The Local Government Pension Scheme (Scotland)
Application of a Pension Debit for Divorced Members

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1   Legislative Background

1.1   Regulation 83(1) of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (SSI 2008/228) ("the Administration Regulations") states that the benefits payable to a pension debit member shall be reduced to take into account the debit to which the shareable rights of the pension debit member are subject under a pension sharing order. Regulation 83(2) further states that the amount of reduction shall be calculated in accordance with guidance issued by the scheme actuary.

1.2   Regulation 42 of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (SSI 2008/230) ("the Benefits Regulations") states that the administering authorities shall have regard to guidance issued by the scheme actuary as to the reduction of benefits payable in consequence of a pension debit created under Section 29 of the Welfare Reform and Pensions Act 1999 ("the 1999 Act").

1.3   The purpose of this note prepared by the Government Actuary's Department ("GAD") for the Scottish Public Pensions Agency ("SPPA") and issued to them for onward transmission to administering authorities is to provide the guidance under Regulation 83 of the Administration Regulations and Regulation 42 of the Benefits Regulations.

Caveats

1.4   This note should not be used for any purpose other than to determine the reduction to benefits that should be applied to pension debit members as a result of pension sharing orders.

1.5   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.

1.6   This note only covers the actuarial principles around the calculation and application of pension debits. Any legal advice in this area should be sought from an appropriately qualified person or source.

1.7   The actuarial factors contained in this note are subject to review. Administering authorities need to ensure that they are using the relevant applicable factors when processing cases.

2   Introduction

2.1   Where a pension sharing order is issued by a Scottish Court, the former spouse or civil partner is normally allocated a monetary amount. The member's benefits are reduced, and the former spouse or civil partner will hold benefits in their own right, independent of the scheme member.

2.2   The member's benefits will be reduced to reflect the monetary amount awarded to their former spouse or civil partner. This reduction is known as a 'pension debit'.

2.3   The general principle is that the savings to the LGPS arising from the pension debits are used to provide actuarially equivalent benefits to the member's former spouse or civil partner (the "pension credit" member). However, in some cases, the methodology has been simplified to facilitate administration so should not be regarded as being strictly actuarially neutral in all cases.

2.4   It is assumed that the cash equivalent of a member's benefit for divorce purposes has already been determined in accordance with the latest GAD note "Pension Sharing Following Divorce – Calculation of Cash Equivalents".

2.5   For active and deferred members the divorce cash equivalent used in the pension sharing order may be made up of separate cash equivalents calculated in respect of Critical Retirement Age ("CRA") membership and Pension Age 65 ("PA65") membership. Furthermore, some elements of such membership will also be differentiated by whether the membership is based on eightieths or sixtieths accrual. For consistency, a debit should be calculated in respect of each element (tranche) of the cash equivalent. For further information on these membership elements, please refer to the GAD note on the calculation of divorce cash equivalents.

2.6   For active and deferred members, their pension debits should be revalued up to retirement in line with usual scheme rules applying to a deferred pension. In retirement, the pension debit increases in line with usual scheme rules and should be deducted from the member's total pension benefits. Note that GMP pension debits should be increased in line with GMP increases (in deferment and in payment).

2.7   On the member's death, if the member had remarried or formed a new civil partnership or other qualifying partnership, the pension debit will reduce the survivor's benefit available to a new spouse, civil partner or qualifying partner.

2.8   No spouse or civil partner's benefits will be payable to the member's ex-spouse or ex-civil partner who was party to the divorce resulting in the pension sharing order (except in the unlikely situation that the member remarried or entered into a new civil partnership or other qualifying partnership with his or her ex-spouse or ex-civil partner).

2.9   If the member has dependent children, any child allowance payable should not be reduced as a result of a pension debit.

2.10 No debit should be applied to the lump sum payable on the death of a member who was contributing to the scheme at their death.

3   Calculation of the Pension Debit

3.1   This section sets out the methodology for calculating the pension debit to be applied to the member's benefits following the issue of a pension sharing order by the Court.

