



Government  
Actuary's  
Department

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

Early payment of pension

Factors and guidance

Date: 5 May 2021





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## 1 Introduction

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

### Implementation and review

- 1.5 The Secretary of State is required to consult with GAD before issuing actuarial guidance under the 2013 Regulations [Regulation 2(3) of the 2013 Regulations].
- 1.6 As part of this consultation the Ministry of Housing, Communities and Local Government (MHCLG) has asked GAD to recommend actuarial guidance in respect of the regulations detailed below. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.7 The factors provided in this Note have been prepared in light of our advice to the Ministry of Housing, Communities and Local Government dated 30 October 2018 and its instructions following that advice.



- 1.8 This guidance replaces the previous guidance dated 18 April 2016. 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.
- 1.9 The factors contained in this note are reproduced from the latest consolidated factors workbook as at the date of this note. As determined by MHCLG, the factors contained in this guidance apply from 8 January 2019. Factors in this note have been updated but the calculation methodology remains unchanged.
- 1.10 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Local Government Pension Scheme (England and Wales). Any questions concerning the application of the guidance should, in the first instance, be referred to MHCLG.
- 1.11 The factors contained in this guidance will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light.

#### **Legislative references**

- 1.12 The Secretary of State is required under the 2013 Regulations to issue actuarial guidance on the reduced benefits payable when a member, or pension credit member, aged 55 or over elects to receive their benefits before their normal pension age [Regulations 30(5), 30(6) and 30(12) of the 2013 Regulations].
- 1.13 The Secretary of State is also required under the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Scheme Transitional Regulations") (SI 2014/525) as amended to issue actuarial guidance on the payment of early retirement benefits for a member who was a member before 1 October 2006 and who reaches the age of 60 on or after 1 April 2016 and before 1 April 2020 [Paragraph 9(2) of Schedule 2 of the 2014 Scheme Transitional Regulations].
- 1.14 Where a person has been an active member of the 2014 Scheme (as defined in the 2014 Scheme Transitional Regulations), any benefits accrued before 1 April 2014 are subject to actuarial adjustment if they would have been subject to actuarial adjustment under the 2008 Scheme (as defined in the 2014 Scheme Transitional Regulations) [Regulation 3(5) of the 2014 Scheme Transitional Regulations]. This reduction is irrespective of whether a pension payable at the same time under the 2014 Scheme is subject to actuarial adjustment.



- 1.15 Where a person has not been a member of the 2014 scheme, benefits payable in respect of service before 1 April 2014 are payable in accordance with the Earlier Schemes [Regulation 3(8) of the 2014 Scheme Transitional Regulations]. This also applies to a member who has been an active member of the 2014 Scheme and has benefits under the Earlier Schemes which have not been aggregated with the benefits in the 2014 Scheme.
- 1.16 Further to paragraphs 1.14 and 1.15 above, the following provisions of the 2008 scheme relating to early payment of benefits have effect. Any reference to guidance issued by the Government Actuary in the Earlier Regulations is to be construed as a reference to actuarial guidance issued by the Secretary of State [Regulation 3(12) of the 2014 Scheme Transitional Regulations]
- 1.17 Under the Local Government Pension Scheme Regulations (Benefits, Membership and Contributions) 2007 ("the Benefits Regulations") (SI 2007/1166) as amended actuarial guidance issued by the Secretary of State is required to determine the appropriate amounts by which a member's retirement pension should be reduced in respect of early payment [Regulations 30(4) and 30A(4) of the Benefits Regulations].
- 1.18 Actuarial guidance issued by the Secretary of State is required to determine the reduction of additional pension in the 2008 scheme where it is taken earlier than normal retirement age (i.e. before age 65) [Regulation 14(3) of the Benefits Regulations].
- 1.19 Under the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 ("the 2008 Scheme Transitional Regulations") (SI 2008/238) actuarial guidance issued by the Secretary of State is required to calculate the retirement pension and grant of a member who was a member before 1 October 2006 and who reaches the age of 60 on or after 1 April 2016 and before 1 April 2020 [Paragraph 7(2) of Schedule 2 of the 2008 Scheme Transitional Regulations].
- 1.20 Any benefits accrued before 1 April 2008 are reduced in line with actuarial guidance issued by the Secretary of State where benefits become payable under Regulation 30 or 30A of the Benefits Regulations [Regulation 3(2)(b) of the 2008 Scheme Transitional Regulations].
- 1.21 Under the Local Government Pension Scheme Regulations 1997 ("the 1997 Regulations") (SI 1997/1612), a pension credit member who was awarded a pension credit as a result of a Pension Sharing Order with effective date before 1 April 2014 and elects to receive benefits before normal benefit age should have their benefits reduced in line with guidance issued by the Secretary of State [Regulation 154(4) the 1997 Regulations].



