



# Government Actuary's Department

## **Local Government Pension Scheme (England and Wales)**

Application of a pension debit for divorced members

Transfer date before 1 April 2014

Consolidated working copy

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## 1 Legislative background

- 1.1 Regulation 20A(1) of the Local Government Pension Scheme Regulations 1997 (SI 1997/1612) ('the 1997 Regulations') states that the benefits payable to a pension debit member shall be reduced to take into account the debit to which the shareable rights of the pension debit member are subject under a pension sharing order. Regulation 20A(2) further states that the amount of reduction shall be calculated in accordance with guidance issued by the Government Actuary.
- 1.2 Regulation 41 of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI 2007/1166) ('the Benefits Regulations') states that administering authorities shall have regard to guidance issued by the Government Actuary as to the reduction of benefits payable in consequence of a pension debit created under Section 29 of the Welfare Reform and Pensions Act 1999 ('the Act').
- 1.3 The purpose of this note prepared by the Government Actuary's Department ('GAD') for the Department for Communities and Local Government ('DCLG'), and issued to them for onward transmission to administering authorities and employing authorities, is to provide the guidance required under Regulation 20A(2) of the 1997 Regulations and Regulation 41 of the Benefits Regulations.

### Limitations

- 1.4 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.
- 1.5 This note should not be used for any purpose other than determining the reduction in benefits to apply to pension debit members as a result of pension sharing orders.
- 1.6 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. This note only covers the actuarial principles around the calculation and application of pension debits. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 1.7 Note that the factors to be used to calculate pension debits are contained in the guidance, 'Local Government Pension Scheme (England and Wales) Factors to use in calculation of Pension Debit for Divorced Members' dated 29 March 2012. These tables are reproduced here for convenience.
- 1.8 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 or GAD. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.



## 2 Introduction

- 2.1 Where a pension sharing order is issued by the Court, the former spouse or civil partner is allocated a percentage (up to 100%) of the member's benefits. The member's benefits are reduced accordingly, and the former spouse or civil partner will hold benefits in their own right, independent of the scheme member.
- 2.2 The member's benefits will be reduced by the percentage allocated to their former spouse or civil partner. This reduction is known as a 'pension debit'.
- 2.3 The general principle is that the savings to the LGPS arising from the pension debits are used to provide actuarially equivalent benefits to the member's former spouse or civil partner (the 'pension credit' member). However, in some cases, the methodology has been simplified to facilitate administration so should not be regarded as being strictly actuarially neutral in all cases.
- 2.4 It is assumed that the cash equivalent of a member's benefits for divorce purposes has already been determined in accordance with the latest GAD note 'Pension Sharing Following Divorce – Calculation of Cash Equivalents'.
- 2.5 For active and deferred members the divorce cash equivalent used in the pension sharing order may be made up of separate cash equivalents calculated in respect of Critical Retirement Age ('CRA') membership, taper membership and Pension Age 65 ('PA65') membership. Furthermore, some elements of such membership will also be differentiated by whether the membership is based on eightieths or sixtieths accrual. For consistency, a debit should be calculated in respect of each element (tranche) of the cash equivalent. For further information on these membership elements, please refer to the GAD note on the calculation of divorce cash equivalents.
- 2.6 For active and deferred members, their pension debits should be revalued up to retirement in line with usual scheme rules applying to a deferred pension. In retirement, the pension debit increases in line with usual scheme rules and should be deducted from the member's total pension benefits. Note that GMP pension debits should be increased in line with GMP increases (in deferment and in payment).
- 2.7 On the member's death, if the member had remarried or formed a new civil partnership or other qualifying partnership, the pension debit will reduce the survivor's benefit available to a new spouse, civil partner or qualifying partner.
- 2.8 No spouse or civil partner's benefits will be payable to the member's ex-spouse or ex-civil partner who was party to the divorce resulting in the pension sharing order (except in the event that the member remarried or entered into a new civil partnership or other qualifying partnership with his or her ex-spouse or ex-civil partner).
- 2.9 If the member has dependent children, any child allowance payable should not be reduced as a result of a pension debit.
- 2.10 No debit should be applied to the death grant payable on the death of a member who was contributing to the scheme at their death.



- 2.11 The methodology and instructions described in this note can be adopted and applied in respect of benefits for Councillor members.

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### 3 Calculation of the pension debit

- 3.1 This section sets out the methodology for calculating the pension debit to be applied to the member's benefits following the issue of a pension sharing order by the Court.

#### Appropriate percentage

- 3.2 At times, most commonly for divorces in England and Wales, the pension sharing order will specify the percentage of the member's benefits that the ex-spouse or ex-civil partner will be entitled to (the 'appropriate percentage').
- 3.3 At other times, most commonly under Scottish law, the pension sharing order will specify a monetary amount. In this case, the appropriate percentage for the pension debit should be calculated as the ratio of the monetary amount and the cash equivalent.

