



**The Local Government Pension Scheme
(England and Wales)
Late Retirement**

Date: 26 March 2014

Authors: Ian Boonin FIA
Michael Scanlon FIA

Table of Contents

	page
1 Introduction	1
2 The increase in benefits	3
3 Examples	5
Appendix A – Cited regulations	7
Appendix B – Legislative References	8
Appendix C – Limitations	10

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 late retirement increases to benefits payable after normal pension age.
- 1.2 This guidance also applies to benefits accrued before 1 April 2014, including members who left active service before 1 April 2014, and to Councillor members. Full details of the legislative references are in Appendix B.
- 1.3 The Government Actuary's Department (GAD) seeks to achieve a high standard in all our work. Please go to our [website](#)¹ for details of the standards we apply.

Implementation and Review

- 1.4 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].
- 1.5 As part of this consultation the Department for Communities and Local Government (DCLG) have asked GAD to recommend actuarial guidance in respect of the regulations detailed above. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.6 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.
- 1.7 This guidance replaces the previous guidance dated 14 February 2012 but uses the same assumptions on which that guidance was based.
- 1.8 This guidance has been written for pension administrators and assumes some knowledge of general pension 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.
- 1.9 GAD recommends that 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

- 1.10 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 <https://www.gov.uk/government/organisations/government-actuaries-department/about/terms-of-reference>

Local Government Pension Scheme (England and Wales) - Unclassified
Late Retirement

1.11 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

1.12 When issued by the Secretary of State in accordance with paragraph 1.6 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 The increase in benefits

- 2.1 Pensions are increased if they are taken after the following ages:
- For service before 1 April 2014: age 65
 - For service on or after 1 April 2014: State Pension Age, or if higher, age 65
- 2.2 For members retiring after age 65 with a State Pension Age greater than 65, retirement might occur between age 65 and State Pension Age, or after State Pension Age. Where retirement takes place after age 65 but before State Pension Age, the pre-2014 benefits will be adjusted upwards in accordance with this guidance document and the post-2014 benefits will be adjusted downwards in accordance with the guidance document "Early Retirement". Where retirement takes place at State Pension Age, benefits from pre-2014 service will be adjusted upwards in accordance with this guidance document. Where retirement takes place after State Pension Age, benefits from both periods will be adjusted upwards in accordance with this guidance document but different increases will apply to service before 1 April 2014 and on or after 1 April 2014.
- 2.3 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 Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ('the 2014 Scheme Transitional Regulations') (SI 2014/525)), and the member's benefits are taken after age 65, all of the member's benefits accrued up to normal retirement age in the 2008 scheme, whether accrued before or after 1 April 2014, including the addition due to the statutory underpin, are subject to an adjustment for late payment by reference to age 65. 2014 Scheme benefits earned after the member's normal retirement age in the 2008 Scheme will be subject to adjustment (whether upwards for late payment or downwards for early payment) by reference to the member's normal pension age in the 2014 Scheme.
- 2.4 DCLG has also confirmed that State Pension Age for the purpose of calculating late retirement factors should be based on legislation in force at the point benefits are paid.
- 2.5 Both the pre-1 April 2014 and the post-31 March 2014 elements of the pension benefits should be uplifted by 0.014% simple – and the automatic 3/80ths retirement grant (if any) deriving from pre-1 April 2008 service should be uplifted by 0.007% simple – for each day on or after the date the member reached the ages specified in paragraph 2.1 above, and before the member's actual retirement date.
- 2.6 Subject to paragraph 2.9 below, the increase under this guidance should be applied to the total pension, including the Guaranteed Minimum Pension ("GMP") element of the pension. The increase should be applied to the benefits after Pensions Increases have been added in relation to any period of deferment.
- 2.7 Under regulations 25(7), 26(6) and 29(3) of the 2013 Regulations, once in payment, retirement pensions should be increased in accordance with the 'index rate adjustment' (ie under the Pensions Increase Acts). Any pension accrued under the 2008 Regulations should be increased under the Pensions Increase Acts.
- 2.8 Regulation 30(3) and 30(11) of the 2013 Regulations requires that the pension must come into payment no later than the day before the member's 75th birthday.

Local Government Pension Scheme (England and Wales) - Unclassified
Late Retirement

- 2.9 Section 13 of the Pension Schemes Act 1993 requires member consent if GMPs are deferred by more than 5 years after GMP pension age (which is age 60 for females and age 65 for males). Where a member elects to draw the GMP element of their total benefits, only the excess pension (over the GMP) should be increased at retirement in accordance with paragraph 2.3. This also applies where a deferred pension has been postponed until after age 65 but where the GMPs have been brought into payment earlier (at or after GMP pension age).
- 2.10 The regulations do not stipulate the method to be used in calculating the late retirement increases. The factors in this guidance have been provided in a simple format to ease administration. They provide outcomes of broadly actuarial neutrality within the constraints of the simple format adopted.

3 Examples

Member retiring from active service after reaching NPA

Consider a male member, whose SPA is 65 and whose 65th birthday fell on 30 May 2014.

The member decided to remain as an active member and retire on 30 September 2014, with his last day of service 29 September 2014. The inclusive period from his SPA date of 30 May 2014 until 29 September 2014 (the day before his benefits become payable) is 0 years 123 days. It is assumed that the statutory underpin has no impact on the member's benefits.

