LGPS England & Wales

Secretary of State query log of actuarial guidance

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Annual allowance charges: Calculation of scheme pays offset

Guidance dated 5 May 2021

Application of a pre-1 April 2014 scheme pays offset, deducted from benefits paid from 1 April 2014

- Query first raised with DLUHC on 31 December 2021

Before 21 June 2019 the application of scheme pays offset was dealt with under two separate guidance notes, depending on whether the offset occurred before or after 1 April 2014. From 21 June 2019 the guidance notes were merged and the guidance dated 28 May 2019 replaced all those issued previously (see paragraphs 2.4 and 2.5). Thereafter, a further guidance note dated 5 May 2021 superseded the guidance note dated 28 May 2019 and paragraph 2.3 confirms that this guidance note should be used for adjusting debits on leaving or retirement whether the original election to use the scheme pays mechanism was before, on and after 1 April 2014.

Our query concerns what appears to be an anomaly in the treatment of a pre-1 April 2014 scheme pays offset (calculated using a guidance note dated before 28 May 2019), that is deducted from benefits brought into payment from 21 June 2019.

We understand that a scheme pays offset for a pre-1 April 2014 election remains calculated under the pre 28 May 2019 guidance and is based on a normal retirement date of age 65 (paragraph 2.4). From 21 June 2019 when the member's benefits are paid early or late, the pre 1 April 2014 scheme pays offset is adjusted in accordance with the guidance dated 28 May 2019 and now, the guidance dated 5 May 2021.

However, paragraph 2.20 which if the pension is not drawn at normal pension age then the pension offset will need to be adjusted. There is no reference to the normal retirement date of age 65 applicable to pre 1 April 2014 scheme pays offsets.

We assume this is a simplification in terminology and that any adjustment to a pre-1 April 2014 scheme pays offset upon payment of a member's benefits, should be with reference to the normal retirement date of age 65?

Application of a pension credit to the former partner of a pre-2014 leaver

[Guidance dated 5 May 2021]

Payment of a pre-2014 pension credit

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

The guidance mentions how pension credit benefits are actuarially reduced for late payment and how they increase with pensions increase from the Transfer day. The Secretariat believes it would be worth mentioning that the LGPS Regulations 1997 do not permit a pre-2014 pension credit member to defer payment of the pension credit beyond age 65?

GAD have confirmed that they will note this suggestion for the next review of the guidance.

Pension credit factors

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

We have noticed that the factor tables still refer to male and females, yet the factors are identical. The Secretariat feels that it would be better to label the factors as unisex to cover those individuals who identify as non-binary.

Following discussions with DLUHC GAD have agreed to leave the factor tables defined as male and female for the time being.

Application of a pension credit to the former partner of a post-2014 leaver

[Pension credit guidance dated 1 March 2019]

[Late retirement guidance dated 24 January 2024]

Deferring payment of a post-2014 pension credit

- Query identified on 23 January 2026

The relevant provision is regulation 30 of the LGPS Regulations 2013, specifically paragraphs 30(10) to (12), which govern payment of LGPS pension credits awarded under those regulations. Regulation 30(10) states:

“Subject to paragraph (11), a pension credit member who attains normal pension age is entitled to, and must take, immediate payment of a retirement pension deriving from the pension credit, without reduction, irrespective of whether that pension credit member is also an employee in local government service."

This wording does not explicitly address cases where the PSO effective date occurs after the credit member's SPA. Two possible interpretations arise:

1. regulation 30(10) doesn't apply as the person was not a credit member on their SPA
2. regulation 30(10) is first triggered in these cases when the person becomes a "pension credit member," which is the PSO effective date.

In our view, the second interpretation is the only reasonable one. Under interpretation 1, there would be no provision providing for the automatic unreduced payment of the pension credit benefits. We do however feel that regulation 30(10) could be clearer, so we have suggested a regulatory amendment. See our technical queries with MHCLG.

So, can the pension credit member defer payment beyond the PSO effective date?

Regulation 30(11) states:

"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."

