



Cabinet Office

# **The Parliamentary Contributory Pension Fund (The Ministers' Etc Pension Scheme) (Amendment) Scheme 2025**





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Laid before Parliament on 4 November 2025 pursuant to paragraph 18(2) of Schedule 6 to the Constitutional Reform and Governance Act 2010 (c. 25).



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# Statement of Reasons

1. The Ministers' Etc Pension Scheme (MPS) is part of the Parliamentary Contributory Pension Fund (PCPF). The Minister for the Civil Service is responsible for oversight of the MPS.
2. This new MPS is made today, 4 November 2025, following consultation with Trustees of the PCPF, the Independent Parliamentary Standards Authority (IPSA), and the Government Actuary (GAD).
3. This paper sets out the reason for the amendments to the scheme rules. A copy of the new version of the MPS rules can be found in the Annex to this paper.
4. Public service pension scheme regulations made under section 1 of the Public Service Pensions Act 2013 establishing reformed public service schemes are required by section 12 of that Act to set an employer cost cap and set out how this cap should be set, measured and operated subject to Directions made by HM Treasury (HMT). This Cost Control Mechanism (CCM) is used to measure the cost of providing member benefits against an agreed target level. As a matter of HMT policy, the CCM applies to the MPS in accordance with HMT guidance. The relevant provisions from the HMT Directions are included within the MPS scheme rules with necessary adaptations.

# Consultation Process

1. The Constitutional Reform and Governance Act 2010 requires the Minister for the Civil Service to consult with the Trustees of the PCPF, the Independent Parliamentary Standards Authority (IPSA), the Government Actuary and any other person the Minister considers appropriate on any proposed changes to the scheme rules.
2. No material changes were suggested as part of the consultation process. However, some changes were agreed to address technical points raised by the Trustees' legal advisers. In accordance with paragraph 18(2)(a) of Schedule 6 to The Constitutional Reform and Governance Act 2010, the PCPF Trustees response is published below.

## Response of the Trustees of the Parliamentary Contributory Pension Fund

### Background

1. This document relates to the Parliamentary Contributory Pension Fund (the "PCPF") and is the response from the Trustees of the PCPF (the "Trustees") to the Minister for the Civil Service's ("MCS") consultation of December 2022 (the "Consultation") on proposed changes to the Ministers' Pension Scheme Rules (the "Rules").
2. We are aware that as statutory consultees (under the provisions of the Constitutional Reform and Governance Act 2010), our response to the consultation will be laid before the House of Commons.

### Comments on the proposed changes

#### The 2020 Valuation and Cost Control mechanism ("**CCM**")

2. The Trustees understand that the proposed amendments are intended to maintain alignment between the CCM in the Ministers' Pension Scheme and equivalent mechanisms in other public sector schemes (with minor adjustments for the particular circumstances of the Ministers' Pension Scheme and/or administrative ease).
3. The Trustees have previously supported the general principle of alignment with the wider public sector. On this basis, the Trustees have previously expressed support for the introduction of an economic check in the equivalent mechanism in the MPs' Pension Scheme.
4. It is not possible to say what the outcome of the 2020 cost cap valuation for the Ministers' Pension Scheme will be. However, the Trustees understand that the same 2020 exercise for each of the other Public Service Pension Schemes concluded that no changes were needed as a result of the cost control mechanism.
5. On the basis of the above comments, the Trustees do not object to the proposed changes.
6. That being said, having taken advice, the Trustees understand that the proposed changes (namely widening the corridor and the introduction of the economic check) would make it less likely the cost cap will be breached in the future whilst also increasing the complexity of the cost cap valuation exercise.

We therefore question whether undertaking cost cap valuations in the Ministers' Pension Scheme on the basis proposed in the Consultation would be a proportionate use of public funds. [We note that the MPs' Pension Scheme has adopted a simplified cost cap mechanism.]

7. Assuming that MCS decides to proceed with the proposed changes in principle, we note that our advisers have identified some minor drafting points. We do not believe these are material, but we would welcome the opportunity for our respective advisers to liaise in order to resolve these in due course.

# Annex

RULES OF THE PARLIAMENTARY CONTRIBUTORY PENSION FUND  
(THE MINISTERS' ETC  
PENSION SCHEME  
2015)

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Laid before Parliament on 17th December 2014 pursuant to paragraph 18(2) of Schedule 6 to  
the Constitutional Reform and Governance Act 2010 (c. 25)

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## **SCHEDULES**

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Schedule 3 – Additional Voluntary Contributions

Schedule 4 – Cost Cap Valuations

Schedule 5 – Contracting-out

The Minister for the Civil Service makes the following scheme in exercise of the powers conferred by paragraphs 16, 17, 21 and 22(2) of Schedule 6 to the Constitutional Reform and Governance Act 2010 (c. 25).

Before making the scheme the Minister consulted the Independent Parliamentary Standards Authority, the Government Actuary, the trustees of the Fund and such other persons as the Minister considered appropriate.

## **PART A - INTRODUCTORY**

### **Citation**

1. This scheme may be cited as the Ministers' etc Pension Scheme 2015.

### **Commencement**

2. This scheme takes effect on the Commencement Date as defined below.

### **Interpretation - definitions**

3. In this scheme-

“the 1975 Act” means the Social Security Pensions Act 1975 (c. 60);

“the 1993 Act” means the Pension Schemes Act 1993 (c. 48);

“the 1999 Act” means the Welfare Reform and Pensions Act 1999 (c. 30) or corresponding Northern Ireland legislation (and references to legislation under that Act also refer to corresponding Northern Ireland legislation);

“the 2000 Act” means the Financial Services and Markets Act 2000 (c. 8);

“the 2004 Act” means the Finance Act 2004 (c. 12);

“the 2010 Act” means the Constitutional Reform and Governance Act 2010 (c. 25);

“the 2013 Act” means the Public Service Pensions Act 2013 (c. 25);

“Added (Combined) Pension” means additional pension purchased by a Participating Member as described in paragraph 3 of Schedule 1;

“Added (Participant) Pension” means additional pension purchased by a Participating Member as described in paragraph 2 of Schedule 1;

“Added Pension” means either Added (Participant) Pension or Added (Combined) Pension;

“Added Pension Notice” means a notice given by a Participating Member under paragraph 7 or 11 of Schedule 1 requesting the purchase of Added Pension;

“the Administration Scheme” means the scheme made by IPSA under paragraph 8 of Schedule 6 to the 2010 Act as amended and in force from time to time;

“Administrator” means the person who is the scheme administrator for the purposes of section 270 of the 2004 Act;

“Adult Survivor” means a widow, widower, surviving civil partner, Surviving Same-Sex Spouse or Surviving Adult Dependant of a person who was a Participating Member;

“AVC Scheme” has the meaning given in Schedule 3;

“CARE Credit” has the meaning given in Rule 10(3);

“CARE Service” means the period or periods on or after the Commencement Date during which a person is a Participating Member in Relevant Service in respect of which he pays member contributions under Rule 9(1), but does not include any period during which he is an Opted-Out Member (and for the purposes of calculating the benefits payable to or in respect of a Participating Member shall include any period of service credited to him in respect of a transfer into the Scheme);

“CARE Year” means each period of 12 months commencing on 1 April;

“Child” in relation to any deceased person does not include any person who is not a dependant of the deceased person for the purposes of section 167 of the 2004 Act (pension death benefit rules) because paragraph 15(2) or (3) of schedule 28 to that Act applies to him; but subject to that includes an illegitimate child, a stepchild, an adopted child or a natural child (whether legitimate or illegitimate) who had not been born as at the date of the relevant person’s death;

“Commencement Date” means the day after the day on which Her Majesty first appoints a person as Prime Minister following the first General Election that occurs after 1 April 2015;

“Contribution” means, for the purpose of Schedules 1 and 3 any amount deducted from salary and any reference to the payment of a Contribution shall be construed accordingly;

“Contributor” for the purposes of Schedule 3 has the meaning given in paragraph 6 of that Schedule;

“Cost Cap Valuation” means a valuation of the cost of accrual in the scheme carried out in accordance with paragraphs 16 to 38 of Schedule 4;

“Cost Cap Valuation Date” means the effective date of the Cost Cap Valuation as determined in accordance with paragraph 3 of Schedule 4;

“Deferred Pensioner” means a person who is a Deferred Pensioner within the meaning of Rule 16(1);

“Dependant” for the purposes of Schedule 3 means a Contributor's spouse, Same Sex Spouse or civil partner and any Relevant Child of the Contributor;

“Early Retirement Reduction Waiver” means the disapplication of the reduction to a Scheme Member's pension that would otherwise apply under Rule 12(2) or 16(6) by the payment of a lump sum under paragraph 20 of Schedule 1;

“Effective Pension Age” means a reduced Normal Retirement Date for the purposes of calculating a Scheme Member's benefits that has been purchased by a Participating Member under paragraphs 15 to 18 of Schedule 1;

“Effective Date” means:

- (a) with regard to a particular Cost Cap Valuation of the Scheme, the date as at which the liabilities and assets of the Scheme are to be assessed for the purposes of that Cost Cap Valuation, in accordance with paragraph 3 of Schedule 4, and
- (b) for the avoidance of doubt, where “Effective Date” is referenced in a calculation to be undertaken pursuant to Schedule 4, it is a reference to the Effective Date of the particular Cost Cap Valuation to which the calculation being undertaken relates, unless otherwise specified.

“Effective Pension Age Notice” means a notice given by a Participating Member under paragraph 15 of Schedule 1 requesting the purchase of an Effective Pension Age

“Employer Cost Cap” means 11.4% of the pensionable earnings of members of the Scheme set by the Preliminary Valuation and to be used for the purposes of measuring changes in the cost of the Scheme;

“Ex-spouse” means a person entitled to a Pension Credit giving rise to a liability upon the Trustees within the meaning of section 29(1)(b) of the 1999 Act;

“Former Scheme” means the Parliamentary Pensions (Consolidation and Amendment) Regulations 1993 (S.I. 1993/3253) in so far as they have effect, by virtue of Paragraph 44(1)(c) of Schedule 6 to the 2010 Act as a scheme made by the Minister for the Civil Service under paragraph 16 of Schedule 6 to that Act, and includes any modification or amendment made to that scheme whether before or after the Commencement Date;

“Fund” means the Parliamentary Contributory Pension Fund continued under paragraph 1 of Schedule 6 to the 2010 Act of which this Scheme forms part;

“Gainful Work” means:

(a) work from which the person concerned gains the whole or a substantial part of the person’s income (ignoring any income received from investments, trusts or other sources not related to work), being work:

(i) under a contract of employment,

(ii) as the holder of an office, or

(iii) as a self-employed person engaged in a business or profession; or

(b) work from which the person concerned would obtain such an income if the person had not waived payment in relation to that work,

and the Trustees may treat voluntary or unpaid work as gainful work if they consider that the duties of that work are equivalent to employment for which the person concerned could obtain an income;

“Implementation Period” means the four month period specified in section 34(1) of the 1999 Act subject to any Regulations made by the Secretary of State under section 34(4) or section 41(2)(a) of that Act, or any extension granted by the Pensions Regulator in accordance with section 33(4) of that Act;

“Interest” (where the reference is to the payment of any sum with interest) means compound interest at the rate of four percent per annum, and the interest shall be calculated with annual rests;

“Inter-Valuation period” has the meaning given in paragraph 1 of Schedule 4;

“IPSA” means the Independent Parliamentary Standards Authority;

“the IPSA Scheme” means the Rules of the Parliamentary Contributory Pension Fund (MPs’ Pension Scheme) made by the Independent Parliamentary Standards Authority (made under paragraph 12 of Schedule 6 to the 2010 Act) as amended and in force from time to time;

“Member contribution” means any amount deducted from salary under Rule 9, and any reference to the payment of a member contribution shall be construed accordingly;

“Minimum Pension Age” means 55, or if the definition of “Normal Minimum Pension Age” in section 279(1) of the 2004 Act is amended or substantially re-enacted to refer to a different age, that age;

“the Minister” means the Minister for the Civil Service;

“Ministerial etc. Office” means any of the following offices:

(a) an office or role specified in:

(i) Parts 1 to 4 of the Ministerial and other Salaries Act 1975 (ministerial offices),

- (ii) Part 1 of Schedule 2 to that Act (Opposition leaders and whips),
- (iii) Sections 1(1) and 4(1) of the Ministerial and other Maternity Allowances Act 2021 (Ministers on Leave and persons appointed to take temporary responsibility for carrying out the functions of the holder of an opposition office),

(b) Lord Chancellor,

(c) Speaker of the House of Commons,

(d) Speaker of the House of Lords,

(e) Chairman of Committees of the House of Lords,

(f) Deputy Chairman of Committees of the House of Lords.

“Ministerial etc. Office Holder” means the holder of a Ministerial etc Office;

“Normal Retirement Date” means the date on which a Scheme Member reaches the greater of age 65 and his State Pension Age, assessed as at the earliest of:

(a) the date those benefits come into payment under Rule 11, 12, 13 or 16;

(b) the date those benefits are transferred out of the Scheme under Rule 17 or Rule 33; and

(c) the date of his death;

“Opted-Out Member” means a person who has opted out as a Participating Member under Rule 7;

“Opt-In Notice” means a notice given to the Trustees under Rule 8;

“Opt-Out Notice” means a notice given to the Trustees under Rule 7;

“Partial Incapacity” means where the Trustees (or Administrator if different) consider that the person concerned

(a) is ceasing to be a Participating Member as a direct consequence of his ill-health; and

(b) is permanently prevented from performing adequately his duties as a Ministerial etc. Office-Holder by reason of that ill-health;

“Participating Member” has the meaning given in Rule 6;

“Pension Credit” means a credit under section 29(1)(b) of the 1999 Act;

“Pension Debit” means a debit under section 29(1)(a) of the 1999 Act;

“Pension Sharing Order” means any provision or order specified in section 28 of the 1999 Act giving rise to a liability upon the Trustees in respect of a Pension Credit;

“Pensionable Salary” means the annual amount payable by way of salary to a Ministerial etc. Office Holder in respect of his tenure of the office in question, (or any allowance payable under the Ministerial and other Maternity Allowances Act 2021, except for an allowance payable under section 6(1)(b) of that Act) less any amount that the Holder does not receive because he has waived his entitlement to it;

“Pensioner” means a person who has been a Participating Member or Deferred Pensioner who is receiving a pension from the Fund payable by virtue of this Scheme (including an early retirement pension or an ill health pension);

“Periodic Payment Period” means, subject to paragraph 5(c) of Schedule 1, the period in respect of which a Participating Member pays periodic contributions to purchase Added Pension or Effective Pension Age (as applicable);

“Preliminary Valuation” means the valuation carried out in accordance with Schedule 4 as it was in force immediately prior to 4 November 2025;

“Qualifying Arrangement” means an arrangement specified in paragraph 6 of Schedule 5 to the 1999 Act which is not disqualified by virtue of paragraph 7 of that Schedule;

“Registered Pension Scheme” has the same meaning as in Part 4 of the 2004 Act (see section 150(2) of that Act);

“Relevant Child” in relation to a deceased person means any Child of the deceased (or of any Adult Survivor of the deceased) who:

(a) is under eighteen years of age; or

(b) is under twenty-three years of age and is in full-time education or vocational training; or

(c) in the opinion of the Trustees is unable to engage in gainful employment because of physical or mental impairment and either:

(i) the person is under twenty-three years of age, or

(ii) that impairment is in the opinion of the Trustees’ medical adviser likely to be permanent and the person is dependent on the deceased as at the date of the deceased’s death because of physical or mental impairment.