Appropriate Percentage

3.2   Under Scottish law, the pension sharing order will usually specify a monetary amount ("MA"). The percentage for the pension debit (the "appropriate percentage") should be calculated as the ratio of the monetary amount and the cash equivalent of the member's benefits at the Transfer day ("CE"):

appropriate percentage = (MA ÷ CE) × 100%

3.3   For divorces under English law, the pension sharing order will specify the percentage of the member's benefits that the ex-spouse or ex-civil partner will be entitled to.

Calculation

3.4   There are two dates which are of relevance when determining the reduction to benefits to take into account pension debits; the "Transfer day" and the "Valuation day".

3.5   Section 29(8) of the 1999 Act and Regulation 87(4) of the Administration Regulations define the Transfer day as the day on which the pension sharing order or provision takes effect. (The Transfer day is sometimes also referred to as the Effective date.)

3.6   Regulation 86(5) of the Administration Regulations defines the Valuation day as a day within the Implementation Period for the discharge of the pension credit as the administering authority may specify by notice in writing to the transferor and transferee. Section 34(1) of the 1999 Act and Regulation 93(1) of the Administration Regulations define the Implementation Period as the four month period that starts on the Transfer day, or if later, on the date the pension scheme has the prescribed information needed to implement the pension sharing order. (The Valuation day is sometimes referred to as the Implementation date or the Calculation date.)

3.7   The calculation of the pension debit should be based on the status of the member at the Transfer day – i.e. whether they are an active, deferred or pensioner member at this date. The amount of benefits which the member in entitled to should also be taken at the Transfer day. This approach is consistent with the calculation of the cash equivalent which assumes that the member left service on the day immediately before the Transfer day.

3.8   In cases where the status of a member changes between the Transfer day and the Valuation day, paragraph 3.7 above still applies. For the avoidance of doubt, this may lead to cases where benefits need to be clawed back by the administering or employing authority. For example, the retirement grant paid to a member who is active on the Transfer day but a pensioner on the Valuation day should be reduced even though it has already been paid because the member was active on the Transfer day. If authorities require any assistance with such cases then these cases could be referred to GAD, via SPPA.

Pension Debit for a pensioner

3.9 Where the member is a pensioner, the debit will apply to the member's own pension with effect from the Transfer day, and also to the pension payable to a future surviving spouse, civil partner or other qualifying partner on the death of the member.

3.10 The debit applying to the member's pension ("MEMDEB") will be:

MEMDEB = Current member's pension x appropriate percentage / 100%

3.11 The current member's pension is the rate of pension in payment at the Transfer day. The last Pensions Increase ("PI") should be that awarded up to and including the April increase immediately before the Transfer day.

3.12 The full amount of pension may have been paid between the Transfer day and the Valuation day, for pensioner members. The authority may therefore need to recoup the debit that should have been applied to the member's pension in payment between the Transfer day and the Valuation day.

3.13 The debit applying to any future surviving spouse, civil partner or other qualifying partner's pension ("SURDEB") will be:

SURDEB = Current contingent survivor's pension x appropriate percentage / 100%

3.14 The current contingent survivor's pension should be the rate of pension payable to the survivor if the member had died immediately before the Transfer day.

3.15 The debit applying to the Guaranteed Minimum Pension ("GMP") – where "PREGMPDEB" relates to annual GMP accrued before 6 April 1998 and "POSTGMPDEB" relates to annual GMP accrued after 6 April 1998 – will be:

PREGMPDEB = Pre 88 GMP x appropriate percentage / 100%

POSTGMPDEB = Post 88 GMP x appropriate percentage / 100%

The section on Guaranteed Minimum Pension gives more details on the GMP.

3.16 For the avoidance of doubt, the member's pension, contingent survivor's pension, and GMP should be the same as used to calculate the member's cash equivalent for divorce purposes in accordance with the GAD note. For the member's pension the pension used is the post-commutation pension.

3.17 Debits applying to the member's pension, contingent survivor's pension and GMP should be subtracted from the member's benefits. The reduced member's pension, contingent survivor's pension and GMP should then be increased in line with usual scheme rules – i.e. the reduced member's pension and contingent survivor's pension should be increased in line with PI each year from the April immediately before the Transfer day, or the date of retirement if later (unless the pensioner is under age 55 and not entitled to PI until age 55). The reduced GMP should be increased each year from the April immediately before the Transfer day in line with the GMP increases set out in paragraph 3.48.