We believe, the answer is yes. The pension credit member can elect to defer payment to any date after the benefits become automatically payable under 30(10) (which we interpret as the PSO effective date in this case) and before their 75th birthday.

However, both the pension credit GAD guidance and the late retirement GAD guidance is unclear on this point. We believe late retirement increases should be calculated from the PSO effective date to the chosen retirement date, not from NPA to retirement date. This is because the member's age at the PSO effective date was already factored into the calculation of the annual pension. We appreciate an update to the relevant guidance to reflect this understanding

Additionally, we also think the relevant guidance should make clear that no late retirement increases apply if the pension credit is put into payment under regulation 30(10) from the PSO effective date, where the PSO effective date is after NPA

Application of a pension debit for divorced members – Transfer date from 1 April 2014

Guidance dated 11 June 2020

Deduction of a pension debit where benefits are paid following redundancy dismissal

- Query first raised with DLUHC on 31 December 2021

There appears to be an anomaly between the application of a pension debit where the member is paid their benefits following a redundancy dismissal, depending on whether the pension debit is applied before or after 1 April 2014.

It is our understanding that when the pension debit is applied upon payment of the members benefits the pension debit and associated pension credit should be actuarially neutral. The initial pension debit would have assumed that the member would take payment of their benefits no earlier than the earliest date they could take payment without an actuarial reduction (or no earlier than age 60 where CRA falls before age 60). If the pension debit member takes payment of their benefits before that date, the pension debit should be subject to an actuarial reduction because the pension debit will be recovered over a longer period. This principle is reflected in paragraph 3.53 of the guidance titled 'Application of a pension debit for divorced members – Transfer date before 1 April 2014' dated 11 June 2020.

However, the approach seems to have changed where the transfer date is on or after 1 April 2014. Paragraph 4.11 of the guidance covering post 2014 pension debits states:

"Where a member retires in normal health below age 60 and has a CRA below 60 then the debit should be reduced as if the member's CRA had been 60 and not their actual CRA (i.e. should be reduced for the number of years between their retirement and reaching age 60). This applies regardless of whether the member has their employer's (or former employer's) consent to receive unreduced benefits before 60."

It appears that paragraph 4.11 does not cover the following cases:

- redundancy or efficiency retirements where, there is no actuarial reduction applied to the member's pension. Though, in line with the above principle it seems there should be an actuarial reduction applied to the pension debit because it will be recovered over a longer period of time than had originally been assumed when the pension credit was awarded

- where, for example, a member takes payment of their benefits at, let's say age 64, maybe with only post 14 benefits, and the employer waives the actuarial reduction in whole or in part. Again, in line with the above principle it seems there should be an actuarial reduction applied to the pension debit because the pension debit will be recovered over a longer period of time than had originally been assumed when the pension credit was awarded. We believe the reduction to the pension debit should be the same as would have been applied to the member's own benefits had the employer not waived any actuarial reduction, either in whole or in part.

Conversion of accumulated AVCs to transfer credits

Guidance dated 5 May 2021

How to treat a transfer credit for annual allowance purposes?

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

The Secretariat believes that the guidance should set out how a transfer credit is treated for annual allowance purposes for both:

- an active member who uses the AVC to purchase a service credit at/over age 50
- a member who buys a service credit when they retire.

Although GAD believes this is covered in the annual allowance note under TVIN credits, the Secretariat cannot find any evidence that this is the case in the Annual Allowance Charges: Calculation of Scheme Pays Offset dated 5 May 2021.

Query concerning factor table B

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

The members in factor table B will be pre 1 April 2008 leavers, therefore their normal retirement age must be age 65 at the latest. Therefore, early payment of pension on health grounds can only be permitted before age 65 at the very latest. So the factors for ages 65 to 74 and 11 months can never be used and could be omitted.

GAD have noted this change for the next review.

Factors for converting pension to lump sum

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

It is our understanding that the factors used under regulation 58 of the LGPS Regulations 1997 should be used in reverse for those members converting pension to lump sum under regulation 59. We believe this was based on guidance issued around 2002. The Secretariat understands there is a letter from DLUHC to the London Pension Fund Authority in 2013 confirming that this position continues, but that they will take further informal actuarial advice.