#### Calculation

- 3.4 There are two dates which are of relevance when determining the reduction to benefits to take into account pension debits; the 'Transfer day' and the 'Valuation day'.
- 3.5 Section 29(8) of the Act defines the Transfer day as the day on which the pension sharing order takes effect. (The Transfer day is sometimes also referred to as the Effective date.)
- 3.6 Regulation 151 of the 1997 Regulations defines the Valuation day as the first day of the Implementation Period. Section 34(1) of the Act defines the Implementation Period as the four month period that starts on the Transfer day, or if later, on the date the pension scheme has the prescribed information needed to implement the pension sharing order. (The Valuation day is sometimes referred to as the Implementation date or the Calculation date.)
- 3.7 The calculation of the pension debit should be based on the status of the member at the Transfer day – ie whether they are an active, deferred or pensioner member at this date. The amount of benefits which the member is entitled to should also be taken at the Transfer day. This approach is consistent with the calculation of the cash equivalent which assumes that the member left service on the day immediately before the Transfer day.
- 3.8 In cases where the status of a member changes between the Transfer day and the Valuation day, paragraph 3.7 above still applies. For the avoidance of doubt, this may lead to cases where benefits need to be clawed back by the administering or employing authority. For example, the retirement grant paid to a member who is active on the Transfer day but a pensioner on the Valuation day should be reduced even though it has already been paid because the member was active on the Transfer day. If authorities require any assistance with such cases then these cases could be referred to GAD, via DCLG.



### **Pension debit for a pensioner**

3.9 Where the member is a pensioner, the debit will apply to the member's own pension with effect from the Transfer day, and also to the pension payable to a future surviving spouse, civil partner or other qualifying partner on the death of the member.

3.10 The debit applying to the member's pension ('MEMDEB') will be:

$$MEMDEB = \text{Current member's pension} \times \text{appropriate percentage} / 100\%$$

3.11 The current member's pension is the rate of pension in payment at the Transfer day. The last Pensions Increase ('PI') should be that awarded up to and including the April increase immediately before the Transfer day.

3.12 The full amount of pension may have been paid between the Transfer day and the Valuation day, for pensioner members. The authority may therefore need to recoup the debit that should have been applied to the member's pension in payment between the Transfer day and the Valuation day.

3.13 The debit applying to any future surviving spouse, civil partner or other qualifying partner's pension ('SURDEB') will be:

$$SURDEB = \text{Current survivor's pension} \times \text{appropriate percentage} / 100\%$$

3.14 The current survivor's pension should be the rate of pension payable to the survivor if the member had died immediately before the Transfer day.

3.15 The debit applying to the Guaranteed Minimum Pension ('GMP') – where 'PREGMPDEB' relates to annual GMP accrued before 6 April 1988 and 'POSTGMPDEB' relates to annual GMP accrued after 6 April 1988 – will be:

$$PREGMPDEB = \text{Pre 88 GMP} \times \text{appropriate percentage} / 100\%$$

$$POSTGMPDEB = \text{Post 88 GMP} \times \text{appropriate percentage} / 100\%$$

The section on Guaranteed Minimum Pension gives more details on the GMP.

3.16 For the avoidance of doubt, the member's pension, contingent survivor's pension, and GMP should be the same as used to calculate the member's cash equivalent for divorce purposes in accordance with the GAD note. For the member's pension the pension used is the post-commutation pension.



- 3.17 Debits applying to the member's pension, contingent survivor's pension and GMP should be subtracted from the member's benefits. The reduced member's pension, contingent survivor's pension and GMP should then be increased in line with usual scheme rules – ie the reduced member's pension and contingent survivor's pension should be increased in line with PI each year from the April immediately before the Transfer day (unless the pensioner is under age 55 and not entitled to PI until age 55). The reduced GMP should be increased each year from the April immediately before the Transfer day in line with the GMP increases set out in paragraph 3.61.
- 3.18 For the avoidance of doubt, there is no debit to any retirement grant, which will already have been paid, or to any contingent children's pensions.

#### **Pension debit for a deferred pensioner**

- 3.19 Where the member is a deferred pensioner, the pension debit will apply to the member's pension at the point when the member's benefits come into payment. The debit should be applied separately to the different elements (tranches) of the divorce cash equivalent, ie to the member's benefits for CRA membership, taper membership and PA65 membership.
- 3.20 It may therefore be necessary to calculate several debits in relation to CRA membership, taper membership and PA65 membership.
- 3.21 Debits will also apply to any automatic retirement grant and to the pension payable to a future surviving spouse, civil partner or other qualifying partner on the member's death but not to any contingent children's pensions.
- 3.22 The principle for a deferred member is that the debits for each type of membership act like a deferred pension, which is subtracted from the member's benefits at retirement (see paragraph 3.28).
- 3.23 Debits are calculated by reference to the benefits at exit ie to the pre-commutation pension and any automatic retirement grant.
- 3.24 The debit applying to each tranche of the member's pension will be:

$$MEMDEB = \text{Member's pension at exit} \times \text{appropriate percentage} / 100\%$$

- 3.25 The retirement grant debit only applies to the automatic retirement grant (ie on service up to 31 March 2008 and membership from added years contracts that include a retirement grant). The debit applying to each tranche of the retirement grant will be:

$$RGDEB = \text{Retirement grant at exit} \times \text{appropriate percentage} / 100\%$$

There will not be any retirement grant debit in respect of service on or after 1 April 2008 (which is based on 1/60ths accrual).



