



Government Actuary's Department

The Local Government Pension Scheme

(England and Wales)

Early payment of pension

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1 Introduction

- 1.1 The Secretary of State for Communities and Local Government is required under the Local Government Pension Scheme Regulations 2013 ('the 2013 Regulations') (SI 2013/2356), to issue actuarial guidance on the reduction in benefits for members (including Councillor members) who retire before they have a right to take unreduced benefits, ie on the voluntary early payment of pension.
- 1.2 This guidance also applies to benefits accrued before 1 April 2014, including members who left active service before 1 April 2014. Full details of the legislative references are discussed below.
- 1.3 The remainder of this introduction contains:
- > details of the implementation and future review of this guidance,
 - > statements about the use of this note and third party reliance
- 1.4 In the remainder of this note:
- > The second section describes the calculation of the early retirement reduction
 - > Appendix A contains the table of factors with notes
 - > Appendix B discusses transitional provisions
 - > Appendices C and D quote the relevant statutory references
 - > Appendix E sets out some important limitations

Implementation and Review

- 1.5 The Secretary of State is required to consult with GAD before issuing actuarial guidance under the 2013 Regulations [Regulation 2(3) of the 2013 Regulations].
- 1.6 As part of this consultation the Department for Communities and Local Government (DCLG) has asked GAD to recommend actuarial guidance in respect of the regulations detailed below. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.7 This note has effect only when this guidance is issued by the Secretary of State in accordance with Regulation 2(3) of the 2013 Regulations, and is subject to the implementation instructions provided at that time.
- 1.8 This guidance replaces the previous guidance dated 28 March 2014. In particular, Early Retirement Factors have been updated but the calculation methodology remains unchanged. Therefore examples in the previous guidance, updated for factors in this guidance can be used for illustrative purposes.
- 1.9 This guidance has been written for pension administrators and assumes some knowledge of general pensions terminology, and some familiarity with retirement calculations for the Local Government Pension Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to DCLG.

- 1.10 GAD recommends that guidance and factors should be reviewed periodically, depending on external circumstances, for example when changes in the actuarial assumptions adopted for other scheme factors take place, or following each triennial cycle of future valuations of the LGPS.

Use of this note

- 1.11 This note has been prepared for DCLG and can be relied upon by them. We are content for this note to be released to third parties, provided that:

- > it is released in full
- > the advice is not quoted selectively or partially, and
- > GAD is identified as the source of the note.

- 1.12 Third parties may wish to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this note.

Third party reliance

- 1.13 When issued by the Secretary of State in accordance with paragraph 1.7 above, this note should be used as the actuarial guidance required under the regulations cited. Other than for this purpose, no person or third party is entitled to place any reliance on the contents of this note, except to any extent explicitly stated herein.

2 Calculation of early retirement reduction

- 2.1 The early retirement factors are based on the number of years early that the benefits are taken, that is the period between the dates (i) and (ii) below:
- (i) is the effective date of the member's election under the relevant regulations; and
 - (ii) is the date on which the member would be entitled to unreduced benefits.

2.2 Appendix A sets out the early retirement factors for use where the member is aged 55 or over. The table in Appendix A has separate columns for the reductions to be applied to the pensions of male and female members – and a third column for the reductions to be applied to automatic 3/80ths retirement grants.

2.3 Where the number of years early is not an integer number, the reduction factors from the table should be interpolated for part years.

2.4 If the date in 2.1(i) is later than the date in 2.1(ii), then no reductions are to be applied.

2.5 The pension following early retirement is calculated as follows:

$$\text{Pension at early retirement} = \text{Accrued pension} \times (1 - P)$$

where P is an early retirement factor from Appendix A (expressed in decimal form) depending on the gender of the member and the number of years early the pension is taken. The retirement grant is calculated in a similar way.

2.6 DCLG has confirmed that the pension paid to a dependant following the death of a member after election for early payment should be calculated as if no reduction for early payment had been applied to the member's pension.

Date on which the member would be entitled to unreduced benefits

2.7 Members who first joined the LGPS on or after 1 April 2014 are entitled to unreduced benefits from their State Pension Age, or if higher, age 65. DCLG has confirmed that State Pension Age for the purpose of calculating early retirement factors should be based on legislation in force at the point benefits are paid.