We therefore think it is worth adding something to this guidance to confirm that the factors apply in reverse for regulation 59 cases. Or if they do not, what should administrators do to obtain the factors for converting pension to lump sum under regulation 59?

GAD have confirmed that they have found correspondence from 2009 consistent with the wording of regulation 59 of the LGPS Regulation 1997 – ie terms for regulation 59 pension to lump sum are as set by fund actuaries. The 2002 guidance they have on file does not appear to mention regulation 59 and as responsibility for which factor should be used appears to rest at a local level propose to make no change at this review. Though GAD is happy to review further especially if more details on any previous guidance can be found.

Early Payment of Pension

[Guidance dated 5 May 2021]

Definition of critical retirement age

- Query first raised with DLUHC on 19 July 2021.

Where a member takes payment of their benefits before normal pension age regulation 30 (and equivalent predecessor regulations) they are reduced by the amount shown as appropriate in actuarial guidance issued by the Secretary of State. Appendix B in the [Early Payment of Pension guidance dated 29 March 2012] defines critical retirement age as the earliest of:

- the members pre 1 October 2006 normal retirement date (regulation 25 of the LGPS Regulations 1997 before its deletion by SI 2006/966 – applicable only to members of the scheme who had they left the scheme before 1 October 2006 would have been entitled to a protected normal retirement date under regulation 25)

- the earliest date at which the member would have satisfied the 85-year rule had they remained in service
- age 65

The reason regulation 25 was included within the definition of critical retirement age is because the definition of the 85-year rule varied from the definition of the pre 1 April 1998 normal retirement date. Meaning that some members could be worse off if they had to rely solely on the definition of the 85-year rule.

For some reason since 1 April 2014, the definition of critical retirement age, currently defined in paragraph C.7 of the extant guidance, has omitted reference to regulation 25.

The Secretariat requests that paragraph C.7 is revised to include reference to regulation 25 to ensure consistency and clarity.

Statutory underpin

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

Paragraph C.24 sets out a table showing at what date benefits may be drawn unreduced under the 2008 Scheme. However, the table is silent on the following:

- if a member is awarded a statutory underpin does this change the normal pension age of additional pension purchased or awarded under the 2013 scheme?
- do D1 benefits retain normal pension age of SPa (or age 65 if later) or does this change to 65?
- there may need to be a split of genuine post 2020 CARE benefits and CARE benefits treated as if they were post 2020 (transfers, APCs, Shared Cost APCs) so that the correct payable date can be attributed.
- is further detail required to state that only benefits built up to age 65 attract the lower normal pension age? ie any benefits built up after age 65 are not protected and retain a normal pension age of SPa (or age 65 if later).

GAD have noted our comments and expect to clarify once the McCloud remedy is more clearly understood.

Flexible Retirement

[Guidance dated 28 April 2016]

What death grant is paid if a member dies following flexible retirement? (former query 39)

- Query first raised with DLUHC on 11 December 2019.

The wording in the guide reflects the LGPS (Benefits, Membership and Contributions) Regulations 2008 concerning the payment of a death grant. It states that death grants in respect of active, deferred and pensioner memberships will all be paid. See paragraphs 3.14 and 3.19, and scenario 3.

In the next version of the guidance, wording and examples should reflect the LGPS Regulations 2013. A death grant related to active membership only is paid, unless the combined deferred and pensioner death grants are higher.

Individual Incoming and Outgoing Transfers

[Guidance dated 8 April 2020]

Guidance incorrectly states payment of a CETV for any benefits not paid upon flexible retirement (former query 8)

- Query first raised with DLUHC on 4 May 2016.

