after reaching normal pension age under this scheme, becomes entitled to payment for life of a retirement added pension of any description.

(2) The member may opt under this regulation to defer payment of the retirement added pension of that description.

(3) A member who exercises the option under this regulation becomes a deferred member of this scheme in respect of the retirement added pension of that description and accordingly—

- (a) a deferred member's account must be established under Part 5 (pension accounts); and
- (b) the amount of retirement added pension of that description must be specified in the deferred member's account as the provisional amount of deferred added pension of that description.

(4) The member is entitled to payment for life of the retirement added pension of that description when the member claims payment of that pension.

(5) A member may only claim payment of a pension under this regulation by giving at least one month's written notice to the scheme manager.

(6) The notice must specify the date from which payment of the pension is claimed.

(7) The annual rate of retirement added pension is calculated in accordance with regulation 99 (annual rate of full retirement pension (deferred members)).

Option to commute part of pension

124.—(1) A member who becomes entitled to payment for life of a full retirement pension or an ill-health pension may opt under this regulation to exchange part of the pension for a lump sum.

(2) An option under this regulation may only be exercised before the first payment of the pension is made.

(3) If a member exercises the option, for every £1 by which the amount of the member's annual rate of full retirement pension or ill-health pension is reduced, the member must be paid a lump sum of £12.

(4) The lump sum may not be more than 25% of the amount advised by the scheme actuary as representing the cash value of the pension.

(5) A member may not exchange pension for lump sum under this regulation to the extent that it would result in a scheme chargeable payment for the purposes of Part 4 of FA 2004 (see section 241 of that Act).

(6) If paragraph (7) applies, the member may opt to exchange only so much of the pension that exceeds the guaranteed minimum, multiplied by such factor as is indicated for a person of the member's description in actuarial tables.

(7) This paragraph applies if the member has a guaranteed minimum under section 14 of PSA 1993 in relation to the whole or part of a pension as a result of receipt by this scheme of a transfer payment from another pension scheme in respect of which the member had such a guaranteed minimum.

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