3.18 For the avoidance of doubt, there is no debit to any lump sum, which will already have been paid, or to any contingent children's pensions.

Pension Debit for a deferred pensioner

3.19   Where the member is a deferred pensioner, the pension debit will apply to the member's pension at the point when the member's benefits come into payment. The debit should be applied separately to the different elements (tranches) of the divorce cash equivalent, ie to the member's benefits for CRA membership and PA65 membership.

3.20   It may therefore be necessary to calculate several debits in relation to CRA membership and PA65 membership.

3.21   Debits will also apply to any automatic lump sum, and to the pension payable to a future surviving spouse, civil partner or other qualifying partner on the member's death but not to any contingent children's pensions.

3.22   The principle for a deferred member is that the debits for each type of membership act like a deferred pension, which is subtracted from the member's benefits at retirement (see paragraph 3.28).

3.23   Debits are calculated by reference to the benefits at exit ie to the pre-commutation pension and any automatic lump sum.

3.24   The debit applying to each tranche of the member's pension will be:

MEMDEB = Member's pension at exit x appropriate percentage / 100%

3.25   The lump sum debit only applies to the automatic lump sum (ie on service up to 31 March 2009 and membership from added years contracts that include a lump sum). The debit applying to each tranche of the lump sum will be:

LSDEB = Lump sum at exit x appropriate percentage / 100%

There will not be any lump sum debit in respect of service on or after 1 April 2009 (which is based on 1/60ths accrual).

3.26   The debit applying to any future surviving spouse, civil partner or other qualifying partner's pension will be:

SURDEB = Contingent survivor's pension at exit x appropriate percentage / 100%

3.27   The debit applying to the GMP will be:

PREGMPDEB = Pre 88 GMP at exit x appropriate percentage / 100%

POSTGMPDEB = Post 88 GMP at exit x appropriate percentage / 100%

The section on Guaranteed Minimum Pension gives more details on the GMP.

3.28 At retirement, both the benefits and the debits should be revalued from the date of exit to the April immediately before the date of retirement, and the revalued debits should be subtracted from the respective revalued benefits. In the case of the member's pension, lump sum and contingent survivor's pension, the benefit and the debit should be revalued in line with PI (but noting that the GMP are increased in accordance with paragraph 3.48).

3.29 From retirement the reduced benefits should be increased in line with usual scheme rules.

Deferred benefits coming into payment before age 65 or CRA

3.30 If the member's deferred pension comes into payment before age 65 or CRA (as relevant), whether on (voluntary) early retirement or on grounds of ill health, the debit applied should be reduced. This is because the debit will be applied over a longer period than was assumed when calculating the original debit, so a lower amount should be deducted.

For each tranche, the pension and lump sum debits will be:

$MEMDEB \times PI \times (1 - MEMERF_{ret})$

$LSDEB \times PI \times (1 - LSERF_{ret})$

where:

$MEMDEB$ = Pension debit to the member's pension at exit

$LSDEB$ = Pension debit to the lump sum at exit

PI = Pensions increase uprating factor between the date of exit and the April immediately before the date of retirement

$MEMERF_{ret}$ = Early retirement factor applied to the member's pension – see also below

$LSERF_{ret}$ = Early retirement factor applied to the lump sum – see also below

In the case of ill-health retirement, $MEMERF_{ret}$ and $LSERF_{ret}$ can be found in Table A. In all other cases $MEMERF_{ret}$ and $LSERF_{ret}$ can be found in Table B. Different factors will apply to CRA membership and PA65 membership. These will usually be the same as those applied to the member's pension and lump sum, as described in the latest GAD guidance note on early retirement, except, for example, on retirement before age 60 but after the rule of 85 retirement age. (In these cases members may be entitled to unreduced pension and lump sum, but the debit should still be actuarially reduced to reflect the period between retirement and age 60.)

The early retirement adjustments for members who retire earlier than age 65 or CRA (as relevant) do not apply to the debit applied to the spouse, civil partner or other qualifying partner's pension, or the debit applied to the GMP. GMP debits are only applied from GMP Pension Age (which is age 60 for females and age 65 for males).