Paragraph 3.25 (and [in guidance dated 8 April 2016] paragraph 2.24) states:

> A member may be receiving pension benefits whilst still accruing further benefits, for example after “flexible retirement”. If such a member leaves service and requests a Club transfer, then the Club transfer should allow only for the deferred benefits to be transferred, not the benefits in payment. The latter are not transferred but remain in payment from the LGPS. GAD understands such a member is not normally entitled to an outwards CETV transfer. If a non-club CETV transfer is granted, then similarly the transfer should only allow for the deferred benefits. However in the event that a member requires a CETV for divorce purposes, the value of both the uncrystallised and crystallised benefits should be considered as set out in the guidance on Pensioners CE on divorce.

In Secretariat’s view, where the member has taken flexible retirement, thereafter, it is not possible for the member to elect for a transfer out of the LGPS (club or non-club).

Why is the automatic lump sum (pre 08 membership) not taken into account for a CETV where the member is over their CRA?

- Query first raised with GAD on 17 February 2022.

Why is the automatic lump sum (pre 08 membership) not taken into account for a CETV where the member is over their CRA. This applies equally to CEVs on divorce for active and deferred members. The automatic lump sum is included in Club CETVs (with a factor of 1) which in our view seems appropriate.

GAD response on 24 March 2022

> "Our 2020 guidance replaces both the previous 2016 and 2011 [pensioner CE/pension sharing] notes. We agree that in doing this we have unintentionally filtered out the treatment of retirement grants for active and deferred members entitled to immediate benefits. The previous and still correct approach was to state retirement grant required a factor of 1. The correct calculation approach is:
>
> 'Where an active or deferred member is entitled to immediate payment of benefits at the date of calculation, the divorce CETV should be calculated based on the formula for a pensioner cash equivalent online with paragraph 4.5 (assuming no commutation of pension for additional lump sum) and any accrued retirement grant is then added on to the calculated value using a factor of 1'.
>
> Moving forward, we are keen to discuss correcting the guidance."

Late Retirement

Guidance dated 5 May 2021

Application of pensions increase in relation to an active member

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

The Secretariat believes that paragraph 2.6 applies to:

- deferred members whose final pay period ends with the member's date of leaving
- members who retire from active status whose final pay period either ends with the member's date of leaving or an earlier period.

However, we do not believe it covers deferred members whose final pay period ends with a date before the member's date of leaving active membership.

Query concerning example two

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

The member in example two has no post 2008 final salary benefits and upon aggregation the benefits would have been converted to earned pension in the 2014 Scheme (because the member had a gap of more than five years membership).

GAD have acknowledged this inconsistency and will note for future consideration.

Limit on Additional Cash Commutation

Guidance dated 26 March 2014 amended up to July 2015

Use of AVC funds at retirement (former query 2)

- Query first raised with DLUHC on 7 August 2015.

Where a member buys an annuity with an additional voluntary contribution (AVC) excess (where the AVC cannot all be taken as tax free cash) outside of the Scheme, the value of the AVC fund that is used to purchase the annuity is not used in the calculation of the capital value of the LGPS benefits. This means it is impossible to determine how much tax free cash a member can take as the administering authority would need to know what the member wanted to do with the excess AVC fund before calculating the maximum lump sum.

Previous guidance referred to Type I and Type II cases in relation to AVCs. Type I being where the AVC taken at the same time as the main LGPS benefits is less than the difference between the maximum lump sum and the retirement grant from the main scheme LGPS and Type II where it was equal to or more than the difference. This was helpful and it would be useful if a version of this could be re-introduced in the current guidance. Issue linked to query 29 – see attached document for full details.

Formula used to calculate maximum tax-free cash (former query 27)

- Query first raised with DLUHC on 22 March 2017.

The guidance issued by GAD on 22 May 2006 provided an alternative formula for the maximum pension commencement lump sum (PCLS) formula ([LS + (P x 20)] /

4) because this formula causes problems as it is cyclical ie once you think you have the answer, you will realise that the answer is already wrong (as the components of the formula have changed whilst obtaining the answer - because it is the post-commutation pension that is relevant for the calculation).

The alternative methodology was carried forward into the Lifetime Allowance and Additional Cash Commutation guidance issued on 18 June 2008 but it was not included in the guidance issued on 1 March 2013 or the current guidance. Can you please confirm why the alternative formula was removed from the guidance from 2013 onwards and if funds should still be using the methodology, as set out in the guidance on 22 May 2006, in order to avoid paying lump sums in excess of 25 per cent of the capital value?