- 3.26 The debit applying to any future surviving spouse, civil partner or other qualifying partner's pension will be:

$$SURDEB = \text{Survivor's pension at exit} \times \text{appropriate percentage} / 100\%$$

- 3.27 The debit applying to the GMP will be:

$$PREGMPDEB = \text{Pre 88 GMP at exit} \times \text{appropriate percentage} / 100\%$$

$$POSTGMPDEB = \text{Post 88 GMP at exit} \times \text{appropriate percentage} / 100\%$$

- 3.28 The section on Guaranteed Minimum Pension gives more details on the GMP. At retirement, both the benefits and the debits should be revalued from the date of exit to the April immediately before the date of retirement, and the revalued debits should be subtracted from the respective revalued benefits. In the case of the member's pension, retirement grant and contingent survivor's pension, the benefit and the debit should be revalued in line with PI (but noting that the GMP is increased in accordance with paragraph 3.61).
- 3.29 From retirement the reduced benefits should be increased in line with usual scheme rules.
- Deferred benefits coming into payment before age 65 or CRA*
- 3.30 If the member's deferred pension comes into payment before age 65 or CRA (as relevant), whether on (voluntary) early retirement or on grounds of ill health, the debit applied should be reduced. This is because the debit will be applied over a longer period than was assumed when calculating the original debit, so a lower amount should be deducted.

For each tranche, the pension and retirement grant debits will be:

$$MEMDEB \times PI \times (1 - MEMERF_{ret})$$

$$RGDEB \times PI \times (1 - RGERF_{ret})$$

where:

$MEMDEB$  = Pension debit to the member's pension at exit

$RGDEB$  = Pension debit to the retirement grant at exit

$PI$  = Pensions increase uprating factor between the date of exit and the April immediately before the date of retirement



$MEMERF_{ret}$  = Early retirement factor applied to the member's pension – see also below

$RGERF_{ret}$  = Early retirement factor applied to the retirement grant – see also below

- 3.31 In the case of ill health retirement,  $MEMERF_{ret}$  and  $RGERF_{ret}$  can be found in Table A. In all other cases  $MEMERF_{ret}$  and  $RGERF_{ret}$  can be found in Table B. Different factors will apply to CRA membership, taper membership and PA65 membership. These will usually be the same as those applied to the member's pension and retirement grant, as described in the latest GAD guidance note on early retirement, except, for example, on retirement before age 60 but after the rule of 85 retirement age, as discussed below. (In these cases members may be entitled to unreduced pension and retirement grant, but the debit should still be reduced.)

#### **Rule of 85 treatment**

- 3.32 Pension debits are generally reduced by the same factors as the member's pension, except for a member with a Rule of 85 age below 60 who retires before age 60. The member's benefits in respect of Rule of 85 service are not reduced if they are retiring at or above their Rule of 85 age, but the debit should be reduced.
- 3.33 The debit should be reduced by the number of years early between (i) the age at which the member draws their benefits and (ii) age 60. GAD's guidance on 'Early Payment of Pension' dated 29 March 2012 provides further details on calculating the appropriate early retirement factors. Note 1(ii) of table 1 on page 7 should be used, but with age 60 used rather than the rule of 85 age.

#### **Taper treatment**

- 3.34 Again, pension debits are generally reduced by the same factors as the member's pension, except for a member with a Rule of 85 age below 60 who retires before age 60. The member's benefits based on taper service are reduced by an early retirement factors that is not actuarially neutral, but the debit should be reduced by an actuarially neutral early retirement factor.
- 3.35 The debit should be reduced by the number of years early between (i) the age at which the member draws their benefits and (ii) age 60. GAD's guidance on 'Early Payment of Pension' dated 29 March 2012 provides further details on calculating the appropriate early retirement factors. Note 1(ii) of table 1 on page 7 should be used, but with age 60 used rather than the rule of 85 age.
- 3.36 The early retirement adjustments for members who retire earlier than age 65 or CRA (as relevant) do not apply to the debit applied to the spouse, civil partner or other qualifying partner's pension, or the debit applied to the GMP. GMP debits are only applied from GMP Pension Age (which is age 60 for females and age 65 for males).

*Deferred benefits coming into payment after age 65*



- 3.37 For a member who defers drawing benefits until later than age 65, the debit applied should be increased. This is because the debit will be applied over a shorter period than was assumed when calculating the original debit, so a higher amount should be deducted. However, no late retirement increases will apply to retirements between CRA and age 65, similar to main scheme benefits, but see paragraph 3.62. The late retirement factors should be applied to the debit in accordance with the latest GAD guidance note on late retirement. However, where the member is already over age 65 on the Transfer day the late retirement factors should only be applied in respect of the period between the Transfer day and the date of retirement.

The pension and retirement grant debits will be:

$$MEMDEB \times PI \times MEMLRF_{ret}$$

$$RGDEB \times PI \times RGLRF_{ret}$$

where:

$MEMDEB$  = Pension debit to the member's pension at exit

$RGDEB$  = Pension debit to the member's retirement grant at exit

$PI$  = Pensions increase uprating factor between the date of exit and the April immediately before the date of retirement

$MEMLRF_{ret}$  = Late retirement factor applied to the member's pension at retirement age

$RGLRF_{ret}$  = Late retirement factor applied to the member's retirement grant at retirement age

- 3.38 The late retirement adjustments for members who retire later than age 65 do not apply to the debit applied to the spouse, civil partner or other qualifying partner's pension. The debit applied to the GMP should be increased for late retirement as described in paragraph 3.62.

