

SCHEDULE 2

Pension schemes

Part 2

Excepted rules, practices, actions and decisions relating to occupational pension schemes

Admission to schemes

7. In relation to admission to a scheme—
- (a) a minimum or maximum age for admission, including different ages for admission for different groups or categories of worker;
 - (b) a minimum level of pensionable pay for admission, provided that such a minimum is not above the lower earnings limit referred to in section 5(1) of the Social Security Contributions and Benefits Act 1992⁽¹⁾.

The use of age criteria in actuarial calculations

8. The use of age criteria in actuarial calculations, for example in the actuarial calculation of—
- (a) any age related benefit commencing before any early retirement pivot age or enhancement of such benefit commencing after any late retirement pivot age;
 - (b) member or employer contributions to a scheme; or
 - (c) any age related benefit commuted in exchange for the payment of any lump sum.

Contributions

9. Any difference in the rate of member or employer contributions by or in respect of different members to the extent that this is attributable to any differences in the pensionable pay of those members.

Contributions under money purchase arrangements

10. Under a money purchase arrangement—
- (a) different rates of member or employer contributions according to the age of the members by or in respect of whom contributions are made where the aim in setting the different rates is—
 - (i) to equalise the amount of benefit to which members of different ages who are otherwise in a comparable situation will become entitled under the arrangement, or
 - (ii) to make the amount of benefit to which such members will become entitled under the arrangement more nearly equal;
 - (b) equal rates of member or employer contributions irrespective of the age of the members by or in respect of whom contributions are made.

(1) 1992 c. 4; relevant amendments have been made to section 5(1) by the Welfare Reform and Pensions Act 1999 (c. 30), section 73, Schedule 9, Part 1, paragraph 1.

Contributions under defined benefits arrangements

11. Under a defined benefits arrangement, different rates of member or employer contributions according to the age of the members by or in respect of whom contributions are made, to the extent that—

- (a) each year of pensionable service entitles members in a comparable situation to accrue a right to defined benefits based on the same fraction of pensionable pay, and
- (b) the aim in setting the different rates is to reflect the increasing cost of providing the defined benefits in respect of members as they get older.

Age related rules, practices, actions and decisions relating to benefit

12. A minimum age for entitlement to or payment of any age related benefit to a member, provided that, in the case of any age related benefit paid under a defined benefits arrangement before any early retirement pivot age—

- (a) such benefit is subject to actuarial reduction for early receipt, and
- (b) the member is not credited with additional periods of pensionable service.

13. In relation to workers who are active or prospective members of a scheme on the date on which these Regulations come into force, a minimum age for entitlement to or payment of any age related benefit to such members under defined benefit arrangements before any early retirement pivot age, where such benefit is calculated in one or both of the following ways—

- (a) it is not made subject to actuarial reduction for early receipt;
- (b) it results from crediting the member with additional periods of pensionable service.

14. An early retirement pivot age or a late retirement pivot age, including different such ages for different groups or categories of member.

15. The enhancement of any age related benefit in the event of a member's retirement before any early retirement pivot age on ill health grounds, where that enhancement is calculated by reference to the years of pensionable service which that member would have completed if he had continued in pensionable service up to the age specified for that purpose in the scheme rules.

16. Any rule, practice, action or decision whereby a male member who reaches pensionable age is not entitled or is no longer entitled to any additional amount of pension which would have been payable to such a member before pensionable age in the circumstances prescribed for the purposes of section 64(2) of the Pensions Act 1995⁽²⁾ by regulation 13 of the Occupational Pension Schemes (Equal Treatment) Regulations 1995⁽³⁾.

17. The reduction of any pension payable in consequence of a member's death to any dependant of the member where that dependant is more than a specified number of years younger than the member.

18. In relation to pensioner members who have retired on ill health grounds before any early retirement pivot age, discontinuation of any life assurance cover once any such members reach the normal retirement age which applied to them at the time they retired, or in relation to members to whom no such normal retirement age applied, once such members reach the age of 65.

Other rules, practices, actions and decisions relating to benefit

19. Any difference in the amount of any age related benefit or death benefit payable under a defined benefits arrangement to or in respect of members with different lengths of pensionable

(2) 1995 c. 26.

(3) S.I.1995/3183.

service to the extent that the difference in amount is attributable to their differing lengths of service, provided that, for each year of pensionable service, members in a comparable situation are entitled to accrue a right to benefit based upon the same fraction of pensionable pay.

20. Any difference in the amount of any age related benefit or death benefit payable from a scheme to or in respect of different members to the extent that the difference in amount is attributable to differences over time in the pensionable pay of those members.

21. Any limitation of the amount of any age related benefit or death benefit payable from a scheme where the limitation results from imposing a maximum number of years of service by reference to which such benefit may be calculated.

22. Any rule, practice, action or decision whereby any age related benefit or death benefit is only payable to or in respect of members who have completed a minimum period of service, provided that such a minimum period is not longer than 2 years qualifying service within the meaning of section 71(7) of the Pension Schemes Act 1993(4).

23. Any limitation on the amount of any age related benefit or death benefit payable from a scheme where the limitation results from imposing a minimum level of pensionable pay by reference to which any such benefit may be calculated, provided that such a minimum is not above the lower earnings limit referred to in section 5(1) of the Social Security Contributions and Benefits Act 1992(5).

24. Any limitation on the amount of any age related benefit or death benefit payable from a scheme where the limitation results from imposing a maximum level of pensionable pay by reference to which such benefit may be calculated.

Closure of schemes

25. The closure of a scheme, from a particular date, to workers who have not already joined it.

Other rules, practices, actions and decisions

26. Increases of pensions in payment which are made to members over 55 but not to members below that age.

27. Any difference in the rate of increase of pensions in payment for members of different ages to the extent that the aim in setting the different rates is to maintain the relative value of members' pensions.

28. Any difference in the rate of increase of pensions in payment for members whose pensions have been in payment for different lengths of time to the extent that the aim in setting the different rates is to maintain the relative value of members' pensions.

29. The application of an age limit for transfer of the value of a member's accrued rights into or out of a scheme, provided that any such age limit is not more than one year before the member's normal pension age.

Registered pension schemes

30.—(1) Subject to sub-paragraph (2), any rules, practices, actions or decisions relating to entitlement to or payment of benefits under a registered pension scheme insofar as compliance is necessary to secure any tax relief or exemption available under Part 4 of the Finance Act 2004(6)

(4) 1993 c. 48.

(5) 1992 c. 4; relevant amendments have been made by the Welfare Reform and Pensions Act 1999, c. 30, section 73 and Schedule 9, Part 1, paragraph 1.

(6) 2004 c. 12.

Status: This is the original version (as it was originally made).

or to prevent any charge to tax arising under that Part of that Act, whoever is liable in relation to such charge.

(2) Sub-paragraph (1) does not apply to any rules, practices, actions or decisions setting a minimum age for entitlement to or payment of any age related benefit.