2.8 The date on which the member who first joined the LGPS before 1 April 2014 would be entitled to unreduced benefits depends on a number of factors, including: whether they were a member prior to 1 October 2006, their date of birth, the time period over which service was accrued, the age at which they would have satisfied the 85 year rule, and the circumstances under which they are requesting early payment of pension. Appendix B sets out details of the ages that should be used for different periods of service and different groups of members.

2.9 The calculation at paragraph 2.5 may need to be performed several times if different periods of service would entitle the member to unreduced benefits on different dates. The total pension that the member receives at early retirement will then be the sum of the pension at early retirement for each of the relevant periods of service.

Taper reduction

- 2.10 DCLG has confirmed that a group 2 member (i.e. a member who was an active member prior to 1 October 2006, and born between 1 April 1956 and 31 March 1960 inclusive and who would reach their Critical Retirement Age (CRA) by 31 March 2020, as defined in Appendix B) is entitled to tapered reduction factors for some periods of service. The tapered reduction factors are interpolated between:
- > the reduction factor applicable if the rule of 85 applied
 - > the reduction factor applicable based on the member's Normal Retirement Age in the 2008 scheme (ie age 65)

The interpolation should be based on the later of the date on which the member would attain their CRA and the day before the date of the member's 60th birthday. Taper reduction factors apply to service from 1 April 2008 to 31 March 2020.

The required interpolation is set out in paragraphs 2.11 to 2.14 below.

DCLG has further confirmed that taper reduction factors do not apply to a member who was a member before 1 October 2006 and who was born between 1 April 1956 and 31 March 1960 inclusive and who would not reach their CRA by 31 March 2020.

- 2.11 The reduction factor for pension if the rule of 85 applied (P_{CRA}) is calculated by reference to the member's CRA (as defined in Appendix B). This is the age at which the member would be entitled to unreduced benefits under Paragraph 1 of Schedule 2 to the 2014 Scheme Transitional Regulations. Tapered reduction factors apply to some periods of service from 1 April 2008. This service takes place after the relevant date for the purpose of paragraph 1 of Schedule 2 to the Transitional Regulations. However the CRAs for the purpose of taper reduction should be calculated as if that service was before the relevant date.
- 2.12 The reduction factor for pension based on their Normal Retirement Age (P_{NRA}) is calculated by reference to age 65 (ie the member's Normal Retirement Age in the 2008 scheme).
- 2.13 The interpolation factor (F_i) is equal to the taper period divided by 4 years. The taper period is the number of years from 1 April 2016 to the later of:
- > date on which the member would attain their CRA, or
 - > the day before the date of the member's 60th birthday.

Part-years should be taken into account in this calculation of the taper period, which must be between 0 and 4 years.

2.14 The tapered reduction factor for pension is then calculated as follows:

$$P_{Taper} = F_I \times P_{NRA} + (1 - F_I) \times P_{CRA}$$

2.15 The pension following early retirement is calculated as follows:

$$Pension\ at\ early\ retirement = Accrued\ pension \times (1 - P_{Taper})$$

where P_{Taper} is as calculated in paragraph 2.14.

2.16 The retirement grant is calculated in a similar way.

Early retirement before age 55

2.17 This note should not be used to calculate the reductions to be applied to members aged below 55 at the date of payment. Such cases should be referred to DCLG, for onward transmission to GAD.

Statutory underpin

2.18 DCLG has confirmed that, where an addition to a member's benefits applies as a result of the statutory underpin (Regulation 4(4) of the 2014 Scheme Transitional Regulations), and the member's benefits are taken before the 2008 scheme normal retirement age, the benefits corresponding to the "underpin amount" described in regulation 4(6) are subject to an adjustment for early payment by reference to the age at which benefits could be drawn unreduced under the 2008 Scheme. Please see paragraph B.24 for the details of these ages. Any benefits in excess of this would be subject to an adjustment for early payment by reference to the NPA in the 2014 scheme. The appropriate early retirement factors and methodology remain otherwise the same and are as contained in the remainder of this guidance note.

2.19 DCLG has confirmed that, where an addition to a member's benefits applies as a result of the statutory underpin (Regulation 4(4) of the 2014 Scheme Transitional Regulations), and the member's benefits are taken after the 2008 scheme normal retirement age but before the 2014 scheme normal retirement age, the benefits corresponding to the "underpin amount" described in regulation 4(6) are subject to an adjustment for late payment calculated in accordance with the relevant GAD guidance. Any benefits in excess of this would be subject to an adjustment for early payment by reference to the NPA in the 2014 scheme.

