



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

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Contents

1	Introduction	1
2	Background information	3
3	Calculation of the pension debit	4
4	Examples	15
	Appendix A: Reduction to pension debits on early retirement in ill health	16
	Appendix B: Reduction to pension and retirement grant debits on early retirement in normal health	18
	Appendix C: Limitations	19



1 Introduction

- 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 This guidance is designed to be consistent with the Welfare Reform and Pensions Act 1999 ('the Act') and associated regulations. It should only be used when the Transfer day is before 1 April 2014. Where the Transfer day is later, the guidance note 'Application of a pension debit for divorced members: Transfer date from 1 April 2014' should be applied.
- 1.4 The remainder of this introduction contains:
- > details of the implementation and future review of this guidance
 - > the relevant legislative references, and
 - > statements about third party reliance and liability
- 1.5 In the remainder of this note:
- > The second section provides background information
 - > The third section describes the calculation of the pension debit
 - > Appendix A contains the table of factors for the reduction in pension debits where the member subsequently retires early in ill-health
 - > Appendix B contains the table of factors for the reduction in pension debits where the member subsequently retires early in normal health
 - > Appendix E sets out some important limitations.

Implementation and Review

- 1.6 Regulation 3(12) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 requires that guidance issued by the Government Actuary under earlier regulations is to be treated as actuarial guidance issued by the Secretary of State as defined by the Local Government Pension Scheme Regulations 2013 ['the 2013 Regulations'].



- 1.7 The Secretary of State is required to consult GAD before issuing actuarial guidance under the 2013 Regulations [Regulation 2(3) of the 2013 Regulations].
- 1.8 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 above. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.9 DCLG has asked GAD to prepare guidance for administering authorities for the purpose of providing the guidance required under Regulation 20A(2) of the 1997 Regulations and Regulation 41 of the Benefits Regulations.
- 1.10 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.
- 1.11 When issued, this guidance will replace the previous guidance dated 4 March 2013. 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.
- 1.12 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 (the Scheme, or LGPS). Any questions concerning the application of the guidance should, in the first instance, be referred to DCLG.
- 1.13 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

- 1.14 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.
- 1.15 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

- 1.16 When issued by the Secretary of State in accordance with paragraph 1.10 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 Background information

- 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).
- 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.



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.
- 3.2 This guidance applies where the transfer date is before 1 April 2014. Therefore, it is expected that the initial amount of the debit will have been calculated using previous versions of the guidance. The material relating to that calculation is retained for reference purposes only.

Appropriate percentage

- 3.3 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').
- 3.4 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

- 3.5 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'.
- 3.6 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.)
- 3.7 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.)
- 3.8 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.



- 3.9 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

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

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

- 3.12 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.
- 3.13 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.
- 3.14 The debit applying to any future surviving spouse, civil partner or other qualifying partner's pension ('SURDEB') will be:

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

- 3.15 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.
- 3.16 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.



- 3.17 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.
- 3.18 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 3.62.
- 3.19 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

- 3.20 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.
- 3.21 It may therefore be necessary to calculate several debits in relation to CRA membership, taper membership and PA65 membership.
- 3.22 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.
- 3.23 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).
- 3.24 Debits are calculated by reference to the benefits at exit ie to the pre-commutation pension and any automatic retirement grant.
- 3.25 The debit applying to each tranche of the member's pension will be:

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

- 3.26 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 = Retirement grant at exit x 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).

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

SURDEB = Survivor's pension at exit x appropriate percentage / 100%

- 3.28 The debit applying to the GMP will be:

PREGMPDEB = Pre 88 GMP at exit x appropriate percentage / 100%

POSTGMPDEB = Post 88 GMP at exit x appropriate percentage / 100%

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

- 3.29 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 paragraphs 3.62 and 3.63).
- 3.30 From retirement the reduced benefits should be increased in line with usual scheme rules.

Deferred benefits coming into payment before age 65 or CRA

- 3.31 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 x PI x (1 - MEMERF_{ret})

RGDEB x PI x (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

- 3.32 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

- 3.33 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.
- 3.34 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.

Taper treatment

- 3.35 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.
- 3.36 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.
- 3.37 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

- 3.38 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 3.63. 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

- 3.39 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

- 3.40 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.
- 3.41 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.



3.42 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 3.48 and 3.49).

3.43 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.

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

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

3.45 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).

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

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

3.47 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.

3.48 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).

3.49 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.

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



Active members retiring before age 65 or CRA

- 3.51 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

- 3.52 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.)
- 3.53 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).



3.54 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.

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

3.56 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

3.57 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 3.63. 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



3.58 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 3.63.

3.59 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

3.60 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 3.51 to 3.59 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

3.61 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.

3.62 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).

3.63 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.

3.64 Annual GMP figures can be obtained by multiplying the weekly GMP figures by 52.

Additional Voluntary Contributions

3.65 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.

3.66 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.



- 3.67 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

- 4.1 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: Reduction to pension debits on early retirement in ill health

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

<i>Years</i>	<i>Pension Reduction (%)</i>		<i>Retirement Grant Reduction</i>
	<i>Males</i>	<i>Females</i>	
<i>Early</i>			<i>All Members %</i>
0	0.0	0.0	0.0
1	6.5	5.8	2.9
2	12.2	11.1	5.7
3	17.4	15.9	8.5
4	22.2	20.5	11.2
5	26.6	24.6	13.7
6	30.7	28.5	16.3
7	34.4	32.1	18.7
8	37.9	35.5	21.1
9	41.1	38.6	23.4
10	44.1	41.6	25.6
11	46.9	44.3	27.8
12	49.4	46.9	29.9
13	51.8	49.3	31.9
14	54.1	51.5	33.9
15	56.2	53.6	35.8
16	58.2	55.6	37.7
17	60.0	57.5	39.5
18	61.8	59.3	41.3
19	63.4	61.0	43.0
20	65.0	62.6	44.6
21	66.5	64.1	46.3
22	67.9	65.5	47.8
23	69.3	66.9	49.3
24	70.5	68.2	50.8
25	71.7	69.4	52.2
26	72.9	70.6	53.6
27	73.9	71.7	55.0
28	75.0	72.8	56.3



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	75.9	73.8	57.6
30	76.8	74.7	58.8
31	77.7	75.6	60.0
32	78.5	76.5	61.2
33	79.3	77.4	62.3
34	80.1	78.2	63.4
35	80.8	78.9	64.5
36	81.5	79.7	65.5
37	82.1	80.4	66.5
38	82.8	81.0	67.5
39	83.4	81.7	68.4
40	83.9	82.3	69.3
41	84.5	82.9	70.2
42	85.0	83.4	71.1
43	85.5	84.0	72.0
44	86.0	84.5	72.8
45	86.5	85.0	73.6

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.



Appendix B: Reduction to pension and retirement grant debits on early retirement in normal health

Table B: Reduction to pension and retirement grant debits on normal health 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	0.0	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

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.



Appendix C: Limitations

- C.1 This note should not be used for any purpose other than to determine the pension debit to be applied to a member's benefits in accordance with the regulations cited above.
- C.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.
- 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 pension debits. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Administrators should satisfy themselves that pension debits comply 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.