For the purposes of (b) above a person who is under twenty-two years of age at the date of the deceased’s death is to be taken to be in full-time education or vocational training if the person has temporarily stopped such education or training for a period of up to 15 months, provided that no pension shall be paid during such period unless the person is eligible for the pension otherwise than under (b) above;

“Relevant Date” means the relevant date for the determination under any provision of the Scheme of the pension of a person;

“Relevant Pension” has the meaning given in Rule 21(2), (3) or (4), or paragraph 3 of Schedule 1, as the case may be;

“Relevant Service” means service as a Ministerial etc. Office Holder on or after the Commencement Date;

“Revaluation Increase” has the meaning given in Rule 10(5);

“Revaluation Percentage” means:

(a) in relation to a Participating Member, the percentage increase or decrease in prices most recently specified in an order made by the Treasury under section 9 of the 2013 Act;

(b) in relation to a Deferred Pensioner, the percentage by which an official pension may be increased in accordance with the most recent order made by the Treasury under section 59 of the 1975 Act;

“Same Sex Spouse” means a person married to a person of the same sex, in accordance with the Marriage (Same Sex Couples) Act 2013 (c. 30);

“Scheme” means this Scheme: that is, the Ministers’ etc. Pension Scheme made under paragraph 16 of the 2010 Act, as amended or in force from time to time;

“Scheme Member” means a person who is or has been a Participating Member and continues to have a current or prospective entitlement to benefits under this Scheme (including each Participating Member, Deferred Pensioner and Pensioner);

“Serious Ill-Health Lump Sum” means a serious ill-health lump sum within the meaning of paragraph 4 of Schedule 29 to the 2004 Act;

“State Pension Age” in relation to a person means the person’s assumed state pension age as set out in the latest directions issued by the Treasury under sections 11(2) and 12(3) of the 2013 Act for the purpose of setting the valuation and cost cap assumptions for public service pension schemes;

“Surviving Adult Dependant” means, in relation to a person who has died, a person who:

(a) made and signed with the deceased person a declaration in a form prescribed by the Trustees and the declaration was not subsequently cancelled by either partner by a signed revocation in such form as the Trustees prescribed or otherwise accepted; and

(b) satisfies the Trustees that at the time of the deceased person’s death:

(i) the person and the deceased person were cohabiting as partners in an enduring long-term relationship and neither the person nor the deceased person was cohabiting with a third person as partners in an enduring long-term relationship;

(ii) the person and the deceased person were not prevented from marrying or forming a civil partnership; and

(iii) either the person was financially dependent on the deceased person or they were financially interdependent;

“Surviving Same-Sex Spouse” means a surviving same-sex married person, in accordance with the Marriage (Same Sex Couples) Act 2013 (c. 30);

“Tax Protection” means, in relation to an individual, any of the following forms of protection:

(a) enhanced protection under paragraph 12 of schedule 36 to the 2004 Act,

(b) fixed protection under paragraph 14 of schedule 18 to the Finance Act 2011 (c. 11),

(c) fixed protection 2014 under paragraph 1 of schedule 22 to the Finance Act 2013 (c. 29), or

(d) any other comparable form of statutory protection from lifetime allowance charges that the Trustees consider appropriate for the purposes of this definition;

“Tax Year” means a year beginning on the 6 April in any year and ending on the following 5 April;

“Total Incapacity” means where the Trustees consider that the person concerned

(a) is ceasing to be a Participating Member as a direct consequence of his ill-health;

(b) is permanently prevented from performing adequately his duties as a Ministerial etc. Office Holder by reason of the ill-health; and

(c) is permanently prevented from performing any Gainful Work by reason of the ill-health;

“Trivial Commutation Lump Sum” means a trivial commutation lump sum within the meaning of paragraph 7 of Schedule 29 to the 2004 Act;

“Trustees” means the trustees of the Fund.

“Valuation Implementation Date” in respect of a valuation means a date no more than three years after the Cost Cap Valuation Date to be specified by the Minister following consultation with the Government Actuary and the Trustees;

## **Interpretation – general provisions**

**4.** (1) In this Scheme, except where otherwise stated, or the context otherwise requires:

(a) a word or phrase defined in Schedule 6 to the 2010 Act has the same meaning when it appears in this Scheme;

(b) a reference in this scheme to an Act of Parliament, secondary legislation or a scheme (or to any provision of such) is a reference to that Act, legislation, scheme or provision as amended, modified or re-enacted from time to time;

(c) a reference to a Rule, unless expressly stated otherwise, is a reference to a Rule of this Scheme;

(d) “male”, “female”, “widow” and “widower” do not include the other gender;

(e) a word or phrase used in the Administration Scheme or in the IPSA Scheme has the same meaning as in that scheme (as the case may be).

(2) The table headed “Arrangement of Scheme” and the headings to the individual rules of this Scheme are for reference purposes only and shall not affect the meaning or construction of the Scheme.

(3) A reference in this Scheme to any act or omission occurring, or any right, power, option or discretion being exercised includes, unless the context otherwise requires, a reference to such act or omission or exercise (as the case may be) under a corresponding provision of the Former Scheme as it was in force at the relevant time.

## **Administration**

5. The Administration Scheme applies with respect to the exercise by the Trustees of their functions under this Scheme.

## **PART B – MEMBERSHIP AND BENEFITS**

### **Membership**

6. A Ministerial etc. Office Holder shall be a Participating Member for the duration of his Relevant Service on or after the Commencement Date, provided he has not opted out from active membership of this Scheme under Rule 7.

### **Opting out**

7. (1) A Ministerial etc. Office Holder may opt out as a Participating Member by giving written notice to the Trustees in such form as the Trustees may require.

(2) If the Trustees receive an Opt-Out Notice within three months of the date the person commences his tenure in the Ministerial etc. Office, the effective date of the Opt-Out Notice is the date that tenure commenced. Any member contributions deducted from the person since that date under Rule 9 shall be repaid to him.

(3) If the Trustees receive an Opt-Out Notice more than three months after the date the person commences his tenure in the Ministerial etc. Office, the effective date of the Opt-Out Notice is whatever date the Trustees determine to be the earliest practicable date after the date on which they receive the Opt-Out Notice.

### **Opting in**

8. (1) An Opted-Out Member in Relevant Service may opt in to the Scheme as a Participating Member by giving written notice to the Trustees in such form as the Trustees may require.

(2) An Opt-In Notice must specify the date on which it is intended to take effect, such date being the Opt-In Date.

(3) An Opt-In Notice is only valid if:

(a) it is received either before or within three months after the Opt In Date;

(b) the person pays to the Trustees the amount, if any, that would have been deducted from his salary under Rule 9 between the Opt-In Date and the first date after the Opt-In Date when a deduction is made from his salary under Rule 9; and

(c) the payment (if any) due under Rule 8(3)(b) above is made within 28 days of the Trustees notifying the person of the amount due.

### **Member contributions**

9. (1) Each Participating Member shall pay member contributions to the Fund at the rate required by Rule 9(2) below ("the member contribution rate"). Member contributions shall be deducted from each payment in respect of Pensionable Salary made to the Participating Member.

(2) The member contribution rate required by this Rule is:

(a) 11.1% of Pensionable Salary; or

(b) such other percentage of Pensionable Salary as results from an adjustment of the member contribution rate in accordance with paragraph 33(a) of Schedule 4.

(3) Cost Cap Valuations shall be carried out in accordance with Schedule 4.

(4) Any adjustment to the member contribution rate under Rule 9(2)(b) above shall take effect on the Valuation Implementation Date.

(5) The Minister shall maintain a schedule of Cost Cap Valuations, including any resultant adjustment to the member contribution rate and shall notify Participating Members of any change once the Cost Cap Valuation has been completed.

## Normal retirement pension

10. (1) A person who ceases to be a Participating Member is entitled to receive a pension under Rule 10(2) below on meeting the following conditions:

- (a) he is neither a Member of the House of Commons nor a Ministerial etc. Office Holder;
- (b) he is not a candidate for election to the House of Commons; and
- (c) he has reached or passed his Normal Retirement Date.

(2) A person who satisfies the conditions in Rule 10(1) above is entitled to receive a pension for life equal to the following amounts plus the Retirement Index Adjustment calculated in accordance with Rule 10(6) below:

- (a) the CARE Credits credited to him (including CARE Credits provided pursuant to a transfer into the Scheme after the Commencement Date in accordance with Rule 34); and
- (b) any Added Pension purchased in accordance with Schedule 1; and
- (c) Revaluation Increases credited to him; less
- (f) where the pension payable is subject to a pension debit, a reduction to that pension in accordance with section 31 of the 1999 Act.

If the member has passed his Normal Retirement Date, the resulting pension shall be increased as provided in Rule 11.

(3) For each CARE Year in which a Participating Member is in CARE Service, the Participating Member will be credited with a "**CARE Credit**" of 1.775% of his Pensionable Salary in that CARE Year.

(4) Where a Participating Member is in CARE Service for only part of a CARE Year, he shall receive a proportionate CARE Credit based on the number of complete months in that CARE Year during which he is in CARE Service. For this purpose, complete month includes an incomplete month that consists of at least 16 days of CARE Service.

(5) On each 1 April after commencing CARE Service, a Participating Member will be credited with a "**Revaluation Increase**" equal to the Revaluation Percentage of the total amount of CARE Credits, Added Pension and any previous Revaluation Increases credited to him in respect of all CARE Years ending before that 1 April (including CARE Credits provided pursuant to a transfer into the Scheme after the Commencement Date in accordance with Rule 34). However, no Revaluation Increase shall be credited to a Scheme Member on any 1 April after he has ceased to be in CARE Service.

(6) When a Participating Member becomes entitled to his pension under Rule 10(1) above prior to any increase being credited for his final year of CARE Service under Rule 10(5) above, the total amount payable under Rule 10(2) above shall be increased or decreased by the Retirement Index Adjustment, found by the following calculation:

(a) the number of complete months (including for this purpose an incomplete month of at least 16 days) in the period beginning with the first day of the CARE Year in which the Relevant Date occurs and ending with the Relevant Date, divided by 12, and then multiplied by the Revaluation Percentage which would be applied on the following 1 April under Rule 10(5) above, provided that if such Revaluation Percentage has not been published then the Revaluation Percentage which was applied at the previous 1 April shall be applied;

(b) the percentage found at (a) above is then applied to the whole of the Scheme Member's pension calculated at Rule 10(2) above. The resulting sum will be the Retirement Index Adjustment.

(7) A Participating Member entitled to a pension under this Rule 10 may receive a lump sum in place of part of his pension in accordance with Rule 14.

#### **Retirement after Normal Retirement Date**

**11.** (1) A person who is entitled to a pension under Rule 10 and who has passed his Normal Retirement Date shall be entitled to have his pension increased to reflect later payment in accordance with Rule 11(2) below.

(2) The resulting pension shall be increased to reflect late payment as determined by the Trustees to be actuarially neutral after taking advice from the Government Actuary.

#### **Early retirement pension**

**12.** (1) A person who ceases to be a Participating Member and does not satisfy the conditions in Rule 10(1) may apply to receive an immediate pension under this Rule if he meets the following conditions:

(a) he is neither a Member of the House of Commons nor a Ministerial etc. Office Holder nor a candidate for election to the House of Commons; and

(b) he has reached or passed the Minimum Pension Age but has not reached his Normal Retirement Date.

(2) An application under Rule 12(1) must be made in writing to the Trustees. The applicant shall be entitled to receive a pension for life calculated as described in Rule 10(2), but reduced to reflect early payment in accordance with Rule 12(3) below.

(3) The reduction under this rule shall:

- (a) not apply if the applicant has purchased an Early Retirement Reduction Waiver;
- (b) otherwise, be determined by the Trustees after taking advice from the Government Actuary; and
- (c) where a Scheme Member has an Effective Pension Age in respect of some or all of his pension, be calculated by reference to his Effective Pension Age and not his Normal Retirement Date in respect of that part (or, as the case may be, the whole) of his pension in relation to which the Effective Pension Age applies.

(4) A person entitled to a pension under this Rule 12 may receive a lump sum in place of part of his pension in accordance with Rule 14.

### **III health retirement pension**

**13.** (1) A Participating Member who ceases to be in Relevant Service before his Normal Retirement Date by reason of:

- (a) Partial Incapacity; or
- (b) Total Incapacity

may apply to the Trustees under Rule 13(2) to receive an immediate pension under this Rule.

(2) The Trustees must give the Participating Member notice in writing that the Participating Member may receive an immediate pension under this Rule 13, specifying whether the pension is due to Partial or Total Incapacity. Prior to issuing such a notice the Trustees must:

(a) be satisfied (subject to Rule 13(6) and 13(7)) that the Participating Member satisfies the test of Partial Incapacity or Total Incapacity as the case may be; and

(b) in the case of Total Incapacity, require the Participating Member to certify to the Trustees in writing that he does not intend:

- (i) to seek election or re-election to the House of Commons;
- (ii) to accept any future offer of a Ministerial etc. Office;
- (iii) to accept membership of the House of Lords; or

(c) in the case of Partial Incapacity, require the Participating Member to certify in writing to the Trustees that he does not intend:

- (i) to seek election or re-election to the House of Commons; or
- (ii) to accept any future offer of a Ministerial etc. Office.

(3) Where a Participating Member becomes entitled to a pension by reason of Partial Incapacity, he shall receive a pension for life calculated as described in Rule 10(2) (but for the avoidance of doubt with no reduction to reflect early payment).

(4) Where a Participating Member becomes entitled to a pension by reason of Total Incapacity, he shall receive a pension for life calculated as the sum of:

(a) the amount calculated as described in Rule 10(2) (but for the avoidance of doubt with no reduction to reflect early payment); plus

(b) an additional amount of the pension calculated as described in Rule 10(2) but ignoring any Added Pension and any pension attributable to a transfer payment (and for the avoidance of doubt with no reduction to reflect early payment), multiplied by the fraction in Rule 13(5).

(5) The fraction in this Rule is A/B where:

A is the number of whole or part years from the day after the member's Relevant Service ceased to the day before he will reach Normal Retirement Date (assuming he lives until that date); and

B is the number of whole or part CARE Years of CARE Service (whether continuous or otherwise) completed by the Participating Member or, if less, the number of years of his continuous CARE Service.

(6) The Trustees must, in considering any application under this Rule 13, consider:

(a) evidence from a registered medical practitioner that, because of physical or mental impairment, the Participating Member is incapable of carrying on his occupation or incapable of performing any Gainful Work; and

(b) evidence from such a practitioner that the Participating Member's incapacity is likely to be permanent; and

(c) such other evidence as the Trustees consider to be appropriate.

(7) When considering the degree and duration of incapacity, the Trustees and the registered medical practitioner may take into account:

(a) the duties of the Ministerial etc. Office-Holder as specified by the Trustees; and

(b) the impact of any medical treatment that the Participating Member could undergo.

(8) The Trustees may require the Participating Member to undergo a medical examination by a registered medical practitioner nominated by them in considering an application under this Rule 13. The Trustees may decide to pay the fees in respect of the medical examination (or may require the Participating Member to do so), and may refuse the application if the Participating Member refuses to undergo the medical examination.

(9) Where a Participating Member retires under this Rule 13, the Trustees may require a registered medical practitioner to review periodically and report to the Trustees on whether the person continues to suffer from Partial Incapacity or Total Incapacity. Such a review shall be carried out at such intervals as the Trustees determine. No review shall take place after the Participating Member has reached Normal Retirement Date.

(10) If a review under Rule 13(9) finds that a person in receipt of a pension does not suffer from Partial Incapacity or Total Incapacity, then the Trustees may reduce that pension to the extent they consider appropriate or terminate it completely.

(11) A person who ceased to be a Participating Member in consequence of the appointment by Her Majesty of a new Government shall be treated as having ceased to be a Participating Member due to ill health if he makes an application under this Rule 13 and satisfies the Trustees that on the day his tenure of a Ministerial etc. Office ceased his ill health was such as would prevent him from performing adequately the duties of that Office. A Participating Member may make an application under this Rule 13 if he intends to step down from his duties as a Ministerial etc. Office-Holder on account of ill health, prior to having done so specifying in his application the date on which he intends to step down.

(12) A Participating Member entitled to a pension under this Rule 13 may receive a lump sum in place of part of his pension in accordance with Rule 14.

(13) If a Participating Member has a pension under this Rule 13 reduced or terminated under Rule 13(10), and subsequently becomes entitled to a pension under any of Rules 10 to 12, then such pension under Rules 10 to 12 shall be reduced by such amount as the Government Actuary determines to take account of any lump sum paid to the person under this Rule 13.

### **Commutation at retirement**

**14.** (1) Any person who is entitled to receive a pension under any of Rules 10, 11, 12, 13 or 16 may, before the first instalment of the pension is paid, give written notice to the Trustees in such form as they may require that he wishes to receive a lump sum in place of part of his pension.

(2) If a Scheme Member exercises the option in Rule 14(1) above:

(a) the amount of the lump sum and the reduction to the Scheme Member's annual pension shall be calculated using conversion factors of £1 of pension surrendered for each £12 of lump sum provided; and

(b) he may not give up pension for a lump sum to the extent that it would result in a scheme chargeable payment for the purposes of Part 4 the 2004 Act.

## **Total commutation**

**15.** (1) If the requirements for:

- (a) a Serious Ill-health Lump Sum;
- (b) a Trivial Commutation Lump Sum; or
- (c) a lump sum payment under the Registered Pension Schemes (Authorised Payments) Regulations 2009

are met in respect of a Scheme Member, the Trustees may at their discretion pay a lump sum to or in respect of the Scheme Member subject to any applicable statutory requirements in relation to Guaranteed Minimum Pensions and service in Contracted-out Employment. Such a lump sum will be calculated on such basis as the Trustees consider reasonable after taking advice from the Government Actuary, and shall extinguish the Scheme Member's entitlement to benefits under the Scheme.

## **Deferred Pensions**

**16.** (1) A Participating Member who leaves CARE Service before Normal Retirement Date without becoming entitled to an immediate pension or lump sum under Rules 10 to 15 above and without taking a transfer or refund under Rule 17 will be a Deferred Pensioner.

(2) A Deferred Pensioner will be entitled to receive a pension for life from his Normal Retirement Date on meeting the conditions in Rule 10(1).

(3) The pension payable under Rule 16(2) will be calculated as described in Rule 10(2). For the avoidance of doubt, the Retirement Index Adjustment will be calculated when the Participating Member leaves CARE Service. This amount will then be revalued from the date the Deferred Pensioner left CARE Service to his Normal Retirement Date.

(4) A Deferred Pensioner who does not meet the conditions in Rule 10(1) may apply (in such form as the Trustees may require from time to time) to receive a pension under this Rule if he meets the following conditions:

- (a) he is neither a Member of the House of Commons nor a Ministerial etc. Office-Holder; and
- (b) either:
  - (i) he has reached or passed Minimum Pension Age; or
  - (ii) he suffers from Partial Incapacity or Total Incapacity.