#### **Pension debit for an active member**

- 3.39 Where the member is an active member of the scheme, separate debits should be calculated for the different elements (tranches) of the divorce cash equivalent ie on the member's benefits for CRA membership, taper membership and PA65 membership.
- 3.40 Debits will also apply to any automatic retirement grant and to the pension payable to a future surviving spouse, civil partner or other qualifying partner on the member's death but not to any contingent children's pension.
- 3.41 The principle for an active member is that the debit acts like a deferred pension, which is subtracted from the member's benefits at retirement (see paragraph 3.47 and 3.48).



3.42 The debits are calculated by reference to the benefits used to calculate the divorce cash equivalent ie to the pre-commutation pension and any automatic retirement grant.

3.43 The debit applying to each tranche of the member's pension will be:

$$MEMDEB = \text{Member's pension at Transfer day} \times \text{appropriate percentage} / 100\%$$

3.44 The retirement grant debit only applies to the automatic retirement grant (ie on service up to 31 March 2008 and membership from added years contracts that include a retirement grant). The debit applying to each tranche of the retirement grant will be:

$$RGDEB = \text{Retirement grant at Transfer day} \times \text{appropriate percentage} / 100\%$$

There will not be any retirement grant debit in respect of service on or after 1 April 2008 (which is based on 1/60ths accrual).

3.45 The debit applying to any future surviving spouse, civil partner or other qualifying partner's pension will be:

$$SURDEB = \text{Survivor's pension at Transfer day} \times \text{appropriate percentage} / 100\%$$

3.46 The debit applying to the GMP will be:

$$PREGMPDEB = \text{Pre 88 GMP at Transfer day} \times \text{appropriate percentage} / 100\%$$

$$POSTGMPDEB = \text{Post 88 GMP at Transfer day} \times \text{appropriate percentage} / 100\%$$

The section on Guaranteed Minimum Pension gives more details on the GMP.

3.47 The debit should be revalued from the Transfer day to the April immediately before the date of retirement in line with PI (but noting that the GMP is revalued in accordance with paragraph 3.61).

3.48 When the member retires, their benefits are first calculated in the normal way for the different elements of service based on final pensionable pay; their benefits are then reduced to allow for the revalued debits.

3.49 From retirement, the reduced benefits should be increased in line with usual scheme rules.

*Active members retiring before age 65 or CRA*



- 3.50 If the member's pension comes into payment before age 65 or CRA (as relevant), whether on (voluntary or involuntary) early retirement or on grounds of ill health, the debit applied should be reduced. This is because the debit will be applied over a longer period than was assumed when calculating the original debit, so a lower amount should be deducted.

The pension and retirement grant debits will be:

$$MEMDEB \times PI \times (1 - MEMERF_{ret})$$

$$RGDEB \times PI \times (1 - RGERF_{ret})$$

where:

$MEMDEB$  = Pension debit to the member's pension at Transfer day

$RGDEB$  = Pension debit to the member's retirement grant at Transfer day

$PI$  = Pensions increase uprating factor between the Transfer day and the April immediately before the date of retirement

$MEMERF_{ret}$  = Early retirement factor applied to the member's pension debit – see also below

$RGERF_{ret}$  = Early retirement factor applied to the retirement grant debit – see also below

- 3.51 In the case of ill health retirement,  $MEMERF_{ret}$  and  $RGERF_{ret}$  can be found in Table A. In all other cases  $MEMERF_{ret}$  and  $RGERF_{ret}$  can be found in Table B. Different factors will apply to CRA membership, taper membership and PA65 membership. These will usually be the same as those applied to the member's pension and retirement grant, as described in the latest GAD guidance note on early retirement, except, for example, on redundancy or on retirement before age 60, but after the rule of 85 retirement age. (In these cases members may be entitled to unreduced pension and retirement grant, but the debit should still be reduced.)
- 3.52 The early retirement adjustments for members who retire earlier than age 65 or CRA (as relevant) do not apply to the debit applied to the spouse, civil partner or other qualifying partner's pension, or the debit applied to the GMP. GMP debits are only applied from GMP Pension Age (which is age 60 for females and age 65 for males).
- 3.53 Where an active member with a pension debit is granted tier 3 ill health benefits under Regulation 20(4) of the Benefits Regulations, the debit should initially only be applied to the member's retirement grant. The debit to the member's pension should be applied when either:
- > The member moves on to tier 2 ill-health; or



- > If the member's tier 3 pension ceases then the debit is applied when their deferred benefits come into payment.

3.54 In either case the debit should then be applied in accordance with the appropriate part of this guidance.

3.55 Where a member who is already in receipt of tier 3 ill-health benefits divorces and is subject to a pension sharing order, the case should be referred to GAD via DCLG.

*Active members retiring after age 65*

3.56 For a member who retires later than age 65, the debit applied should be increased. This is because the debit will be applied over a shorter period than was assumed when calculating the original debit, so a higher amount should be deducted. However, no late retirement increases will apply to retirements between CRA and age 65 similar to main scheme benefits, but see paragraph 3.62. The late retirement factors should be applied to the debit in accordance with the latest GAD guidance note on late retirement. However, where the member is already over age 65 on the Transfer day the late retirement factors should only be applied in respect of the period between the Transfer day and the date of retirement.