We note that a version of the alternative formula for maximum PCLS has remained in guidance for both Scotland and Northern Ireland – see attached document for full details.

Different treatment of pre and post 2014 AVC contracts (former query 29)

- Query first raised with DLUHC on May 2018.

Before 14 May 2018 the wording of regulation 33(2) of the LGPS Regulations 2013 allowed members to draw up to 25 per cent of the capital value of the main benefits as a lump sum and regulation 17 allows 100 per cent of the AVC pot to be drawn as a lump sum. So, technically, the member was able to draw in excess of 25 per cent of the overall value of their combined main scheme and AVC benefits. However, that would have meant allowing the member to take an unauthorised lump sum - something that, as a scheme, we should not permit.

Paragraphs 2.7 and 2.9 of the actuarial guidance reflect the wording of the regulations before they were corrected. The Secretariat has requested that:

a) the words "(but otherwise it is excluded, by virtue of regulation 33(2) of the 2013 Regulations)" be deleted from the end of paragraph 2.7
b) the words "and the AVC arrangements were entered into prior to 1 April 2014" be deleted from paragraph 2.9(a)
c) paragraph 2.9(b) be deleted.

Limit on Total Amount of Benefits – Lifetime Allowance

Guidance dated 14 April 2016

How should a lifetime allowance scheme pay deduction be apportioned across the different tranches of membership? (former query 20)

- Query first raised with DLUHC on 19 October 2016.

The guidance is silent on how a lifetime allowance (LTA) scheme pays deduction should be applied to a member's benefits.

This is different to the annual allowance guidance for scheme pays which specifically states in paragraphs:

> 1.17 In accordance with regulation 16 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 a pension offset determined on or after 1 April 2014 can apply to benefits earned prior to 1 April 2014.
>
> 2.7 The scheme pays offset will be initially based on the pension relating to the Post 1 April 2014 service (i.e. on the current tranche of benefits). Where at retirement, the post 2014 pension is insufficient to cover the pension offset then the balance of the offset should be initially applied to the pension earned between 1 April 2008 and 31 March 2014, with suitable adjustment for early or late payment by reference to the post-2014 normal pension age. If the offset cannot be met by the post-2008 benefits, then the case should be referred to MHCLG.

We are not sure if the LTA debit should be apportioned in the same way as instructed for the annual allowance scheme pays debit for several reasons:

- the LTA debit represents the tax charge that has arose as a result of the member's lifetime pension saving within the LGPS in that employment(s) thus at least in the short-term, that value can most likely be attributed to the final salary element of the pension
- the annual allowance scheme pays debit represents that tax charge that has built up over a single pension input period
- how the LTA debit is proportioned will affect how it is revalued going forward (ie if deducted from final salary in the first year of leaving it would receive a pro-rata pensions increase the following April – if deducted from CARE it will receive part year treasury order on 1 April and pro rata pensions increase thereafter).

We would, therefore, be grateful if you could advise how the LTA debit is deducted from LGPS benefits (ie CARE v final salary or a combination of both)? See attached document for full details.

Update from meeting held on 23 May 2017 – the Secretariat to suggest a pragmatic solution and advise GAD by July if guidance need updating. On 7 June 2017 the Secretariat confirmed to DLUHC and GAD that in their view the LTA debit should be split proportionately across the different tranches of benefits payable to the member. They await confirmation from both parties as to their agreement to this proposal. For example:

LTA debit: £1,500

Annual pension prior to debit:

- pre 2008 benefits: £20,000
- 2008 to 2014 benefits: £5,000
- post 2014 benefits: £5,000

Annual pension post debit:

- pre 2008 benefits: £20,000 less £1,000 = £19,000
- 2008 to 2014 benefits: £5,000 less £250 = £4,750
- post 2014 benefits: £5,000 less £250 = £4,750

Guidance makes no reference to restrictions on commuting GMP/Section 9(2B) rights when taking a LTA excess lump sum (former query 30)

- The first part of this query was originally included in bulletin 132 May 2015.

