



Government Actuary's Department

Local Government Pension Scheme (Scotland)

Early Payment of Pension

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1 Introduction

- 1.1 The Scottish Ministers are required under the Local Government Pension Scheme (Scotland) Regulations 2014 ('the 2014 Regulations') (SSI 2014/164), to issue actuarial guidance on the reduction in benefits for 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 2015, including members who left active service before 1 April 2015. It also applies to Councillor members. Full details of the legislative references are discussed below.
- 1.3 The remainder of this introduction contains:
- > details of the implementation and future review of this guidance,
 - > 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
 - > Appendix A contains the table of factors with notes
 - > Appendix B discusses transitional provisions
 - > Appendices C and D quote the relevant statutory references
 - > Appendix E sets out some important limitations
- 1.5 The Government Actuary's Department (GAD) seeks to achieve a high standard in all our work. Please go to our [website](#)¹ for details of the standards we apply.

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 below. This document 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.

¹ <https://www.gov.uk/government/organisations/government-actuaries-department/about/terms-of-reference>



- 1.9 When issued, this guidance will replace the previous guidance dated 28 March 2012, together with addendum dated 11 March 2014, but uses the same assumptions on which that addendum was based.
- 1.10 This guidance has been written for pension administrators and assumes some knowledge of general pensions 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.
- 1.11 GAD recommends that guidance and factors should be reviewed periodically, depending on external circumstances, for example 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

- 1.12 This note has been prepared for the 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;
 - > the advice is not quoted selectively or partially; and
 - > GAD is identified as the source of the note.
- 1.13 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

- 1.14 When issued by the Scottish Ministers in accordance with paragraph 1.8 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 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 A sets out the early retirement factors for use where the member is aged 55 or over. The table in Appendix A has separate columns for the reductions to be applied to the pensions of male and female members – and a third column 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 A (expressed in decimal form) depending on the gender of the member and the number of years early the pension is taken. The retirement grant is calculated in a similar way.

2.6 SPPA 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 2015 are entitled to unreduced benefits from their State Pension Age, or if higher, age 65. SPPA 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 2015 would be entitled to unreduced benefits depends on a number of factors, including: whether they were a member prior to 1 December 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 B 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.

Early retirement before age 55

- 2.10 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 SPPA, for onward transmission to GAD.

Statutory underpin

- 2.11 SPPA has confirmed that, 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) (Scotland) Regulations 2014 (SSI 2014 / 233) ('the 2015 Scheme Transitional Regulations')), and the member's benefits are taken before the 2009 Scheme normal retirement age, with the exceptions noted in paragraph 2.12, all of the member's benefits accrued up to normal retirement age in the 2009 Scheme, whether accrued before or after 1 April 2015, including the addition due to the statutory underpin, are subject to an adjustment for early payment by reference to the age at which benefits could be drawn unreduced under the 2009 Scheme. Please see paragraph B.24 (in Appendix B) for the details of these ages. The appropriate early retirement factors and methodology remain otherwise the same and are as contained in the remainder of this guidance note.
- 2.12 Any early retirement reduction relating to benefits excluded from the underpin calculation by Regulations 4(5) and 4(6) of the 2015 Scheme Transitional Regulations is calculated by reference to the member's Normal Pension Age.



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 1994
- Last day of employment 1 October 2016
- Effective date of election under Regulation 29(5) 2 October 2016
- Age at election 61.0000

3.2 The member falls into Group 1. We proceed to calculate the member's CRA. At her early retirement date, she is aged 61 years exactly, and has 22y 184d of membership. She does not satisfy the rule of 85 at that date but would first satisfy the rule of 85 on her 62nd birthday – so this is her CRA (which in this case applies for all her service). The term for which the early retirement reductions should be applied is then 1.0000 year (62 years less 61 years).

