

**POLICE PENSION SCHEME
05/2015**

WHO SHOULD READ: The Chief Constable of Police Scotland
ACTION: Information relating to new pension commutation guidance affecting members of the 1987 scheme.
SUBJECT: Police Pension Scheme 1987 Commutation Factors

The purpose of this circular is to:

- Advise on the introduction of revised factors prepared by the Government Actuary for the purpose of calculating lump sums payable to retiring members under regulation B7 of the Police Pension Regulations 1987. These factors should be applied to retiring members with immediate effect.

This circular advises stakeholders about the revised commutation factors prepared by the Government Actuary's Department (GAD) for the purpose of calculating the lump sum payable to individuals who commute part of their police pension under Regulation B7 of the Police Pension Regulations 1987. The revised factors can be found in Annex A. These factors only apply to the PPS and not the 2006 scheme

Background

GAD previously issued factors in April 2011 (updated in May 2012) which have been applied since that date for all commuted lump sums. The Public Service Pensions Act 2013 requires that schemes undertake a regular valuation. The valuation of the Police schemes in Scotland based on data as at 31 March 2012 concluded recently. As part of the valuation process, GAD also undertakes a review of actuarial factors used by the schemes. Previous commutation factors have been based solely on data from the scheme in England and Wales as suitable Scottish-specific data has not been available. However, more detailed and robust Scottish data was available for the 2012 valuation. These data show heavier rates of mortality for normal health pensioners in the scheme in Scotland compared to the rates in England and Wales.

As a consequence, higher mortality rates will deliver lower factors and therefore lower lump sums for police officers in the Police Pension Scheme (PPS) in Scotland when compared to England and Wales. Regulation B7 requires that commuted lump sums must be the actuarial equivalent of the pension given up and this is provided by the GAD factors. .

Scottish Ministers have considered the impact of recent reforms in the round and the principle of protection. They have decided that a form of protection should be provided to those members who are closest to retirement. Therefore an amendment will be made to the scheme regulations that ensures that the higher of either the England and Wales or Scottish factors is applied to commuted lump sums up to and including 31 March 2022. For lump sums commuted for retirements after 31 March 2022 the Scottish factors will be applied regardless of whether they are lower than the counterpart factors in England and Wales. This protection will continue to meet the requirements of the scheme regulations to

provide a lump sum which is the actuarial equivalent of the pension given up.

The next valuation of the scheme will be undertaken based on scheme data as at 31 March 2016 and the factors will be subject to regular review by GAD.

Action required

The rates attached to this circular are those introduced in England and Wales and should be applied for commuted lump sums at retirement **with immediate effect**. This follows the same practice where revised factors have been introduced in the past. The key difference to the current rates relates to a reduction in lump sums for those officers aged under 48 and 6 months.

The attached commutation factors were issued on 21 May 2014 and the regulations to reflect the above protection will have retrospective effect from that date. SPPA will review all lump sums paid from that date though the amount of lump sums already paid to retired police officers will not be affected. Those retiring officers who have already received a lump sum quote but have not yet retired will receive a revised quote based on the new factors.

Iain Coltman
Policy Manager
31 March 2015

Contact Information:

Should you have any enquiries about this circular, or require further information, please contact:

