



Government Actuary's Department

Local Government Pension Scheme (Scotland)

Trivial Commutation

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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 calculation of the amounts payable on trivial commutation of a pension, either on a member's retirement, or following a member's death.
- 1.2 The remainder of this introduction contains:
- > details of the implementation and future review of this guidance, and
 - > statements about third party reliance and liability
- 1.3 In the remainder of this note:
- > Sections 2 to 5 deal respectively with the trivial commutation of a member's pension, a dependant's pension, children's pensions, and a pension credit member's pension, where the relevant conditions are met
 - > Section 6 provides examples
 - > Appendix A sets out the factors
 - > Appendix B quotes the relevant statutory references
 - > Appendix C sets out some important limitations
- 1.4 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

- 1.5 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].
- 1.6 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 forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.7 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>



- 1.8 This guidance relates to commutation of trivial or, where applicable, small benefit rights, regardless of whether the member has been an active member of the 2015 scheme, or whether the benefits were earned before or after 1 April 2015. It also applies to councillors. This guidance replaces the previous guidance dated 18 January 2012 (together with the revised factors issued on 21 May 2014) but uses the same principal assumptions on which that guidance was based. However, this guidance differs slightly from the previous guidance in including an explicit factor when valuing a member's pension on retirement in order to allow for the dependant's pension payable on the member's death: in previous guidance this was allowed for within the factor that applied to the member's pension.
- 1.9 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.
- 1.10 The factors contained in this note are consistent with those used for other guidance prepared by GAD for issue by the Scottish Ministers, and 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

- 1.11 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 1.7 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 Commutation of a Member's pension

- 2.1 Payment of a trivial commutation lump sum in respect of a pension is permitted under Regulation 33 of the 2014 Regulations and discharges administering authorities from their liability for any pension payable to the member, and for any pensions or lump sums which may become payable on the member's death (including children's pensions).
- 2.2 The factors are set out at Table A in Appendix A, separately for male and female members.
- 2.3 Table A gives age/sex specific factors to be multiplied respectively by the member's total pension (including any GMP) and the contingent spouse's, civil partner's or nominated cohabiting partner's pension payable on the member's death. The inclusion of an amount relating to a dependant's pension applies whether or not the member has a spouse, civil partner or nominated cohabiting partner at the time the commutation occurs.
- 2.4 The lump sum capital value payable should be determined in accordance with the following formula:
- Member's pension x Fac1
plus
Dependant's pension x Fac2
- where:
- Fac1 = factor applied to Member's pension
Fac2 = factor applied to Dependant's pension payable on the member's death
- Both factors are taken from Table A according to the sex of the Member.
- 2.5 Section 6 contains an example of such a calculation.



3 Commutation of a Dependant's pension

- 3.1 Administering authorities may commute the pension which is payable on a member's death to any surviving spouse, civil partner or nominated cohabiting partner or to (or in respect of) an eligible child or children by paying a trivial commutation lump sum death benefit.
- 3.2 Table B in Appendix A sets out age/sex specific factors for the surviving spouse, civil partner or nominated cohabiting partner, separately for males and females. These factors are multiplied by the dependant's total pension (including any GMP) to give the lump sum capital value payable.
- 3.3 This formula only allows for the dependant's pension: any lump sum death benefits should be paid separately.
- 3.4 The lump sum capital value payable should be determined in accordance with the following formula:

$$\text{Dependant's Pension} \times \text{Fac1}$$

where:

Fac1 = factor taken from Table B according to the sex of the Dependant.



4 Commutation of Children's pensions

- 4.1 Table C gives the factors to be multiplied by the pension payable to or in respect of children. This table should be used to value a pension which is payable to, or in respect of, an eligible child or children.
- 4.2 All the factors for children are independent of gender. Those for children aged up to 15 are based on the child's age, while those for children aged 16 and over are based on the length of time that the child is expected to remain in full-time education (up to an upper limit of the child's 23rd birthday). Administering authorities should determine this period in the light of the individual child's circumstances.
- 4.3 Where a factor is required for a child aged 16 and over which does not relate to a whole number of years, this should be rounded to the nearest whole number of years.
- 4.4 No factors are provided to value a pension to a child who is incapacitated. Children's long-term pension should not be commuted where one of the children in the family who is receiving a pension is under age 17 and incapacitated. A case involving a child over age 17 who is not in full-time education but is still an eligible child because he or she is incapacitated should be referred to SPPA, for onward transmission to GAD, with full details.
- 4.5 The lump sum capital value payable should be determined in accordance with the following formula:

$$\text{Child's Pension} \times \text{Fac1}$$

where:

$$\text{Fac1} = \text{factor taken from Table C.}$$

- 4.6 Section 6 contains an example of such a calculation.



5 Commutation of a Pension Credit Member's pension

- 5.1 Administering authorities may commute the pension payable to a pension credit member into a trivial commutation lump sum.
- 5.2 Table B should be used to capitalise lump sum benefits for pension credit members.
- 5.3 The lump sum capital value payable should be determined in accordance with the following formula:

Pension credit member's pension x Fac1

where:

Fac1 = factor taken from Table B according to the sex of the pension credit member.