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

Pension:

Part A (up to 31 March 2008)	£3,500.00
Part B (1 April 2008 to 31 March 2009)	£250.00
Part C1 (1 April 2009 to 31 March 2015)	£2,000.00
Part C2 (1 April 2015 to 1 October 2016)	£611.88
Total Pension	£6,361.88 pa

Pre 2008 Retirement Grant = 3 x £3,500.00 = £10,500.00

2008 to 2009 Retirement Grant = 3 x £250.00 = £750.00

Total Retirement Grant £11,250.00

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

- P_{CRA} 6%
- R_{GCRA} 3%

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

ERPension....£6,361.88 pa x (1 - 0.06) = £5,980.17 pa

ERCash.....£11,250.00 x (1 - 0.03) = £10,912.50



Example 2

3.4 Male member who elects while in active service:

- Date of Birth: 20 September 1961
- Date of commencement of service: 1 April 1996
- Last day of employment 19 September 2021
- Effective date of election under Regulation 29(5) 20 September 2021
- Age at election 60.0000
- State Pension Age, or age 65 if higher (NPA): 67 (illustrative)

3.5 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, there should be no reduction on his benefits earned by Part A Membership. However, there should be a reduction in respect of his Parts B, C1, C2 and D1 Membership.

3.6 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 Part B and Part C1 is 5.0000 years (65 years less 60 years). The term for which the reductions apply to Parts C2 and D1 is 7.0000 years (67 years less 60 years).

3.7 Assume that the member has accrued the following

Pension:

Part A (up to 31 March 2008)	£4,500.00 pa
Part B (1 April 2008 to 31 March 2009)	£375.00 pa
Part C1 (1 April 2009 to 31 March 2015)	£3,000.00 pa
Part C2 (1 April 2015 to 31 March 2020)	£2,029.59 pa
Part D1 (1 April 2020 to 19 September 2021)	£692.75 pa
Total Pension	£10,597.34 pa

Pre 2008 Retirement Grant = 3 x £4,500.00 = £13,500.00

2008 to 2009 Retirement Grant = 3 x £375.00 = £1,125.00

Total Retirement Grant £14,625.00

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

- P_{CRA} 0%
- RG_{CRA} 0%
- P_{65} 25%
- RG_{65} 14%
- P_{67} 33%



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

$$\begin{aligned} \text{ERPension} & \dots \text{£}4,500.00 \text{ pa} \times (1 - 0.00) \\ & \quad + \text{£}375.00 \text{ pa} \times (1 - 0.25) \\ & \quad + \text{£}3,000.00 \text{ pa} \times (1 - 0.25) \\ & \quad + \text{£}2,029.59 \text{ pa} \times (1 - 0.33) \\ & \quad + \text{£}692.75 \text{ pa} \times (1 - 0.33) \\ & = \text{£}8,855.22 \text{ pa} \end{aligned}$$

$$\begin{aligned} \text{ERCash} & \dots \text{£}13,500.00 \times (1 - 0.00) = \text{£}13,500.00 \\ & \quad + \text{£}1,125.00 \times (1 - 0.14) = \text{£}967.50 \\ & = \text{£}14,467.50 \end{aligned}$$



Appendix A: Factors

Table 1: Factors to use after age 55

Years Early	Pension Reduction (%)		Retirement Grant Reduction (%)
	Males	Females	All Members
0	0%	0%	0%
1	6%	6%	3%
2	11%	11%	6%
3	16%	15%	8%
4	21%	20%	11%
5	25%	24%	14%
6	29%	28%	16%
7	33%	31%	19%
8	36%	35%	21%
9	39%	38%	23%
10	42%	41%	26%
11	46%	44%	N/A
12	49%	47%	N/A
13	52%	50%	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.
- (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 the SPPA, for onward transmission to GAD.



Appendix B: Transitional Regulations

- B.1 This appendix sets out the ages at which a member who first joined the LGPS before 1 April 2015 would be entitled to unreduced benefits – different ages may apply to different periods of service. SPPA has confirmed that the dates as set out in this appendix are in line with the policy intention of the LGPS Regulations.
- B.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 A, note (1)).
- B.3 If users of this guidance are aware of any difference between this Appendix and the Scheme Regulations, they should contact the SPPA.