The pension and retirement grant debits will be:

$$MEMDEB \times PI \times MEMLRF_{ret}$$

$$RGDEB \times PI \times RGLRF_{ret}$$

where:

$MEMDEB$  = Pension debit to the member's pension at Transfer day

$RGDEB$  = Pension debit to the member's retirement grant at Transfer day

$PI$  = Pensions increase uprating factor between the Transfer day and the April immediately before the date of retirement

$MEMLRF_{ret}$  = Late retirement factor applied to the member's pension at retirement age

$RGLRF_{ret}$  = Late retirement factor applied to the retirement grant at retirement age

3.57 The late retirement adjustments for members who retire later than age 65 do not apply to the debit applied to the spouse, civil partner or other qualifying partner's pension. The debit applied to the GMP should be increased for late retirement as described in paragraph 3.62.

3.58 Where the member is aged over 65 or has passed CRA (as relevant) and would be entitled to the immediate unreduced payment of a pension if they left on the Transfer day, the debit should be increased by  $PI$  up to age 65 and by  $PI \times LRF$  after age 65.



### **Flexible retirement**

- 3.59 Where a member opts to draw-down their membership, the debit relating to that part of the membership which is being drawn-down should be applied at the point of flexible retirement (and having regard to paragraphs 3.50 to 3.58 where relevant). Where the member elects to only draw-down a proportion of the membership, the debit should be pro-rated (in proportion to the membership being drawn-down) and applied to the relevant benefit being drawn-down. The remaining debit should be applied when the member eventually retires.

### **Guaranteed Minimum Pension**

- 3.60 Pre 88 GMP is the annual GMP accrued before 6 April 1988, and Post 88 GMP is the annual GMP accrued after 6 April 1988.
- 3.61 Where the member is below GMP Pension Age, the GMP should include revaluation using Section 148 orders. Where the member has passed GMP Pension Age and has retired, the pre 88 GMP should be at the same rate as at GMP Pension Age. The post 88 GMP should include increases granted by the scheme on that part of the benefits (ie 3% per annum or the pensions increase order if less).
- 3.62 Where the member has passed GMP Pension Age but has not started drawing a pension, the pre 88 GMP should be increased by 1/7% per week and the post 88 GMP should be increased by 1/7% per week plus the annual increases granted by the scheme (ie 3% per annum or the pensions increase order if less). This is our understanding of the requirements under Section 15 of the Pension Schemes Act 1993.
- 3.63 Annual GMP figures can be obtained by multiplying the weekly GMP figures by 52.

### **Additional Voluntary Contributions**

- 3.64 Where the member has purchased added years of service or additional pension, the pension debit will apply to added years of service or additional pension purchased up to the Transfer day. These benefits will be treated in the same way as main scheme benefits.
- 3.65 If the member has a Money Purchase AVC fund at the Transfer day, then the pension debit at the Transfer day in respect of the Money Purchase AVCs is the appropriate percentage times the value of the fund at the Transfer day.
- 3.66 If the other party to the debit order transfers their share from the AVC fund then the application of any further debit is unnecessary. Otherwise, new money invested in the AVC fund should be invested and recorded separately from the fund available at Transfer day (the 'shareable fund'). The pension debit at retirement is the appropriate percentage times the value of the shareable fund at retirement.



## 4 Examples<sup>1</sup>

### EXAMPLE 1: Debit calculation for an active member with CRA pre-2008 service and NRA65 post-2008 service

#### Member data:

Date of birth: 1 November 1967  
Sex: Male  
Date of joining: 1 November 1986  
Transfer day: 1 November 2012

Total service: 26 years 0 days  
Pre-2008 service: 21 years 151 days  
Post-2008 service: 4 years 214 days  
Final pensionable salary: £20,000

Appropriate Percentage specified in the pension sharing order = 40%

#### Initial Calculations

##### Service before 1 April 2008

Critical retirement age = 60

<b><u>Benefit</u></b>	<b><u>Calculation</u></b>	<b><u>Amount</u></b>
Member's pension	$(21+151/365) \times £20,000 / 80$	£5,353.42 pa
Member's retirement grant	$3 \times £5,353.42$	£16,060.26
Contingent survivor's pension	$£5,353.42 / 2$	£2,676.71 pa
Pre-88 GMP		£100 pa
Post-88 GMP		£500 pa

##### Service from 1 April 2008

Critical retirement age = 65

<b><u>Benefit</u></b>	<b><u>Calculation</u></b>	<b><u>Amount</u></b>
Member's pension	$(4+214/365) \times £20,000 / 60$	£1,528.77 pa
Contingent survivor's pension	$(4+214/365) \times £20,000 / 160$	£573.29 pa

<sup>1</sup> Please note that the figures used in these examples are for illustrative purposes only



### **Debits Calculated at Transfer day**

#### CRA 60 Debits

Pension debit	(MEMDEB)	= £5,353.42 x 40 / 100	= £2,141.37 pa
Retirement grant debit	(RGDEB)	= £16,060.26 x 40 / 100	= £6,424.10
Survivor's debit	(SURDEB)	= £2,676.71 x 40 / 100	= £1,070.68 pa
Pre-88 GMP debit	(PREGMPDEB)	= £100 x 40 / 100	= £40 pa
Post-88 GMP debit	(POSTGMPDEB)	= £500 x 40 / 100	= £200 pa

#### NRA 65 Debits

Pension debit	(MEMDEB)	= £1,528.77 x 40 / 100	= £611.51 pa
Survivor's debit	(SURDEB)	= £573.29 x 40 / 100	= £229.32 pa

### **Debits to be applied at retirement**

#### **Scenario 1: Member retires at age 60**

<b>Factors (Male)</b>	
MEMERF <sub>ret</sub> (5 years early retirement pension factor for PA65 service)	25%
PI factor	1.35
GMP revaluation factor (to age 65 for a male)	1.85

