sppa
SCOTTISH PUBLIC PENSIONS AGENCY

To:

The Secretary General, Convention of Scottish Local Authorities

The Directors of Education, Directors of Finance & Human Resource Managers, Scottish Local Authorities

Principals of Further and Higher Education Institutions

Independent Schools

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Dear Sir or Madam

SUPERANNUATION (TEACHERS) CIRCULAR No 2007/7
NEW ACTUARIAL FACTORS FOR EARLY RETIREMENT

The purpose of this circular is to inform teachers, their employers and representatives, and other interested parties that as part of the pension reforms, actuarial factors have been prepared by the Government Actuary's Department for use in premature retirement and the calculation of actuarially reduced benefits for NPA 65 members. As there is no automatic lump sum for NPA 65 members, only one set of factors is required.

We have also accepted the Government Actuary's Department's recommendation that we move to a single set of factors, applying to both pension and lump sums, for NPA 60 members. The factors are attached at Annex A. Examples of pre and post 1 October 2007 Actuarially Reduced (ARB) retirement and premature retirement calculations are attached at Annex B.

We have implemented these factors retrospectively with effect from 1 October 2007. Any awards of retirement benefits already processed will be revised as soon as possible. If you have any questions about these factors please contact me.

Yours faithfully

Christine Marr
Policy Manager, STSS

Scottish Teachers' Superannuation Scheme

Early Retirement Factors from 1 October 2007
(prepared by the Government Actuary's Department for SPPA)

Pension Factors for NPA 65 members

Complete months

	0	1	2	3	4	5	6	7	8	9	10	11
55	0.582	0.585	0.587	0.590	0.592	0.595	0.597	0.600	0.602	0.605	0.607	0.610
56	0.612	0.615	0.617	0.620	0.623	0.625	0.628	0.631	0.633	0.636	0.639	0.641
57	0.644	0.647	0.650	0.653	0.655	0.658	0.661	0.664	0.667	0.670	0.672	0.675
58	0.678	0.681	0.684	0.687	0.690	0.693	0.696	0.699	0.702	0.705	0.708	0.711
59	0.714	0.717	0.721	0.724	0.727	0.730	0.734	0.737	0.740	0.743	0.747	0.750
60	0.753	0.757	0.760	0.764	0.767	0.771	0.774	0.778	0.781	0.785	0.788	0.792
61	0.795	0.799	0.803	0.807	0.810	0.814	0.818	0.822	0.826	0.830	0.833	0.837
62	0.841	0.845	0.849	0.853	0.857	0.861	0.866	0.870	0.874	0.878	0.882	0.886
63	0.890	0.894	0.899	0.903	0.908	0.912	0.917	0.921	0.925	0.930	0.934	0.939
64	0.943	0.948	0.953	0.957	0.962	0.967	0.972	0.976	0.981	0.986	0.991	0.995

Pension and Lump Sum Factors for NPA 60 members

Complete months

	0	1	2	3	4	5	6	7	8	9	10	11
50	0.617	0.619	0.621	0.624	0.626	0.628	0.630	0.632	0.634	0.637	0.639	0.641
51	0.643	0.645	0.648	0.650	0.653	0.655	0.658	0.660	0.662	0.665	0.667	0.670
52	0.672	0.675	0.677	0.680	0.682	0.685	0.688	0.690	0.693	0.695	0.698	0.700
53	0.703	0.706	0.709	0.712	0.714	0.717	0.720	0.723	0.726	0.729	0.731	0.734
54	0.737	0.740	0.743	0.746	0.749	0.752	0.755	0.758	0.761	0.764	0.767	0.770
55	0.773	0.776	0.780	0.783	0.786	0.790	0.793	0.796	0.800	0.803	0.806	0.810
56	0.813	0.817	0.820	0.824	0.827	0.831	0.834	0.838	0.841	0.845	0.848	0.852
57	0.855	0.859	0.863	0.866	0.870	0.874	0.878	0.881	0.885	0.889	0.893	0.896
58	0.900	0.904	0.908	0.912	0.916	0.920	0.924	0.928	0.932	0.936	0.940	0.944
59	0.948	0.952	0.957	0.961	0.965	0.970	0.974	0.978	0.983	0.987	0.991	0.996

Example Calculations of Early Retirement – Normal Pension Age (NPA) 60

The following 4 examples are based on a member aged 57 years and 6 months who has reckonable service of 25 years and a pensionable salary of £30,000.

Example 1:   Actuarially Reduced (ARB) Retirement payable before 1 October 2007

Annual Pension: 25.0000 x 30000 x 1/80   =   £9375.00

Lump Sum   25.0000 x 30000 x 3/80   =   £28125.00

The pension and lump sum above are subject to actuarial reduction and the relevant factors, at the above age, are 0.859 for pension and 0.918 for lump sum.

Reduced Pension and Lump Sum

£9375.00   x   0.859   = £8053.12
£28125.00   x   0.918   =£25818.75

Example 2:   Actuarially Reduced (ARB) Retirement payable on or after 1 October 2007

Annual Pension   25.0000 x 30000 x 1/80   =   £9375.00

Lump Sum   25.0000 x 30000 x 3/80   =   £28125.00

The pension and lump sum above are subject to actuarial reduction and the relevant factos, at the above age, is 0.878 for both pension and lump sum.

Reduced Pension and Lump Sum

£9375.00   x   0.878   = £8231.25
£28125.00   x   0.878   = £24693.75

Example 3:   Premature Retirement payable before 1 October 2007

Annual Pension   25.0000 x 30000 x 1/80   =   £9375.00

Lump Sum   25.0000 x 30000 x 3/80   =   £28125.00

The member will receive the full amount of pension and lump sum above but the employer is responsible for part of the payments. The employer's share is called the mandatory compensation. The actuarial factors to determine STSS share and the employer share are 0.859 for pension and 0.918 for lump sum.

STSS and employer share calculation

£9375.00 x 0.859   = £8053.12 (STSS share of pension): employer pays remaining £1321.88

£28125.00 x 0.918   = £25818.75 (STSS share of lump sum): employer pays remaining £2306.25

Example 4: Premature Retirement payable after 1 October 2007

Annual Pension   25.0000 x 30000 x 1/80   =   £9375.00

Lump Sum   25.0000 x 30000 x 3/80   =   £28125.00

The member will receive the full amount of pension and lump sum above but the employer is responsible for part of the payments. The employer's share is called the mandatory compensation. The actuarial factor to determine the STSS share and the employer share is 0.878 for both pension and lump sum.

STSS and employer share calculation

£9375.00 x 0.878   = £8231.25 (STSS share of pension): employer pays remaining £1143.75

£28125.00 x 0.878   = £24693.75 (STSS share of lump sum): employer pays remaining £3431.25