(5) Where an application under Rule 16(4) is made and the condition in Rule 16(4)(b)(i) is not satisfied, such application may not be accepted unless the Trustees are satisfied that the pension would not constitute an unauthorised payment for the purposes of section 160 of the 2004 Act.

(6) If the Trustees accept an application for early retirement (including for ill health early retirement) under this Rule 16, the Deferred Pensioner shall be entitled to receive a pension for life calculated as described in Rule 16(3) but reduced to reflect early payment in accordance with Rule 16(7) below.

(7) The reduction under Rule 16(6):

- (a) shall not apply if the applicant has purchased an Early Retirement Reduction Waiver;
- (b) otherwise, shall be determined by the Trustees after taking advice from the Government Actuary; and
- (c) where a Participating Member has an Effective Pension Age in respect of some or all of his pension, shall be calculated by reference to his Effective Pension Age and not his Normal Retirement Date in respect of that part (or, as the case may be, the whole) of his pension in relation to which the Effective Pension Age applies.

(8) A Deferred Pensioner entitled to a pension under this Rule 16 may receive a lump sum in place of part of his pension in accordance with Rule 14.

#### **Early leavers – transfers and refunds**

17. (1) A person who has ceased to be in CARE Service may, if he is eligible under the applicable Rule, give written notice to the Trustees requiring them to:

- (a) transfer his pension benefits under this Scheme to another pension scheme under Rule 33; or
- (b) refund his member contributions under Rule 17(2) below.

(2) Member contributions paid by a Scheme Member and not previously refunded to him may be refunded to him by the Trustees if:

- (a) it complies with the preservation requirements in Part IV of the 1993 Act;
- (b) it would not constitute a scheme chargeable payment for the purposes of Part 4 of the 2004 Act;
- (c) there has been no previous benefit crystallisation event (within the meaning of section 216 of the 2004 Act) in relation to the Scheme Member and the Scheme;
- (d) he has not become Lord Chancellor before 4 September 2012; and
- (e) he has not prior to 25 April 2013 held the office of Prime Minister and First Lord of the Treasury or Speaker of the House of Commons.

(3) A refund paid under Rule 17(2) above shall include Interest from the date on which the member contributions were paid.

## **Death of a Participating Member**

**18.** (1) On the death of a Participating Member, the following benefits may, at the Trustees' discretion, be payable:

- (a) a lump sum equal to two times the Participating Member's Pensionable Salary at the date of his death;
- (b) a lump sum equal to all of the member contributions paid into the Fund under Rule 9 by the Participating Member together with Interest from the date on which the member contributions were paid;
- (c) if the Participating Member leaves a surviving spouse, Same Sex Spouse, civil partner or Surviving Adult Dependant, a pension for life to that person calculated in accordance with Rule 21(1); and
- (d) if the Participating Member leaves one or more Relevant Children, a pension to such one or more of those Relevant Children as the Trustees may decide, calculated in accordance with Rule 22(1).

(2) Rule 36 shall apply to any lump sum payable under this Rule 18.

(3) Where the Participating Member is aged 75 or over at the date of his death, then

- (a) to the extent that any part of the pension to which any person becomes entitled after the Participating Member's death would not qualify as a dependant's scheme pension for the purposes of section 167 of the 2004 Act, the benefits payable to the person may be adjusted in a manner determined by the Trustees; and
- (b) to the extent that any lump sum payable under this Rule 18 may be subject to a special lump sum death benefits charge under section 206 of the 2004 Act, it may be deducted from the amount paid, in accordance with Rule 31(2).

## **Death of a Deferred Pensioner**

**19.** (1) On the death of a Deferred Pensioner, the following benefits may, at the Trustees' discretion, be payable:

- (a) a lump sum equal to all of the member contributions paid into the Fund under Rule 9 by the Scheme Member together with Interest from the date on which the member contributions were paid at such rate as the Trustees may decide;
- (b) if the Deferred Pensioner leaves a surviving spouse, Same Sex Spouse, civil partner or Surviving Adult Dependant, a pension for life to that person calculated in accordance with Rule 21(1); and

(c) if the Deferred Pensioner leaves one or more Relevant Children, a pension to such one or more of those Relevant Children as the Trustees may decide, calculated in accordance with Rule 22(1).

(2) Rule 36 shall apply to any lump sum payable under this Rule 19.

(3) Where the Deferred Pensioner is aged 75 or over at the date of his death, then

(a) to the extent that any part of the pension to which any person becomes entitled after the Deferred Member's death would not qualify as a dependant's scheme pension for the purposes of section 167 of the 2004 Act, then the benefits payable to the person may be adjusted in a manner determined by the Trustees; and

(b) to the extent that any lump sum payable under this Rule 19 may be subject to a special lump sum death benefits charge under section 206 of the 2004 Act, it may be deducted from the amount paid, in accordance with Rule 31(2).

## **Death of a Pensioner**

**20.** (1) On the death of a Pensioner, the following benefits may, at the Trustees' discretion, be payable:

(a) subject to (b) below, if the Pensioner dies within five years of his pension coming into payment, a lump sum equal to five times the total annual amount of the pension to which he was entitled as at the date of his death (disregarding any reduction for early payment but including any increase by way of indexation), less the total amount of any payments of pension made to him under this Scheme;

(b) if payment of some or all of the lump sum under (a) above would be a scheme chargeable payment for the purposes of Part 4 of the 2004 Act, the Trustees shall instead pay the pension payments that would have been made during the remainder of that five year period as an addition to the pension(s) payable under (c) or (d) below, as applicable. If no such pension is payable, the aggregate of those pension payments shall be paid to the Pensioner's personal representatives;

(c) if the Pensioner leaves a surviving spouse, Same Sex Spouse, civil partner or Surviving Adult Dependant, a pension for life to that person calculated in accordance with Rule 21(1); and

(d) if the Pensioner leaves one or more Relevant Children, a pension to such one or more of those Relevant Children as the Trustees may decide, calculated in accordance with Rule 22(1).

(2) Rule 36 shall apply to any lump sum payable under this Rule 20.

(3) If the Pensioner is aged 75 or over at the date of his death, then

(a) to the extent that any part of the pension to which any person becomes entitled after the Pensioner's death would not qualify as a dependant's scheme pension for the purposes of section

167 of the 2004 Act, the benefits payable to the person may be adjusted in a manner determined by the Trustees; and

(b) to the extent that any lump sum payable under this Rule 20 may be subject to a special lump sum death benefits charge under section 206 of the 2004 Act, it may be deducted from the amount paid, in accordance with Rule 31(2).

### **Pensions for survivors**

**21.** (1) Subject to Rule 21(5), the annual rate of a pension payable under Rule 18(1)(c), 19(1)(b) or 20(1)(c) is 37.5% of the Relevant Pension.

#### *Survivors of Participating Member*

(2) In the case of the death of a Participating Member, the Relevant Pension is:

(a) the pension to which he would have been entitled under this Scheme had he left CARE Service on the day immediately before the day of his death, calculated:

(i) at the date of his death;

(ii) disregarding any Added (Participant) Pension and any part of any Revaluation Increase attributable to such pension; and

(iii) without deduction in respect of early receipt or commutation; plus

(b) an additional amount equal to the lesser of:

(i) the pension calculated under (a) disregarding any Added (Participant) Pension or transfer payment; and

(ii) the amount under (i) above multiplied by  $A/B$  where:

A is the number of whole or part years from the day after the member's death to the day before he would (had he survived) have reached his Normal Retirement Date, to a maximum of ten; and

B is the number of whole or part CARE Years of CARE Service (whether continuous or otherwise) completed by the Participating Member.

#### *Survivors of Deferred Pensioner*

(3) In the case of the death of a Deferred Pensioner, the Relevant Pension is the preserved pension to which he would have been entitled under this Scheme at his Normal Retirement Date had he left CARE Service on the day immediately before the day of his death, calculated:

(a) at the date of his death; and

(b) disregarding any Added (Participant) Pension and any part of any Revaluation Increase attributable to such pension.

#### *Survivors of Pensioner*

(4) In the case of the death of a Pensioner, the Relevant Pension is the pension payable to him at the date of his death, disregarding:

(a) any reduction previously made to his pension under Rule 14; and

(b) any Added (Participant) Pension and any part of any Revaluation Increase and any pension increase attributable to such pension.

(5) A pension payable under Rule 18(1)(c), 19(1)(b) or 20(1)(c) shall be adjusted as follows:

(a) reduced by 2.5% for each whole year, in excess of twelve years, by which the recipient is younger than the deceased (up to a maximum reduction of 50%); and

(b) adjusted in a manner determined by the Trustees, as is necessary to ensure that the pension paid is a dependants' scheme pension for the purposes of the 2004 Act.

#### **Pensions for children**

**22.** (1) A pension shall be payable to or in respect of a Relevant Child of a Participating Member on the death of the Participating Member, in accordance with Rule 18(1)(d), 19(1)(c) or 20(1)(d).

(2) Where the Participating Member leaves a surviving spouse, Same Sex Spouse, civil partner or Surviving Adult Dependant, the annual rate of a pension payable under Rule 18(1)(d), 19(1)(c) or 20(1)(d) is:

(a) where there is only one Relevant Child, 80% of the annual rate of pension payable under Rule 18(1)(c), 19(1)(b) or 20(1)(c);

(b) where there is more than one Relevant Child, each Relevant Child shall receive the amount under Rule 22(2)(a) multiplied by  $\frac{2}{B}$ , where B is the number of Relevant Children at the date of the Participating Member's death.

(3) Where the Participating Member does not leave a surviving spouse, Same Sex Spouse, civil partner or Surviving Adult Dependant the annual rate of a pension payable under Rule 18(1)(c), 19(1)(b) or 20(1)(c) is:

(a) where there is only one Relevant Child, the annual rate of pension payable under Rule 18(1)(c), 19(1)(b) or 20(1)(c) multiplied by 4 and divided by 3;

(b) Where there is more than one Relevant Child, each Relevant Child shall receive the amount under Rule 22(3)(a) multiplied by  $2/B$ , where B is the number of Relevant Children at the date of the Participating Member's death.

(4) A pension shall not be paid before the Relevant Child is born and shall cease to be payable to a Relevant Child on the date that the child ceases to meet the definition of Relevant Child. The amount paid to each Relevant Child as calculated under Rules 22(2) and 22(3) will not be adjusted for any remaining Relevant Child once one Relevant Child ceases to receive a pension under this Rule 22.

(5) A pension payable to a Relevant Child shall be adjusted in a manner determined by the Trustees as is necessary to ensure that the pension paid is a dependants' scheme pension for the purposes of the 2004 Act.

(6) For the purposes of this Rule 22, the annual rate of pension payable under Rule 18(1)(c), 19(1)(b) or 20(1)(c) shall be calculated disregarding any reduction falling to be made under Rule 21(5)(a).

### **Added Pension, Effective Pension Age and Early Retirement Reduction Waiver**

**23.** A Participating Member may purchase Added Pension, an Effective Pension Age and/or an Early Retirement Reduction Waiver in accordance with the provisions of Schedule 1.

### **Payment of pensions**

**24.** (1) Pensions under this Scheme are payable monthly in arrears on such date or dates as the Trustees may decide and subject to the remaining provisions of this Rule 24 shall continue for life.

#### *Indexation*

(2) Pensions in payment under this Scheme shall be increased at the beginning of each CARE Year by the percentage by which an official pension may be increased in accordance with the most recent order made by the Treasury under section 59 of the 1975 Act.

(3) Where the pension has been in payment for less than a year at the date of the increase under Rule 24(2), the increase to that pension shall be a proportionate part of the full increase, calculated daily.

#### *Reductions – Relevant Service*

(4) Subject to any applicable statutory requirements in relation to Contracted-out Employment, a pension payable to a Pensioner shall be reduced to nil during any period in which he is in Relevant Service, other than a period of Relevant Service in which no Pensionable Salary is payable or in respect of which no Pensionable Salary is drawn.

(5) The reduction in Rule 24(4) shall be disregarded for the purpose of calculating any benefit under Rule 20(1)(a) or (b).

(6) Once any person whose pension has been reduced to nil under Rule 24(4) ceases to be a Ministerial etc. Office Holder then his pension shall recommence at the rate paid prior to suspension, plus any increases which would have been awarded under Rule 24(2) during the period referred to in Rule 24(4) if the pension had not been suspended.

### **Pensions Ceasing to be Payable**

**25.** (1) A pension ceases to be payable to a Pensioner who enters service in a Ministerial etc. Office within twenty-eight days after the day on which he first receives payment of a pension under this Scheme.

(2) In those circumstances:

- (a) the Pensioner is to be treated as having never been entitled to the pension,
- (b) the Trustees shall cease to pay the pension, and
- (c) the Trustees shall recover any payments made to the Pensioner.

### **Allocation of Part of Pension**

**26.** (1) A Participating Member may elect to allocate to one or more beneficiaries part of a pension payable under Rules 10 to 13.

(2) The beneficiary of an election under this Rule 26 must be a spouse, Same Sex Spouse, civil partner or Nominated Partner of, or any person who is wholly or mainly financially dependent upon or financially interdependent with, the Participating Member making the election.

(3) An election shall:

- (a) be made by written notice to the Trustees in the form required by them on or before the Election Closing Date,
- (b) name each of the beneficiaries,
- (c) specify the amount of the pension to be allocated to each beneficiary,
- (d) be accompanied by a written declaration in the form required by the Trustees stating:
  - (i) that each of the beneficiaries is a person falling within Rule 26(2), and
  - (ii) that the Participating Member is in good health.

(4) After an election has been made under this Rule 26, the Participating Member may, by written notice to the Trustees in the form required by them and given before the Election Closing Date:

- (a) revoke the election, or
- (b) amend it to change the beneficiaries, or the amount of pension to be allocated to one or more of the beneficiaries.

- (5) An election takes effect on the Election Closing Date in respect of a beneficiary, provided:
- (a) it has not been validly revoked,
  - (b) the Trustees are satisfied that when the Participating Member made the election the matters stated in the notice under Rule 26(3)(d) were true, and
  - (c) both the Participating Member who made the election and the beneficiary are alive on that date.
- (6) In this Rule 26 “Election Closing Date” in relation to a pension means the day before the pension becomes payable, or such other date as may be advised by the Trustees as the last day upon which a Participating Member may make an election under this Rule 26.
- (7) Where an election under this Rule 26 takes effect then, subject to Rule 26(8):
- (a) the Participating Member’s pension is reduced accordingly, and
  - (b) if the beneficiary survives the Participating Member, on the Participating Member’s death the beneficiary becomes entitled to receive a pension for life of an amount determined by the Trustees after consultation with the Government Actuary, having regard to-
    - (i) the amount of pension allocated under the election, and
    - (ii) the beneficiary’s age and gender.
- (8) The Trustees may withhold payment from the beneficiary if-
- (a) the Participating Member dies less than two years after the election takes effect, and
  - (b) the Trustees are satisfied that in making the election the Participating Member made a false declaration about his state of health.
- (9) An election under this Rule 26 has no effect if it would result in a pension being paid-
- (a) on the Participating Member becoming entitled to a pension, to a person who is not the Participating Member’s spouse, Same Sex Spouse, civil partner or Nominated Partner, or
  - (b) on the death of the Participating Member to a person who is not: the Participating Member’s surviving spouse, Same Sex Spouse, civil partner or Nominated Partner; or a dependant of the Participating Member for the purposes of paragraph 15(2) or (3) of Schedule 28 to the 2004 Act.
- (10) The amount of pension payable to the beneficiary of an allocation election may be adjusted in a manner determined by the Trustees after consultation with the Government Actuary if:
- (a) the Participating Member who made the election dies after reaching the age of 75, and

(b) on the death of the Participating Member the amount of pension payable to the beneficiary does not qualify as a dependant's scheme pension under section 167 of the 2004 Act (the pension death benefit rules).

(11) For the purposes of this Rule 26 a person ("P") is a Nominated Partner of a Participating Member if-

(a) the Participating Member nominated P to receive a pension on the Participating Member's death,

(b) the nomination is made by a written declaration signed by both the Participating Member and P in a form required by the Trustees,

(c) the nomination has not been revoked by either the Participating Member or P by signed written notice to the Trustees in such form as they require or are willing to accept, and

(d) P satisfies the Trustees that, at the time the nomination is made-

(i) P and the Participating Member were cohabiting as partners in an exclusive, committed, long-term relationship,

(ii) P and the Participating Member were not prevented from marrying or entering a civil partnership, and

(iii) either P was financially dependent on the Participating Member or P and the Participating Member were financially interdependent.

### **Cessation of benefits and recoveries**

**27.** (1) This Rule applies if after paying a benefit under this Scheme the Trustees determine that there was no entitlement or there is no longer an entitlement to the benefit (or part of the benefit).

(2) The Trustees may—

(a) cease to pay the benefit;

(b) withhold the whole or any part of the benefit; or

(c) recover any payment made if there was no entitlement to the benefit.

### **Payment of benefits in certain cases**

**28.** (1) Where a person (P) to whom a benefit is payable under this Scheme has not reached 18 or is incapable by reason of infirmity of mind or body of managing P's affairs, the Trustees may—

(a) pay the benefit to any person having the care of P, or

(b) apply it as the Trustees think fit for the benefit of P or P's dependants.