Member's benefits at 30 September 2014 before late retirement additions:

Pension	£18,000.00 pa
Retirement Grant	£40,000.00

The late retirement increases should be calculated as:

Pension	$18,000.00 \times 123 \times 0.00014$	= £309.96 pa
Retirement grant	$40,000.00 \times 123 \times 0.00007$	= £344.40

The prospective benefits payable from 30 September are:

Member's pension:	$18,000.00 + 309.96$	= £18,309.96 pa
Retirement grant:	$40,000.00 + 344.40$	= £40,344.40

However, the member could decide to commute part of his pension of £18,309.96 into an additional lump sum in accordance with Regulation 33 of the 2013 Regulations.

Pensions in payment should increase in line with the Pensions Increase Acts but subject to the provisions in regulations 25, 26, 27 or 29 of the 2013 Regulations as relevant

Member retiring from deferment after reaching NPA

Consider a male member, whose SPA is 65 and whose 65th birthday fell on 30 May 2015.

The member's last day of service was 29 October 2014 but he retired on 30 September 2015. It is assumed that the statutory underpin has no impact on the member's benefits.

The period from (and including) his SPA date of 30 May 2015 until 29 September 2015 (the day before his benefits become payable) is 0 years 123 days

The member's total benefits at 30 September 2015 before late retirement additions but including pension increases to April 2015 are:

Pension	£20,000.00 pa
Retirement Grant	£60,000.00

The late retirement increases should be calculated as:

Pension	$£20,000.00 \times 123 \times 0.00014$	= £344.40 pa
Retirement grant	$£60,000.00 \times 123 \times 0.00007$	= £516.60

The prospective benefits payable from 30 September 2015 are:

Member's pension:	$£20,000.00 + £344.40$	= £20,344.40 pa
Retirement grant:	$£60,000.00 + £516.60$	= £60,516.60

However, the member could decide to commute part of his pension of £20,344.40 into an additional lump sum in accordance with Regulation 33 of the 2013 Regulations.

The pension should receive a full year's Pension Increase in April 2016 and annually thereafter.

Appendix A – Cited regulations

A.1 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.—

...

(4) A member who starts to receive payment of a retirement pension from a date after that member's normal pension age is entitled to enhancement of the pension by the amount shown as appropriate in actuarial guidance issued by the Secretary of State.

...

(11) A pension credit member may elect to defer payment of a retirement pension deriving from a pension credit to a date after that member's normal pension age and, if the member does so, is entitled to immediate payment of a retirement pension from any date up to the date when that member attains the age of 75, enhanced 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.2 Excerpts from the 2014 Scheme Transitional Regulations

Membership before 1st April 2014

3.—

...

(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.

Appendix B – Legislative References

Service in the 2014 scheme

- B.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:
- (i) issue actuarial guidance on late retirement increases when a member receives their pension after normal pension age [regulation 30 (4)];
 - (ii) issue actuarial guidance when a pension credit member defers receipt of their pension until after normal pension age [regulation 30 (11)]; and
 - (iii) consult with the Government Actuary's Department (GAD) before issuing such guidance [regulation 2(3)].

Service accrued before 1 April 2014

- B.2 Regulation 3(5) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Scheme Transitional Regulations") (SI 2014/525) also refers to actuarial adjustments in respect of retirement pensions and retirement grants accrued before 1 April 2014.
- B.3 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 2008 Scheme [Regulation 3(8) of the 2014 Scheme Transitional Regulations]. Details of the requirements under the 2008 Scheme are listed in the following paragraphs (which reflect the change made from the Government Actuary to the Secretary of State as the person responsible for issuing guidance) [Regulation 3(12) of the 2014 Scheme Transitional Regulations].
- B.4 In relation to Regulation 17(2) of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 ('the 2007 Regulations') (SI 2007/1166), the Secretary of State is required to issue guidance to determine the increase applicable to benefits when a member remains in employment or joins the LGPS after their 65th birthday.
- B.5 In relation to Regulation 29(5) of the 2007 Regulations, the Secretary of State is required to issue guidance to determine the increase applicable to accrued benefits when a member who has left service without immediate entitlement to benefits under any of regulations 16 to 20 chooses not to receive payment of those benefits immediately on attaining normal retirement age.
- B.6 The Department for Communities and Local Government (DCLG) has previously confirmed that similar increases should also be applied in respect of members who left service with immediate entitlement to benefits under regulation 16 or 16A of the 2007 Regulations but who choose not to receive payment immediately.
- B.7 In relation to Regulation 14(3) of the 2007 Regulations, the Secretary of State is required to issue guidance on the increase to be applied to the additional pension where it is taken after normal retirement age.

Local Government Pension Scheme (England and Wales) - Unclassified
Late Retirement

- B.8 In relation to Regulation 18(3A) of the 2007 Regulations the Secretary of State is required to issue guidance regarding the benefits payable following flexible retirement if they are taken after normal retirement age. DCLG have previously confirmed that similar increases should be applied on Flexible Retirement after age 65.
- B.9 A member may also have a transfer credit that was awarded under protected regulation 66(5) of the Local Government Pension Scheme Regulations 1997 (“the 1997 Regulations”) (SI 1997/1612) protected by virtue of regulation 66(8) of the 1997 Regulations and regulation 15(1)(b) of the 2014 Scheme Transitional Regulations. The transfer credit is treated as arising from pre-1 April 2014 membership and this guidance document is also relevant in determining any increases to be applied in respect of those transfer credits.

Appendix C – Limitations

- C.1 This note should not be used for any purpose other than to determine benefits on late retirement in accordance with the regulations cited above.
- C.2 The factors contained in this note are subject to regular review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.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.
- C.4 This note only covers the actuarial principles around the calculation and application of late retirement factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Administrators should satisfy themselves that late retirement complies with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- C.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.