#### CRA 60 membership

Pension debit	= £2,141.37	x 1.35	= £2,890.85 pa
Retirement grant debit	= £6,424.10	x 1.35	= £8,672.54
Survivor's debit	= £1,070.68	x 1.35	= £1,445.42 pa
Pre-88 GMP debit*	= £40	x 1.85	= £74.00 pa
Post-88 GMP debit*	= £200	x 1.85	= £370.00 pa

#### PA65 membership

Pension debit	= £611.51	x 1.35 x (1 - 0.25)	= £619.15 pa
Survivor's debit	= £229.32	x 1.35	= £309.58 pa

\*applicable from GMP pension age which is age 65 for a male



## Scenario 2: Member retires at age 59

<b>Factors (Male)</b>	
MEMERF <sub>ret</sub> (1 year early retirement pension factor for CRA60 service)	6%
RGERF <sub>ret</sub> (1 year early retirement grant factor for CRA60 service)	3%
MEMERF <sub>ret</sub> (6 years early retirement pension factor for PA65 service)	29%
PI factor	1.3
GMP revaluation factor (to age 65 for a male)	1.8

### CRA 60 membership

Pension debit	= £2,141.37	x 1.3 x (1 - 0.06)	= £2,616.75 pa
Retirement grant debit	= £6,424.10	x 1.3 x (1 - 0.03)	= £8,100.79
Survivor's debit	= £1,070.68	x 1.3	= £1,391.88 pa
Pre-88 GMP debit*	= £40	x 1.8	= £72.00 pa
Post-88 GMP debit*	= £200	x 1.8	= £360.00 pa

### PA65 membership

Pension debit	= £611.51	x 1.3 x (1 - 0.29)	= £564.42 pa
Survivor's debit	= £229.32	x 1.3	= £298.12 pa

\*applicable from GMP pension age which is age 65 for a male

## Scenario 3: Member retires at age 68

<b>Factors (Male)</b>	
MEMLRF <sub>ret</sub> (late retirement pension factor applied over 1,096 days)	15.34%
RGLRF <sub>ret</sub> (late retirement grant factor applied over 1,096 days)	7.67%
PI factor	1.6
Pre-88 GMP revaluation factor	2.5
Post-88 GMP revaluation factor	2.7

### CRA 60 membership

Pension debit	= £2,141.37	x 1.6 x (1 + 0.1534)	= £3,951.77 pa
Retirement grant debit	= £6,424.10	x 1.6 x (1 + 0.0767)	= £11,066.93
Survivor's debit	= £1,070.68	x 1.6	= £1,713.09 pa
Pre-88 GMP debit	= £40	x 2.5	= £100.00 pa
Post-88 GMP debit	= £200	x 2.7	= £540.00 pa

### PA65 membership

Pension debit	= £611.51	x 1.6 x (1 + 0.1534)	= £1,128.51 pa
Survivor's debit	= £229.32	x 1.6	= £366.91 pa



**EXAMPLE 2: Debit calculation for an active member with CRA pre-2008 service and taper post-2008 service**

**Member data:**

Date of birth: 1 November 1959  
Sex: Male  
Date of joining: 1 November 1986  
Transfer day: 1 November 2012

Total service: 26 years 0 days  
Pre-2008 service: 21 years 151 days  
Post-2008 service: 4 years 214 days  
Final pensionable salary: £20,000

Pre-88 GMP £100 pa  
Post-88 GMP £500 pa

Appropriate Percentage specified in the pension sharing order = 40%

**Initial Calculations**

Service before 1 April 2008

Critical retirement age = 60

<u>Benefit</u>	<u>Calculation</u>	<u>Amount</u>
Member's pension	$(21+151/365) \times £20,000 / 80$	£5,353.42 pa
Member's retirement grant	$3 \times £5,353.42$	£16,060.26
Contingent survivor's pension	$£5,353.42 / 2$	£2,676.71 pa
Pre-88 GMP		£100 pa
Post-88 GMP		£500 pa

Service from 1 April 2008 – Taper (based on CRA 60)

<u>Benefit</u>	<u>Calculation</u>	<u>Amount</u>
Member's pension	$(4+ 214/365) \times £20,000 / 60$	£1,528.77 pa
Contingent survivor's pension	$(4+214/365) \times £20,000 / 160$	£573.29 pa



### **Debits Calculated at Transfer day**

#### CRA 60 Debits

Pension debit	(MEMDEB)	= £5,353.42 x 40 / 100	= £2,141.37 pa
Retirement grant debit	(RGDEB)	= £16,060.26 x 40 / 100	= £6,424.10
Survivor's debit	(SURDEB)	= £2,676.71 x 40 / 100	= £1,070.68 pa
Pre-88 GMP debit	(PREGMPDEB)	= £100 x 40 / 100	= £40 pa
Post-88 GMP debit	(POSTGMPDEB)	= £500 x 40 / 100	= £200 pa

#### Taper Debits

Pension debit	(MEMDEB)	= £1,528.77 x 40 / 100	= £611.51 pa
Survivor's debit	(SURDEB)	= £573.29 x 40 / 100	= £229.32 pa

