



# Government Actuary's Department

## **Local Government Pension Scheme (Scotland)**

**Addendum: Annual Allowance Charges Calculation of Scheme Pays  
Offset (elections on and after 1 April 2015)**

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## 1 Introduction

- 1.1 The Scottish Ministers are required to issue actuarial guidance in respect of the Local Government Pension Scheme ('the Scheme', or 'LGPS') on the reduction of a member's pension rights following an election for an Annual Allowance charge to be met by the Scheme.
- 1.2 This addendum updates some of the factors in the note "Annual Allowance Charges Calculation of Scheme Pays Offset (elections on and after 1 April 2015)" dated 26 February 2015. The addendum should be read in conjunction with the note dated 26 February 2015.
- 1.3 A separate note "Annual Allowance Charges Calculation of Scheme Pays Offset (elections prior to 1 April 2015)" dated 25 February 2015" relates to elections prior to 1 April 2015.
- 1.4 The remainder of this introduction contains:
  - > details of the implementation and future review of this guidance, and
  - > statements about third party reliance and liability
- 1.5 Appendix A sets out updated factors that replace Table A1 in the note dated 26 February 2015. The other factors in the note dated 26 February 2015 are unchanged.

### Implementation and Review

- 1.6 The Scottish Ministers are required to consult the Scheme Actuary before issuing actuarial guidance under the 2014 Regulations [Regulation 2(3) of the 2014 Regulations].
- 1.7 As part of this consultation the Scottish Public Pensions Agency (SPPA) has asked GAD, as Scheme Actuary, to recommend actuarial guidance in respect of the regulations detailed above. This document is to be read in conjunction with the note dated 26 February 2015, and, together with that note, forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.8 This note has effect only when this guidance is issued by the Scottish Ministers in accordance with Regulation 2(3) of the 2014 Regulations, and is subject to the implementation instructions provided at that time. SPPA has informed GAD that this guidance will come into force with effect from 16 March 2016.
- 1.9 This guidance relates only to Scheme pays elections made on and after 1 April 2015,
- 1.10 The guidance dated 26 February 2015 provides the relevant legislative references.



- 1.11 The important notes set out in Appendix B of the 26 February 2015 guidance apply to this guidance as well.
- 1.12 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. Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.
- 1.13 The factors contained in this note will be reviewed periodically. This will depend on external circumstances, for example when the LGPS cash equivalent transfer value basis is reviewed; 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 SPPA 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, together with the note of 26 February;
  - > 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 Scottish Ministers in accordance with paragraph 1.7 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 Examples

- 2.1 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: Factors

**Table A1: Scheme pays factors based on normal pension age of 65**

<i>Age last birthday at relevant date</i>	<i>Male Factor</i>	<i>Female Factor</i>
16	4.81	5.08
17	4.94	5.21
18	5.06	5.34
19	5.19	5.48
20	5.32	5.61
21	5.45	5.75
22	5.59	5.91
23	5.74	6.05
24	5.88	6.21
25	6.02	6.36
26	6.17	6.52
27	6.33	6.70
28	6.49	6.87
29	6.65	7.04
30	6.82	7.22
31	6.99	7.40
32	7.17	7.59
33	7.35	7.77
34	7.53	7.97
35	7.72	8.18
36	7.92	8.39
37	8.12	8.61
38	8.33	8.82
39	8.54	9.05
40	8.76	9.29
41	8.99	9.52
42	9.22	9.78
43	9.45	10.02
44	9.70	10.28
45	9.95	10.56
46	10.21	10.83
47	10.47	11.11
48	10.74	11.40
49	11.02	11.70
50	11.30	12.01
51	11.61	12.33
52	11.91	12.66
53	12.22	13.00
54	12.55	13.35
55	12.89	13.72
56	13.24	14.10
57	13.60	14.49
58	13.98	14.90
59	14.38	15.32
60	14.79	15.77
61	15.23	16.23
62	15.68	16.69
63	16.16	17.18
64	16.66	17.70



**Notes:**

1. The offset applies only to the member's pension. Dependants' benefits are not affected.
2. The offset is equal to the tax charge divided by the appropriate factor.