Deferred benefits coming into payment after age 65

3.31 For a member who defers drawing benefits until later than age 65, the debit applied should be increased. This is because the debit will be applied over a shorter period than was assumed when calculating the original debit, so a higher amount should be deducted. However, no late retirement increases will apply to retirements between CRA and age 65, similar to main scheme benefits, but see paragraph 3.49. The late retirement factors should be applied to the debit in accordance with the latest GAD guidance note on late retirement. However, where the member is already over age 65 on the Transfer day the late retirement factors should only be applied in respect of the period between the Transfer day and the date of retirement.

The pension and lump sum debits will be:

$MEMDEB \times PI \times MEMLRF_{ret}$

$LSDEB \times PI \times LSLRF_{ret}$

where:

$MEMDEB$ = Pension debit to the member's pension at exit

$LSDEB$ = Pension debit to the member's lump sum at exit

PI = Pensions increase uprating factor between the date of exit and the April immediately before the date of retirement

$MEMLRF_{ret}$ = Late retirement factor applied to the member's pension at retirement age

$LSLRF_{ret}$ = Late retirement factor applied to the member's lump sum at retirement age

The late retirement adjustments for members who retire later than age 65 do not apply to the debit applied to the spouse, civil partner or other qualifying partner's pension. The debit applied to the GMP should be increased for late retirement as described in paragraph 3.49.

Pension Debit for an active member

3.32 Where the member is an active member of the scheme, separate debits should be calculated for the different elements (tranches) of the divorce cash equivalent ie on the member's benefits for CRA membership and PA65 membership.

3.33 Debits will also apply to any automatic lump sum, and to the pension payable to a future surviving spouse, civil partner or other qualifying partner on the member's death but not to any contingent children's pension.

3.34 The principle for an active member is that the debit acts like a deferred pension, which is subtracted from the member's benefits at retirement (see paragraph 3.40 and 3.41).

3.35 The debits are calculated by reference to the benefits used to calculate the divorce cash equivalent i.e. to the pre-commutation pension and any automatic lump sum.

3.36 The debit applying to each tranche of the member's pension will be:

MEMDEB = Member's pension at Transfer day x appropriate percentage / 100%

3.37 The lump sum debit only applies to the automatic lump sum (ie on service up to 31 March 2009 and membership from added years contracts that include a lump sum). The debit applying to each tranche of the lump sum will be:

LSDEB = Lump sum at Transfer day x appropriate percentage / 100%

There will not be any lump sum debit in respect of service on or after 1 April 2009 (which is based on 1/60ths accrual).

3.38 The debit applying to any future surviving spouse, civil partner or other qualifying partner's pension will be:

SURDEB = Contingent survivor's pension at Transfer day x appropriate percentage / 100%

3.39 The debit applying to the GMP will be:

PREGMPDEB = Pre 88 GMP at Transfer day x appropriate percentage / 100%

POSTGMPDEB = Post 88 GMP at Transfer day x appropriate percentage / 100%

The section on Guaranteed Minimum Pension gives more details on the GMP.

3.40 The debit should be revalued from the Transfer day to the April immediately before the date of retirement in line with PI (but noting that the GMP are revalued in accordance with paragraph 3.48).

3.41 When the member retires, their benefits are first calculated in the normal way for the different elements of service based on final pensionable pay; their benefits are then reduced to allow for the revalued debits.

3.42 From retirement, the reduced benefits should be increased in line with usual scheme rules.

Active members retiring before age 65 or CRA

3.43 If the member's pension comes into payment before age 65 or CRA (as relevant), whether on (voluntary or involuntary) early retirement or on grounds of ill health, the debit applied should be reduced. This is because the debit will be applied over a longer period than was assumed when calculating the original debit, so a lower amount should be deducted.

The pension and lump sum debits will be:

MEMDEB x PI x (1 - MEMERF$_{ret}$)

LSDEB x PI x (1 - LSERF$_{ret}$)

where:

MEMDEB = Pension debit to the member's pension at Transfer day

LSDEB = Pension debit to the member's lump sum at Transfer day

PI = Pensions increase uprating factor between the Transfer day and the April immediately before the date of retirement

MEMERF$_{ret}$ = Early retirement factor applied to the member's pension debit – see also below

LSERF$_{ret}$ = Early retirement factor applied to the lump sum debit – see also below

In the case of ill-health retirement, MEMERF$_{ret}$ and LSERF$_{ret}$ can be found in Table A. In all other cases MEMERF$_{ret}$ and LSERF$_{ret}$ can be found in Table B. Different factors will apply to CRA membership and PA65 membership. These will usually be the same as those applied to the member's pension and lump sum, as described in the latest GAD guidance note on early retirement, except, for example, on redundancy or on retirement before age 60, but after the rule of 85 retirement age. (In these cases members may be entitled to unreduced pension and lump sum, but the debit should still be actuarially reduced to reflect the period between retirement and age 60.)