Age at which a member is entitled to unreduced benefits

- B.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 December 2006, and born on 31 March 1960 or earlier;
 - > Group 2: A member who was an active member prior to 1 December 2006, and born on or after 1 April 1960; and
 - > Group 3: A member who was not a member prior to 1 December 2006.
- B.5 A member's total membership should be divided into the following periods:
- > Part A: Membership up to and including 31 March 2008
 - > Part B: Membership from 1 April 2008 to 31 March 2009
 - > Part C1: Membership from 1 April 2009 to 31 March 2015
 - > Part C2: Membership from 1 April 2015 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 B.12 to B.23.
- B.6 The age at which a member is entitled to unreduced benefits for each combination of member group and service part are given below.



	Group 1	Group 2	Group 3
Part A	CRA	CRA	65
Part B	CRA	65	65
Part C1	CRA	65	65
Part C2	CRA	NPA	NPA
Part D1	NPA	NPA	NPA
Part D2	65	65	65

Where:

- > CRA is the members 'Critical Retirement Age' as defined in paragraph B.7 below.
- > NPA is the member's Normal Pension Age in the 2015 Scheme; that is State Pension Age or, if higher, age 65

Critical Retirement Age

- B.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 2015 Scheme Transitional Regulations, subject to the limits set out in paragraphs B.9 and B.10 below.
- B.8 Note that in the case of a person who was a member of the 1987 Scheme immediately before 1st April 1998, any qualifying period counted by virtue of Regulation 123 of the 1998 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.
- B.9 A member's Critical Retirement Age cannot be greater than age 65.
- B.10 For members requesting to receive immediate payment of retirement benefits under regulation 29(5) (retirement benefits: early retirement) of the 2014 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 2015 Scheme Transitional Regulations].
- B.11 Note that the limit in paragraph B.10 above does not apply to a member aged under 60 who requests to receive immediate payment of retirement benefits under regulation 30(1) (choice of early payment of pension) of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (SSI 2008/230) ('the 2008 Benefits Regulations) or regulation 29(6) (retirement benefits: flexible retirement) of the 2014 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 (and obtaining consent) to receive immediate payment of retirement benefits under regulation 29(6) (retirement benefits: flexible retirement) of the 2014 Regulations, but
- > Critical Retirement Age 60, if requesting to receive immediate payment of retirement benefits under regulation 29(5) (retirement benefits: early retirement) of the 2014 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 2015 Scheme Transitional Regulations applies).

Benefits not related to a period of actual service

Transferred in benefits

- B.12 Earned pension credited under Regulation 99 of the 2014 Regulations and Regulations 10(4), 10(5) and 10(6) of the 2015 Scheme Transitional Regulations should be treated as Part D1 Membership.
- B.13 Membership credited under Regulation 9(1) of the 2015 Scheme Transitional Regulations in respect of a club transfer payment into the 2015 Scheme in respect of service before 1 April 2015 which would have entitled the member to final salary benefits should be treated as Part D2 membership.
- B.14 Membership credited under Regulation 79 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (SSI 2008/228) (the "Administration Regulations") or equivalent previous regulations (transferred-in membership) in respect of Group 1 or 2 members should reflect the basis used to calculate the credit (CRA or age 65). All other Membership credited under Regulation 79 should be treated as Part D2 membership.
- B.15 A transfer credit awarded under protected Regulation 65(8) of the 1998 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 25 October 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 A. 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

- B.16 Membership credited under Regulation 54 of the 1998 Regulations or equivalent previous regulations (Added Years) should be treated as Part A Membership if the election was before 1st December 2006. Other Membership under Regulation 54 should be treated as Part D2 membership.



- B.17 Membership credited under Regulation 36 of the Administration Regulations or equivalent previous regulations (Employer Augmented Membership) in respect of Group 1 or 2 members should reflect the basis used to calculate the credit (CRA or age 65). All other Membership credited under Regulation 36 should be treated as Part D2 membership.