(2) Where on the death of a person (D) the total of any sums due to D and any sums payable to D's personal representatives under this Scheme does not exceed the amount specified in any order made under section 6 of the Administration of Estates (Small Payments) Act 1965 (c. 32) which applies to D's death, the Trustees may, without requiring the production of probate or other proof of title, pay the amount due—

(a) to D's personal representatives, or

(b) to the person, or to or among any one or more of any persons, appearing to the Trustees to be beneficially entitled to D's estate.

### **General prohibition on unauthorised payments**

**29.** Nothing in this Scheme requires or authorises the making of any payment which, if made, would be an unauthorised payment for the purpose of Part 4 of the 2004 Act (see section 160(5) of that Act), unless the Trustees determine otherwise (in the case of a particular payment).

## **PART C – GENERAL PROVISIONS**

### **Statutory requirements**

**30.** A pension under this Scheme shall not be assignable or chargeable with debts or other liabilities except to the extent expressly permitted by section 44 of the 1999 Act.

### **Payment of tax**

**31.** (1) Where the Administrator is liable to a lifetime allowance charge under section 214 of the 2004 Act or an annual allowance charge under section 237B of that Act in respect of a Scheme Member, the Administrator shall pay the amount of the charge, provided in the case of section 237B that the Scheme Member has complied with any requirements of that section or any other requirements of section 237 and provided further that the Scheme Member's entitlement under the Scheme may be adjusted as provided under section 237 on payment of the charge.

(2) Subject to Rule 31(1), the Administrator may deduct from any payment under the Scheme any tax for which it or the Trustees may be liable in respect of it.

### **Tax Protection**

**32.** (1) Where an individual has Tax Protection, he may on or after the Commencement Date opt for Rule 9 not to apply in respect of his salary by giving written notice to the Trustees. Once made, such an option may only be revoked with the Trustees' consent.

(2) Any notice exercising or revoking such an option must specify the date on which it is to take effect, which shall not be earlier than the beginning of the month in which the notice is given.

(3) An individual shall not be regarded as a Participating Member for the purposes of Rule 9 at any time when an option exercised by the individual under Rule 32(1) has effect.

(4) But, except as provided by Rule 32(5), the fact that the individual is not making member contributions to the Fund deducted from his salary under Rule 9 shall be disregarded for the purposes of determining whether the individual falls within the definition of "Participating Member" in Rule 6.

(5) Notwithstanding anything in Rule 32(4), no period during which the individual's option has effect shall be regarded as a period of CARE Service as a Participating Member.

(6) Where an option under Rule 32(1) is revoked, the individual shall from the effective date of the revocation pay member contributions as a Participating Member at the rate then applicable to such members.

(7) A person with Tax Protection may surrender the whole or part of any rights to any benefit to which he (or any dependant of his) has a prospective entitlement under this Scheme for the purpose of ensuring that his Tax Protection is not prejudiced. Such a surrender may only be made by written notice to the Trustees and is irrevocable.

(8) A surrender under Rule 32(7) is ineffective so far as it purports to affect any rights entitlement to which is required for the employment of the individual to be contracted-out employment in relation to the Scheme.

(9) Without prejudice to Rules 32(1) to (8) above, if an individual notifies the Trustees in writing that he is or may be at risk of losing any Tax Protection, the Trustees may in their absolute discretion agree with the individual to restrict any benefit payable from the Fund or otherwise vary the terms on which the individual participates in the Fund, provided that such restriction or variation shall not result in the individual (or their dependants) becoming entitled to or having any right to any greater or additional benefit from the Fund.

(10) Any notice given or option exercised before the Commencement Date under the Former Scheme in relation to Tax Protection shall have effect as if it were an option validly exercised under Rule 32(1) and effective from the Commencement Date.

## **Transfers out**

**33.** (1) Chapters 4 and 5 of Part IV of the 1993 Act apply in relation to this Scheme. Accordingly:

(a) where a former Participating Member has a right to transfer his benefits under that Act and makes a written request to the Trustees (in such form as they may require), the Trustees shall comply with the requirements of Chapter 4 or 5 as applicable; and

(b) where a former Participating Member does not have a right to transfer some or all of his benefits under that Act, the Trustees may at their discretion treat him as if he did have such a right.

(2) If a person has benefits in both the AVC Scheme and in this Scheme apart from the AVC Scheme, any transfer under this Rule 33 may relate either:

(a) to the total of all of those benefits; or

(b) to the total of all of their benefits under the AVC Scheme, or to the total of all of their benefits under this Scheme apart from the AVC Scheme (but not to both).

(3) The amount of the transfer pursuant to this Rule 33 shall be calculated in a manner determined by the Trustees, after consultation with the Government Actuary. The Trustees must use such assumptions as they consider appropriate (having taken advice from the Government Actuary) and having regard to section 97 of the 1993 Act and Regulations made under that Act (whether or not the payment is in respect of a person entitled to a guaranteed cash equivalent transfer value under that Act).

(4) The Trustees shall not make a transfer pursuant to this Rule 33 unless they are satisfied that it will not result in the Scheme making or be treated as having made an unauthorised payment within the meaning of section 160 of the 2004 Act.

(5) Where a transfer is made under this Rule 33 in respect of a person's rights under the Scheme, those rights are extinguished.

## **Transfers in**

**34.** (1) Subject to the remainder of this Rule 34, a Participating Member may apply to the Trustees in writing to transfer benefits (but not a Pension Credit) from another Registered Pension Scheme into this Scheme.

(2) An application under Rule 34(1) shall be in such form, and shall specify such information, as the Trustees may require.

(3) No application may be made in respect of:

(a) a transfer value payment from a Personal Pension Scheme; or

(b) a transfer value payment relating only to Voluntary Contribution Rights,

if the applicant has paid member contributions to the Personal Pension Scheme or towards those Voluntary Contribution Rights after the later of 6 April 2006 and the latest date on which the applicant became a Participating Member.

(4) Rule 34(3)(b) shall not apply if:

- (a) the applicant is also making an application for a transfer in respect of another Occupational Pension Scheme;
- (b) that other scheme relates to the same employment as the scheme from which the Voluntary Contribution Rights are to be transferred; and
- (c) the transfer from the other scheme relates to rights that are not Voluntary Contribution Rights.

(5) A person may not transfer benefits from another Registered Pension Scheme such that the benefits awarded under Rule 34(7) will result in him receiving a pension of more than 50% of his Pensionable Salary as at the Commencement Date or (if later) the date on which he became a Participating Member, calculated on the basis set out in Rule 8(7).

(6) Where an application is duly made under Rule 34(1), the Trustees may accept the transfer on such terms and conditions as they may require, provided that any statutory requirements applicable to Guaranteed Minimum Pensions and service in Contracted-out Employment are satisfied.

(7) If the Trustees accept a transfer under this Rule 34, the applicant shall receive additional CARE Credits calculated as at the date on which the transfer is received by the Scheme, in accordance with guidance from the Government Actuary for that purpose.

(8) For the avoidance of doubt, any transfer received by the Fund prior to the Commencement Date shall be governed by the terms of the Former Scheme as applicable at the time of the receipt of the transfer.

## **Pension Sharing**

**35.** (1) The provisions of this Rule 35 apply to:

- (a) a surviving civil partner and a Surviving Same Sex Spouse as they apply to a surviving spouse,
- (b) a civil partner and a Same Sex Spouse as they apply to a spouse, and
- (c) a civil partnership and a same sex marriage as they apply to a marriage.

(2) Following the making of a Pension Sharing Order the Trustees shall, within the Implementation Period, pay the amount of the Ex-spouse's Pension Credit, as calculated in accordance with Rule 35(6), to the person responsible for a Qualifying Arrangement with a view to acquiring rights under that arrangement for the Ex-spouse if:

(a) the person responsible for that arrangement is able and willing to accept payment of the credit,  
and

(b) Rule 35(3) or 35(4) applies.

(3) This Rule 35(3) applies if the Ex-spouse has consented to the Trustees making such payment to that Qualifying Arrangement.

(4) This Rule 35(4) applies where the Ex-spouse has not given consent for the purposes of Rule 35(3), but the Qualifying Arrangement is one which the Trustees have determined at their discretion.

(5) For the avoidance of doubt the Trustees must, before making a payment in reliance on Rule 35(4), attempt to make a payment in reliance on Rule 35(3).

*Amount of Pension Credit: calculation of cash equivalent*

(6) For the purposes of Rule 35(2), the amount of Pension Credit shall be such sum as shall satisfy the requirements prescribed for the time being under section 30 of the 1999 Act.

*Death of Ex-spouse before liability in respect of Pension Credit is discharged*

(7) If the Ex-spouse dies before the Trustees have discharged their liability in respect of an Ex-spouse's Pension Credit, the Trustees shall discharge their liability in accordance with Rules 35(8) to 35(14).

(8) The Ex-spouse may nominate in writing in such form as the Trustees may require one or more persons to receive his Pension Credit in accordance with Rules 35(8) to 35(14).

(9) If the Trustees receive a nomination in accordance with Rule 35(8) they may, if the Ex-spouse has not reached the age of 75 at the date of death and they think fit, pay to the person or persons nominated by the Ex-spouse a lump sum the aggregate of which is equal to 25% of the amount of Pension Credit calculated in accordance with Rule 35(6).

(10) If the Trustees do not make any payment to a person or persons nominated by the Ex-spouse in accordance with Rule 35(9) and the Ex-spouse has not reached the age of 75 at the date of death, they shall pay to the deceased Ex-spouse's personal representatives a lump sum which is equal to 25% of the amount of Pension Credit calculated in accordance with Rule 35(6).

(11) With the balance of the Pension Credit remaining after making a payment under Rule 35(9) or 35(10) the Trustees may, if they think fit, enter into an annuity contract or take out a policy of insurance on behalf of a dependant or dependants of the Ex-spouse as defined in Rule 35(14), provided that such contract or policy satisfies the requirements of regulation 6(3) of the Pension Sharing (Implementation and Discharge of Liability) Regulations 2000 (S.I. 2000/1053).

(12) A pension paid to one or more dependants in consequence of an annuity contract or policy of insurance shall not exceed:

(a) in the case of a single dependant, two thirds of the amount of pension which could have been paid to the Ex-spouse had the whole of the Pension Credit, calculated in accordance Rule 35(6), been used to enter into an annuity contract or to take out a policy of insurance on behalf of the Ex-spouse and assuming, if the Ex-spouse died before reaching the age of 50, that the Ex-spouse had reached the age of 50 immediately before death;

(b) where a pension is paid to two or more dependants, the total amount of such pension which could have been paid to the Ex-spouse calculated in accordance with (a) above.

(13) The balance of any Pension Credit held by the Trustees after applying the provisions of this Rule shall be retained by the Fund.

(14) In this Rule "dependants" means any widow, widower, surviving civil partner or Surviving Same Sex Spouse of the Ex-spouse or any child of the Ex-spouse.

#### *Charging*

(15) The Trustees may recover charges incurred in connection with any of the activities prescribed for the time being under section 41 of the 1999 Act and in accordance with, and to the extent prescribed.

#### **Death benefit nominations**

**36.** (1) A gratuity or lump sum granted under Rule 18, 19 or 20 shall be granted:

(a) to the person or persons nominated in any nomination made by the Scheme Member for the purposes of this Rule 36 which was in force at the time of his death; or

(b) if no such nomination was in force at that time or, pursuant to Rule 36(3) below, to the extent that such a nomination is treated as not being in force, to the Scheme Member's personal representatives.

(2) Where a Scheme Member nominates more than one person for the purposes of this Rule 36, he may also specify the proportion of the gratuity or lump sum to be granted to each such person.

(3) The Trustees shall treat a nomination made for the purposes of this Rule by any person as not being in force at the time of the person's death to the extent that:

(a) any person nominated was the Scheme Member's wife or husband or civil partner or Same Sex Spouse at the time the nomination was made but has subsequently ceased to be that person's wife or husband or civil partner or Same Sex Spouse; or

(b) they are of the opinion that the payment of the gratuity to any person nominated is not reasonably practicable in all the circumstances.

(4) A nomination for the purposes of this Rule 36 must be made, and may be revoked, by a notice in writing given to the Trustees, and such a notice must be in such form as the Trustees may require.

### **Extension of time**

37. The Trustees may extend, or treat as extended, the time within which anything is required or authorised to be done under this Scheme.

### **Status and Operation of Former Scheme**

38. The Former Scheme ceases to have effect from the Commencement Date, subject to the provisions of Schedule 2.

### **Additional Voluntary Contributions**

39. A Participating Member may make Additional Voluntary Contributions in accordance with Schedule 3.

### **Cost Cap Valuations**

40. Schedule 4 has effect in relation to Cost Cap Valuations.

### **Contracting-out**

41. Schedule 5 has effect in relation to contracting-out.

## **SCHEDULES**

### **SCHEDULE 1 – ADDED PENSION ETC**

#### **Participating Member options**

1. A Participating Member or (in the case of an Early Retirement Reduction Waiver) a Deferred Pensioner may, by the payment of periodic contributions or of one or more lump sums in accordance with this Schedule, purchase one or more of the following:

- (a) Added (Participant) Pension;
- (b) Added (Combined) Pension;
- (c) Effective Pension Age; or

(d) Early Retirement Reduction Waiver.

2. An Added (Participant) Pension shall increase the pension payable to a Participating Member by the amount of the Added (Participant) Pension acquired. However, the Added (Participant) Pension shall not be taken into account when calculating the benefits payable to any survivor of the Scheme Member following the Scheme Member's death, except under Rule 20(1)(a) and (b).

3. An Added (Combined) Pension shall increase the pension payable to a Participating Member by the amount of the Added (Combined) Pension acquired. The Scheme Member's Added (Combined) Pension shall also be included in the Scheme Member's Relevant Pension for the purposes of Rules 18 to 22 when calculating the pension payable to any survivor of the Scheme Member following the Scheme Member's death.

4. An Effective Pension Age option shall reduce the Normal Retirement Date for the pension attributable to the option to the age specified in the option. The reduction to the Normal Retirement Date may be up to three years, but may not reduce a Participating Member's Normal Retirement Date to a date before he reaches the age of 65. Provided that, in the event that the Normal Retirement Date reduces at any point, resulting in sums being unable to reduce the Normal Retirement Date under this Schedule 1, any excess sums paid under this Schedule 1 may, if the Trustees decide (after consulting the Participating Member) be used for other benefit enhancements under this Scheme.

5. (a) A Participating Member may submit:

(i) more than one Effective Pension Age Notice, and

(ii) more than one Added Pension Notice under paragraph 7 or 11 below

provided that his total Added Pension and value of the increase to his Effective Pension Age does not exceed the maximum amount permitted under paragraph 6 below.

(b) A Participating Member may only make such a submission within one month of his becoming a Participating Member, or within one month of the start of each CARE Year.

(c) Where Added Pension and/or Effective Pension Age is to be purchased by a Participating Member by periodic payments in accordance with the provisions of this Schedule, the maximum Periodic Payment Period shall be the period remaining from the submission of the relevant Effective Pension Age Notice or Added Pension Notice (as the case may be) until the day after the day on which Her Majesty first appoints a person as Prime Minister following the next General Election occurring after the submission. The Trustees shall recalculate the amount of periodic payments payable by the Participating Member for a new Period Payment Period following each such appointment.

6. A Participating Member's total Added Pension and the value of the increase to his Effective Pension Age may not exceed:

- (a) £6,500 for the CARE Year ending on 31 March 2016; or
- (b) in respect of any subsequent CARE Year, the maximum amount for the previous CARE Year, increased by the percentage by which an official pension may be increased in accordance with the order made by the Treasury under section 59 of the 1975 Act which is applicable in respect of that previous year.

*Added Pension purchased by periodic payments*

7. Where a Participating Member wishes to purchase Added Pension by periodic payments, he must give notice to the Trustees in such form as they may require, specifying:

- (a) which of Added (Participant) Pension and Added (Combined) Pension he wishes to purchase;
- (b) the Periodic Payment Period; and
- (c) the amount (either as a fixed sum or as a percentage of his Pensionable Salary) to be deducted from his Pensionable Salary in each pay period.

8. The amount of a Participating Member's periodic payments must not be less than any minimum amount determined by the Trustees. The Trustees shall review the amount of each Participating Member's periodic payments at such intervals as they consider appropriate, in respect of such periods as they consider appropriate. If the Trustees determine that the periodic payments should change for any future period, they must send to the Participating Member a notice confirming the amount of the periodic payments which shall apply for that period.

9. Where the Trustees receive a duly completed Added Pension Notice from a Participating Member under paragraph 7:

- (a) the amount specified in the Added Pension Notice shall be deducted from each payment in respect of Pensionable Salary made to the Participating Member in respect of the Periodic Payment Period, and shall be paid to the Fund;
- (b) the Periodic Payment Period shall begin at the start of the month following the month in which the Trustees receive the Added Pension Notice;
- (c) the Periodic Payment Period shall end on the earliest of:
  - (i) the Participating Member giving notice to the Trustees in such form as they may require cancelling his periodic payments, in which case the Periodic Payment Period shall end at the end of the CARE Year in which the Trustees receive the cancellation notice;
  - (ii) the Trustees determining that the Participating Member has acquired the maximum amount of Added Pension permitted under paragraph 6 above;
  - (iii) the Participating Member ceasing to be a Participating Member for any reason; or

(iv) the end of the Periodic Payment Period as specified in his Added Pension Notice.

