

Local Government Pension Scheme

Protected Regulation 66(8)

Adjustment of Transfer Credits granted from accumulated AVCs

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1. Regulation 66(8) of the Local Government Pension Scheme Regulations 1997 (SI 1997/1612) (“the 1997 Regulations”), which is protected by virtue of Schedule 1 of the Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239), provided for members who made an election under regulation 60(1) of the 1997 Regulations prior to 13 November 2001 to have the right to make an election under regulation 66 of those regulations, as they stood prior to 13 November 2001.
2. Protected regulations 66(1)(c) and 66(5) provided for a member who becomes entitled to an ill-health pension to elect to have the accumulated value of their additional voluntary contributions (‘AVCs’) used to acquire a transfer credit in the LGPS. Similarly protected regulations 66(1)(d) and 66(5) permitted an active member who has attained age 50, and who has stopped paying AVCs, to use the accumulated value of these AVCs to acquire a transfer credit in the LGPS.
3. In the 1997 regulations, protected regulation 66(6) provided for the transfer credit to be calculated on the same basis as if a transfer value were being accepted for the member under Regulation 121, except that, under protected regulation 66(8), transfer credits acquired under 66(5) must not entitle the member to benefits in the form of a lump sum payable at retirement. In view of this, protected regulation 66(8) also provided that the period of membership with which the member would be credited should be calculated - in accordance with guidance issued by the Government Actuary - subject to an adjustment to the standard transfer calculation methodology reflecting the fact that the credit will not apply in calculation of the retirement grant.
4. From October 2008, new non-Club incoming transfer factors were issued derived using an assumed pension age of 65. This note provides the guidance required by protected regulation 66(8) following the issue of these new factors. The note has been prepared at the request of the Department for Communities and Local Government (CLG) and is issued to them for onward transmission to administering authorities.
5. Transfer credits in cases below age 65 should be calculated based on an assumed pension age of 65. If the member subsequently retires before (after) age 65, the relevant early (late) retirement factor, taken from the GAD guidance on early (late) retirement, should be applied to the benefits derived from the calculated transfer credit, as required by protected Regulation 66(7). For early retirements, the GAD guidance on Regulations 30(4) and 18(2) of the Local Government Pension Scheme Regulations (Benefits, Membership and Contributions) 2007 applies.
6. The adjustment described in paragraph 3 is achieved by using the standard non-Club incoming transfer methodology applicable at the calculation date for 80ths benefits payable at pension age 65, but subject to the following amendments:
 - i) the lump sum term and lump sum factors should be omitted from the standard formula, and
 - ii) a pension-only (instead of mixed pension and lump sum) AMC should be applied.

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7. Where the member concerned is age 65 or over at the calculation date, the calculation should be undertaken using the non-ill-health pensioner divorce factors in relation to 80ths benefits (together with the pension-only AMCs tabulated with these factors), and the adjustment described in paragraph 3 is that no lump sum term should be included in this calculation. No late retirement factors are applicable in such cases.
8. The transfer credit so calculated should be used in the calculation of the member's pension, spouse's long-term pension and children's long-term pension. No period of service credited under Protected Regulation 66(5) should be included in the calculation of the retirement grant.



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Examples

References in the examples are to tables of factors in Version 1.3 of the E&W transfer factor suite and in the pensioner divorce factor tables.

Assumed yields in the examples on FT-Actuaries Index of index-linked HMG gilts of duration 15 years or more are:

- (i) on 0% inflation assumption = 1.24%
- (ii) on 5% inflation assumption = 1.16%

So yield to use in calculations is 1.20%.

Example 1

Female, age last birthday at calculation date	61
Rate of pensionable pay at calculation date	£30,000 pa
Accumulated AVC fund at calculation date	£50,000

Pension-only AMC at age 61 and a 1% yield = 1.18
Pension-only AMC at age 61 and a 2% yield = 1.10 (from Table 5.2 of transfer factor suite)

Interpolating, pension-only AMC to use = $0.8 \times 1.18 + 0.2 \times 1.10 = 1.164$

Pension factor at age 61 (from Table 4.6 of transfer factor suite)	= 20.99
4-year (61 to 65) adjustment factor (from Table 3.1 of transfer factor suite)	= 0.81
Contingent partner factor at age 61 (from Table 4.6 of transfer factor suite)	= 1.25

Value of one year = $1/80^{\text{th}} \times £30,000 \times (20.99 \times 0.81 + 1.25/2) = £6,610.09$

Pension-only service credit payable at 65 = $(£50,000/1.164)/£6,610.09 = 6.4985$ years

Example 2

Male age last birthday at calculation date	66
Rate of pensionable pay at calculation date	£25,000 pa
Accumulated AVC fund at calculation date	£30,000

Pension-only AMC at age 66 and a 1% yield = 1.16
Pension-only AMC at age 66 and a 2% yield = 1.09
(from Table 3.1 of pensioner divorce factors tables)

Interpolating, pension-only AMC to use = $0.8 \times 1.16 + 0.2 \times 1.09 = 1.146$

Pension factor at age 66	= 15.17
Contingent partner factor at age 66	= 2.93

(from Table 1.1 of pensioner divorce factors tables)

Value of one year = $1/80^{\text{th}} \times £25,000 \times (15.17 + 2.93/2) = £5,198.44$

Pension-only service credit payable at 66 = $(£30,000/1.146)/£5,198.44 = 5.0357$ years