Added Pension

- B.18 Added pension credited under Regulation 16 or awarded under Regulation 30 of the 2014 Regulations for contributions from 1 April 2015 should be treated as Part D1 membership.
- B.19 Added pension awarded under Regulation 10(3) or 10(6) of the 2015 Scheme Transitional Regulations should be treated as Part D1 membership.
- B.20 Added pension credited under Regulation 20 of the 2008 Administration Regulations (including added pension credited in respect of the preservation of Regulation 20 of the 2008 Administration Regulations by Regulation 15 of the 2015 Scheme Transitional Regulations) should be treated as Part D2 membership.
- B.21 Additional pension awarded by the employer under regulation 13 of the 2008 Benefits Regulations should be treated as Part D2 membership.

Pension Credit Members

- B.22 Pension credit accounts created under Regulation 28 of the 2014 Regulations should be treated as Part D1 membership.
- B.23 Pension credit rights created under Regulation 144 of the 1998 Regulations should be treated as Part D2 membership.

Statutory underpin: Age at which a member is entitled to unreduced benefits under the 2009 Scheme

- B.24 The following table shows the ages at which benefits could be drawn unreduced under the 2009 Scheme, using the same definitions as paragraphs B.4 and B.5 above. It should be used only in cases where the statutory underpin applies (see paragraphs 2.11 and 2.12).

	Group 1	Group 2	Group 3
Part A	CRA	CRA	65
Part B1	CRA	65	65
Part C1	CRA	65	65
Part C2	CRA	65	65
Part D1	65	65	65
Part D2	65	65	65



B.25 Members to whom any of Regulations 16A to 16D (Normal retirement age: Learning and Teaching Scotland, Skills Development Scotland, Scottish Legal Complaints Commission, Social Care and Social Work Improvement Scotland) of the 2008 Benefits Regulations apply, or to whom Regulation 13 (Civil Servants transferred to the Scottish Environment Protection Agency) or Regulation 14 (Former members of NHS Superannuation Scheme for Scotland) of the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 (SSI 2008/229) ("the 2009 Scheme Transitional Regulations") apply, are entitled under the 2015 Scheme Transitional Regulations to unreduced benefits from the following ages:

- > For service before 1 April 2015: age 60
- > For service on or after 1 April 2015: normal pension age.

The 85 year rule does not apply to members to whom Regulations 16A to 16D of the 2008 Benefits Regulations applies. Where members to whom Regulations 13 or 14 of the 2009 Scheme Transitional Regulations apply take their benefits before their normal pension age, reduction factors should be applied by reference to:

- > For service before 1 April 2015: age 60
- > For service on or after 1 April 2015, normal pension age.



Appendix C: Cited Regulations

C.1 Excerpts from the 1998 Regulations²

"Appropriate Rights"/"Pension credit benefits" under the Scheme 150.–

...

(7) A pension credit member may elect in writing to the appropriate administering authority for benefits payable under paragraph (5) to be paid at or after age 60 (but before normal benefit age), and the appropriate administering authority shall commence payment of such benefits in accordance with the election but the benefits must be reduced by the amounts as are shown to be appropriate in guidance issued by the Government Actuary's Department.

C.2 Excerpts from the 2008 Benefits Regulations³

Election in respect of additional pension

14. –

(1) An active member may choose to pay additional contributions in order to be credited with additional pension, in respect of the member alone or in respect of the member and any survivor, of £250 a year or multiples thereof to a maximum of £5000.

(2) If the member chooses to take the additional pension referred to in paragraph (1) earlier or later than the member's normal retirement age, it is reduced or, as the case may be, increased.

(3) The amount of the additional contributions to be paid under paragraph (1), and the reduction or increase referred to in paragraph (2), is calculated in accordance with guidance issued by the scheme actuary.

Choice of early payment of pension

30. –

(1) If a member leaves a local government employment or otherwise ceases to be a member before the member is entitled to the immediate payment of retirement benefits (apart from this regulation), once the member has attained the age of 55 the member may choose to receive payment of them immediately.