Iain.Coltman@scotland.gsi.gov.uk

Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
GALASHIELS
TD1 3TE

www.sppa.gov.uk
Telephone: 01896 893000
Fax: 01896 893214

ANNEX A

Table 1 – Factors for commutation of pension to lump sum

Males and Females

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
Below 48	22.40											
48	22.40	22.40	22.40	22.40	22.40	22.40	22.40	22.38	22.37	22.35	22.33	22.32
49	22.30	22.28	22.27	22.25	22.23	22.22	22.20	22.18	22.17	22.15	22.13	22.12
50	22.10	22.08	22.05	22.03	22.00	21.98	21.95	21.93	21.90	21.88	21.85	21.83
51	21.80	21.78	21.75	21.73	21.70	21.68	21.65	21.63	21.60	21.58	21.55	21.53
52	21.50	21.48	21.45	21.43	21.40	21.38	21.35	21.33	21.30	21.28	21.25	21.23
53	21.20	21.18	21.15	21.13	21.10	21.08	21.05	21.03	21.00	20.98	20.95	20.93
54	20.90	20.87	20.83	20.80	20.77	20.73	20.70	20.67	20.63	20.60	20.57	20.53
55	20.50	20.48	20.45	20.43	20.40	20.38	20.35	20.33	20.30	20.28	20.25	20.23
56	20.20	20.17	20.13	20.10	20.07	20.03	20.00	19.97	19.93	19.90	19.87	19.83
57	19.80	19.77	19.73	19.70	19.67	19.63	19.60	19.57	19.53	19.50	19.47	19.43
58	19.40	19.37	19.33	19.30	19.27	19.23	19.20	19.17	19.13	19.10	19.07	19.03
59	19.00	18.97	18.93	18.90	18.87	18.83	18.80	18.77	18.73	18.70	18.67	18.63
60	18.60	18.57	18.53	18.50	18.47	18.43	18.40	18.37	18.33	18.30	18.27	18.23
61	18.20	18.16	18.12	18.08	18.03	17.99	17.95	17.91	17.87	17.83	17.78	17.74
62	17.70	17.67	17.63	17.60	17.57	17.53	17.50	17.47	17.43	17.40	17.37	17.33
63	17.30	17.26	17.22	17.18	17.13	17.09	17.05	17.01	16.97	16.93	16.88	16.84
64	16.80	16.77	16.73	16.70	16.67	16.63	16.60	16.57	16.53	16.50	16.47	16.43
65	16.40											

Table 2 – Additional factors in respect of accrued pension increases for use in commutation before age 55 after a break since leaving pensionable service

Males and Females

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
Below 48	13.30											
48	13.30	13.30	13.30	13.30	13.30	13.30	16.58	16.66	16.74	16.82	16.90	16.98
49	17.10	17.14	17.18	17.22	17.26	17.30	17.34	17.38	17.42	17.46	17.50	17.54
50	17.60	17.65	17.70	17.75	17.80	17.85	17.90	17.95	18.00	18.05	18.10	18.15
51	18.20	18.24	18.28	18.32	18.36	18.40	18.44	18.48	18.52	18.56	18.60	18.64
52	18.70	18.75	18.80	18.85	18.90	18.95	19.00	19.05	19.10	19.15	19.20	19.25
53	19.30	19.35	19.40	19.45	19.50	19.55	19.60	19.65	19.70	19.75	19.80	19.85
54	19.90	19.95	20.00	20.05	20.10	20.15	20.20	20.25	20.30	20.35	20.40	20.45

Table 3 – Timing adjustment factors for use in commutation before age 55 after a break since leaving pensionable service

Males and Females

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
Below 48	0.575											
48	0.575	0.575	0.575	0.575	0.575	0.575	0.728	0.731	0.734	0.737	0.740	0.743
49	0.746	0.749	0.752	0.755	0.758	0.762	0.765	0.768	0.771	0.774	0.777	0.780
50	0.784	0.787	0.790	0.793	0.796	0.800	0.803	0.806	0.809	0.813	0.816	0.819
51	0.823	0.826	0.829	0.833	0.836	0.840	0.843	0.846	0.850	0.853	0.857	0.860
52	0.864	0.867	0.871	0.874	0.878	0.882	0.885	0.889	0.892	0.896	0.900	0.903
53	0.907	0.911	0.914	0.918	0.922	0.926	0.929	0.933	0.937	0.941	0.945	0.949
54	0.952	0.956	0.960	0.964	0.968	0.972	0.976	0.980	0.984	0.988	0.992	0.996