3 Examples

- 3.1 The calculation methodology is unchanged from the previous guidance and therefore examples in the previous guidance, updated for factors in this guidance can be used for illustrative purposes.

Appendix A: Factors

Table 1: Factors to use after age 55

Years Early	Pension Reduction (%)		Retirement Grant Reduction (%)
	Males	Females	All Members
0	0.0%	0.0%	0.0%
1	5.6%	5.2%	2.9%
2	10.8%	10.1%	5.7%
3	15.5%	14.6%	8.5%
4	20.0%	18.8%	11.2%
5	24.0%	22.7%	13.7%
6	27.8%	26.4%	16.3%
7	31.4%	29.8%	18.7%
8	34.7%	33.0%	21.1%
9	37.7%	36.1%	23.4%
10	40.6%	38.9%	25.6%
11	44.2%	42.2%	N/A
12	47.6%	45.5%	N/A
13	50.9%	48.6%	N/A

Notes:

- (1) The number of *Years Early* is the period between the dates (i) and (ii) below, where:
 - (i) is the effective date of the member's election under the relevant regulations; and
 - (ii) is the date (or dates) on which the member would be entitled to unreduced benefits.
- (2) Practitioners may need to refer to this table more than once (with different values of *Years Early*) when preparing calculations for a member. If tapered factors are required they are derived from two factors.
- (3) If the date in (1)(i) is later than the date in (1)(ii), then no reductions are to be applied to the relevant part of the membership under consideration.
- (4) Where the number of *Years Early* is not an integer number, the reduction factors from the table should be interpolated for part years.
- (5) These factors should not be used to calculate the reductions to be applied to members aged below 55 at the date of retirement. Such cases should be referred to DCLG, for onward transmission to GAD.

Appendix B: Transitional provisions

- B.1 This Appendix set out the ages at which a member who first joined the LGPS before 1 April 2014 would be entitled to unreduced benefits – different ages may apply to different periods of service. DCLG has confirmed that the dates as set out in this appendix are in line with the policy intention of the LGPS Regulations.
- B.2 The Scheme Regulations are the legal basis of the scheme. Nothing in this appendix can override them and, in the event of any difference, the Scheme Regulations will apply. In particular, in the event of a difference between this appendix and the Scheme Regulations, in applying this guidance the date on which the member would be entitled to unreduced benefits should be calculated in accordance with the Scheme Regulations, not this Appendix. This will affect the early retirement reduction factors that apply (see Appendix A, note (1)).
- B.3 If users of this guidance are aware of any difference between this Appendix and the Scheme Regulations, they should contact DCLG.

Age at which a member is entitled to unreduced benefits

- B.4 For the purposes of this appendix, members have been grouped into a number of categories for ease of reference:
- > Group 1: A member who was an active member prior to 1 October 2006, and born on 31 March 1956 or earlier;
 - > Group 2: A member who was an active member prior to 1 October 2006, and born between 1 April 1956 and 31 March 1960 inclusive and who would reach their Critical Retirement Age by 31 March 2020;
 - > Group 3: A member who was an active member prior to 1 October 2006 who is not a Group 1 or Group 2 member;
 - > Group 4: A member who was not a member prior to 1 October 2006.
- B.5 A member's total membership should be divided into the following periods:
- > Part A: Membership up to 31 March 2008
 - > Part B1: Membership from 1 April 2008 to 31 March 2014
 - > Part B2: Membership from 1 April 2014 to 31 March 2016
 - > Part C: Membership from 1 April 2016 to 31 March 2020
 - > Part D1: Membership from 1 April 2020
 - > Part D2: Certain benefits not related to a period of actual service, see paragraphs B.12 to B.23
- B.6 The age at which a member is entitled to unreduced benefits for each combination of member group and service part are given below.

	Group 1	Group 2	Group 3	Group 4
Part A	CRA	CRA	CRA	65
Part B1	CRA	Taper	65	65
Part B2	CRA	Taper	NPA	NPA
Part C	NPA	Taper	NPA	NPA
Part D1	NPA	NPA	NPA	NPA
Part D2	65	65	65	65

Where:

- > CRA is the members 'Critical Retirement Age' as defined in paragraph B.7 below
- > NPA is the member's Normal Pension Age in the 2014 scheme; that is State Pension Age or if higher, age 65
- > Taper indicates tapered early retirement reduction factors apply, as described in paragraphs 2.10 to 2.16.