### **Debits to be applied at retirement**

#### **Scenario 1: Member retires at age 60**

<b>Factors (Male)</b>	
MEMERF <sub>ret</sub> (5 years early retirement pension factor for PA65 service)	25%
MEMERF <sub>ret</sub> (Early retirement pension factor for taper membership)*	22.42%
PI factor	1.15
GMP revaluation factor (to age 65 for a male)	1.95

#### **\*MEMERF - Taper membership calculation**

Taper period = 01/04/2016 – 31/10/2019 = 3 years 214 days

Interpolation factor =  $(3+214/365) / 4 = 0.8966$

Tapered pension early retirement factor =  $0.8966 \times 0.25 + (1 - 0.8966) \times 0.00 = 0.2242$

#### CRA 60 membership

Pension debit	= £2,141.37	x 1.15	= £2,462.58 pa
Retirement grant debit	= £6,424.10	x 1.15	= £7,387.72
Survivor's debit	= £1,070.68	x 1.15	= £1,231.28 pa
Pre-88 GMP debit**	= £40	x 1.95	= £78.00 pa
Post-88 GMP debit**	= £200	x 1.95	= £390.00 pa

\*\*applicable from GMP pension age which is age 65 for a male

#### Taper membership

Pension debit	= £611.51	x 1.15	x (1 - 0.2242)	= £545.57 pa
Survivor's debit	= £229.32	x 1.15		= £263.72 pa



## Scenario 2: Member retires at age 59

<b>Factors (Male)</b>	
MEMERF <sub>ret</sub> (1 year early retirement pension factor for CRA service)	6%
RGERF <sub>ret</sub> (1 year early retirement grant factor for CRA service)	3%
MEMERF <sub>ret</sub> (6 years early retirement pension factor for PA65 service)	29%
MEMERF <sub>ret</sub> (Early retirement pension factor for taper membership)*	26.62%
PI factor	1.1
GMP revaluation factor (to age 65 for a male)	1.9

### \*MEMERF - Taper membership calculation

Taper period = 01/04/2016 – 31/10/2019 = 3 years 214 days

Interpolation factor =  $(3+214/365) / 4 = 0.8966$

Tapered pension early retirement factor =  $0.8966 \times 0.29 + (1 - 0.8966) \times 0.06 = 0.2662$

### CRA 60 membership

Pension debit	= £2,141.37	x 1.1 x (1 - 0.06)	= £2,214.18 pa
Retirement grant debit	= £6,424.10	x 1.1 x (1 - 0.03)	= £6,854.51
Survivor's debit	= £1,070.68	x 1.1	= £1,177.75 pa
Pre-88 GMP debit**	= £40	x 1.9	= £76.00 pa
Post-88 GMP debit**	= £200	x 1.9	= £380.00 pa

\*\*applicable from GMP pension age which is age 65 for a male

### Taper membership

Pension debit	= £611.51	x 1.1 x (1 - 0.2662)	= £493.60 pa
Survivor's debit	= £229.32	x 1.1	= £252.25 pa

## Scenario 3: Member retires at age 68

<b>Factors (Male)</b>	
MEMLRF <sub>ret</sub> (late retirement pension factor applied over 1,096 days)	15.34%
RGLRF <sub>ret</sub> (late retirement grant factor applied over 1,096 days)	7.67%
PI factor	1.3
Pre-88 GMP revaluation factor	2.9
Post-88 GMP revaluation factor	3.2

### CRA 60 membership

Pension debit	= £2,141.37	x 1.3 x (1 + 0.1534)	= £3,210.81 pa
Retirement grant debit	= £6,424.10	x 1.3 x (1 + 0.0767)	= £8,991.88
Survivor's debit	= £1,070.68	x 1.3	= £1,391.88 pa
Pre-88 GMP debit	= £40	x 2.9	= £116.00 pa
Post-88 GMP debit	= £200	x 3.2	= £640.00 pa

### Taper membership

Pension debit	= £611.51	x 1.3 x (1 + 0.1534)	= £916.91 pa
Survivor's debit	= £229.32	x 1.3	= £298.12 pa



**EXAMPLE 3: Debit Calculation for a deferred pensioner with only CRA pre-2008 service**

Date of birth: 1 August 1955  
Sex: Female  
CRA: 60

**Deferred benefits at exit**

Member pension: £2,000  
Spouse's pension: £1,000

Pre-88 GMP: nil  
Post-88 GMP: nil

Pension Increase factor from exit to Transfer day: 1.06

Appropriate Percentage specified in the pension sharing order = 40%

Pension at Transfer day =  $2,000 \times 1.06 = £2,120$  pa  
Survivor's pension at Transfer day =  $1,000 \times 1.06 = £1,060$  pa  
Retirement grant at Transfer day =  $3 \times 2,120 = £6,360$

**Debits Calculated at Transfer day**

CRA 60 Debits

Pension debit	(MEMDEB)	= £2,120.00 x 40 / 100	= £848.00 pa
Retirement grant debit	(RGDEB)	= £6,360.00 x 40 / 100	= £2,544.00
Survivor's debit	(SURDEB)	= £1,060.00 x 40 / 100	= £424.00 pa
Pre-88 GMP debit	(PREGMPDEB)	= £0 x 40 / 100	= £0 pa
Post-88 GMP debit	(POSTGMPDEB)	= £0 x 40 / 100	= £0 pa



**Debits to be applied at retirement**

**Scenario 1: Member retires at age 60**

<b>Factors</b>	
PI factor from Transfer day to age 60 (ie to April immediately before)	1.1