### **Third party reliance**

- 1.22 This guidance has been prepared for the use of MHCLG and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on MHCLG and the scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.23 When issued by the Secretary of State in accordance with paragraph 1.8 above, this note should be used as the actuarial guidance required under the regulations cited.
- 1.24 Other than MHCLG and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



## 2 Calculation of early retirement reduction

2.1 The early retirement factors are based on the number of years early that the benefits are taken, that is the period between the dates (i) and (ii) below:

- (i) is the effective date of the member's election under the relevant regulations; and
- (ii) is the date on which the member would be entitled to unreduced benefits.

2.2 Appendix B sets out the early retirement factors for use where the member is aged 55 or over. The table in Appendix B has separate columns for the reductions to be applied to the pensions of members (the rates are the same for males and females but separate columns with identical value are shown for consistency with earlier guidance notes) and for the reductions to be applied to automatic 3/80ths retirement grants.

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

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

2.5 The pension following early retirement is calculated as follows:

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

Where:

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

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

### **Date on which the member would be entitled to unreduced benefits**

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

2.8 The date on which the member who first joined the LGPS before 1 April 2014 would be entitled to unreduced benefits depends on a number of factors, including:

- whether they were a member prior to 1 October 2006,
- their date of birth,



- the time period over which service was accrued,
- the age at which they would have satisfied the 85 year rule,
- and the circumstances under which they are requesting early payment of pension.

Appendix C sets out details of the ages that should be used for different periods of service and different groups of members.

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

### **Taper reduction**

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

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

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

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

- 2.11 The reduction factor for pension if the rule of 85 applied ( $P_{CRA}$ ) is calculated by reference to the member's CRA (as defined in Appendix C). This is the age at which the member would be entitled to unreduced benefits under Paragraph 1 of Schedule 2 to the 2014 Scheme Transitional Regulations. Tapered reduction factors apply to some periods of service from 1 April 2008. This service takes place after the relevant date for the purpose of paragraph 1 of Schedule 2 to the Transitional Regulations. However the CRAs for the purpose of taper reduction should be calculated as if that service was before the relevant date.
- 2.12 The reduction factor for pension based on their Normal Retirement Age ( $P_{NRA}$ ) is calculated by reference to age 65 (i.e. the member's Normal Retirement Age in the 2008 scheme).





2.13 The interpolation factor ( $F_I$ ) is equal to the taper period divided by 4 years. The taper period is the number of years from 1 April 2016 to the later of:

- date on which the member would attain their CRA, or
- the day before the date of the member's 60th birthday.

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

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

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

2.15 The pension following early retirement is calculated as follows:

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

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

2.16 The retirement grant is calculated in a similar way.

#### **Early retirement before age 55**

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

#### **Statutory underpin**

2.18 Where an addition to a member's benefits applies as a result of the statutory underpin (Regulation 4(4) of The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ('the 2014 Scheme Transitional Regulations') (SI 2014/525)), reductions on early retirement may need to be calculated for different elements of the member's benefits and with reference to different ages than otherwise set out above. This is necessary to ensure that the member receives benefits at least as valuable as had they remained in the 2008 scheme after 1 April 2014.