Critical Retirement Age

- B.7 The member's Critical Retirement Age is the earliest at which they would have satisfied the 85 year rule for the purposes of Schedule 2 of the 2014 Scheme Transitional Regulations, subject to the limits set out in paragraphs B.9 and B.10 below.
- B.8 Note that in the case of a person who was a member of the 1995 Scheme immediately before 1st April 1998, any qualifying period counted by virtue of Regulation 123 of the 1997 Regulations (rights as to service not matched by credited period) which was awarded before 1st April 2008 is included in the rule of 85 calculation.
- B.9 A member's Critical Retirement Age cannot be greater than age 65.
- B.10 For members requesting to receive immediate payment of retirement benefits under regulation 30(5) (retirement benefits: early retirement) of the 2013 Regulations, the Critical Retirement Age cannot be less than age 60 unless the member's Scheme employer agree that it should be [Paragraph 1(c) of Schedule 2 of the 2014 Scheme Transitional Regulations].
- B.11 Note that the limit in paragraph B.10 above does not apply to a member aged under 60 who requests to receive immediate payment of retirement benefits under regulations 30(1) (choice of early payment of pension) or 30A (choice of payment of pension: pensioner member with deferred benefits) of the Benefits Regulations or regulation 30(6) (retirement benefits: flexible retirement) of the 2013 Regulations; however under these regulations employer consent is required. In consequence, a member may have different Critical Retirement Ages depending on the circumstances under which they are requesting early payment of pension. For example a Group 1 member retiring at age 55 who would have first satisfied the 85 year rule at age 57 would have:
- > Critical Retirement Age 57, if requesting to receive immediate payment of retirement benefits under regulation 30(6) (retirement benefits: flexible retirement) of the 2013 Regulations, but

- > Critical Retirement Age 60, if requesting to receive immediate payment of retirement benefits under regulation 30(5) (retirement benefits: early retirement) of the 2013 Regulations and the member's Scheme employer has not agreed that CRA should be less than 60 (ie Paragraph 1(4) of Schedule 2 of the 2014 Scheme Transitional Regulations applies)

Benefits not related to a period of actual service

Transferred in benefits

- B.12 Earned pension credited under Regulation 101 of the 2013 Regulations and Regulations 10(4), 10(5) and 10(6) of the 2014 Scheme Transitional Regulations should be treated as Part D1 Membership.
- B.13 Membership credited under Regulation 9(1) of the 2014 Scheme Transitional Regulations in respect of a club transfer payment into the 2014 Scheme which included service before 1 April 2015 which would have entitled the member to final salary benefits should be treated as Part D2 membership.
- B.14 Membership credited under Regulation 84 of the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239) (the "Administration Regulations") or equivalent previous regulations (transferred-in membership) in respect of Group 1, 2 or 3 members should be treated as Part A Membership if the transfer occurred before 1 April 2008. Membership credited for any incoming transfers on or after 1 April 2008 for Group 1, 2 or 3 members should reflect the basis used to calculate the credit (CRA or age 65). All other Membership credited under Regulation 84 should be treated as Part D2 membership.
- B.15 A transfer credit awarded under protected regulation 66(8) of the 1997 Regulations, or equivalent previous regulations, should be reduced if it is taken earlier than the retirement age assumed for the calculation of the credit. For example, transfer credits awarded on or after 1 September 2011 are calculated based on a retirement age of 65. Therefore, if taken before age 65 a reduction factor should be applied based on the period from the date of early retirement to age 65 using the factors in Appendix A. These credits give rise to pension benefits but not retirement grant, so only the pension factor will be required. Similarly, if a credit was previously calculated based on a member's CRA, then if taken early the credit should be reduced relative to the period to CRA.

Added Years

- B.16 Membership credited under Regulation 55 of the 1997 Regulations or equivalent previous regulations (Added Years) should be treated as Part A Membership if the election was before 1st October 2006. Other Membership under Regulation 55 should be treated as Part D2 membership.
- B.17 Membership credited under Regulation 40 of the Administration Regulations or equivalent previous regulations (Employer Augmented Membership) in respect of Group 1, 2 or 3 members should be treated as Part A Membership if it was credited before 1 April 2008. Other Membership under Regulation 40 should be treated as Part D2 membership.