10. The amount of a Participating Member's Added Pension purchased by periodic payments in respect of a CARE Year shall be:

(a) credited to the Participating Member in the CARE Year in respect of which he makes those periodic payments; and

(b) determined by the Trustees having taken advice from the Government Actuary and having regard to the cost in the CARE Year of providing retirement benefits to a person of the member's age and gender and, in the case of Added (Combined) Pension, the dependants of a person of that age and gender.

*Added Pension purchased by lump sum*

11. Where a Participating Member wishes to purchase Added Pension by a lump sum, he must give notice to the Trustees in such form as they may require, specifying:

(a) which of Added (Participant) Pension and Added (Combined) Pension he wishes to purchase;

(b) the amount of the lump sum to be deducted from his Pensionable Salary or otherwise paid by him to the Fund.

12. The amount of a Participating Member's lump sum payment must not be less than any minimum amount determined by the Trustees.

13. Where the Trustees receive a duly completed Added Pension Notice from a Participating Member under paragraph 11:

(a) the Trustees may require that, before his Added Pension Notice takes effect, the Trustees issue him with a statement setting out:

(i) the amount of Added Pension that his lump sum would purchase if received within one month of the statement date; and

(ii) the maximum amount of Added Pension permitted under paragraph 6 above;

(b) subject to paragraph 13(a) above, the lump sum specified in the Added Pension Notice is payable immediately to the Fund by deduction from the Participating Member's Pensionable Salary or otherwise.

14. The amount of a Participating Member's Added Pension purchased by a lump sum shall be:

(a) if the Trustees issued a statement under paragraph 13(a) above and the Trustees receive the lump sum within one month of the statement date, the amount set out in that statement; or

(b) in any other case, determined by the Trustees having taken advice from the Government Actuary and having regard to:

- (i) the amount of the lump sum;
- (ii) the cost at the Relevant Date of providing retirement benefits to a person of the member's age and gender and, in the case of Added (Combined) Pension, the dependants of a person of that age and gender; and
- (iii) any other factor relating to the Participating Member's circumstances or the calculation of the lump sum that the Trustees consider relevant.

*Effective Pension Age purchased by periodic payments*

15. Where a Participating Member wishes to purchase an Effective Pension Age, he must give notice to the Trustees in such form as they may require, specifying the number of years by which he wishes to reduce his Normal Retirement Date. The resulting Normal Retirement Date that he wishes to apply may be up to three years below the Participating Member's Normal Pension Age at the date he gives the notice.

16. Where a Participating Member gives an Effective Pension Age Notice the Trustees shall, having taken advice from the Government Actuary, determine the amount of the periodic payments required to purchase the Participating Member's reduction to his Normal Retirement Date. In doing so, the Trustees shall have regard to the Participating Member's age and gender, and the number of years before the Participating Member will reach his Normal Retirement Date.

17. Following the determination by the Trustees under paragraph 16 above:

(a) the amount of periodic payments determined by the Trustees shall be deducted from each payment in respect of Pensionable Salary made to the Participating Member in respect of the Periodic Payment Period, and shall be paid to the Fund;

(b) the Periodic Payment Period shall begin at the start of the month following the month in which the Trustees receive the Effective Pension Age Notice;

(c) the Periodic Payment Period shall end on the earliest of:

(i) the Participating Member giving notice to the Trustees in such form as they may require cancelling his periodic payments, in which case the Periodic Payment Period shall end at the end of the CARE Year in which the Trustees receive the cancellation notice;

(ii) the Participating Member reaching his Effective Pension Age; or

(iii) the Participating Member ceasing to be a Participating Member for any reason.

18. An Effective Pension Age shall apply to pension accrued in the relevant Periodic Payment Period.

*Early Retirement Reduction Waiver purchased by lump sum*

19. Where a Scheme Member has not reached his Normal Retirement Date or (if applicable) his Effective Pension Age and wishes to take his pension, he may give notice to the Trustees requesting the purchase of an Early Retirement Reduction Waiver.

20. Where a Participating Member gives a notice under paragraph 19 above:

(a) the Trustees shall, having taken advice from the Government Actuary, determine the amount of the lump sum required to purchase the Early Retirement Reduction Waiver; and

(b) on payment of the lump sum by or on behalf of the Scheme Member, the reduction on early retirement under Rule 12(2) or 16(6) shall not apply to him.

**SCHEDULE 2 – STATUS AND OPERATION OF FORMER SCHEME**

1. Subject to paragraph 2 of this Schedule 2, the Former Scheme continues to have effect for the purposes of all benefits accrued under that scheme prior to the Commencement Date.

2. In the application of the Former Scheme by virtue of paragraph 1 above, the salary used for the calculation of benefits in accordance with that Former Scheme, in so far as those benefits relate to service as the holder of an office which is also a Ministerial etc. Office for the purposes of this Scheme, shall be the salary of the person concerned at the point at which he ceases to be a Participating Member of the Scheme, or the point at which he ceases to be an Office Holder for the purposes of the IPSA Scheme (whichever is the later).

3. A person appointed to a qualifying office on or after the Commencement Date is not a participating office holder for the purposes of the Former Scheme in respect of that appointment.

4. Accordingly, no sum deducted from the salary of such a person after the Commencement Date and paid into the Fund shall give rise to any entitlement to a pension, allowance, gratuity or any other benefit under the Former Scheme.

5. In paragraphs 1 to 3, “participating office holder”, “pensioner office-holder”, “deferred pensioner” and “qualifying office” have the same meaning as in the Former Scheme.

*Death benefits under Former Scheme*

6. Where a person is both a Participating Member and has benefits accrued under the Former Scheme, any death benefits payable in respect of him on or after the Commencement Date shall be calculated and paid on the basis that he is a deferred member of the Former Scheme.

*Maximum Pensions for Participating Members with benefits accrued under Former Scheme*

7. For the purposes of applying the maximum benefits described in Regulation F5 or F6 (as applicable) and Schedules 2 and 3 of the Former Scheme:

(a) a person shall be treated as being “in service” (but, subject to paragraph (b), not for the purposes of calculating the amount of that individual’s service) during any period after the Commencement Date whilst a Participating Member and/or a CARE Participant or an FS Participant in the IPSA Scheme; and

(b) a person shall be treated as being “in service” (including for the purposes of calculating that individual’s service) during any period after the Commencement Date whilst an FS Participant in the IPSA Scheme.

### **SCHEDULE 3 – ADDITIONAL VOLUNTARY CONTRIBUTIONS**

*Additional Voluntary Contribution Scheme*

1. Except where contrary provisions appear in this Schedule, the Administration Scheme applies with respect to the exercise by the Trustees of their functions under this Schedule. In the event of a conflict between the Administration Scheme and this Schedule, the provisions of this Schedule shall take precedence.

2. The provisions of this Schedule shall be referred to as “the AVC Scheme”, and, subject to paragraph 26 below, benefits under the AVC Scheme shall be paid by the Trustees in accordance with the provisions of this Schedule. The AVC Scheme forms part of the Fund.

3. This Schedule sets out arrangements for an Additional Voluntary Contribution scheme whereby Participating Members who are not Members of the House of Commons may, subject to the approval of the Trustees, make contributions for the purpose of securing benefits additional to those which would otherwise be payable to or in respect of such participants pursuant to the Ministers’ etc. Pension Scheme 2015.

4. The Trustees shall be responsible for the discharge of the functions conferred or imposed on the scheme administrator of the AVC Scheme by or under Part 4 of the 2004 Act.

5. Any sums received by the Trustees by virtue of the AVC Scheme shall be paid into a suspense account or accounts used for the purposes of the AVC Scheme. Such accounts shall be regarded as part of the Fund, but shall be administered only in accordance with this Schedule.

### *Membership and closing the AVC Scheme to new members*

6. Subject to paragraphs 7 and 8, any Participating Member who has not reached the age of 75, and who is not a Member of the House of Commons, may become a contributor to the AVC Scheme (“a Contributor”) by making written application in such form as the Trustees shall require and by having such application accepted.

7. A Contributor may not make any contributions to the AVC Scheme after he has ceased to be a Participating Member, but may make a further application under paragraph 6 above if he again becomes a Participating Member.

8. The Minister may with effect from such date as he may determine close the AVC Scheme to Participating Members who are not Contributors at that date.

### *AVC Scheme Contributions*

9. A Contributor may make contributions to the AVC scheme of such amount, at such times and in such manner as may be specified by the Trustees.

10. The Trustees shall only accept payment of a transfer value in respect of a person to the AVC Scheme if it is from a registered pension scheme and—

- (a) the scheme is a personal pension scheme, or
- (b) the transfer value relates to rights under an occupational pension scheme that derive from voluntary contributions made by the person.

### *Investment of contributions*

11. Each Contributor's contributions shall be invested in such investments as the Trustees may from time to time determine, save that such contributions may not be used for the purpose of making any loan whatsoever.

12. Without prejudice to the generality of paragraph 11 above, the Trustees, in accordance with a Contributor's instructions, may invest the Contributor's contributions—

- (a) in an insurance policy or policies taken out with an office or branch in the United Kingdom of—
  - (i) a person who has permission under Part 4A of the 2000 Act to effect and carry out contracts of long-term insurance, or
  - (ii) an EEA firm of the kind mentioned in paragraph 5(d) of Schedule 3 to that Act, which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation

under paragraph 12(1) of that Schedule) to effect or carry out contracts of long-term insurance; or

(b) in a deposit account or accounts with a building society, within the meaning of the Building Societies Act 1986 which has permission under Part 4A of the 2000 Act to accept deposits.

13. The Trustees shall, as soon as practicable, invest the contributions, with the institution and in the manner chosen by the contributor, in order to provide benefits which fall within the scope of paragraphs 16 to 21 below.

14. The investments made in respect of a Contributor with an institution may be realised and reinvested at the request of the Contributor with that or any other institution determined by the Trustees, in such amounts, at such times and in such manner as may be specified by the Trustees.

15. Paragraph 12 must be read with—

- (a) section 22 of the 2000 Act;
- (b) any relevant order under that section; and
- (c) Schedule 2 to that Act.

#### *Benefits which may be provided under the AVC Scheme*

16. Subject to paragraph 21, a Contributor will be entitled to such benefits as—

- (a) are secured by the contributions paid by the Contributor and by any transfer value accepted under paragraph 10 above, and
- (b) are benefits for which a registered pension scheme that is a money purchase arrangement for the purposes of Part 4 of the 2004 Act (see section 152(2) of that Act) is authorised to make payments under section 160(1) of that Act.

17. In particular, but without prejudice to the generality of paragraph 16, the benefits normally permitted are—

- (a) in the case of a Contributor who dies before reaching the age of 75, a lump sum payable on the death of the Contributor;
- (b) a return of the Contributor's contributions in respect of pension benefits and any transfer values accepted under paragraph 10 above to the extent of the total realisable value of the investments made by the Trustees with the contributions made by the Contributor and those transfer values, payable either on the death of the Contributor before he reaches the age of 75 or becomes entitled

to the payment of a pension secured under the AVC Scheme or in the circumstances referred to in paragraphs 28 and 29 below;

(c) on the death of the Contributor before retirement, a pension payable to the Contributor's Adult Survivor throughout the remainder of his or her lifetime;

(d) on the death of the Contributor after he becomes entitled to the payment of a pension under the AVC Scheme, a pension payable to one or more Dependants throughout the remainder of their lifetime (save that, in the case of a child who is a Relevant Child within paragraph (a) or (b) of the definition of that term (and not within paragraph (c)), the pension shall only be payable whilst the child remains a Relevant Child);

(e) a pension payable to the Contributor throughout the remainder of his or her lifetime, under which—

(i) payments may be guaranteed to be payable for up to 10 years after the pension commences; or

(ii) payments may be guaranteed to be payable for up to 5 years after the pension commences with any balance in respect of any period between death and the expiry of the period of 5 years being paid, in the case of a member who dies before reaching the age of 75, in one lump sum on death;

(f) if a pension is secured under sub-paragraph (e), a lump sum payable to the contributor at the time that pension becomes payable not exceeding the permitted maximum, as defined in paragraph 2 of Schedule 29 to the 2004 Act (which is usually the applicable amount, as defined in paragraph 3(6) of that Schedule);

(g) a lump sum meeting the conditions required for it to be a lifetime allowance excess lump sum for the purposes of Part 4 of the 2004 Act (see paragraph 11 of Schedule 29 to the 2004 Act; and

(h) any other lump sum amount then permitted under legislation which the Trustees agree, provided that the Contributor's AVC benefits must be taken all together and no amounts are to remain invested once benefits have been paid.

18. Pensions may be level in payment, increase at a fixed rate, vary in line with the index or with the value of units in a unit trust, managed fund or insurance company fund or be provided on a with-profits basis.

19. In the case of benefits payable at or after a Contributor's retirement, the choice of which of the above types of benefit shall be payable shall be made by the Contributor.

20. A pension under paragraph 17(e) must commence—

(a) not later than the day before the Contributor's 75th birthday; and

(b) not earlier than the earlier of—

(i) the date on which the Contributor becomes entitled to receive a pension under Rule 10,  
and

(ii) the day mentioned in sub-paragraph (a).

21. If the benefits payable to a Contributor under the AVC Scheme are subject to a pension debit, the benefits which would be payable under the AVC Scheme if no pension debit applied to those benefits shall be reduced to the extent required by section 31 of the 1999 Act.

#### *Payment of lump sums on death*

22. Any lump sum (including a refund of contributions) payable on a Contributor's death shall be paid or applied (by way of settlement or otherwise) within 2 years of the Contributor's death by the Trustees to or for the benefit of any one or more of—

(a) any individual nominated by the Contributor in writing;

(b) the Contributor's Dependants, children, parents, grandparents and descendants of such persons; and

(c) the Contributor's personal representative.

23. The decision as to which individual or individuals should receive part or all of the lump sum and how much each shall receive shall be at the absolute discretion of the Trustees.

#### *Purchase of pensions*

24. At least six months before the date on which a Contributor would like a pension to come into payment or at such later time before that date as the Trustees allow, the Contributor shall specify in writing to the Trustees—

(a) the pension or pensions which are to be purchased on his behalf or on behalf of his Dependants,  
and

(b) where a pension is to be purchased on his behalf and he would also like a lump sum to be paid to him or he wishes a sum that is a lifetime allowance excess lump sum for the purposes of Part 4 of the 2004 Act to be paid to him—

(i) that that is the case, and

(ii) the amount he would like to be paid as a lump sum.

25. The Trustees shall purchase the pension or pensions specified under paragraph 24 above from such insurer as the Trustees may determine from time to time or as the Contributor may in writing specify, being an office or branch in the United Kingdom of—

- (a) a person who has permission under Part 4A of the 2000 Act to effect and carry out contracts of long-term insurance; or
- (b) an EEA firm of the kind mentioned in paragraph 5(d) of Schedule 3 to that Act, which has permission under paragraph 15 of that Schedule (as a result of qualifying for authorisation under paragraph 12(1) of that Schedule) to effect or carry out contracts of long-term insurance.

26. Where a Contributor elects for the purchase of pensions to be provided by such insurer as he may specify under paragraph 25 above, (not being an insurer determined by the Trustees), the making of that election will have the effect of discharging any liability of the Trustees to pay those pensions to or in respect of that Contributor.

27. Paragraph 25 must be read with—

- (a) section 22 of the 2000 Act;
- (b) any relevant order under that section; and
- (c) Schedule 2 to that Act.

#### *Leaving the AVC Scheme*

28. A Contributor may cease to participate in the AVC Scheme at any time before benefits provided under the AVC Scheme are taken by requiring the Trustees either to make a transfer under the provisions of Rule 33; or, if the Contributor's period of service (including service as a Participating Member, service as a member of the Former Scheme, service as a FS or CARE Member of the IPSA Scheme and any service whilst a member of a previous employer's pension scheme from which a transfer value has been paid to the AVC Scheme or the Scheme) totals less than 2 years and the payment would qualify as a short service refund lump sum for the purposes of section 166(1) of the 2004 Act (lump sum rule) (see paragraph 5 of schedule 29 to that Act), to pay the Contributor the value of his or her accrued benefits after deduction of any tax payable by the Trustees.

29. For the purposes of paragraph 28, the value of a Contributor's accrued benefits shall be the total realisable value of the investments made by the Trustees with the contributions paid by the Contributor and any transfer values accepted under paragraph 10, after taking into account any reduction applied in accordance with section 31 of the 1999 Act.

#### *Surrender at the request of the Trustees*

30. The Trustees may require an institution with which contributions have been invested under the AVC Scheme to surrender the whole or part of the value of such contributions.

31. If, pursuant to paragraph 30 above, the Trustees require a surrender of the whole or part of the value of contributions, they shall reinvest such contributions in accordance with paragraphs 11 to 15.

32. If, on or before the date when the Trustees exercise their right under paragraph 30 above, a request has been received from a Contributor under paragraph 14, the Trustees may give effect to such request.

*Reduction of benefits where lifetime allowance charge payable*

33. Paragraph 34 applies if—

(a) an event that is a benefit crystallisation event listed in the table in section 216(1) of the 2004 Act (“the table”) occurs in relation to a Contributor or former Contributor, and

(b) the Contributor or former Contributor and the Trustees are jointly and severally liable to the charge in respect of the event.

