



Government
Actuary's
Department

The Local Government Pension Scheme (Scotland)

Early payment of pension

Guidance note

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1 Introduction

- 1.1 Scottish Ministers are required under the Local Government Pension Scheme (Scotland) Regulations 2018 ('the 2018 Regulations') (SSI 2018/141), 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. The legislative references are discussed below.
- 1.3 The remainder of this introduction contains:
- details of the implementation and future review of this guidance
 - details of the legislative references
 - 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 of early retirement calculations
 - Appendix A summarises the assumptions underlying the factors
 - Appendix B discusses when a member is entitled to unreduced benefits
 - Appendix C sets out some important limitations
- 1.5 This guidance has been carried out in accordance with the applicable Technical Actuarial Standards: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK

Implementation and review

- 1.6 Scottish Ministers are required to consult the Scheme Actuary before issuing actuarial guidance under the 2018 Regulations [Regulation 2(3) of the 2018 Regulations].
- 1.7 As part of this consultation, 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 Scottish Ministers in accordance with Regulation 2(3) of the 2018 Regulations and is subject to the implementation instructions provided at that time.
- 1.9 This guidance replaces the previous guidance dated 17 April 2020 and has been updated to set out the additional calculations required where an underpin is applicable to a member.



- 1.10 In addition, the factors used in this note have been updated to reflect those set out in the latest consolidated factors workbook as at the date of this note. As determined by SPPA, these factors apply from 3 July 2023.
- 1.11 The factors will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light. The factors to be used when applying the approach set out in this guidance should reflect the factors in force as at the effective date of the calculation.
- 1.12 This guidance has been written for pension administrators and assumes knowledge of general pension terminology, and familiarity with pension calculations for the Local Government Pension Scheme (Scotland). Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.

Relevant legislative references

- 1.13 Scottish Ministers are required under the 2018 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(6), 29(7) and 29(13) of the 2018 Regulations].
- 1.14 Where a person has been an active member of the 2015 Scheme (as defined in the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 – 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.
- 1.15 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.
- 1.16 Any reference to guidance issued by the Government Actuary or Scheme Actuary in the earlier regulations is to be construed as a reference to actuarial guidance issued by Scottish Ministers [Regulation 3(10) of the 2015 Scheme Transitional Regulations]. Further to paragraphs 1.14 and 1.15 above, the following provisions of the 2009 scheme relating to early payment of benefits have effect:
- 1.17 Under the 2015 Scheme Transitional Regulations as amended, actuarial guidance issued by Scottish Ministers is required to adjust the final underpin amount where the member takes early payment of their pension, and the member has not attained the age of 65 [Regulation 4L(4)].



- 1.18 Under the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (SSI 2008/230) (“the 2008 Benefits Regulations”), actuarial guidance issued by 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].
- 1.19 Actuarial guidance issued by 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].
- 1.20 Any benefits accrued before 1 April 2009 are reduced in line with actuarial guidance issued by Scottish Ministers where benefits become payable under Regulation 30 of the 2008 Benefits Regulations [Regulation 3(2)(b) of the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 (SSI 2008/229)].
- 1.21 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 2015 and elects to receive benefits before normal benefit age should have their benefits reduced in line with guidance issued by Scottish Ministers [Regulation 150(7) of the 1998 Regulations].

Third party reliance

- 1.22 This guidance has been prepared for the use of SPPA for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on SPPA’s website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD’s prior written permission.
- 1.23 When issued by Scottish Ministers in accordance with paragraph 1.8 above, this note should be used as the actuarial guidance required under the regulations cited.
- 1.24 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.
- 1.25 Other than SPPA, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



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 Where the number of years early is not an integer number, the reduction factors from the table should be interpolated for part years.

2.3 If the date in 2.1(i) is later than the date in 2.1(ii), then no reductions are to be applied.

2.4 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 (expressed in decimal form) depending on the number of years early the pension is taken. The retirement grant is calculated in a similar way.

2.5 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

2.6 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.

2.7 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.