Added Pension

- B.18 Added pension credited under Regulation 16 or awarded under Regulation 31 of the 2013 Regulations for contributions from 1 April 2014 should be treated as Part D1 membership.

- B.19 Added pension awarded under Regulation 10(3) or 10(6) of the 2014 Scheme Transitional Regulations should be treated as Part D1 membership.
- B.20 Added pension credited under Regulation 23 of the 2008 Administration Regulations (including added pension credited in respect of the preservation of Regulation 23 of the 2008 Administration Regulations by Regulation 15 of the 2014 Scheme Transitional Regulations) should be treated as Part D2 membership.
- B.21 Additional pension awarded by the employer under regulation 13 of the Benefits Regulations should be treated as Part D2 membership.

Pension Credit Members

- B.22 Pension credit accounts created under Regulation 29 of the 2013 Regulations should be treated as Part D1 membership.
- B.23 Pension credit rights created under Regulation 147 of the 1997 Regulations should be treated as Part D2 membership.

Statutory underpin: Age at which a member is entitled to unreduced benefits under the 2008 scheme

- B.24 The following table shows the ages at which benefits could be drawn unreduced under the 2008 scheme, using the same definitions as paragraphs B.4 and B.5 above. It should be used only in cases where the statutory underpin applies (see paragraph 2.18).

	Group 1	Group 2	Group 3	Group 4
Part A	CRA	CRA	CRA	65
Part B1	CRA	Taper	65	65
Part B2	CRA	Taper	65	65
Part C	65	Taper	65	65
Part D1	65	65	65	65
Part D2	65	65	65	65

Learning Skills Council and Environment Agency

- B.25 Members to whom Regulation 16A (Normal retirement age: staff of the Learning and Skills Council for England) of the Benefits Regulations or Regulation 15 (Civil servants transferred to the Environment Agency) of the 2008 Scheme Transitional Regulations applies are entitled under the 2014 Scheme Transitional Regulations to unreduced benefits from the following ages:
- > For service before 1 April 2014: Age 60
 - > For service on or after 1 April 2014: State Pension Age, or if higher, age 65.
- B.26 The 85 year rule does not apply to such members.

Appendix C: Cited regulations

A.1 Excerpts from the 1997 Regulations

Payment of benefits

154.–

- (1) Subject to paragraph (4), a pension credit member who attains normal benefit age is entitled to immediate payment of a pension and, if applicable, a lump sum grant.
- (2) The pension and the lump sum grant are payable from the pension credit member's appropriate pension fund.
- (3) The pension is payable for life.
- (4) A pension credit member may elect in writing to the appropriate administering authority for benefits payable under paragraph (1) to be paid at or after age 60 (but before normal benefit age), and such benefits must be reduced by the amounts as are shown to be appropriate in guidance issued by the Secretary of State.

A.2 Excerpts from the Benefits Regulations (2007)

Election in respect of additional pension

14. –

- (1) An active member may choose to pay additional contributions in order to be credited with additional pension, in respect of him alone or in respect of him and any survivor, of £250 a year or multiples thereof to a maximum of £5000.
- (2) If he chooses to take the additional pension referred to in paragraph (1) earlier or later than his normal retirement age, it is reduced or, as the case may be, increased.
- (3) The amount of the additional contributions to be paid under paragraph (1), and the reduction or increase referred to in paragraph (2), is calculated in accordance with guidance issued by the Government Actuary.

Flexible retirement

18. –

- (1) A member who has attained the age of 55 and who, with his or her employer's consent reduces the hours he or she works, or the grade in which he or she is employed may make a request in writing to the appropriate administering authority to receive-
 - (a) in the case of a member who has accrued benefits under the 1997 Scheme-
 - (i) all of the benefits from his or her current membership under that Scheme; and
 - (ii) all, part or none of his or her benefits accrued under these Regulations; and
 - (b) in any other case, all or part of his or her benefits accrued under these Regulations,

and such benefits may, with the member's employer's consent, be paid to the member notwithstanding that he or she has not retired from that employment.

(2) If the payment of benefits referred to in paragraph (1) takes effect before the member's 65th birthday, the benefits payable are reduced in accordance with guidance issued by the Government Actuary.