2.19 MHCLG has confirmed that how such a member's post-2014 scheme benefits must be adjusted depends whether retirement is before, on or after 2008 scheme normal retirement age or age 65. The following tables sets out the required adjustments:

*Table 1: Adjustments applying to post-2014 scheme benefits where an addition applies as a result of the statutory underpin as set on in 2.18):*

	Retires before 2008 NRA	Retires at or after 2008 NRA up to and including age 65	Retires after 65
1. The addition to the member's benefits as a result of the statutory underpin (the amount described in Regulation 4(4) of the 2014 Scheme Transitional Regulations)	A	B	C
2. The member's post-2014 scheme benefits including the following elements: <ul style="list-style-type: none"> <li>• CARE benefits accrued up to the date the member reached their normal retirement age under the 2008 scheme.</li> <li>• Any of the member's post-2014 benefits which correspond to those included in the statutory underpin test described in Regulation 4(4-6) of the 2014 Scheme Transitional Regulations.</li> </ul>	A	B	C
3. The member's post-2014 scheme benefits not included in (2)	D	D	D

Where:

2008 NRA = The age at which benefits could be drawn unreduced under the 2008 Scheme. Please see paragraph C.24 for details of these ages except for members described by paragraph C.25 for whom age 60 should be used.

- A. Reduced for early payment by reference to 2008 NRA ;
- B. Unreduced;
- C. Increased for late payment using the latest guidance note *The Local Government Pension Scheme (England and Wales) Late retirement* but with reference to age 65;
- D. Reduced for early payment by reference to the NPA in the 2014 scheme.



- 2.20 The appropriate early retirement factors and methodology remain otherwise the same and are as contained in the consolidated factor workbook and the remainder of this guidance note respectively.
- 2.21 Benefits accrued prior to 1 April 2014 should be adjusted as set out elsewhere in this note.
- 2.22 A more detailed explanation of how the statutory underpin operates is set out in the latest Local Government Pension Committee Technical guide *LGPS England & Wales Scheme Administrator Guide: The Underpin* published on the [www.lgpsregs.org](http://www.lgpsregs.org) website.



### 3 Examples

#### Example 1

3.1 Female member who elects while in active service:

- Date of Birth: 2 October 1955
- Date of commencement of service: 1 April 2000
- Last day of employment 1 October 2019
- Effective date of election under Regulation 30(5) 2 October 2019
- Age at election 64.0000
- State Pension Age, or age 65 if higher (NPA) 66

3.2 The member falls into Group 1.

3.3 We proceed to calculate the member's CRA for Part A, B1 and B2 membership. At her early retirement date, she is aged 64 years exactly, and has 19y 184d of membership. She does not satisfy the rule of 85 at that date but would first satisfy the rule of 85 on her 65<sup>th</sup> birthday – so this is her CRA. The term for which the early retirement reductions should be applied is then 1.0000 year (65 years less 64 years).

3.4 For part C we determine the NPA, which is the State Pension Age, or age 65 if higher. In this example the NPA is 66 and therefore the term for which the early retirement reductions should be applied is 2.0000 years (66 years less 64 years).

3.5 Assume that the member's benefits before reduction are:

Pension:

Part A (up to 31 March 2008)	£2,000.00
Part B1 (1 April 2008 to 31 March 2014)	£2,000.00
Part B2 (1 April 2014 to 31 March 2016)	£816.33
<i>CRA 65 Pension</i>	<i>£4,816.33 pa</i>
Part C (1 April 2016 to 1 October 2019)	£1,430.25
<b>Total Pension</b>	<b>£6,246.58 pa</b>

Pre 2008 Retirement Grant = 3 x £2,000.00 = £6,000.00

The appropriate factors can be read from Table 1 in Appendix B:

- $P_{CRA}$  5.1%
- $RG_{CRA}$  2.3%
- $P_{66}$  9.9%



Her early retirement pension (*ERPension*) and retirement grant (*ERCash*) are calculated as follows:

*ERPension*

(Reduced CRA 65 benefits)	= £4,816.33 pa x (1 - 0.051)	= £4,570.70 pa
(Reduced NPA 66 benefits)	= £1,430.25 pa x (1 - 0.099)	= £1,288.66 pa
Total reduced benefits		= £5,859.36 pa

ERCash..... = £6,000.00 x (1 - 0.023) = £5,862.00



## Example 2

3.6 Male member who elects while in active service:

- Date of Birth: 20 September 1959
- Date of commencement of service: 1 April 1994
- Last day of employment 19 September 2019
- Effective date of election under Regulation 30(5) 20 September 2019
- Age at election 60.0000
- State Pension Age, or age 65 if higher (NPA): 66

3.7 The member falls into Group 2. He does not satisfy the 85 year rule at the date of his election for immediate retirement benefits. Therefore, he should suffer no reduction on his benefits earned by Part A Membership. However, he should suffer a tapered reduction in respect of his Parts B1, B2 and Part C Membership.