34. Where this paragraph applies—

(a) the Trustees must pay the tax payable on the event,

(b) if the event is benefit crystallisation event 8 in the table (transfer to qualifying recognised overseas pension scheme), the amount or value of the sums or assets transferred must be reduced, and

(c) in the case of any other event, the total realisable value of the investments made by the Trustees with the contributions made by the Contributor and any transfer values accepted under paragraph 10 must be reduced.

35. The amount or value of the reduction must be such that in the opinion of the Government Actuary it fully reflects the amount of the tax so paid.

*Costs*

36. The expenses of establishing and administering the AVC Scheme will be borne by the Fund.

*Prohibition on assignment or charge on benefits*

37. Any assignment (or, in Scotland, assignation) of, or charge on, or any agreement to assign or charge, any benefits payable under the AVC Scheme shall be void except to the extent permitted by section 44 of the 1999 Act.

*Pension sharing on divorce or nullity: transfers out of pension credits*

38. Paragraphs 39 to 44 apply with respect to transfers of pension credits out of the AVC Scheme.

39. In paragraphs 40 to 53, unless the context otherwise requires—

“ex-spouse” means a person entitled to a pension credit giving rise to a liability upon the Trustees within the meaning of section 29(1)(b) of the 1999 Act;

“implementation period” means the four month period specified in section 34(1) of the 1999 Act subject to any regulations made by the Secretary of State under section 34(4) or section 41(2)(a) of that Act or any extension granted by the Occupational Pensions Regulatory Authority in accordance with section 33(4) of that Act;

“pension sharing order” means any provision or order specified in section 28 of the 1999 Act giving rise to a liability upon the Trustees in respect of a pension credit;

“qualifying arrangement” means an arrangement specified in paragraph 6 of Schedule 5 to the 1999 Act which is not disqualified by virtue of paragraph 7 of that Schedule.

40. The provisions of this Schedule—

- (a) apply to a surviving civil partner as they apply to a surviving spouse,
- (b) apply to a civil partner as they apply to a spouse, and
- (c) apply to a civil partnership as they apply to a marriage.

*Discharge of liability of pension credit*

41. Following the making of a pension sharing order the Trustees shall, within the implementation period, pay the amount of the ex-spouse's pension credit, as calculated in accordance with paragraph 45, to the person responsible for a qualifying arrangement with a view to acquiring rights under that arrangement for the ex-spouse if:

(a) the person responsible for that arrangement is able and willing to accept payment of the credit, and

(b) paragraph 42 or 43 applies.

42. This paragraph applies where the ex-spouse has consented to the Trustees making such payment to that qualifying arrangement.

43. This paragraph applies where the ex-spouse has not given consent for the purposes of subparagraph (2), the qualifying arrangement is one which the Trustees have determined at their discretion.

44. For the avoidance of doubt the Trustees must, before making a payment under paragraph 43, attempt to make a payment under sub-paragraph 42.

*Amount of pension credit: calculation of cash equivalent*

45. For the purposes of paragraphs 41 to 44, the amount of pension credit shall be such sum as shall satisfy the requirements prescribed for the time being under section 30 of the 1999 Act.

*Death of ex-spouse before liability in respect of pension credit is discharged*

46. If the ex-spouse dies before the Trustees have discharged their liability in respect of an ex-spouse's pension credit, the Trustees shall discharge their liability in accordance with paragraphs 47 to 52.

47. The ex-spouse may nominate in writing in such form as the Trustees may require one or more persons to receive his pension credit upon his death in accordance with the provisions of paragraphs 48 to 53.

48. If the Trustees receive a nomination in accordance with paragraph 47 they may, if the ex-spouse has not reached the age of 75 at the date of death and they think fit, pay to the person or persons nominated by the ex-spouse a lump sum the aggregate of which is equal to 25% of the amount of pension credit calculated in accordance with paragraph 45.

49. If the Trustees do not make any payment in accordance with paragraph 48 to a person or persons nominated by the ex-spouse and the ex-spouse has not reached the age of 75 at the date of death, they shall pay to the deceased ex-spouse's personal representatives a lump sum which is equal to 25% of the amount of pension credit calculated in accordance with paragraph 45.

50. With the balance of the pension credit remaining after making a payment under paragraph 48 or 49 the Trustees may, if they think fit, enter into an annuity contract or take out a policy of insurance on behalf of a dependant or dependants of the ex-spouse, provided that such contract or policy satisfies the requirements of regulation 6(3) of the Pension Sharing (Implementation and Discharge of Liability) Regulations 2000.

51. A pension paid to one or more Dependants in consequence of an annuity contract or policy of insurance shall not exceed:

(a) in the case of a single Dependant, two-thirds of the amount of pension which could have been paid to the ex-spouse had the whole of the pension credit, calculated in accordance with paragraph 45, been used to enter into an annuity contract or to take out a policy of insurance on behalf of the ex-spouse and assuming, if the ex-spouse died before reaching the age of 55, that the ex-spouse had reached the age of 55 immediately before death;

(b) where a pension is paid to two or more Dependents, the total amount of such pension which could have been paid to the ex-spouse calculated in accordance with sub-paragraph (a).

52. The balance of any pension credit held by the Trustees after applying the provisions of this paragraph shall be retained by the Fund.

### *Charging*

53. The Trustees may recover charges incurred in connection with any of the activities prescribed for the time being under section 41 of the 1999 Act and in accordance with, and to the extent prescribed.

## **SCHEDULE 4 – COST CAP VALUATIONS**

### *Definitions*

1 In this Schedule:

“Core Cost Cap Cost of the Scheme” means the contribution rate calculated in accordance with paragraph 29 of this Schedule (i.e. it is the contribution rate which is compared against the Employer Cost Cap and which reflects the cost of the Scheme without allowing for the impact of a change in long-term economic assumptions);

“Core Cost Cap Fund” means a notional amount of money calculated in accordance with paragraph 24 of this Schedule;

“Core Cost Cap Fund Contribution Rate” means the contribution rate calculated in accordance with paragraph 19 of this Schedule;

“Core Cost Cap Income” means an amount of money representing income credited to the Core Cost Cap Fund, calculated in accordance with paragraph 20 of this Schedule;

“Core Cost Cap Notional Investment Returns” means a notional amount of money added to the Core Cost Cap Fund of the Scheme representing the growth of the Core Cost Cap Fund over time, calculated in accordance with paragraph 23 of this Schedule;

“Core Cost Cap Past Service Cost” means the element of the Core Cost Cap Cost of the Scheme that reflects past service costs stemming from the Core Cost Cap Fund, calculated in accordance with paragraph 28 of this Schedule;

“Cost Cap Benefits Paid” means an amount of money representing benefits debited from the Core Cost Cap Fund and Economic Cost Cap Fund, calculated in accordance with paragraph 21 of this Schedule;

“Cost Cap Future Service Cost” means the element of the Core Cost Cap Cost of the Scheme and of the Economic Cost Cap Cost of the Scheme that reflects future service costs calculated in accordance with paragraph 27 of this Schedule;

“Cost Cap Liabilities” means the liabilities of the Scheme which are to be compared against (i) the Core Cost Cap Fund to calculate the Core Cost Cap Past Service Cost and (ii) the Economic Cost Cap Fund to calculate the Economic Cost Cap Past Service Cost, calculated in accordance with paragraph 26 of this Schedule;

“Cost Cap Valuation Report” means the report prepared by the Government Actuary in accordance with paragraphs 16 and 17 of this Schedule for the purpose of a Cost Cap Valuation;

“Cumulative Future Service Technical Immunity Adjustment” in relation to a Cost Cap Valuation means the Future Service Technical Immunity Adjustment plus the Cumulative Future Service Technical Immunity Adjustment relating to the previous Cost Cap Valuation, calculated in accordance with paragraph 27B of this Schedule;

“Dependant” means a Scheme member's spouse (whether of the opposite or same sex), civil partner (in accordance with the meaning in section 1 Civil Partnership Act 2004), and any Relevant Child of the Scheme member;

“Economic Cost Cap Cost of the Scheme” means the contribution rate which is compared against the Employer Cost Cap and which reflects the cost of the Scheme allowing for the impact of a change in long-term economic assumptions, calculated in accordance with paragraph 30I of this Schedule;

“Economic Cost Cap Fund” means a notional amount of money calculated in accordance with paragraph 30F of this Schedule;

“Economic Cost Cap Fund Contribution Rate” means the contribution rate calculated in accordance with paragraph 30C of this Schedule;

“Economic Cost Cap Income” means an amount of money representing income credited to the Economic Cost Cap Fund, calculated in accordance with paragraph 30D of this Schedule;

“Economic Cost Cap Notional Investment Returns” means a notional amount of money added to the Economic Cost Cap Fund of the Scheme representing the growth of the Economic Cost Cap Fund over time, calculated in accordance with paragraph 30E of this Schedule;

“Economic Cost Cap Past Service Cost” means the element of the Economic Cost Cap Cost of the Scheme that reflects past service costs stemming from the Economic Cost Cap Fund, calculated in accordance with paragraph 30H of this Schedule;

“Future Service Technical Immunity Adjustment” means the adjustment required when calculating the Core Cost Cap Cost of a Scheme in order to exclude the impact of a change in the long-term

economic assumptions arising since the previous valuation from the future service cost, calculated in accordance with paragraph 27A of this Schedule;

“Inter-Valuation Period” means the period of three years before the Cost Cap Valuation Date;

“Notional contribution rate” means the notional joint rate of contributions that the Exchequer and Scheme members would be required to pay in respect of a Scheme member’s membership of the Scheme in relation to the relevant calculation;

“Paragraph” is a reference to a paragraph in this Schedule;

“Past Service Technical Immunity Adjustment” means the adjustment made when calculating the Core Cost Cap Fund in order to exclude the impact on past service of a change in long-term economic assumptions, calculated in accordance with paragraph 23A of this Schedule;

“Prior Value of the Core Cost Cap Fund” means the opening value of the Core Cost Cap Fund at the start of the Inter-Valuation period (or in, the case of a first Cost Cap Valuation or Reconstructed First Cost Cap Valuation at the closing date of the Former Scheme) to be used in a Cost Cap Valuation, as calculated in accordance with paragraph 18 of this Schedule;

“Prior Value of the Economic Cost Cap Fund” means the opening value of the Economic Cost Cap Fund at the start of the Inter-Valuation period (or in, the case of a first Cost Cap Valuation or Reconstructed First Cost Cap Valuation, at the closing date of the Former Scheme) to be used in a Cost Cap Valuation, as calculated in accordance with paragraph 30B of this Schedule;

“Reconstructed First Cost Cap Valuation” means the calculations required to be made under paragraph 17A and paragraph 30A as if those paragraphs had been in force at the time that the first Cost Cap Valuation was undertaken, except that the assumptions used at that first Cost Cap Valuation, or alternatively other assumptions where specified should be used instead of those specified in paragraphs 6 to 13,

“Reconstructed First Cost Cap Valuation Date” means the effective date of the Reconstructed First Cost Cap Valuation in accordance with paragraph 3(2) of this Schedule;

“SCAPE discount rate” means Superannuation Contributions Adjusted for Past Experience discount rate, as set by HM Treasury from time to time and used to assess the value of benefits accrued and accruing in a public service pension scheme in order to calculate valuation results or cost cap valuation results.

“Total Cumulative Technical Immunity Adjustment” means the total adjustment that is made in the calculation of the Core Cost Cap Cost of the Scheme, calculated in accordance with paragraph 30J of this Schedule.

## *Valuation*

2. The Government Actuary must carry out Cost Cap Valuations of the Scheme in order to calculate the Core Cost Cap Cost of the Scheme and the Economic Cost Cap Cost of the Scheme, in accordance with this Schedule 4.

### *Cost Cap Valuation Date*

3.(1) The Cost Cap Valuation Date for determining the Employer Cost Cap is 1 April 2014 (“the Preliminary Valuation”);

(2) The Cost Cap Valuation Date for the first Cost Cap Valuation and the Reconstructed First Cost Cap Valuation Date of the Scheme is 1 April 2017;

(3) The second and each subsequent Cost Cap Valuation of the Scheme must have a Cost Cap Valuation Date which is three years later than the Cost Cap Valuation Date of the previous valuation.

### *Projected unit methodology*

4.(1) The Government Actuary must use the projected unit methodology to calculate the Core Cost Cap Cost of the Scheme and the Economic Cost Cap Cost of the Scheme.

(2) When using the projected unit methodology, benefits must be attributed to periods of service in accordance with the requirements of International Accounting Standard 19: Employee Benefits.

### *Other methodology and assumptions*

5. When undertaking the Cost Cap Valuation, the Government Actuary must use the methodology and assumptions set out in paragraphs 6 to 13 below.

6.(1) In relation to any period in respect of which an order under section 59 of the Social Security Pensions Act 1975 to increase the rate of official pensions within the meaning of the Pensions (Increase) Act 1971 is in effect, the rate of increase of official pensions provided by that order should be used.

(2) When the rate of increase of official pensions has not been set by order, the assumed rates are, -

- (a) 4.1% on 8<sup>th</sup> April 2024;
- (b) 0.6% on 7<sup>th</sup> April 2025;
- (c) 0.0% on 6<sup>th</sup> April 2026;
- (d) 0.8% on 12<sup>th</sup> April 2027;

- (e) 1.7% on 10<sup>th</sup> April 2028, and
- (f) 2.0% on the first Monday in each tax year subsequently.

7. The assumed rate of revaluation of CARE Credits whilst active is as in paragraph 6 above.

8. The assumed rate of earnings growth for MPs and Ministers are:

- (a) 7.6% during the calendar year ending on 31<sup>st</sup> March 2021;
- (b) 4.7% during the calendar year ending on 31<sup>st</sup> March 2022;
- (c) 2.8 % during the calendar year ending on 31<sup>st</sup> March 2023;
- (d) 2.5% during the calendar year ending on 31<sup>st</sup> March 2024;
- (e) 1.6% during the calendar year ending on 31<sup>st</sup> March 2025;
- (f) 1.6% during the calendar year ending on 31<sup>st</sup> March 2026;
- (g) 1.9% during the calendar year ending on 31<sup>st</sup> March 2027;
- (h) 2.7% during the calendar year ending on 31<sup>st</sup> March 2028, and
- (i) 3.8% during each calendar year from 1<sup>st</sup> April 2028.

9. The SCAPE discount rate during each year ending on the 31st March is the assumed rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following 31st March of the year in question, compounded with 3.0% from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016, 2.8% from 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2019, 2.4% from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2023 and 1.7% from 1<sup>st</sup> April 2023.

10. The post-retirement mortality rates of Scheme members will change in accordance with the changes in mortality rates published by the Office of National Statistics as part of the 2020 principal population projections for the United Kingdom.

11. The state pension age for Scheme members will be their State Pension Age as at the Cost Cap Valuation Date.

12. [Omitted].

13. All assumptions used by the Government Actuary, other than those detailed in paragraphs 6 to 11 or used in a Reconstructed First Cost Cap Valuation, must:-

- (a) be determined by the Minister, having obtained advice from the Government Actuary;

(b) be determined following such consultation of such persons (or representatives of persons) as the Minister considers appropriate;

(c) be the Minister's best estimates and not include margins for prudence or optimism;

(d) be determined having regard to:

(i) previous valuation assumptions;

(ii) analysis of demographic experience;

(iii) relevant data from any other source (including relevant data that becomes available after the Cost Cap Valuation Date);

(iv) any emerging evidence about historic long term trends, and

(v) any emerging evidence that may illustrate long term trends expected in the future;

(e) include assumptions about:-

(i) new entrant profiles;

(ii) mortality rates;

(iii) age retirement rates;

(iv) commutation;

(v) rates of ceasing to be a Ministerial etc. Office Holder;

(vi) rates of ceasing to be an MP;

(vii) rates and severity of ill health retirements;

(viii) Scheme members' dependants;

(ix) members opting out from and re-joining the scheme, and

(x) promotional earnings increases.

13.A Where provided for in this Schedule, the Government Actuary shall, for the purpose of the Reconstructed First Cost Cap Valuation use the assumptions used to calculate the proposed Employer Cost Cap in the Preliminary Valuation, save that for the purpose of –

(a) paragraphs 6(2) and 7 of this Schedule, the assumed rates are:

(i) 2.1% on 11th April 2016, and

(ii) 2% on the first Monday in each tax year subsequently.

(b) paragraphs 8 of this Schedule, the assumed rate of earnings growth is :

(i) 1.5% during the calendar year ending on 31st March 2015;

(ii) 2% during the calendar year ending on 31st March 2016;

- (ii) 2.5% during the calendar year ending on 31st March 2017;
- (iii) 3% during the calendar year ending on 31st March 2018;
- (iv) 3% during the calendar year ending on 31st March 2019, and
- (v) 4.75% during the year beginning on 1st April 2019 and each subsequent year commencing on 1st April thereafter.