(2) A choice made by a member aged less than 60 is ineffective without the consent of the member's-

- (a) employing authority;
- (b) former employing authority; or

² The Local Government Pension Scheme (Scotland) Regulations 1998 (SI 1998/366)

³ The Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (SSI 2008/230)



- (c) appropriate administering authority where the member's former employing authority has ceased to be a Scheme employer.
- (3) If the member so chooses, he is entitled to a pension payable immediately calculated in accordance with regulation 29.
- (4) Subject to paragraph (5) the member's pension must be reduced by the amounts shown as appropriate in guidance issued by the scheme actuary.
- (5) A member's employing authority, former employing authority or, where the member's former employing authority has ceased to be a Scheme employer, appropriate administering authority as the case may be, may determine on compassionate grounds that the member's retirement pension should not be reduced under paragraph (4).

C.3 Excerpts from the 2009 Scheme Transitional Regulations⁴

Membership accrued before 1st April 2009: active members

3. –

- (1) This regulation applies to a person who was an active member of the 1998 Scheme and becomes a member of the Scheme by virtue of regulation 3(2) (active members) of the Benefits Regulations.
- (2) Notwithstanding the revocations effected by regulation 2, the regulations listed in Schedule 1 continue to have effect so far as is necessary so that -
- (a) the member's total membership accrued in the 1998 Scheme in respect of, or calculated by reference to, the member's service before 1st April 2009, and the pension rights accrued at that date, are preserved; and
 - (b) the member's benefits under the 1998 Scheme are payable immediately where benefits become payable without reduction under regulations 16, 17, 19, 20 or 31 of the Benefits Regulations, or with appropriate actuarial reduction in line with guidance produced by the Scheme Actuary, where benefits become payable under regulations 18 or 30 of the Benefits Regulations.
- (3) But the member's pay, for the purposes of any calculation of benefits under paragraph (2), is calculated in accordance with regulations 9 (final pay: general) and 11 (final pay: fees) of the Benefits Regulations.
- (4) And, for the purposes of regulations 24 (survivor benefits: active members), 33 (survivor benefits: deferred members) or 36 (survivor benefits: pensioner members) of the Benefits Regulations as they apply to nominated cohabiting partners or civil partners, only periods of membership after 5th April 1988 are to be taken into account.

⁴ The Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 (SSI 2008/229)



(5) In paragraph (2) but subject to paragraph (3), references to total membership, pension rights and benefits accrued in or under the 1998 Scheme are to such membership, pension rights and benefits calculated in accordance with the regulations listed in Schedule 1.

C.4 Excerpts from the 2014 Regulations⁵

Introductory

2. –

...

(3) The Scottish Ministers may, after consultation with the Scheme Actuary, issue actuarial guidance to administering authorities.

Retirement benefits

29. —

...

(5) Subject to paragraph (13) a member who has not attained normal pension age but who has attained the age of 55 or over, may elect to receive immediate payment of a retirement pension in relation to an employment if that member is not an employee in local government service in that employment, but the amount of the retirement pension must be reduced by the amount shown as appropriate in actuarial guidance issued by the Scottish Ministers.

(6) An active member who has attained the age of 55 or over who reduces working hours or grade of an employment may, with the Scheme employer's consent, elect to receive immediate payment of all or part of the retirement pension to which that member would be entitled in respect of that employment if that member were not an employee in local government service on the date of the reduction in hours or grade, adjusted by the amount shown as appropriate in actuarial guidance issued by the Scottish Ministers.

...

(13) An election under paragraph (5) made by a member aged less than 60 is ineffective without the consent of the member's-

- (a) employing authority;
- (b) former employing authority; or
- (c) appropriate administering authority where the member's former employing authority has ceased to be a Scheme employer.

⁵ The Local Government Pension Scheme (Scotland) Regulations 2014 (SSI 2014/164)



C.5 Excerpts from the 2015 Scheme Transitional Regulations⁶

Membership before 1st April 2015

3.—

(1) Notwithstanding the revocations effected by regulation 2, and subject to this regulation, the Regulations listed in Schedule 1 (other than regulation 3(4) of the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008) continue to have effect so far as is necessary—

(a) so that membership accrued in the Earlier Schemes in respect of service before 1st April 2015, the pension rights accrued at that date, and any rights and obligations imposed on any person under those Schemes in relation to service before 1st April 2015, are preserved; and

(b) so that benefits are payable in accordance with these Regulations.