Paragraphs 2.20 and 2.22 of the guidance says that a member can commute pension above their available lifetime allowance for a lump sum. However, whilst that is permissible under the Finance Act 2004 it appears that, as the LGPS was formerly a contracted out scheme, it cannot allow commutation of pre 6 April 1997 guaranteed minimum pension (GMP) or post 5 April 1997 section 9(2B) rights for a LTA excess lump sum. This is because regulations 18 and 25 of the Occupational Pension Schemes (Schemes that were Contracted-out) (No 2) Regulations 2015 (SI 2015/1677) do not permit such rights to be commuted. At a meeting on 28 May 2015, GAD and MHCLG agreed to consider the above points, and, if appropriate, make changes to the guidance.

The guidance also needs updating to include the Finance Act 2016 that has now been enacted and introduced Fixed and Individual Protection 2016.

Update: On 18 July 2017 GAD confirmed that the options in the guidance are only available subject to overriding legislative requirements. When the guidance is next issued, the restrictions in regulations 18 and 25 of the Occupational Pension Schemes (Schemes that were Contracted-out) (No 2) Regulations 2015 will be made clearer.

The Secretariat has asked that the new guidance provides a method for funds to split benefits in order for funds to determine which portion of an individual's pension is available for commutation.

Pension Sharing following Divorce

Guidance dated 11 June 2020

Why is the automatic lump sum (pre 08 membership) not taken into account for a CEV for divorce purposes where the member is active or deferred but over their CRA?

- Query first raised with GAD on 17 February 2022.

Why is the automatic lump sum (pre 08 membership) not taken into account for a CEV for divorce purposes where the member is active or deferred but over their CRA. This applies equally to non-club CETVs. The automatic lump sum is included in Club CETVs (with a factor of 1) which in our view seems appropriate. We feel this is odd for the lump sum not to be included in the valuation of the benefits for divorce purposes but still be subject to the pension sharing order.

Background
An administering authority was asked to provide a CEV for divorce purposes for a deferred member who has passed their CRA. The member is male, left active membership of the Scheme on 1 April 2006, his date of birth is 26 October 1960 and his CRA is 26 October 2020. A query has been raised about whether the automatic lump sum should be taken account of in the calculation of the CEV, as it would be reduced by the appropriate percentage if a pension sharing order was issued.

First of all, we need to ascertain if the lump sum is taken into account. To do this we need to look at the GAD guidance for pension sharing following divorce (dated 11 June 2020) for the procedure. Section 5 deals with the calculation of CEV s for actives and deferred members:

Paragraphs 5.5 and 5.5.1 say that where the member could have voluntarily retired with immediate payment of unreduced benefits ie with no actuarial reduction on the calculation date, the divorce CEV is calculated as if the member had retired on the day immediately before the calculation date and was therefore in receipt of retirement benefits from the calculation date. It should be assumed that no pension is commuted for lump sum.

Paragraph 5.5.2 says the member is treated as if they were a pensioner member and the CEV should be calculated based on the formulae in section 4. The actual future date of the member's (planned) retirement in practice is of no relevance to this calculation.

If we look at section 4 and the corresponding factor table 301 we can see that the automatic lump sum that would be paid is not taken account of in the calculation.

GAD response on 24 March 2022

> "Our 2020 guidance replaces both the previous 2016 and 2011 [pensioner CE/pension sharing] notes. We agree that in doing this we have unintentionally filtered out the treatment of retirement grants for active and deferred members entitled to immediate benefits. The previous and still correct approach was to state retirement grant required a factor of 1. The correct calculation approach is:
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> 'Where an active or deferred member is entitled to immediate payment of benefits at the date of calculation, the divorce CETV should be calculated based on the formula for a pensioner cash equivalent online with paragraph 4.5 (assuming no commutation of pension for additional lump sum) and any accrued retirement grant is then added on to the calculated value using a factor of 1'.
>
> Moving forward, we are keen to discuss correcting the guidance."