3.8 The term for which the reductions apply to pre-2008 membership (i.e. Part A Membership) is 0.0 years. The term for which the reductions apply to the Parts B and Part C is 5.0000 years (65 years less 60 years).

3.9 Assume that the member has accrued the following

Pension:

Part A (up to 31 March 2008)	£5,250.00
Part B1 (1 April 2008 to 31 March 2014)	£3,000.00
Part B2 (1 April 2014 to 31 March 2016)	£885.57
Part C (1 April 2016 to 19 September 2019)	£1,673.23
<b>Total Pension</b>	<b>£10,808.80 pa</b>

Pre 2008 Retirement Grant = 3 x £5,250.00 = £15,750.00

The appropriate factors can be read from Table 1 in Appendix B:

- $P_{CRA}$  0%
- $RG_{CRA}$  0%
- $P_{65}$  22.2%

The member will first satisfy the rule of 85 and be age 60 or over on 20 September 2019. The date of election is 20 September 2019. Both dates are the same, so his taper period is 3 years 172 days (i.e. the period between 1<sup>st</sup> April 2016 and 19<sup>th</sup> September 2019), and the taper interpolation factor is 3.4712 years divided by 4 years = 0.8678. Thus the Parts B and Part C tapered reduction factors are:

$$P_{\text{taper}} = 0.8678 \times P_{65} + (1 - 0.8678) \times P_{CRA} = 19.27\%$$



His early retirement pension (*ERPension*) and retirement grant (*ERCash*) are calculated as follows:

*ERPension*....

$$\begin{aligned} \text{(Reduced Part A benefits)} &= \text{£}5,250.00 \text{ pa} \times (1 - 0.00) = \text{£}5,250.00 \text{ pa} \\ \text{(Reduced Part B1 benefits)} &= \text{£}3,000.00 \text{ pa} \times (1 - 0.1927) = \text{£}2,421.90 \text{ pa} \\ \text{(Reduced Part B2 benefits)} &= \text{£}885.57 \text{ pa} \times (1 - 0.1927) = \text{£}714.92 \text{ pa} \\ \text{(Reduced Part C benefits)} &= \text{£}1,673.23 \text{ pa} \times (1 - 0.1927) = \text{£}1,350.80 \text{ pa} \\ &= \text{£}9,737.62 \text{ pa} \end{aligned}$$

$$\text{ERCash}..... \quad \text{£}15,750.00 \times (1 - 0.00) = \text{£}15,750.00$$



## Appendix A: Assumptions underlying factors

### Financial assumptions

Nominal discount rate	4.448%
CPI	2.00%
Real discount rate (in excess of CPI)	2.40%

### Mortality assumptions

Base mortality tables and adjustments	Member: 101% of S2NMA (M) and 92% of S2NFA (F) (as per 2016 valuation)
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

### Other assumptions

Proportion of male members for unisex factors	35%
Allowance for commutation	Nil





## Appendix B: Factors

**Table 1 (Consolidated factor spreadsheet table number 401):**

**Early payment of pension benefits - factors to use after age 55**

Years Early	Pension Reduction (%)		Retirement Grant Reduction (%)
	Males	Females	All Members
0	0.0%	0.0%	0.0%
1	5.1%	5.1%	2.3%
2	9.9%	9.9%	4.6%
3	14.3%	14.3%	6.9%
4	18.4%	18.4%	9.1%
5	22.2%	22.2%	11.2%
6	25.7%	25.7%	13.3%
7	29.0%	29.0%	15.3%
8	32.1%	32.1%	17.3%
9	35.0%	35.0%	19.2%
10	37.7%	37.7%	21.1%
11	41.6%	41.6%	N/A
12	44.0%	44.0%	N/A
13	46.3%	46.3%	N/A

Notes:

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



## Appendix C: Transitional provisions

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

### **Age at which a member is entitled to unreduced benefits**

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



C.6 The age at which a member is entitled to unreduced benefits for each combination of member group and service part are given below.