(2) In paragraph (1)(a) the expression “pension rights accrued” includes any right to any pension, lump sum, grant or other benefit due to or in respect of a member.

(3) A scheme manager responsible under regulation 2(2) of the 2014 Regulations (introductory) for the local administration of pensions and other benefits payable under those Regulations is also responsible for the administration of benefits pursuant to paragraph (1) of this regulation.

(4) Where a person has been an active member of the 2015 Scheme, and retirement benefits under paragraph (1) are payable to a member in accordance with regulation 11 of these Regulations (retirement benefits), the benefits paid from Earlier Schemes and the 2015 Scheme are, for all purposes, to be regarded as constituting a single pension scheme.

(5) But a retirement pension and any retirement grant payable to a member under paragraph (4) is subject to actuarial adjustment if it would have been subject to actuarial adjustment under the 2009 Scheme, irrespective of whether retirement pension under the 2015 Scheme payable at the same time is subject to actuarial adjustment.

...

(10) Any guidance issued by the Scheme Actuary in accordance with any provision in the Earlier Regulations is to be treated as actuarial guidance issued by the Scottish Ministers as defined in Schedule 1 to the 2014 Regulations and 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 Scottish Ministers.

⁶ The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 (SSI 2014 / 233)



Appendix D: Legislative references

- D.1 SPPA has asked GAD to recommend actuarial guidance in respect of the regulations detailed below.
- D.2 The Scottish Ministers are required under the 2014 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 29(5), 29(6) and 29(12) of the 2014 Regulations].
- D.3 Where a person has been an active member of the 2015 Scheme (as defined in the 2015 Scheme Transitional Regulations), any benefits accrued before 1 April 2015 are subject to actuarial adjustment if they would have been subject to actuarial adjustment under the 2009 Scheme (as defined in the 2015 Scheme Transitional Regulations) [Regulation 3(5) of the 2015 Scheme Transitional Regulations]. This reduction is irrespective of whether a pension payable at the same time under the 2015 Scheme is subject to actuarial adjustment.
- D.4 Where a person has not been a member of the 2015 Scheme, benefits payable in respect of service before 1 April 2015 are payable in accordance with the Earlier Schemes [Regulation 3(8) of the 2015 Scheme Transitional Regulations]. This also applies to a member who has been an active member of the 2015 Scheme and has benefits under the Earlier Schemes which have not been aggregated with the benefits in the 2015 Scheme.
- D.5 Further to paragraphs D.4 and D.5 above, the following provisions of the 2009 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 Scottish Ministers [Regulation 3(10) of the 2015 Scheme Transitional Regulations]
- D.6 Under the 2008 Benefits Regulations, actuarial guidance issued by the Scottish Ministers 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) of the 2008 Benefits Regulations].
- D.7 Actuarial guidance issued by the Scottish Ministers is required to determine the reduction of additional pension in the 2009 scheme where it is taken earlier than normal retirement age (i.e. before age 65) [Regulation 14(3) of the 2008 Benefits Regulations].
- D.8 Any benefits accrued before 1 April 2009 are reduced in line with actuarial guidance issued by the Scottish Ministers where benefits become payable under Regulation 30 of the 2008 Benefits Regulations [Regulation 3(2)(b) of the 2009 Scheme Transitional Regulations].



- D.9 Under the Local Government Pension Scheme Regulations 1998 (“the 1998 Regulations”) (SI 1998/366), 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 Scottish Ministers [Regulation 150(7) of the 1998 Regulations].



Appendix E: Limitations

- E.1 This guidance note should not be used for any purpose other than to determine benefits on early retirement in accordance with the regulations cited above.
- E.2 The factors contained in this note are subject to periodic review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- E.3 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- E.4 This note 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.
- E.5 Administrators should satisfy themselves that early retirement complies with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- E.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 the SPPA. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.