(3) But the employer may agree to waive, in whole or in part, any such reduction as is referred to in paragraph (2).

Choice of early payment of pension

30. –

(1) If a member leaves a local government employment before he is entitled to the immediate payment of retirement benefits (apart from this regulation), once he has attained the age of 55 he may choose to receive payment of them immediately.

(2) A choice made by a member aged less than 60 is ineffective without the consent of the member's:

- (a) employing authority;
- (b) former employing authority where the member has no current employing authority;
or
- (c) appropriate administering authority where the member has no current employing authority and the member's former employing authority has ceased to be a Scheme employer.

(3) If the member so chooses, he is entitled to a pension payable immediately calculated in accordance with regulation 29.

(4) His pension must be reduced by the amounts shown as appropriate in guidance issued by the Government Actuary.

(5) A member's employing authority, former employing authority or, where any such authority has ceased to be a Scheme employer, the appropriate administering authority, as the case may be, may determine on compassionate grounds that his retirement pension should not be reduced under paragraph (4).

(6) In the case of a person who is an active member on 31st March 2008, and who makes an election before 1st April 2010, paragraph (1) applies as if "the age of 50" were substituted for "the age of 55".

Choice of payment of pension: pensioner member with deferred benefits

30A. –

- (1) Where a member who is treated as a pensioner member with deferred benefits under regulation 20(9) ("a regulation 20(9) member"), has reached the Scheme's normal retirement age, he or she is entitled to immediate payment of his or her retirement pension without reduction.
- (2) Subject to paragraphs (3) and (4), a regulation 20(9) member may upon reaching the age of 55, choose to receive payment of his or her retirement pension immediately.
- (3) A choice made by a member aged less than 60 is ineffective without the consent of the member's former employing authority or appropriate administering authority where the member's former employing authority has ceased to be a Scheme employer.
- (4) Subject to paragraph (5) and regulation 10 of the Transitional Regulations, the member's pension must be reduced by the amounts shown as appropriate in guidance issued by the Government Actuary.
- (5) The member's former employing authority or appropriate administering authority as the case may be, may determine on compassionate grounds that the member's retirement pension should not be reduced under paragraph (4).

A.3 Excerpts from the 2008 Scheme Transitional Regulations

Membership accrued before 1st April 2008: active members

3. –

- (1) This regulation applies to a person who was an active member of the 1997 Scheme and becomes a member of the Scheme by virtue of regulation 2 of the Benefits Regulations.
- (2) Notwithstanding the revocations effected by regulation 2, the regulations listed in the Schedule continue to have effect, subject to regulation 4, so far as is necessary so that:
 - (a) The person's total membership accrued in the 1997 Scheme in respect of, or calculated by reference to, his service before 1st April 2008, and the pension rights accrued at that date, are preserved; and
 - (b) the person's benefits under the 1997 Scheme are payable immediately where benefits become payable without reduction under regulations 16, 17, 19, 20, 30A(1) and 31 of the Benefits Regulations, or with appropriate actuarial reduction in line with guidance produced by the Government Actuary, where benefits become payable under regulations 18, 30 or 30A(4) of the Benefits Regulations.
- (3) But his pay, for the purposes of any calculation of benefits under paragraph (2), is calculated in accordance with regulations 8 to 11 of the Benefits Regulations.
- (4) And, for the purposes of regulations 24, 33 or 36 of the Benefits Regulations as they apply to nominated cohabiting partners, only periods of membership after 5th April 1988 are to be taken into account.

Schedule 2

...

7.–

(1) This paragraph applies to a member who retires, having reached the age of 60, on or after 1st April 2016 and before 1st April 2020, and whose retirement pension and grant would (but for the provisions of this paragraph) have been actuarially reduced by virtue of paragraphs 1 and 2

(2) That part of his retirement pension and grant which is calculated by reference to any period of membership after 31st March 2008 shall be reduced in accordance with guidance issued by the Government Actuary.

A.4 Excerpts from the 2013 Regulations

Introductory

2. –

...

(3) The Secretary of State may, after consultation with the Government Actuary's Department, issue actuarial guidance to administering authorities.

Retirement benefits

30

...

(5) A member who has not attained normal pension age but who has attained the age of 55 or over, may elect to receive immediate payment of a retirement pension in relation to an employment if that member is not an employee in local government service in that employment, reduced by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.