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

Where:

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

### **Critical Retirement Age**

C.7 The member's Critical Retirement Age is the earliest at which they would have satisfied the 85 year rule for the purposes of Schedule 2 of the 2014 Scheme Transitional Regulations, subject to the limits set out in paragraphs C.9 and C.10 below.

C.8 Note that in the case of a person who was a member of the 1995 Scheme immediately before 1st April 1998, any qualifying period counted by virtue of Regulation 123 of the 1997 Regulations (rights as to service not matched by credited period) which was awarded before 1st April 2008 is included in the rule of 85 calculation.

C.9 A member's Critical Retirement Age cannot be greater than age 65.

C.10 For members requesting to receive immediate payment of retirement benefits under regulation 30(5) (retirement benefits: early retirement) of the 2013 Regulations, or regulations 30(1) (choice of early pension) or 30A (choice of payment of pension: pensioner member with deferred benefits) of the Benefits Regulations, the Critical Retirement Age cannot be less than age 60 unless the member's Scheme employer agree that it should be [Paragraph 1(c) of Schedule 2 of the 2014 Scheme Transitional Regulations].



C.11 Note that the limit in paragraph C.10 above does not apply to a member aged under 60 who requests to receive immediate payment of retirement benefits under regulation 30(6) (retirement benefits: flexible retirement) of the 2013 Regulations; however under these regulations employer consent is required. In consequence, a member may have different Critical Retirement Ages depending on the circumstances under which they are requesting early payment of pension. For example, a Group 1 member retiring at age 55 who would have first satisfied the 85-year rule at age 57 would have:

- Critical Retirement Age 57, if requesting to receive immediate payment of retirement benefits under regulation 30(6) (retirement benefits: flexible retirement) of the 2013 Regulations, but
- Critical Retirement Age 60, if requesting to receive immediate payment of retirement benefits under regulation 30(5) (retirement benefits: early retirement) of the 2013 Regulations and the member's Scheme employer has not agreed that CRA should be less than 60 (i.e. Paragraph 1(4) of Schedule 2 of the 2014 Scheme Transitional Regulations applies)

### **Benefits not related to a period of actual service**

#### ***Transferred in benefits***

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



***Added Years***

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

***Added Pension***

- C.18 Added pension credited under Regulation 16 or awarded under Regulation 31 of the 2013 Regulations for contributions from 1 April 2014 should be treated as Part D1 membership.
- C.19 Added pension awarded under Regulation 10(3) or 10(6) of the 2014 Scheme Transitional Regulations should be treated as Part D1 membership.
- C.20 Added pension credited under Regulation 23 of the 2008 Administration Regulations (including added pension credited in respect of the preservation of Regulation 23 of the 2008 Administration Regulations by Regulation 15 of the 2014 Scheme Transitional Regulations) should be treated as Part D2 membership.
- C.21 Additional pension awarded by the employer under regulation 13 of the Benefits Regulations should be treated as Part D2 membership.

***Pension Credit Members***

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



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

C.24 The following table shows the ages at which benefits could be drawn unreduced under the 2008 scheme, using the same definitions as paragraphs C.4 and C.5 above. It should be used only in cases where the statutory underpin applies (see paragraphs 2.18 to 2.23).

	<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>	<b>Group 4</b>
Part A	CRA	CRA	CRA	65
Part B1	CRA	Taper	65	65
Part B2	CRA	Taper	65	65
Part C	65	Taper	65	65
Part D1	65	65	65	65
Part D2	65	65	65	65

**Learning Skills Council and Environment Agency**

C.25 Members to whom Regulation 16A (Normal retirement age: staff of the Learning and Skills Council for England) of the Benefits Regulations or Regulation 15 (Civil servants transferred to the Environment Agency) of the 2008 Scheme Transitional Regulations applies are entitled under the 2014 Scheme Transitional Regulations to unreduced benefits from the following ages:

- For service before 1 April 2014: Age 60
- For service on or after 1 April 2014: State Pension Age, or if higher, age 65.

C.26 The 85 year rule does not apply to such members.



## Appendix D: Limitations

- D.1 This guidance should not be used for any purpose other than those set out in this guidance.
- D.2 The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- D.3 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- D.4 This guidance only covers the actuarial principles around the calculation and application of early retirement factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- D.5 Scheme managers and administrators should satisfy themselves that early retirement calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- D.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 MHCLG and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.