Purchase of Additional Pension – Elections on and after 1 April 2014

Guidance dated 1 March 2019

How to determine the maximum additional pension an individual can purchase (former query 40)

- Query first raised with DLUHC on 3 June 2020.

Where a member has already purchased additional pension under regulation 16 of the LGPS Regulations 2013, and /or already purchased additional pension under regulation 14 of the LGPS (Benefits, membership and Contributions) Regulations 2007), it is unclear how to determine the maximum available for purchase.

This is because there is a fundamental difference between additional pension purchased by way of additional regular contributions under the 2008 Scheme and the additional pension limit under the 2014 Scheme. The latter is inflation proofed (regulation 16(6) of the LGPS Regulations 2013) whereas the earlier is not (regulation 14(1) of the LGPS (Benefits, membership and Contributions) Regulations 2007).

The Secretariat has requested GAD provide clarification.

Whether additional pension is reduced where a member is paid Tier 3 ill health benefits? (former query 41)

- Query first raised with DLUHC in March 2019.

Paragraphs 4.2 to 4.4 of the Post 14 APC guidance dated 1 March 2019 states:

> 4.2. A member who retires with an ill health Tier 1 or Tier 2 pension is treated as having paid all their contributions and an appropriate 'top up' adjustment is made to their active member's pension account in accordance with regulation 16(14) of the 2013 Regulations.
>
> 4.3 On early retirement (before normal pension age under the 2013 regulations), to allow for early payment, an actuarial reduction will apply to the additional pension purchased (or granted) under
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> a) regulation 16 or
>
> b) regulation 31 except where regulation 30(7)(b) applies i.e. the member is aged 55 or over and is dismissed by reason of redundancy or business efficiency, or whose employment is terminated by mutual consent on grounds of business efficiency
>
> 4.4 The additional pension, however, is payable without reduction if the member retires with a Tier 1 or Tier 2 ill health pension.

We agree with paragraph 4.2 i.e. that an additional pension contract (APC) contract is deemed to be fully paid for if the member retires with a Tier 1 or Tier 2 ill-health pension (but the member only gets credited with what they have paid for if they are retired with a Tier 3 ill-health pension). However, we disagree with the combination of paragraphs 4.3 and 4.4 in relation to a Tier 3 ill-health pension as they signify that the additional pension is payable without actuarial reduction if the member is awarded a Tier 1 or Tier 2 ill-health pension but the additional pension is subject to an actuarial reduction if the member is awarded a Tier 3 ill-health pension.

Regulation 39(3) of the LGPS Regulations 2013 does not allow for such an actuarial reduction to be applied as it states that Tier 3 benefits are the retirement pension that would be payable to the member if that member had reached normal pension age on the date the active member's employment was terminated. A retirement pension at normal pension age is not actuarially reduced.

We think paragraph 4.4 should state: The additional pension, however, is payable without reduction if the member retires with a Tier 1, Tier 2 or Tier 3 ill health pension (although paragraph 4.3 will apply if a Tier 3 pension is subsequently terminated and the member elects to bring it back into payment early).

Purchase of Additional Pension – Elections before1 April 2012

Guidance dated 5 May 2021

Query concerning the example

- Query first raised with DLUHC upon review of the guidance dated 5 May 2021 prior to publication by GAD.

A female member born in 1962 would have a normal pension age in the 2014 Scheme of later than age 65, yet the example quotes age 65. Although GAD have confirmed that the example is for illustration purposes only, the Secretariat does not believe that reference to normal pension age is needed and it should be removed or reflect an accurate date.

Use of Accumulated AVCs to buy Additional Pension (post 2014 contracts)

Guidance dated 14 April 2016

Should separate factors apply for pension credit members given that the current factors automatically provide for dependent benefits for which pension credit members do not qualify? (former query 33)

- Query first raised with DLUHC on 28 February 2019.

The guidance applies to pension credit members as well as to members in their own right. Given that the guidance provides for dependents' benefits to be provided automatically on the death of a member, should there be different factors for pension credit members, as no dependents' benefits are payable in respect of pension credit members?