(6) An active member who has attained the age of 55 or over who reduces working hours or grade of an employment may, with the Scheme employer's consent, elect to receive immediate payment of all or part of the retirement pension to which that member would be entitled in respect of that employment if that member were not an employee in local government service on the date of the reduction in hours or grade, adjusted by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.

...

(12) A pension credit member who has attained the age of 55 or over may elect to receive immediate payment of a retirement pension deriving from the pension credit, reduced by the amount shown as appropriate in actuarial guidance issued by the Secretary of State, irrespective of whether the pension credit member is also an employee in local government service.

A.5 Excerpts from the 2014 Scheme Transitional Regulations

Membership before 1st April 2014

3. –

(1) Notwithstanding the revocations effected by regulation 2 of these Regulations, and subject to this Regulation, the regulations listed in Schedule 1 continue to have effect so far as is necessary—

(a) so that membership accrued in the Earlier Schemes in respect of service before 1st April 2014, the pension rights accrued at that date, and any rights and obligations imposed on any person under those Schemes in relation to service before 1st April 2014, are preserved; and

(b) so that benefits are payable in accordance with these Regulations.

(2) In paragraph (1)(a) the expression “pension rights accrued” includes any right to any pension, lump sum, grant or other benefit due to or in respect of a member.

(3) A scheme manager responsible under regulation 2(2) of the 2013 Regulations (introductory) for the local administration of pensions and other benefits payable under those Regulations is also responsible for the administration of benefits pursuant to paragraph (1) of this regulation.

(4) Where a person has been an active member of the 2014 Scheme, and retirement benefits under paragraph (1) are payable to a member in accordance with regulation 11 of these Regulations (retirement benefits), the benefits paid from Earlier Schemes and the 2014 Scheme are, for all purposes, to be regarded as constituting a single pension scheme.

(5) But a retirement pension and any retirement grant payable to a member under paragraph (4) is subject to actuarial adjustment if it would have been subject to actuarial adjustment under the 2008 Scheme, irrespective of whether retirement pension under the 2014 Scheme payable at the same time is subject to actuarial adjustment.

(6) Where a member who has not had a disqualifying break aggregates benefits from Earlier Schemes with benefits from the 2014 Scheme, the benefits from the Earlier Schemes are payable as final salary benefits.

(7) A disqualifying break for the purposes of paragraph (6) is a continuous break in active membership of a public service pension scheme of more than five years.

(8) Where a person has not been an active member of the 2014 Scheme and has benefits under the Earlier Schemes, or has been an active member of the 2014 Scheme and has benefits under the Earlier Schemes which have not been aggregated with the benefits in the 2014 Scheme, the benefits payable as a consequence of paragraph (1) are payable in accordance with the Earlier Schemes as applied by this regulation.

(9) Any pensionable pay received or contribution paid by a member on or after 1st April 2014 which relates to work carried out before that date shall be dealt with in accordance with the 2008 Scheme.

(10) An increase in membership may be awarded to a member under regulation 12(4) of the Benefits Regulations (power of employing authority to increase total membership of active members) after 31st March 2014 if the member's relevant date for the purposes of that regulation is before 1st April 2014 and that increase shall be an increase in membership of the 2008 Scheme notwithstanding the fact that the award may occur after 31st March 2014.

(11) Where an employing authority grants an increase in membership under regulation 12A (duty of employing authority to increase total membership: enhanced protection) of the Benefits Regulations following a notice served by a member before 6th April 2009, that increase shall be an increase in membership of the 2008 Scheme notwithstanding the fact that the grant may occur after 31st March 2014.

(12) Any guidance issued by the Government Actuary in accordance with any provision in the Earlier Regulations is to be treated as actuarial guidance issued by the Secretary of State as defined in Schedule 1 to the 2013 Regulations and any reference to guidance issued by the Government Actuary in the Earlier Regulations is to be construed as a reference to actuarial guidance issued by the Secretary of State.

(13) Regulations 70 and 71 of the Administration Regulations (abatement) continue to have effect in relation to pensions in payment deriving from the Earlier Schemes regardless of when payment of those pensions commenced.

Schedule 2

...

9. –

(1) This paragraph applies to a member who was a member before 1st October 2006, who will reach or has reached the age of 60 on or after 1st April 2016 and before 1st April 2020, and whose retirement benefits would (but for the provisions of this paragraph) have been actuarially reduced on account of the age at which they were drawn.

