

LGPS Broad Comparability – clarification of definition of minimum pension age

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1 Introduction

- 1.1 In relation to transfers of staff from the Local Government Pension Scheme (LGPS), one of the requirements for a scheme to be certified broadly comparable to the LGPS is that the minimum pension age (see definition below) in the contractor's scheme must be no higher for any individual than it would have been – taking into account past events during membership of the LGPS up to the point of transfer of employment - if the individual had subsequently remained in the LGPS. The Government Actuary's Department is issuing this clarification note to ensure that contracting authorities and contractors involved in transfers of staff eligible to join the LGPS are aware that it is the contracting authority's responsibility to ensure that they provide contractors with accurate details of such minimum pension ages for all individuals and/or to ensure that they have sufficient information to do so themselves.
- 1.2 The usual terminology for minimum pension age in LGPS guidance is the Critical Retirement Age (CRA). CRA is defined, for each relevant period of service of each member, as the earliest age at which the member is entitled as of right to immediate payment of the benefits accrued during that period of service with no reduction for early payment. The term CRA will be used throughout the rest of this note.
- 1.3 For any member first joining the LGPS after 30/9/06, the CRA is 65 in respect of all service.
- 1.4 For any member in service on or before that date and not covered by transitional protection, the CRA is determined separately for service to and after 31/3/08. For service after 31/3/08 Minimum Pension Age is 65. For service to 31/3/08 the CRA is determined using the 'rule of 85' (Ro85) – see Section 2 below. In this paragraph a later date than 31/3/08 will apply for members covered by transitional protection – see below.
- 1.5 Transitional provisions extend protection of a CRA below age 65, as calculated based on the Ro85, to cover service to 31/3/16 for any members who reach age 60 by that date. Members attaining age 60 between 1 April 2016 and 31 March 2020 and whose CRA will be reached on or before 31 March 2020, will be subject to lower than normal actuarial reduction factors in respect of benefits accrued from 1 April 2008 to 31 March 2020 if they retire before age 65. Those who would reach CRA at the beginning of the period would have early retirement factors based on the period between retirement and CRA while those reaching CRA at the end of the period would have early retirement factors based on the period between early retirement and age 65. Those attaining CRA between these points will have early retirement factors that are interpolated, based on the date at which CRA would be reached.
- 1.6 This note should be appended to all LGPS passport certificates issued prior to the date of this note when they are presented to contracting authorities on bidding for work. Contracting authorities should not accept any passport issued before this date without this note. A GAD passport certificate for the LGPS is valid only if the Contracting Authority provides the administrators of the contractor's pension scheme either with a full and accurate schedule of the relevant set of CRAs for all transferring members, or with sufficient information for the administrators of the contractor's scheme to determine and then apply these CRAs in accordance with all relevant Local Government Pension Scheme regulations.

2 Operation of the rule of 85

- 2.1 Where membership has not been increased through either an AVC contract, a transfer in or an employer augmentation, the CRA under the Ro85 can be calculated at the date of transfer of employment as the later of age 60 or the first such age (not later than age 65) when the sum of the following items (both expressed in years) will first equal 85:
- (a) the integer part of age and
 - (b) the integer part of total potential LGPS membership
 - including the period from the date of transfer of employment to retirement
 - normally starting from the beginning of the earliest period of past LGPS membership
 - but earlier periods can be ignored if they were never aggregated with a later period
 - and earlier periods can be ignored if the rights accrued in those periods have been extinguished by taking a transfer value or a refund
 - past LGPS membership is counted for Ro85 purposes whether or not members opt to transfer this into the contractor's scheme
 - for Ro85 purposes, part-time service should be counted at the actual period of time served, and not reduced pro-rata.

Please note that the above definition is set out as a guide. It is not designed to be comprehensive, or to supersede the relevant regulations and guidance.

- 2.2 Aside from service actually completed and potential service to retirement, any elements which have historically increased a member's "total membership" as defined in the Local Government Pension Scheme Regulations 1997 could also have potentially contributed towards a reduction in that member's CRA. Such elements include service credited on bringing in a cash equivalent transfer value to the LGPS from a previous pension scheme (or in some cases the length of service in that previous scheme if greater), pro-rata service up to the date of transfer of employment purchased by a member under an voluntary additional contribution added years contract, money-purchase AVCs converted to service credits and service augmentations purchased by an LGPS employer.
- 2.3 In a significant number of cases, membership credits on bringing in a cash equivalent may have been determined under an iterative process which simultaneously determined the credit and the associated reduction in the CRA.

3 Regulations of particular importance

3.1 Listed below are some of the more important past and present regulations relevant to the calculation of the CRA, together with guidance notes issued in connection with those regulations. In some cases these regulations may now have been revoked but they are included as the historic impact they had on the calculation of a member's CRA could still apply. This list is not intended to be exhaustive. Contracting Authorities will need to be satisfied that arrangements have been established to ensure, where necessary, that the administrators for the receiving pension scheme can correctly identify the relevant CRA for each transferring member under all the relevant regulations.

Sets of Regulations

The Local Government Pension Scheme Regulations 1995 (SI 1995/1019)
 The Local Government Pension Scheme Regulations 1997 (SI 1997/1612)
 The Local Government Pension Scheme Regulations (Transitional Provisions) 1997 (SI 1997/1613)
 The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI 2007/1166)
 The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008/238)
 The Local Government Pension Scheme (Administration) Regulations 2008 (SI 2008/239)

Individual Regulations and Guidance

SI	Regulation number	Subject Area	Dates of relevant GAD Guidance Notes
1997/1612	9-11	Definition of "total membership"	
1997/1612	31	Ro85 and early retirement reductions	January 1998, March 1999 & September 2006
1997/1612	52	Employer's power to increase total membership	
1997/1612	55	Member's additional voluntary purchase of added years of membership	June 1998 & January 2007
1997/1612	121-123	Inward individual transfers	April 2005
2007/1166	6 & 7	Definition of periods of membership	
2007/1166	12	Employer's power to increase total membership	
2007/1166	16 & 17	Normal and late retirement	April 2008
2007/1166	29 & 30	Early retirement	April 2008
2008/238	3, 4 & 5	Periods of membership	
2008/238	10 & Schedule 2	Rule of 85	
2008/239	83	Inward individual transfers	April 2008