- 2.8 The calculation at paragraph 2.4 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

- 2.9 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

- 2.10 Where a statutory underpin (Regulations 4A to 4P of the 2015 Scheme Transitional Regulations) applies to a member, early retirement factors may need to be applied to derive the 'final assumed benefits' and 'final underpin amount' (regulations 4K and 4L). This section sets out the ages to which early retirement reductions are applied for the purpose of these calculations (which may differ from the ages set out earlier in this guidance).
- 2.11 The appropriate early retirement factors and methodology remain otherwise the same and are as contained in the consolidated factor workbook and remainder of this guidance note respectively.
- 2.12 The early retirement factors and methodology remain otherwise the same and are as contained in the consolidated factor workbook and the remainder of this guidance note respectively:
- In respect of the reduction to apply to the provisional assumed benefits to determine the final assumed benefits under 4K(4) and 4K(5) of the 2015 Scheme Transitional Regulations as amended, the member's provisional assumed benefits are subject to a reduction by reference to Group and tranche of benefits outlined below.
 - Where a transfer in has been received in respect of a member that includes remediable service this should be included in the calculation of the provisional assumed benefits, provided there was no continuous break of more than five years in active membership of a public service pension scheme since the remediable service was accrued; see Individual Incoming & Outgoing transfers guidance note for further information.



Final assumed benefits (Regulations 4K(4) and 4K(5))

| Tranche of provisional assumed benefits | Reduced by reference to: | | |
|---|---------------------------|---------------------------|---------------------------|
| | Group 1 | Group 2 | Group 3 |
| 1 April 15 to 31 March 2020 | CRA | NPA under the 2015 Scheme | NPA under the 2015 Scheme |
| 1 April 2020 to 31 March 2022 | NPA under the 2015 Scheme | NPA under the 2015 Scheme | NPA under the 2015 Scheme |
| CARE transfer-in of remediable service | NPA under the 2015 Scheme | NPA under the 2015 Scheme | NPA under the 2015 Scheme |
| Additional pension purchased | NPA under the 2015 Scheme | NPA under the 2015 Scheme | NPA under the 2015 Scheme |

Where:

- 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.
 - Group 3: A member who was not a member prior to 1 December 2006.
 - CRA is the member's "Critical Retirement Age" as defined in Appendix B
 - Additional pension purchased is limited to that stated as to be included in the calculation of the provisional assumed benefits under 4I of the 2015 Scheme Transitional Regulations.
 - Additional pension purchased is subject to 4K(6) of the 2015 Scheme Transitional Regulations.
-
- In respect of the reduction to apply to the provisional underpin amount to determine the final underpin amount under 4L(4) and 4L(5) of the 2015 Scheme Transitional Regulations as amended, the member's provisional underpin amount is subject to a reduction by reference to Group and tranche of benefits outlined below.
 - Where a transfer in has been received in respect of a member that includes remediable service this should be included in the calculation of the provisional underpin amount, provided there was no continuous break of more than five years in active membership of a public service pension scheme since the remediable service was accrued; see Individual Incoming & Outgoing transfers guidance note for further information.



Final underpin amount (Regulations 4L(4) and 4L(5))

| Tranche of provisional underpin amount | Reduced by reference to: | | |
|---|-----------------------------|---------------------------|---------------------------|
| | Group 1 | Group 2 | Group 3 |
| | 1 April 15 to 31 March 2020 | CRA | NPA under the 2009 Scheme |
| 1 April 2020 to 31 March 2022 | NPA under the 2009 Scheme | NPA under the 2009 Scheme | NPA under the 2009 Scheme |
| Notional final salary transfer-in of remediable service | 65 | 65 | 65 |

Where:

- 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.
- Group 3: A member who was not a member prior to 1 December 2006.
- CRA is the member's "Critical Retirement Age" as defined in Appendix B

A person who was not a member of the 2009 Scheme is treated as a Group 3 member and their NPA under the 2009 Scheme is treated as 65.

Where a Scheme employer has waived a reduction either in whole or in part under the 2018 Regulations 29(9) the same percentage waiver should be considered to apply to calculate the final underpin amount.

2.13 Where the final underpin amount is greater than the final assumed benefit the difference is the final guarantee amount. No further actuarial adjustment is required to the final guarantee amount.



3 Examples

Please note that the examples below use the current early retirement factors as at the date of this guidance note. In practice, the early retirement factors that should apply are those in place at the effective date of election. The examples below have been built to demonstrate the application of factors in an early retirement calculation and are not necessarily illustrative of the factors that should be used at the date of election.