(2) That part of the member's retirement benefits which is calculated by reference to any period of membership after 31st March 2008 shall be reduced in accordance with actuarial guidance issued by the Secretary of State.

Appendix D: Legislative references

- D.1 DCLG has asked GAD to recommend actuarial guidance in respect of the regulations detailed below.
- D.2 The Secretary of State is required under the 2013 Regulations to issue actuarial guidance on the reduced benefits payable when a member, or pension credit member, aged 55 or over elects to receive their benefits before their normal pension age [Regulations 30(5), 30(6) and 30(12) of the 2013 Regulations].
- D.3 The Secretary of State is also required under the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Scheme Transitional Regulations”) (SI 2014/525) to issue actuarial guidance on the payment of early retirement benefits for a member who was a member before 1 October 2006 and who reaches the age of 60 on or after 1 April 2016 and before 1 April 2020 [Paragraph 9(2) of Schedule 2 of the 2014 Scheme Transitional Regulations].
- D.4 Where a person has been an active member of the 2014 Scheme (as defined in the 2014 Scheme Transitional Regulations), any benefits accrued before 1 April 2014 are subject to actuarial adjustment if they would have been subject to actuarial adjustment under the 2008 Scheme (as defined in the 2014 Scheme Transitional Regulations) [Regulation 3(5) of the 2014 Scheme Transitional Regulations]. This reduction is irrespective of whether a pension payable at the same time under the 2014 Scheme is subject to actuarial adjustment.
- D.5 Where a person has not been a member of the 2014 scheme, benefits payable in respect of service before 1 April 2014 are payable in accordance with the Earlier Schemes [Regulation 3(8) of the 2014 Scheme Transitional Regulations]. This also applies to a member who has been an active member of the 2014 Scheme and has benefits under the Earlier Schemes which have not been aggregated with the benefits in the 2014 Scheme.
- D.6 Further to paragraphs D.4 and D.5 above, the following provisions of the 2008 scheme relating to early payment of benefits have effect. Any reference to guidance issued by the Government Actuary in the Earlier Regulations is to be construed as a reference to actuarial guidance issued by the Secretary of State [Regulation 3(12) of the 2014 Scheme Transitional Regulations]
- D.7 Under the Local Government Pension Scheme Regulations (Benefits, Membership and Contributions) 2007 (“the Benefits Regulations”) (SI 2007/1166) actuarial guidance issued by the Secretary of State is required to determine the appropriate amounts by which a member’s retirement pension should be reduced in respect of early payment [Regulations 30(4) and 30A(4) of the Benefits Regulations].
- D.8 Actuarial guidance issued by the Secretary of State is required to determine the reduction of additional pension in the 2008 scheme where it is taken earlier than normal retirement age (i.e. before age 65) [Regulation 14(3) of the Benefits Regulations].

- D.9 Under the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (“the 2008 Scheme Transitional Regulations”) (SI 2008/238) actuarial guidance issued by the Secretary of State is required to calculate the retirement pension and grant a member who was a member before 1 October 2006 and who reaches the age of 60 on or after 1 April 2016 and before 1 April 2020 [Paragraph 7(2) of Schedule 2 of the 2008 Scheme Transitional Regulations].
- D.10 Any benefits accrued before 1 April 2008 are reduced in line with actuarial guidance issued by the Secretary of State where benefits become payable under Regulation 30 or 30A of the Benefits Regulations [Regulation 3(2)(b) of the 2008 Scheme Transitional Regulations].
- D.11 Under the Local Government Pension Scheme Regulations 1997 (“the 1997 Regulations”) (SI 1997/1612), a pension credit member who was awarded a pension credit as a result of a Pension Sharing Order with effective date before 1 April 2014 and elects to receive benefits before normal benefit age should have their benefits reduced in line with guidance issued by the Secretary of State [Regulation 154(4) the 1997 Regulations].

Appendix E: Limitations

- E.1 This note should not be used for any purpose other than to determine benefits on early retirement in accordance with the regulations cited above.
- E.2 The factors contained in this note are subject to periodic review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- E.3 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- E.4 This note only covers the actuarial principles around the calculation and application of early retirement factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- E.5 Administrators should satisfy themselves that early retirement complies with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- E.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of DCLG. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.