CRA 60 membership

Pension debit	= £848.00	x 1.1	= £932.80
Retirement grant debit	= £2,544.00	x 1.1	= £2,798.40
Survivor's debit	= £424.00	x 1.1	= £466.40

**Scenario 2: Member retires at age 59**

<b>Factors (Female)</b>	
MEMERF <sub>ret</sub> (1 year early retirement pension factor for CRA service)	5%
RGERF <sub>ret</sub> (1 year early retirement grant factor for CRA service)	3%
PI factor from Transfer day to age 59 (ie to April immediately before)	1.06
GMP Revaluation (to age 60 for a female)	1.08

CRA 60 membership

Pension debit	= £848.00	x 1.06 x (1 - 0.05)	= £853.94
Retirement grant debit	= £2,544.00	x 1.06 x (1 - 0.03)	= £2,615.74
Survivor's debit	= £424.00	x 1.06	= £449.44

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**EXAMPLE 4: Debit calculation for a Pensioner (for divorce purposes only)**

**Member data:**

Date of birth: 1 October 1942  
Sex: Male

Current Pension: £6,000  
Spouse's Pension: £3,000

Pre-88 GMP £80 pa  
Post-88 GMP £300 pa

Appropriate Percentage specified in the pension sharing order = 40%

Pension debit	(MEMDEB)	= £6,000 x 40 / 100	= £2,400.00 pa
Survivor's debit	(SURDEB)	= £3,000 x 40 / 100	= £1,200.00 pa
Pre-88 GMP debit	(PREGMPDEB)	= £80 x 40 / 100	= £32 pa
Post-88 GMP debit	(POSTGMPDEB)	= £300 x 40 / 100	= £120 pa



## Appendix A: Table A: Reduction to pension and retirement grant debits on ill health retirement

Years <i>Early</i>	<i>Pension Reduction (%)</i>		<i>Retirement Grant Reduction</i>
	<i>Males</i>	<i>Females</i>	<i>All Members %</i>
0	0	0	0
1	3	3	3
2	6	6	6
3	9	8	8
4	13	11	11
5	18	14	14
6	22	16	16
7	26	19	19
8	29	22	21
9	33	25	23
10	36	29	26
11	39	33	28
12	42	36	30
13	44	39	32
14	47	42	34
15	49	44	36
16	51	47	38
17	54	49	39
18	56	52	41
19	57	54	43
20	59	56	45
21	61	58	46
22	62	59	48
23	64	61	49
24	65	63	51
25	67	64	52
26	68	66	54
27	69	67	55
28	70	69	56



**Table A: Reduction to pension and retirement grant debits on ill health retirement - continued**

<i>Years Early</i>	<i>Pension Reduction (%)</i>		<i>Retirement Grant Reduction All Members %</i>
	<i>Males</i>	<i>Females</i>	
29	71	70	58
30	72	71	59
31	73	72	60
32	74	73	61
33	75	74	62
34	76	75	63
35	77	76	64
36	78	77	65
37	79	78	67
38	79	79	67
39	80	80	68
40	81	80	69
41	82	81	70
42	82	82	71
43	83	83	72
44	83	83	73
45	84	84	74

**Notes:**

- (1) The number of *Years Early* is the period between the dates (i) and (ii) below, where:
  - (i) is the date of the member's ill health early retirement.
  - (ii) is the date (or dates) on which the member would have been entitled to unreduced benefits **without** employer consent on normal retirement- ie CRA (between 60 and 65) or PA65, depending on the membership being considered.
- (2) Practitioners may need to refer to this table twice (with different values of *Years Early*) when preparing calculations. If tapered factors are required they are derived from these two sets of factors.
- (3) If the date in (1)(i) is later than the date in (1)(ii), then it should be clear that no reductions are to be applied (to the relevant part of the membership under consideration, if applicable).
- (4) Where the number of *Years Early* is not an integer number, the reduction factors from the table should be interpolated for part years.



**Table B: Reduction to pension and retirement grant debits on early retirement**

<i>Years Early</i>	<i>Pension Reduction (%)</i>		<i>Retirement Grant Reduction All Members %</i>
	<i>Males</i>	<i>Females</i>	
0	0	0	0
1	6	5	3
2	11	11	6
3	16	15	8
4	20	20	11
5	25	24	14
6	29	27	16
7	32	31	19
8	36	34	21
9	39	37	23
10	42	40	26

**Notes:**

- (1) The number of *Years Early* is the period between the dates (i) and (ii) below, where:
  - (i) is the date of the member's (voluntary or involuntary) early retirement.
  - (ii) is the date (or dates) on which the member would be entitled to unreduced benefits **without** employer consent - ie CRA (between 60 and 65) or PA65, depending on the membership being considered. Please note that this is different to the definition for the member's early retirement factors as described in the latest version of Government Actuary's Department guidance note on early retirement, since a reduction is applied to pension debits taken before age 60 even if the rule of 85 is satisfied before age 60.
- (2) Practitioners may need to refer to this table twice (with different values of *Years Early*) when preparing calculations. If tapered factors are required they are derived from these two sets of factors.
- (3) If the date in (1)(i) is later than the date in (1)(ii), then it should be clear that no reductions are to be applied (to the relevant part of the membership under consideration, if applicable).
- (4) Where the number of *Years Early* is not an integer number, the reduction factors from the table should be interpolated for part years.