### ***Setting the Employer Cost Cap as at 1 April 2014***

14. [Omitted]

15. [Omitted]

### ***Cost Cap Valuation - General***

#### ***Contents of the Cost Cap Valuation Report***

16. Each Cost Cap Valuation Report prepared by the Government Actuary on the Cost Cap Valuation must include, unless as indicated otherwise-

(a) information regarding the Scheme membership used to carry out the valuation, including a summary of-

- (i) Scheme membership and other data used;
- (ii) the checks carried out by the Government Actuary, and the limitations of those checks;
- (iii) any adjustments or projections made to the data by the Government Actuary, the approach used in making them, and the rationale for them;

(b) a statement of the average age of the Scheme members in pensionable service at the Cost Cap Valuation Date;

(c) a summary of the main provisions of the Scheme (with a separate summary for the main provisions of the Former Scheme and this Scheme);

(d) a statement of the assumptions used by the Government Actuary in preparing the report, including-

- (i) a summary of the assumptions adopted for each of the assumptions determined by the Minister under paragraph 13 of this Schedule;

(ii) a statement of how regard has been made to the matters listed in paragraph 13(d) when determining the assumptions adopted for each of the assumptions determined by the Minister under paragraph 13(e) of this Schedule, and

(iii) an illustration of the main sensitivities of the valuation results to the assumptions;

(e) a summary of any other liability of the Scheme or the Former Scheme that the Minister has told the Government Actuary that it considers to be relevant, and

(f) any other matters that the Government Actuary considers to be relevant.

17. Each Cost Cap Valuation Report prepared by the Government Actuary on each Cost Cap Valuation must include a statement of–

- (a) the Cost Cap Liabilities as at the Cost Cap Valuation Date calculated in accordance with paragraph 26;
- (b) the Prior Value of the Core Cost Cap Fund calculated in accordance with paragraph 18;
- (c) the Core Cost Cap Fund Contribution Rate calculated in accordance with paragraph 19;
- (d) the Core Cost Cap Income calculated in accordance with paragraph 20;
- (e) the Cost Cap Benefits Paid calculated in accordance with paragraph 21;
- (f) the Core Cost Cap Notional Investment Returns calculated in accordance with paragraph 23;
- (g) the Past Service Technical Immunity Adjustment calculated in accordance with paragraph 23A;
- (h) the value of the Core Cost Cap Fund as at the Cost Cap Valuation Date calculated in accordance with paragraph 24;
- (i) the change in value of the Core Cost Cap Fund calculated in accordance with paragraph 25;
- (j) the Core Cost Cap Past Service Cost calculated in accordance with paragraph 28;
- (k) the Cost Cap Future Service Cost calculated in accordance with paragraph 27;
- (l) the Future Service Technical Immunity Adjustment calculated in accordance with paragraph 27A;
- (m) the Cumulative Future Service Technical Immunity Adjustment calculated in accordance with paragraph 27B;
- (n) the Core Cost Cap Cost of the Scheme calculated in accordance with paragraph 29;
- (o) the Prior Value of the Economic Cost Cap Fund calculated in accordance with paragraph 30B;
- (p) the Economic Cost Cap Fund Contribution Rate calculated in accordance with paragraph 30C;
- (q) the Economic Cost Cap Income calculated in accordance with paragraph 30D;
- (r) the Economic Cost Cap Notional Investment Returns calculated in accordance with paragraph 30E;
- (s) the value of the Economic Cost Cap Fund as at the effective date calculated in accordance with paragraph 30F;
- (t) the change in value of the Economic Cost Cap Fund calculated in accordance with paragraph 30G;
- (u) the Economic Cost Cap Past Service Cost calculated in accordance with paragraph 30H;
- (v) the Economic Cost Cap Cost of the Scheme calculated in accordance with paragraph 30I;
- (w) the Total Cumulative Technical Immunity Adjustment calculated in accordance with paragraph 30J;

- (x) a statement that the Core Cost Cap Valuation results and Economic Cost Cap Valuation results have been calculated in accordance with the requirements as to data, methodology and assumptions specified in this Schedule;
- (y) a summary of the regulations, directions and professional standards applicable to the preparation of the Cost Cap Valuation Report;
- (z) a comparison of the Core Cost Cap Cost of the Scheme identified in the Cost Cap Valuation Report with the Employer Cost Cap, in accordance with paragraph 31;
- (aa) where the Core Cost Cap Cost of the Scheme has gone beyond either of the margins specified in paragraph 31(1)(c), a comparison of the Economic Cost Cap Cost of the Scheme identified in the Cost Cap Valuation Report with the Employer Cost Cap;
- (bb) where the Core Cost Cap Cost of the Scheme has gone beyond either of the margins specified in paragraph 31(1)(c) and the Economic Cost Cap Cost of the Scheme has also gone beyond that same margin, a statement to that effect to notify the Minister, and
- (cc) an analysis of the difference between the Employer Cost Cap and the Core Cost Cap Cost of the Scheme, identifying and quantifying any noticeable differences caused by–
  - (i) a change in the average age of Scheme members;
  - (ii) a change in the average normal pension age of Scheme members (whether resulting from a change in state pension age or otherwise);
  - (iii) a change in the member contributions rate;
  - (iv) scheme experience or a change in assumptions relating to–
    1. new entrant profiles;
    2. mortality rates;
    3. age retirement rates;
    4. take up of commutation options;
    5. rates of ceasing to be a Ministerial etc Office Holder;
    6. rates of ceasing to be an MP;
    7. rates and severity of ill health retirements;
    8. Scheme members' dependants;
    9. Scheme members opting out from and re-joining the Scheme; and
    10. promotional earnings increases, and
- (v) any other matters that the Government Actuary considers to be relevant.

## ***The Cost Cap Valuation Report: Core Cost Cap Cost of the Scheme***

### *Reconstructed First Cost Cap Valuation*

17A. The Government Actuary must perform the calculations pertaining to the Reconstructed First Cost Cap Valuation under paragraphs 18 to 23A, 26 and 27A to 28.

### *Prior value of the Core Cost Cap Fund*

18.(1) For the Reconstructed First Cost Cap Valuation of the Scheme, the Government Actuary must assume the prior value of the Core Cost Cap Fund is zero.

(2) For the second cost cap valuation, the Government Actuary must calculate the prior value of the Core Cost Cap Fund as—

$$(B - C) + D + E$$

where—

**B** is the Core Cost Cap Income, calculated in accordance with paragraph 20 for the Reconstructed First Cost Cap Valuation;

**C** is the Cost Cap Benefits Paid, calculated in accordance with paragraph 21 for the Reconstructed First Cost Cap Valuation;

**D** is the Core Cost Cap Notional Investment Returns calculated in accordance with paragraph 23 for the Reconstructed First Cost Cap Valuation, and

**E** is the Past Service Technical Immunity Adjustment calculated in accordance with paragraph 23A for the Reconstructed First Cost Cap Valuation.

(3) Subject to subparagraph (2), for each subsequent Cost Cap Valuation of the Scheme the Government Actuary must assume that the prior value of the Core Cost Cap Fund is the value of the Core Cost Cap Fund as at the effective date of the previous Cost Cap Valuation, as calculated at that previous Cost Cap Valuation.

### *Core Cost Cap Fund Contribution Rate*

19.(1) For the Reconstructed First Cost Cap Valuation of the Scheme, the Core Cost Cap Fund Contribution Rate must be calculated, to the nearest 0.1% of pensionable payroll, as—

$$A - B$$

where—

A is the notional contribution rate required to cover the expected costs of the benefits accruing to Scheme members from the Commencement Date to the Reconstructed First Cost Cap Valuation Date, and

B is the member contribution rate in the Scheme between the Commencement Date and the Reconstructed First Cost Cap Valuation Date.

(2) A and B in paragraph (1) must be calculated using the data and methodology as were used in the Preliminary Valuation to calculate the proposed Employer Cost Cap, and the assumptions specified in para 13A.

(3) For the second and subsequent valuations of the Scheme, the Core Cost Cap Fund Contribution Rate must be calculated, to the nearest 0.1% of pensionable payroll, as—

$$(A + B) - C$$

where—

A is the notional contribution rate required to cover the expected costs of the benefits accruing to Scheme members during the Inter-Valuation Period;

B is the Core Cost Cap Past Service Cost calculated in accordance with paragraph 28 of this Schedule at, or as if it had been calculated at the previous Cost Cap Valuation of the Scheme, and

C is the member contribution rate to the Scheme during the Inter-Valuation Period made in respect of the benefits as calculated at A and accruing to members of the Scheme.

(4) A and C in sub paragraph (3) must be calculated using the methodology, data and assumptions used in the calculation of the Cost Cap Liabilities in the previous Cost Cap Valuation of the Scheme.

(5) For B in sub paragraph (3), where a Core Cost Cap Past Service Cost was not calculated at a previous Cost Cap Valuation, B must be the amount that would have been calculated at that previous Cost Cap Valuation in accordance with paragraph 28 using the assumptions that would have applied in accordance with paragraph 28 at the time the previous Cost Cap Valuation was carried out had paragraph 28 been in force.

### *Core Cost Cap Income*

20.(1) The Core Cost Cap Income must be calculated as–

(a) for the Reconstructed First Cost Cap Valuation of the Scheme, the income received between the Commencement Date and the Reconstructed First Cost Cap Valuation Date, and

(b) for the second and subsequent Cost Cap Valuations of the Scheme, the income received during the Inter-Valuation Period.

(2) The income received for the purposes of sub paragraph (1)–

(a) must include, but is not limited to, Exchequer contributions (as adjusted in accordance with sub paragraph (2)(b) below), member contributions and incoming transfer values, and

(b) in respect of Exchequer contributions, must be adjusted to the amount that would have been received had the Exchequer contributed at the Core Cost Cap Fund Contribution Rate (calculated pursuant to the Cost Cap Valuation or Reconstructed first Cost Cap Valuation in question) throughout the relevant period.

(3) For the avoidance of doubt, income received for the purposes of sub paragraph (1) does not include any investment-related income or returns.

### *Cost Cap Benefits Paid*

21.(1) The Cost Cap Benefits Paid must be calculated as–

(a) for the Reconstructed First Cost Cap Valuation of the Scheme, the benefits paid between the Commencement Date and the Reconstructed First Cost Cap Valuation Date, and

(b) for the second and subsequent Cost Cap Valuations of the Scheme, the benefits paid during the Inter-Valuation Period.

(2) For the purposes of sub paragraph (1), the benefits paid–

(a) must include, but are not limited to outgoing transfer values, and benefits paid to pensioners and dependants, and

(b) must exclude any benefits paid which relate to the AVC Scheme and any benefits which relate to any part of the Fund other than the Scheme.

22. [Omitted]

### *Core Cost Cap Notional Investment Returns*

23.(1) The Core Cost Cap Notional Investment Returns must be calculated–

(a) for the Reconstructed First Cost Cap Valuation of the Scheme, to represent the growth of the Core Cost Cap Fund between the Commencement Date and the Reconstructed First Cost Cap Valuation Date, and

(b) for the second and subsequent Cost Cap Valuations of the Scheme, to represent the growth of the Core Cost Cap Fund during the Inter-Valuation Period.

(2) For the purposes of sub paragraph (1), when calculating notional investment returns during a period–

(a) the Government Actuary must assume that the Core Cost Cap Fund has been calculated taking into account of the adjustments required by paragraphs 18(1) and 18(2) where relevant;

(b) the Government Actuary must make allowance for the Core Cost Cap Income added to the Core Cost Cap Fund, and for the Cost Cap Benefits deducted from the Core Cost Cap Fund;

(c) for each year ending on 31st March, the notional investment returns must be calculated by using the rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following 31st March of the year in question, compounded with 3.0% from 1<sup>st</sup> April 2015 to 31<sup>st</sup> March 2016, 2.8% from 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2019, 2.4% from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2023 and 1.7% from 1<sup>st</sup> April 2023, and

(d) for any time when there is no increase awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 as a result of the price inflation index used to calculate increases to official pensions being zero or a negative figure, the figure of the price inflation index must be used.

### *Past Service Technical Immunity Adjustment*

23A.(1) Subject to sub paragraph (2), the Government Actuary must calculate the Past Service Technical Immunity Adjustment as—

$$A - B$$

where—

**A** is the Cost Cap Liabilities as at Cost Cap Valuation Date calculated in accordance with paragraph 26, save that—

- (a) except as directed by subparagraph (b), A must be calculated using the same assumptions as were used in the previous Cost Cap Valuation of the Scheme or Former Scheme to calculate the liabilities under paragraph 26, and
- (b) A must be calculated using the SCAPE discount rate in force at the current valuation in accordance with paragraph 9, and an assumed rate of earnings growth for MPs and Ministers of 3.8% during each calendar year from 1 April 2023.

**B** is the Cost Cap Liabilities as at the Cost Cap Valuation Date calculated in accordance with paragraph 26 save that B must be calculated using the same assumptions as were used in the previous valuation of the Scheme or Former Scheme to calculate the liabilities under paragraph 26.

(2) For a Reconstructed First Cost Cap Valuation the Past Service Technical Immunity Adjustment must be calculated as—

$$A - B$$

where—

**A** is the Cost Cap Liabilities as at the Reconstructed First Cost Cap Valuation Date calculated in accordance with paragraph 26, save that—

- (a) except as directed by sub paragraph (b), A must be calculated using the assumptions set out in paragraph 13A of this Schedule, and
- (b) A must be calculated using a percentage figure for paragraph 9 (SCAPE discount rate) of 2.8% from 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2019 and 2.4% from 1<sup>st</sup> April 2019, and an assumed rate of earnings growth for MPs and Ministers of 4.2% during each calendar year from 1st April 2019.

**B** is the Cost Cap Liabilities as at the Reconstructed First Cost Cap Valuation Date calculated, in accordance with paragraph 26, save that B must be calculated using the assumptions set out in paragraph 13A of this Schedule.

### *Core Cost Cap Fund*

24. The value of the Core Cost Cap Fund as at the Cost Cap Valuation Date must be calculated as–

$$A + (B - C) + D + E$$

where–

- A** is the Prior Value of the Core Cost Cap Fund, calculated in accordance with paragraph 18;
- B** is the Core Cost Cap Income, calculated in accordance with paragraph 20;
- C** is the Cost Cap Benefits Paid, calculated in accordance with paragraph 21;
- D** is the Core Cost Cap Notional Investment Returns calculated in accordance with paragraph 23, and
- E** is the Past Service Technical Immunity Adjustment calculated in accordance with paragraph 23A.

### *Change in the value of the Core Cost Cap Fund*

25.(1) The Cost Cap Valuation Report must include an analysis of the change in value of the Core Cost Cap Fund from the Prior Value of the Core Cost Cap Fund as calculated in paragraph 18 during the Inter-Valuation period.

(2) For the second Cost Cap Valuation of the Scheme, the Cost Cap Valuation Report must also include an analysis of the change in value of the Core Cost Cap Fund between the Commencement Date and the Reconstructed First Cost Cap Valuation Date.

(3) The analysis in sub-paragraphs (1) and (2) above must include –

- (a) the Core Cost Cap Income;
- (b) the Cost Cap Benefits Paid;
- (c) the Core Cost Cap Notional Investment Returns, and
- (d) the Past Service Technical Immunity Adjustment.

### *Cost Cap Liabilities*

26. The Cost Cap Liabilities must be calculated as the value of liabilities relating to benefits that have accrued in this Scheme (and excluding the Former Scheme).

### *Cost Cap Future Service Cost*

27.(1) The Cost Cap Future Service Cost must be calculated, to the nearest 0.1% of pensionable payroll, as the notional contribution rate required to cover the expected cost of benefits accrued by Scheme members during the period of three years following the Valuation Implementation Date.

(2) For the purpose of calculating the notional contribution rate in sub paragraph (1) -

- (a) the assumptions specified in paragraph 6(2) and for the purpose of paragraph 7 must be adjusted so that the assumed rate of increase is 2% in all years, and
- (b) the average age of the membership is adjusted to reflect the average age of Ministers in post at the Cost Cap Valuation Date on the day expected to be halfway through the Parliamentary term in which the Cost Cap Valuation Date falls.

### *Future Service Technical Immunity Adjustment*

27A.(1) Subject to sub paragraph (2) the Future Service Technical Immunity Adjustment must be calculated as—

$$C - D$$

where—

**C** is the Cost Cap Future Service Cost calculated in accordance with paragraph 27, save that-

- (a) Except as directed by sub paragraph (b), C must be calculated using the same assumptions as were used in the previous valuation of the Scheme or Former Scheme to calculate the Cost Cap Future Service Cost, and
- (b) C must be calculated using the SCAPE discount rate in accordance with paragraph 9.

**D** is the Cost Cap Future Service Cost calculated in accordance with paragraph 27, save that D must be calculated using the same assumptions as were used in the previous valuation of the Scheme or Former Scheme to calculate the Cost Cap Future Service Cost.

(2) For a Reconstructed First Cost Cap Valuation the Future Service Technical Immunity Adjustment must be calculated as—

$$C - D$$

where—

**C** is the Cost Cap Future Service Cost calculated in accordance with paragraph 27 save that-

(a) Except as directed by sub paragraph (b), C must be calculated using the same assumptions as were used in the Preliminary Valuation to calculate the proposed Employer Cost Cap, and

(b) C must be calculated using a percentage figure for paragraph 9 of 2.8% from 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2019 and 2.4% from 1<sup>st</sup> April 2019;

**D** is the Cost Cap Future Service Cost calculated in accordance with paragraph 27 save that D must be calculated using the same assumptions as were used in the Preliminary Valuation to calculate the proposed Employer Cost Cap.