Example 1

- Date of Birth: 2 June 1963
- Sex: Female
- Date of joining: 2 June 2000
- Last day of employment: 1 June 2024
- Effective date of election under Regulation 29(6): 2 June 2024
- Age at election: 61
- State pension age, or age 65 if higher (NPA): 67 (assuming this is in force in legislation at the point benefits are paid)

("Group 2" member – see Appendix B)

Part A:

We proceed to calculate the member's CRA for Part A. At her early retirement date, she is aged 61 years exactly, and has 24 years of membership. She therefore satisfies the rule of 85 at that date (i.e. $61 + 24 = 85$) – so 61 is her CRA. The term for which the early retirement reductions should be applied is then 0 years (61 years less 61 years).

Part B and C1:

For a group 2 member, the age the member is entitled to unreduced benefits is 65. The term for which early retirement reductions should be applied is then 4 years (65 years less 61 years).

Part C2 and D1:

For part C2 and D1 we determine the NPA, which is the State Pension Age in force at the point benefits are paid, or age 65 if higher. In this example we have assumed the NPA is 67 and therefore the term for which the early retirement reductions should be applied is 6 years (67 years less 61 years).

P_{CRA} : 0.0%

P_{65} : 18.0%

P_{67} : 25.0%

RG_{CRA} : 0.0%



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

| | |
|---|---------------------|
| Part A (up to 31 March 2008) | £2,000.00 |
| - CRA 61 Pension | |
| Part B (1 April 2008 to 31 March 2009) | £250.00 |
| - 65 Pension | |
| Part C1 (1 April 2009 to 31 March 2015) | £2,000.00 |
| - 65 Pension | |
| Part C2 (1 April 2015 to 31 March 2020) | £700.00 |
| - NPA 67 Pension | |
| Part D1 (from 1 April 2020) | £1,000.00 |
| - NPA 67 Pension | |
| Total Pension | £5,950.00 pa |

Pre 2008 Retirement Grant = 3 x £2,000.00 = £6,000.00

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

Total Retirement Grant **£6,750.00**

Pension benefits after early retirement factors have been applied:

| Part | Calculation | Result |
|-------|-------------------------|----------------|
| A | £2,000.00 x (1 – 0.0%) | £2,000.00 p.a. |
| B | £250.00 x (1 – 18.0%) | £205.00 p.a. |
| C1 | £2,000.00 x (1 – 18.0%) | £1,640.00 p.a. |
| C2 | £700.00 x (1 – 25.0%) | £525.00 p.a. |
| D1 | £1,000 x (1 – 25.0%) | £750.00 p.a. |
| Total | | £5,120.00 p.a. |

Retirement Grant after early retirement factor has been applied:

| Part | Calculation | Result |
|-------------------------------|----------------------------|-----------|
| Pre 2008 retirement grant | £2,000.00 x 3 x (1 – 0.0%) | £6,000.00 |
| 2008 to 2009 retirement grant | £250.00 x 3 x (1-18.0%) | £615.00 |
| Total | | £6,615.00 |



Statutory Underpin:

A statutory underpin applies to this member. The guidance in section 2 confirms the age at which the different tranches of benefits are reduced by reference to for the purpose of the statutory underpin check.

As required to calculate the underpin amount, the following benefits are the provisional assumed benefits:

| | |
|---|---------|
| Part C2 (1 April 2015 to 31 March 2020) | £700.00 |
| Part D1 (prior to 1 April 2022) | £500.00 |

As required to calculate the underpin amount, the following benefits in respect of the provisional underpin amounts:

| | |
|---|---------|
| Part C2 (1 April 2015 to 31 March 2020) | £572.00 |
| Part D1 (prior to 1 April 2022) | £412.00 |

Underpin calculation of final assumed benefits after early retirement factors have been applied:

| Tranche of provisional assumed benefits | Calculation | Result |
|---|-------------------------------|--------------|
| C2 | $£700.00 \times (1 - 25.0\%)$ | £525.00 p.a. |
| D1 (prior to 1 April 2022) | $£500.00 \times (1 - 25.0\%)$ | £375.00 p.a. |
| Total | | £900.00 p.a. |

Underpin calculation of final underpin amount after early retirement factors have been applied:

| Tranche of provisional underpin amount | Calculation | Result |
|--|-------------------------------|--------------|
| C2 | $£572.00 \times (1 - 18.0\%)$ | £469.04 p.a. |
| D1 (prior to 1 April 2022) | $£412.00 \times (1 - 18.0\%)$ | £337.84 p.a. |
| Total | | £806.88 p.a. |

The final underpin amount is less than the final assumed benefits and therefore there is no final guarantee amount required. The pension benefits are as follows:

- Pension Benefits: £5,120.00 p.a.
- Retirement grant: £6,615.00



Example 2

- Date of Birth: 20 September 1959
- Sex: Male
- Date of joining: 20 September 1994
- Last day of employment: 19 September 2019
- Effective date of election under Regulation 29(6): 20 September 2019
- Age at election: 60
- State Pension Age, or age 65 if higher (NPA): 66 (illustrative)

("Group 1" member – see Appendix B)

Part A, B, C1 and C2:

We proceed to calculate the member's CRA for Part A, B, C1 and C2. At his early retirement date, he is aged 60 years exactly, and has 25 years of membership. He therefore satisfies the rule of 85 at that date (i.e. $60 + 25 = 85$) – so 60 is his CRA. The term for which the early retirement reductions should be applied is then 0 years (60 years less 60 years).

3.1 Assume that the member has accrued the following

Pension:

| | |
|---|---------------------|
| Part A (up to 31 March 2008) | £4,500.00 pa |
| - CRA 60 Pension | |
| Part B (1 April 2008 to 31 March 2009) | £375.00 pa |
| - CRA 60 Pension | |
| Part C1 (1 April 2009 to 31 March 2015) | £3,000.00 pa |
| - CRA 60 Pension | |
| Part C2 (1 April 2015 to 31 March 2020) | £2,029.59 pa |
| - CRA 60 Pension | |
| Total Pension | £9,904.59 pa |

Pre 2008 Retirement Grant = $3 \times £4,500.00 = £13,500.00$

2008 to 2009 Retirement Grant = $3 \times £375.00 = £1,125.00$

Total Retirement Grant £14,625.00

The appropriate factors are:

- P_{CRA} 0%
- RG_{CRA} 0%



The final underpin amount is more than the final assumed benefit and therefore there is a final guarantee amount required. The pension benefits are as follows:

- Pension Benefits: £4,500.00 p.a. + £375.00 p.a. + £3,000.00 p.a. + £2,250.00 p.a.= £10,125.00 p.a.
- Retirement grant: £14,625.00



Appendix A: Principal assumptions underlying factors

Noted below are the main financial and demographic assumptions used to set the factors referred to in this document. Please note the factors used in this document are subject to change.

Financial assumptions

| | |
|---------------------------------------|--------|
| Nominal discount rate | 3.734% |
| CPI | 2.00% |
| Real discount rate (in excess of CPI) | 1.70% |

Mortality assumptions

| | |
|---|---|
| Base mortality tables and adjustments – normal health | Member: 113% of S3NMA_M (Male) and 115% of S3NFA_M (Female) |
| Future mortality improvement | Based on ONS 2020 principal UK population projections |
| Year of Use | 2024 |

Other assumptions

| | |
|---|-----|
| Proportion of male members for unisex factors | 40% |
| Allowance for commutation | Nil |

More details of the above assumptions including explanation of any abbreviations used are set out in the 2020 actuarial valuation of the LGPS (Scotland) at:

<https://www.gov.uk/government/publications/2020-valuation-local-government-pension-scheme-scotland>



Appendix B: Transitional provisions

- 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.
- 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 member's '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(6) (retirement benefits: early retirement) of the 2018 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]. Also, for members requesting to receive immediate payment under regulation 3(13) of the 2015 Scheme Transitional Regulations, the Critical Retirement Age cannot be less than 60. The scheme employer cannot agree that it should be.



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(7) (retirement benefits: flexible retirement) of the 2018 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(7) (retirement benefits: flexible retirement) of the 2018 Regulations, but
- Critical Retirement Age 60, if requesting to receive immediate payment of retirement benefits under regulation 29(6) (retirement benefits: early retirement) of the 2018 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 96 of the 2018 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 transfer payment into the 2015 Scheme in respect of service that is not remediable service 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 B. 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 2018 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 2018 Regulations should be treated as Part D1 membership (see B.6).
- B.23 Pension credit rights created under Regulation 144 of the 1998 Regulations should be treated as Part D2 membership (see B.6).
- B.24 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: Limitations

- C.1 This guidance should not be used for any purpose other than those set out in this guidance.
- C.2 The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.3 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- C.4 This guidance 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.
- C.5 Scheme managers and administrators should satisfy themselves that early retirement calculations and benefit awards comply with all legislative requirements including, but not limited to, tax 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 SPPA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.