6 Examples

Example 1 - Member's pension coming into payment at capitalisation date

Sex: Male

Date of birth: 15 March 1952

Effective capitalisation date: 29 June 2015

Age in complete years on effective capitalisation date: 63

Member's total pension in payment: £500 pa

Dependant's pension payable on the member's death: £180 pa

Fac1 = 16.80

Fac2 = 3.44

Capitalised lump sum payable = (Member's pension × Fac1) + (Dependant's pension × Fac2)

$$= (£500 \times 16.80) + (£180 \times 3.44)$$

$$= \mathbf{£9,019.20}$$

Example 2 – Child's pension coming into payment at capitalisation date

Date of birth: 23 August 1997

Effective capitalisation date: 29 June 2015

Age in complete years on effective capitalisation date: 17

Number of years expected to remain in full-time education: 4 years (illustrative)

Child's total pension in payment: £660 pa

Fac1 = 3.77

Capitalised lump sum payable = Child's Pension × Fac1

$$= £660 \times 3.77$$

$$= \mathbf{£2,488.20}$$



Appendix A: Factors

Table A: Factors for member's pension – Male member (see Section 2)

Member's age last birthday at the date of commutation	Factor to apply to member's pension (Fac1)	Factor to apply to dependant's pension (Fac2)
55	19.71	2.73
56	19.33	2.84
57	18.94	2.95
58	18.55	3.04
59	18.14	3.13
60	17.98	3.21
61	17.59	3.29
62	17.19	3.37
63	16.80	3.44
64	16.40	3.50
65	15.94	3.55
66	15.44	3.61
67	14.94	3.66
68	14.43	3.70
69	13.92	3.74
70	13.41	3.78
71	12.90	3.81
72	12.40	3.84
73	11.90	3.87
74	11.41	3.90
75	10.94	3.91
76	10.47	3.91
77	10.00	3.89
78	9.53	3.86
79	9.07	3.83
80	8.61	3.78
81	8.17	3.72
82	7.73	3.65
83	7.31	3.55
84	6.89	3.47
85	6.49	3.37
86	6.10	3.23



Table A: Factors for member's pension – Male member (see Section 2)

Member's age last birthday at the date of commutation	Factor to apply to member's pension (Fac1)	Factor to apply to dependant's pension (Fac2)
87	5.72	3.09
88	5.35	2.95
89	5.00	2.80
90	4.67	2.64
91	4.35	2.45
92	4.06	2.25
93	3.78	2.06
94	3.51	1.84
95	3.25	1.66
96	3.01	1.50
97	2.79	1.33
98	2.58	1.20
99	2.38	1.10
100	2.21	1.01

Table A: Factors for member's pension – Female member (see Section 2)

Member's age last birthday at the date of commutation	Factor to apply to member's pension (Fac1)	Factor to apply to dependant's pension (Fac2)
55	20.67	1.14
56	20.32	1.15
57	19.96	1.16
58	19.60	1.18
59	19.22	1.20
60	19.04	1.22
61	18.66	1.23
62	18.28	1.24
63	17.89	1.25
64	17.51	1.25
65	17.07	1.25
66	16.60	1.24
67	16.13	1.24



Table A: Factors for member's pension – Female member (see Section 2)

Member's age last birthday at the date of commutation	Factor to apply to member's pension (Fac1)	Factor to apply to dependant's pension (Fac2)
68	15.65	1.23
69	15.17	1.22
70	14.68	1.20
71	14.19	1.18
72	13.70	1.15
73	13.21	1.11
74	12.72	1.07
75	12.25	1.02
76	11.77	0.96
77	11.29	0.88
78	10.82	0.79
79	10.35	0.70
80	9.88	0.61
81	9.42	0.51
82	8.97	0.42
83	8.52	0.34
84	8.09	0.28
85	7.66	0.23
86	7.24	0.18
87	6.83	0.15
88	6.43	0.14
89	6.05	0.13
90	5.68	0.12
91	5.32	0.11
92	4.97	0.10
93	4.64	0.11
94	4.31	0.10
95	3.99	0.09
96	3.69	0.08
97	3.40	0.08
98	3.13	0.07
99	2.88	0.06
100	2.65	0.04



Table B: Factors for surviving adult dependant's and pension credit member's pension – Females (see Sections 3 and 5)