#### *Cumulative Future Service Technical Immunity Adjustment*

27B.(1) The Cumulative Future Service Technical Immunity Adjustment must be calculated as–

$$A + B$$

where–

**A** is, subject to sub paragraph (2) and (3), the Cumulative Future Service Technical Immunity Adjustment from the previous Cost Cap Valuation of the Scheme, and

**B** is the Future Service Technical Immunity Adjustment calculated in accordance with paragraph 27A.

(2) For the Reconstructed First Cost Cap Valuation, A is zero.

(3) For a second Cost Cap Valuation where the Cumulative Future Service Technical Immunity Adjustment was not calculated at the first Cost Cap Valuation of the Scheme, A is the Cumulative Future Service Technical Immunity Adjustment from the Reconstructed First Cost Cap Valuation of the Scheme.

#### *Core Cost Cap Past Service Cost*

28. The Core Cost Cap Past Service Cost must be calculated as–

$$A - B$$

where–

**A** is the Cost Cap Liabilities as at the Cost Cap Valuation Date calculated in accordance with paragraph 26, and

**B** is the Core Cost Cap Fund as at the Cost Cap Valuation Date calculated in accordance with paragraph 24

converted to the percentage rate (stated to the nearest 0.1% of pensionable payroll) necessary to produce that amount, as a (negative or positive) notional contribution rate payable from the Cost Cap Valuation Date, on the assumption that this rate will be payable for 15 years.

*Core Cost Cap Cost of the Scheme.*

29. The Core Cost Cap Cost of the Scheme must be calculated as –

$$((A + B) - C) - D$$

where-

- A** is the Cost Cap Future Service Cost, calculated in accordance with paragraph 27;
- B** is the Core Cost Cap Past Service Cost, calculated in accordance with paragraph 28;
- C** is the member contribution rate that applies following the previous Cost Cap Valuation, and
- D** is the Cumulative Future Service Technical Immunity Adjustment calculated in accordance with paragraph 27B.

29A. [Omitted]

30. [Omitted]

***Economic Check***

*Reconstructed First Cost Cap Valuation*

30(A). The calculations pertaining to a Reconstructed First Cost Cap Valuation under paragraphs 30(B) to 30(E), 30(G) and 30(H) must be performed for the second Cost Cap Valuation of the Scheme.

*Prior value of the Economic Cost Cap Fund*

30(B).(1) Subject to sub paragraphs (2) and (3), the Prior Value of the Economic Cost Cap Fund must be equal to the value of the Economic Cost Cap Fund as at the Effective Date of the previous Cost Cap Valuation as calculated at that previous Cost Cap Valuation

(2) For the Reconstructed First Cost Cap Valuation of the Scheme, the Prior Value of the Economic Cost Cap Fund must be zero.

(3) For the second Cost Cap Valuation of the Scheme, the Prior Value of the Economic Cost Cap Fund must be calculated as—

$$(B - C) + D$$

where—

**B** is the Economic Cost Cap Income, calculated in accordance with paragraph 30D for the Reconstructed First Cost Cap Valuation;

**C** is the Cost Cap Benefits Paid, calculated in accordance with paragraph 21 for the Reconstructed First Cost Cap Valuation, and

**D** is the Economic Cost Cap Notional Investment Returns calculated in accordance with paragraph 30E for the Reconstructed First Cost Cap Valuation.

#### *Economic Cost Cap Fund Contribution Rate*

30(C).(1) For the Reconstructed First Cost Cap Valuation of the Scheme, the Economic Cost Cap Fund Contribution Rate must be calculated to the nearest 0.1% of pensionable payroll, as—

$$A - B$$

where—

**A** is the notional contribution rate required to cover the expected costs of the benefits accruing to Scheme members from the Commencement Date to the Reconstructed First Cost Cap Valuation Date, and

**B** is the member contributions rate in the Scheme between the Commencement Date and the Reconstructed First Cost Cap Valuation Date.

(2) A and B in sub paragraph (1) must be calculated using the data and methodology as were used in the Preliminary Valuation to calculate the proposed Employer Cost Cap and the assumptions specified in paragraph 13A.

(3) Subject to sub paragraph (5), for the second and subsequent Cost Cap Valuations of the Scheme, the Economic Cost Cap Fund Contribution Rate must be calculated, to the nearest 0.1% of pensionable payroll, as—

$$(A + B) - C$$

where—

**A** is the notional contribution rate required to cover the expected costs of the benefits accruing to Scheme members during the Inter-Valuation period;

**B** is the Economic Cost Cap Past Service Cost calculated in accordance with paragraph 30(H) at the previous Cost Cap Valuation of the Scheme, or as if it had been calculated at the previous Cost Cap Valuation of the Scheme, and

**C** is the member contributions rate to the scheme during the Inter-Valuation period made in respect of the benefits as calculated at A and accruing to members of the Scheme.

(4) A and C in sub paragraph (3) must be calculated using the methodology, data and assumptions used to calculate the Cost Cap Liabilities in accordance with paragraph 26 in the previous Cost Cap Valuation of the Scheme.

(5) In relation to B in sub-paragraph (3), where an Economic Cost Cap Past Service Cost was not calculated at a previous Cost Cap Valuation, B must be the amount that would have been calculated at that previous Cost Cap Valuation in accordance with paragraph 30(H) using the assumptions that would have applied in accordance with paragraph 30(H) at the time the previous Cost Cap Valuation was carried out had paragraph 30(H) been in force.

### *Economic Cost Cap Income*

30(D).(1) The Economic Cost Cap Income must be calculated —

(a) for the Reconstructed First Cost Cap Valuation of the Scheme, as the income received between the Commencement Date and the Reconstructed First Cost Cap Valuation Date, and

(b) for the second and each subsequent Cost Cap Valuation of the Scheme, as the income received during the Inter-Valuation Period.

(2) The income received for the purposes of sub paragraph (1)—

(a) must include, but is not limited to, Exchequer contributions (as adjusted in accordance with sub paragraph (2)(b) below), member contributions and incoming transfer values, and

(b) in respect of Exchequer contributions, must be adjusted to the amount that would have been received had the Exchequer contributed at the Economic Cost Cap Fund Contribution Rate (calculated pursuant to the first Cost Cap Valuation or Reconstructed first Cost Cap Valuation in question) throughout the relevant period.

(3) For the avoidance of doubt, income received for the purposes of sub paragraph (1) does not include any investment-related income or returns.

### *Economic Cost Cap Notional Investment Returns*

30(E).(1) The Economic Cost Cap Notional Investment Returns must be calculated—

(a) for the Reconstructed First Cost Cap Valuation of the Scheme, to represent the growth of the Economic Cost Cap Fund between the Commencement Date and the Reconstructed First Cost Cap Valuation Date, and

(b) for the second and each subsequent Cost Cap Valuation of the Scheme, to represent the growth of the Economic Cost Cap Fund during the Inter-Valuation period.

(2) For the purposes of sub paragraph (1), when calculating notional investment returns during a period—

(a) the Government Actuary must assume that the Economic Cost Cap Fund has been calculated taking into account of the adjustments required by paragraphs 30(B)(2) and 30(B)(3) where relevant;

(b) the Government Actuary must make allowance for the Economic Cost Cap Income added to the Economic Cost Cap Fund, and for the Cost Cap Benefits deducted from the Economic Cost Cap Fund;

(c) for each year ending on 31st March, the notional investment returns must be calculated by using the rate of increases awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 in the April immediately following 31st March of the year in question, compounded with 3.0% from 1st April 2015 to 31st March 2016, 2.8% from 1st April 2016 to 31st March 2019, 2.4% from 1st April 2019 to 31st March 2023 and 1.7% from 1st April 2023, and

(d) for any time when there is no increase awarded by order made under section 59 of the Social Security Pensions Act 1975 to official pensions within the meaning of the Pensions (Increase) Act 1971 as a result of the price inflation index used to calculate increases to official pensions being zero or a negative figure, the figure of the price inflation index must be used.

### *Economic Cost Cap Fund*

30(F). The value of the Economic Cost Cap Fund as at the Cost Cap Valuation Date must be calculated as—

$$A + (B - C) + D$$

Where—

**A** is the prior value of the Economic Cost Cap Fund, calculated in accordance with paragraph 30(B);

**B** is the Economic Cost Cap Income, calculated in accordance with paragraph 30(D);

**C** is the Cost Cap Benefits Paid, calculated in accordance with paragraph 21, and

**D** is the Economic Cost Cap Notional Investment Returns, calculated in accordance with paragraph 30(E).

*Change in value of the Economic Cost Cap Fund*

30(G).(1) The Government Actuary must set out in the Cost Cap Valuation Report an analysis of the change in Value of the Economic Cost Cap Fund during the Inter-Valuation Period.

(2) For the second Cost Cap Valuation of the Scheme, the Government Actuary must also set out in the Cost Cap Valuation Report an analysis of the change in value of the Economic Core Cost Cap Fund between the Commencement Date and Reconstructed First Cost Cap Valuation Date.

(3) The Government Actuary must include in the analysis referred to in sub paragraphs (1) and (2) above –

- (a) the Economic Cost Cap Income;
- (b) the Cost Cap Benefits Paid, and
- (c) the Economic Cost Cap Notional Investment Returns.

*Economic Cost Cap Past Service Cost*

30(H). The Economic Cost Cap Past Service Cost must be calculated as—

$$A - B$$

Where—

**A** is the Cost Cap Liabilities as at the Cost Cap Valuation Date calculated in accordance with paragraph 26, and

**B** is the Economic Cost Cap Fund as at the Cost Cap Valuation Date calculated in accordance with paragraph 30(F)

converted to the percentage rate (stated to the nearest 0.1% of pensionable payroll) necessary to produce that amount as a (negative or positive) notional contribution rate payable from the Cost Cap Valuation Date on the assumption that this rate will be payable for 15 years.

*Economic Cost Cap Cost of the Scheme*

30(I). The Economic Cost Cap Cost of the Scheme must be calculated as—

$$(A + B) - C$$

Where—

**A** is the Cost Cap Future Service Cost, calculated in accordance with paragraph 27;

**B** is the Economic Cost Cap Past Service Cost, calculated in accordance with paragraph 30(H), and

**C** is the member contribution rate that applies following the previous Cost Cap Valuation.

#### *Total Cumulative Technical Immunity Adjustment*

30(J). The Total Cumulative Technical Immunity Adjustment must be calculated as—

$$A - B$$

where—

**A** is the Core Cost Cap Cost of the Scheme calculated in accordance with paragraph 29, and

**B** is the Economic Cost Cap Cost of the Scheme calculated in accordance with paragraph 30(I).

#### ***Comparison with the Employer Cost Cap***

#### *Comparison with the Employer Cost Cap*

31.(1) At the second and each subsequent Cost Cap Valuation of the Scheme, the Government Actuary must—

- (a) compare the Core Cost Cap Cost of the Scheme identified in the Cost Cap Valuation Report with the Employer Cost Cap;
- (b) compare the Economic Cost Cap Cost of the Scheme identified in the Cost Cap Valuation Report with the Employer Cost Cap;
- (c) subject to sub paragraph (d), and where relevant include a statement in the Cost Cap Valuation Report to act as notification to the Minister that both the Core Cost Cap Cost of the Scheme and the Economic Cost Cap Cost of the Scheme have breached either—
  - i. 3% of pay above (“the upper margin”), or
  - ii. 3% of pay below (“the lower margin”)

the Employer Cost Cap, and

- (d) where the Core Cost Cap Cost of the Scheme and the Economic Cost Cap Cost of the Scheme breach different margins (that is, where one breaches the upper margin and other the lower margin) of the Employer Cost Cap, the cost of the Scheme is deemed to be between the upper margin and the lower margin, and the Government Actuary need not

include a statement in the Cost Cap Valuation Report in accordance with paragraph 31(1)(c).

32. Where a Cost Cap Valuation Report includes a statement under paragraph 31(1)(c), the Government Actuary must include a certificate in that Cost Cap Valuation Report.

33 The Government Actuary must state in the certificate to be issued under paragraph 32 -

- (a) the adjustment in member contribution rate (“the step”) needed to achieve the target cost for the Scheme including the time at which the step will take effect;
- (b) the Core Cost Cap Cost of the Scheme that would result from implementation of the step to be taken to achieve the target cost for the Scheme, and
- (c) the Economic Cost Cap Cost of the Scheme that would result from implementation of the step to be taken to achieve the target cost for the Scheme.

34 The Government Actuary must calculate the Core Cost Cap Cost of the Scheme (calculated for the purpose of paragraph 33(b)) in accordance with paragraph 29 except that the calculation should assume that the step to be taken to achieve the target cost for the Scheme, as set out in accordance with paragraph 33(a) is in force.

35 The Government Actuary must calculate the Economic Cost Cap Cost of the Scheme (calculated for the purpose of paragraph 33(c)) in accordance with paragraph 30(l) except that the calculation should assume that the step to be taken to achieve the target cost for the Scheme as set out in accordance with paragraph 33(a) is in force.

37 Where the statement included in the Cost Cap Valuation Report under paragraph 31(1)(c) indicates that the Core Cost Cap Cost of the Scheme is closer to the breached margin than, or is the same as, the Economic Cost Cap Cost of the Scheme, the Government Actuary must determine, for the purposes of a certificate included in the Cost Cap Valuation Report under paragraph 32 that the target cost for the Scheme is achieved if the Core Cost Cap Cost of the Scheme that would result from implementation of the step, as calculated in accordance with paragraph 33(b), is equal to the Employer Cost Cap.

38 Where the statement included in the Cost Cap Valuation Report under paragraph 31(1)(c) indicates that the Economic Cost Cap Cost of the Scheme is closer to the breached margin than the Core Cost Cap Cost of the Scheme, the Government Actuary must determine, for the purposes of a certificate included in the Cost Cap Valuation Report under paragraph 32, that the target cost for the Scheme is achieved if the Economic Cost Cap Cost of the Scheme that would result from implementation of the step, as calculated in accordance with paragraph 33(c), is equal to the Employer Cost Cap.

## SCHEDULE 5 – CONTRACTING OUT

### *Definitions*

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

“Contracted-out Scheme” means an occupational pension scheme which is for the time being specified in a contracting-out certificate issued by HMRC under regulations made in accordance with section 7 of the 1993 Act;

“Contracting-out Laws” means the laws on contracting-out in Part 3 of the 1993 Act;

“Guaranteed Minimum Pension” means a Guaranteed Minimum Pension to which a person is entitled in accordance with sections 13 to 17 of the 1993 Act;

“Pensionable Age” has the same meaning as in section 181 of the 1993 Act as it relates to Guaranteed Minimum Pensions;

“Relevant Gender Change Case” has the meaning in section 17(10) of the 1993 Act; and

“Second Abolition Date” has the meaning in section 7A of the 1993 Act.

### *Application*

2. The Fund is a Contracted-out Scheme and will remain so until the Second Abolition Date.

3. This Schedule 5 shall apply to all Participating Members in service after the Commencement Date.

4. The Trustees will operate the Fund so that it is a Contracted-out Scheme.

5. The Scheme will be treated as including, where appropriate, Rules to the same effect as any rule that must be included for the Fund to be a Contracted-out Scheme.

6. This Schedule 5 will only apply so long as anyone has a Guaranteed Minimum Pension or a prospective right to receive a Guaranteed Minimum Pension under the Fund.

7. This Schedule 5 overrides any inconsistent provisions elsewhere in the Scheme, except those that are in accordance with the 1993 Act. However, it does not require any pension to be paid to any person in any circumstances where the Fund is not required to provide a pension for that person under section 8 of the 1993 Act.

### *Entitlement to Guaranteed Minimum Pension*

8. Paragraphs 9 to 11 apply to a Participating Member; and to a widow, widower, surviving civil partner or Surviving Same Sex Spouse of a Participating Member; where the Participating Member is entitled to a Guaranteed Minimum Pension under the Fund.

*Member's Guaranteed Minimum Pension*

9. A Participating Member who is entitled to a Guaranteed Minimum Pension shall be entitled to a pension for life paid at a rate equivalent to a weekly rate of not less than the Guaranteed Minimum Pension. The Guaranteed Minimum Pension will be paid from Pensionable Age.

*Widow's Guaranteed Minimum Pension*

10. Where the Participating Member is either:

- (a) a man; or
- (b) a woman by virtue of a full gender recognition certificate having been issued under the Gender Recognition Act 2004 in a Relevant Gender Change Case,

and the Participating Member dies at any time leaving a widow, the widow shall be entitled to receive a pension from the Fund paid at a rate equivalent to a weekly rate of not less than half of the Participating Member's Guaranteed Minimum Pension. The pension is payable for life, from the date of the Participating Member's death.

*Widower's Guaranteed Minimum Pension*

11. Where the Participating Member:

- (a) is a woman and dies leaving a widower; or
- (b) dies leaving a surviving civil partner; or
- (c) is a man and dies leaving a Surviving Same Sex Spouse; or
- (d) is a woman (other than a woman to whom paragraph 10 (b) above applies) and dies leaving a Surviving Same Sex Spouse,

the widow, widower, surviving civil partner or Surviving Same Sex Spouse (as the case may be) shall be entitled to receive a pension from the Fund paid at a weekly rate of not less than half of that part of the Participating Member's Guaranteed Minimum Pension which is attributable to earnings for the tax year 1988/89 and subsequent tax years. Such a pension is payable for life, from the date of the Participating Member's death.







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