



Government Actuary's Department

The Local Government Pension Scheme (Scotland)

**Individual Incoming & Outgoing Transfers
Pensioner cash equivalent factors on divorce**

Non-Club GMP adjustment addendum

Date: 19 April 2016
Authors: Ian Boonin FIA
James Pepler FIA



Table of Contents

| | page |
|--|-------------|
| 1 Introduction | 1 |
| 2 Non-Club Transfers-out, CETVs on divorce and Transfers-in | 3 |
| 3 Club transfers | 4 |
| Appendix A – Limitations | 5 |



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 earned pension credited to a member's pension account where a transfer value has been accepted (regulations 98 and 99 of the 2014 Regulations).
- 1.2 Additionally, under Regulation 94 of the 2013 Regulations, a member may apply for a transfer payment out of the pension fund. Members in the process of a divorce, including pensioners, may apply for a valuation of their pension rights calculated in line with the Pension Sharing (Valuation) Regulations 2000 (SI 2000/1052)
- 1.3 HM Treasury announced¹ on 1 March 2016 that public service pensions will be fully indexed for those reaching State Pension Age between 6 April 2016 and 5 December 2018 inclusive. This affects the calculations made under the regulations detailed above.
- 1.4 Calculations that are affected by this guidance are:
 - > Non-Club cash equivalent transfer values
 - > Cash equivalent transfer values for the purpose of divorce, including pensioner CETVs
 - > Non-Club transfers-in
- 1.5 The remainder of this introduction contains statements about the use of this note and third party reliance. In the remainder of this note:
 - > Sections 2 and 3 describe the issues and set out the amendments to formulae for Club and non-Club transfers
 - > Appendix A sets out some important limitations

Implementation

- 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 2013 Regulations].
- 1.7 The Scottish Public Pensions Agency (SPPA) has asked GAD to recommend actuarial guidance in respect of inwards non-Club transfers. This document forms GAD's recommendation as a result of the HM Treasury announcement. SPPA has asked GAD to amend the guidance for calculating cash equivalent transfer values and valuation of pension for the purpose of divorce in the light of the HM Treasury announcement. This document also sets out GAD's amendments to the guidance for that purpose.
- 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/publications/indexation-of-public-service-pensions>



- 1.9 When issued, this guidance must be read together with the current factor suite 'Actuarial Factors for Individual Cash Equivalent and Club Transfers' dated 19 April 2016 ('the Factor Suite'), the guidance 'Individual Incoming & Outgoing Transfers' dated 2 April 2015, the guidance 'Pensioner cash equivalent factors on divorce' dated 18 January 2012 and the guidance 'Pension Sharing Following Divorce Calculation of Cash Equivalents' dated 23 May 2011..
- 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. Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.

Use of this note

- 1.11 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;
 - > the advice is not quoted selectively or partially; and
 - > GAD is identified as the source of the note.
- 1.12 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

- 1.13 When issued by the Scottish Ministers in accordance with paragraph 1.8 above, this note should be used, together with the documents referred to in paragraph 1.9, 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 or the separate Factor Suite, except to any extent explicitly stated herein.



2 Non-Club Transfers-out, CETVs on divorce and Transfers-in

- 2.1 If a member has no entitlement to a Guaranteed Minimum Pension (GMP) then no change to the calculation is required.
- 2.2 If a member with a GMP falls into any of the following categories then the GMP should be set equal to zero in the calculation of a non-Club transfer value or the calculation of a transfer credit:
- > Men with dates of birth between 1 April 1951 and 5 December 1953 inclusive
 - > Women with dates of birth between 6 April 1953 and 5 December 1953 inclusive who have already passed their critical retirement date and/ or normal retirement age at the relevant date
- 2.3 The following transfer calculations should be referred to SPPA on an individual basis for onward transmission to GAD if the member has a GMP:
- > Women with dates of birth between 6 April 1953 and 5 December 1953 inclusive whose Critical Retirement Date is after their 60th birthday and who have not reached either their Critical Retirement Date or normal retirement age at the relevant date.



3 Club transfers

- 3.1 Club transfers should continue to be calculated according to the Club memorandum and therefore there should be no change in the treatment of GMPs in Club calculations.



Appendix A – Limitations

The important notes set out in Appendix B of the 2 April 2015 individual transfers guidance and section one of the pensioner CETV on divorce guidance dated 23 May 2011 apply to this guidance as well.