Age last birthday	Factor to apply to whole of pension (Fac1)	Age last birthday	Factor to apply to whole of pension (Fac1)	Age last birthday	Factor to apply to whole of pension (Fac1)
20	28.65	47	23.18	74	13.02
21	28.50	48	22.89	75	12.56
22	28.35	49	22.60	76	12.10
23	28.19	50	22.30	77	11.63
24	28.03	51	21.99	78	11.16
25	27.87	52	21.68	79	10.69
26	27.70	53	21.36	80	10.23
27	27.53	54	21.03	81	9.76
28	27.35	55	20.69	82	9.30
29	27.18	56	20.35	83	8.84
30	26.99	57	20.00	84	8.39
31	26.81	58	19.64	85	7.94
32	26.62	59	19.28	86	7.50
33	26.43	60	18.91	87	7.06
34	26.23	61	18.53	88	6.64
35	26.03	62	18.14	89	6.22
36	25.83	63	17.75	90	5.82
37	25.62	64	17.35	91	5.43
38	25.40	65	16.94	92	5.05
39	25.19	66	16.53	93	4.69
40	24.96	67	16.11	94	4.34
41	24.73	68	15.69	95	4.01
42	24.49	69	15.26	96	3.71
43	24.25	70	14.82	97	3.42
44	23.99	71	14.38	98	3.16
45	23.73	72	13.94	99	2.92
46	23.46	73	13.48	100	2.70



Table B: Factors for surviving adult dependant's and pension credit member's pension – Males (see Sections 3 and 5)

Age last birthday	Factor to apply to whole of pension (Fac1)	Age last birthday	Factor to apply to whole of pension (Fac1)	Age last birthday	Factor to apply to whole of pension (Fac1)
20	28.63	47	22.78	74	11.92
21	28.48	48	22.47	75	11.44
22	28.32	49	22.15	76	10.97
23	28.16	50	21.83	77	10.50
24	28.00	51	21.50	78	10.03
25	27.83	52	21.16	79	9.57
26	27.65	53	20.81	80	9.11
27	27.47	54	20.46	81	8.65
28	27.29	55	20.10	82	8.21
29	27.10	56	19.73	83	7.78
30	26.91	57	19.35	84	7.36
31	26.71	58	18.97	85	6.95
32	26.50	59	18.57	86	6.54
33	26.29	60	18.17	87	6.15
34	26.08	61	17.76	88	5.77
35	25.86	62	17.35	89	5.41
36	25.63	63	16.92	90	5.07
37	25.40	64	16.49	91	4.74
38	25.17	65	16.06	92	4.43
39	24.93	66	15.61	93	4.14
40	24.68	67	15.16	94	3.86
41	24.43	68	14.71	95	3.59
42	24.17	69	14.26	96	3.33
43	23.91	70	13.80	97	3.10
44	23.64	71	13.33	98	2.87
45	23.36	72	12.86	99	2.67
46	23.07	73	12.39	100	2.48



Table C: Factors for children's pension (see Section 4)

1. Factors for application to a child's pension, other than in the case of an incapacitated child, where the child is below age 16

Age last birthday of child (male and female)	Factor to apply to child's pension (Fac1)
0	14.31
1	13.72
2	13.12
3	12.50
4	11.86
5	11.20
6	10.52
7	9.82
8	9.10
9	8.36
10	7.59
11	6.81
12	6.00
13	5.16
14	4.30
15	3.42

2. Factors for application to a child's pension, other than in the case of an incapacitated child, where the child is aged between 16 and 23. The factor should be chosen according to the time (in years, rounded to the nearest whole number) that the child is expected to remain in full-time education.

Number of years expected to remain in full-time education	Factor to apply to child's pension (Fac1)
7	6.32
6	5.50
5	4.65
4	3.77
3	2.87
2	1.94
1	0.99
0	0.00



Appendix B: Cited Regulations

Excerpts from the 2014 Regulations²

Introductory

2.—

...

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

Commutation and small pensions

33.—

(1) Any authorised payments within the meaning of section 164 (authorised member payments) of the Finance Act 2004 listed in sub-paragraphs (a) to (c) may be paid in accordance with the rules relating to the payment of such benefits under that Act or relevant regulations under that Act—

- (a) a lump sum which is a trivial commutation lump sum within the meaning of section 166 (lump sum rule) of that Act;
- (b) a trivial commutation lump sum death benefit within the meaning of section 168 (lump sum death benefit rule) of that Act; or
- (c) a commutation payment under regulation 6 (payment after relevant accretion), 11 (*de minimis* rule for pension schemes) or 12 (payments by larger pension schemes) of the Registered Pension Schemes (Authorised Payments) Regulations 2009.

(2) Any payment under paragraph (1) shall be calculated in accordance with actuarial guidance issued by the Scottish Ministers.

(3) If a member receives a payment under this regulation, any pension account relating to that payment must be closed and the member is entitled to no further benefits in relation to that account and no survivor benefits are subsequently payable upon the death of the member.

² The Local Government Pension Scheme (Scotland) Regulations 2014 (SSI 2014/164)



Appendix C: Limitations

- C.1 This note should not be used for any purpose other than to determine the amount payable on the trivial commutation of a member's pension; a dependant's pension following a member's death; or a pension credit member's pension in accordance with the regulations cited above.
- C.2 The factors contained in this note are subject to regular review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.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.
- C.4 This note only covers the actuarial principles around the calculation of the lump sum to be paid on trivial commutation. Any legal or tax advice in this area should be sought from an appropriately qualified person or source.
- C.5 Administrators should satisfy themselves that the trivial commutation lump sum complies with all legislative requirements including, but not limited to, taxation and contracting-out requirements.
- C.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 Scottish Public Pensions Agency. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.