The early retirement adjustments for members who retire earlier than age 65 or CRA (as relevant) do not apply to the debit applied to the spouse, civil partner or other qualifying partner's pension, or the debit applied to the GMP. GMP debits are only applied from GMP Pension Age (which is age 60 for females and age 65 for males).

Active members retiring after age 65

3.44 For a member who retires later than age 65, the debit applied should be increased. This is because the debit will be applied over a shorter period than was assumed when calculating the original debit, so a higher amount should be deducted. However, no late retirement increases will apply to retirements between CRA and age 65 similar to main scheme benefits, but see paragraph 3.49. The late retirement factors should be applied to the debit in accordance with the latest GAD guidance note on late retirement. However, where the member is already over age 65 on the Transfer day the late retirement factors should only be applied in respect of the period between the Transfer day and the date of retirement.

The pension and lump sum debits will be:

$MEMDEB \times PI \times MEMLRF_{ret}$

$LSDEB \times PI \times LSLRF_{ret}$

where:

$MEMDEB$ = Pension debit to the member's pension at Transfer day

$LSDEB$ = Pension debit to the member's lump sum at Transfer day

PI = Pensions increase uprating factor between the Transfer day and the April immediately before the date of retirement

$MEMLRF_{ret}$ = Late retirement factor applied to the member's pension at retirement age

$LSLRF_{ret}$ = Late retirement factor applied to the lump sum at retirement age

The late retirement adjustments for members who retire later than age 65 do not apply to the debit applied to the spouse, civil partner or other qualifying partner's pension. The debit applied to the GMP should be increased for late retirement as described in paragraph 3.49.

3.45 Where the member is aged over 65 or has passed CRA (as relevant) and would be entitled to the immediate unreduced payment of a pension if they left on the Transfer day, the debit should be increased by PI up to age 65 and by PI × LRF after age 65.

Flexible Retirement

3.46 Where a member opts to draw-down their membership, the debit relating to that part of the membership which is being drawn-down should be applied at the point of flexible retirement (and having regard to paragraphs 3.43 to 3.45 where relevant). Where the member elects to only draw-down a proportion of the membership, the debit should be pro-rated (in proportion to the membership being drawn-down) and applied to the relevant benefit being drawn-down. The remaining debit should be applied when the member eventually retires.

Guaranteed Minimum Pension

3.47 Pre 88 GMP is the annual GMP accrued before 6 April 1988, and Post 88 GMP is the annual GMP accrued after 6 April 1988.

3.48 Where the member is below GMP Pension Age, the GMP should include revaluation using Section 148 orders. Where the member has passed GMP Pension Age and has retired, the pre 88 GMP should be at the same rate as at GMP Pension Age. The post 88 GMP should include increases granted by the scheme on that part of the benefits (ie 3% per annum or the pensions increase order if less).

3.49 Where the member has passed GMP Pension Age but has not started drawing a pension, the pre 88 GMP should be increased by 1/7% per week and the post 88 GMP should be increased by 1/7% per week plus the annual increases granted by the scheme (ie 3% per annum or the pensions increase order if less). This is our understanding of the requirements under Section 15 of the Pension Schemes Act 1993.

3.50 Annual GMP figures can be obtained by multiplying the weekly GMP figures by 52.

Additional Voluntary Contributions

3.51 Where the member has purchased added years of service or additional pension, the pension debit will apply to added years of service or additional pension purchased up to the Transfer day. These benefits will be treated in the same way as main scheme benefits.

3.52 If the member has a Money Purchase AVC fund at the Transfer day, then the pension debit at the Transfer day in respect of the Money Purchase AVCs is the appropriate percentage times the value of the fund at the Transfer day.

3.53 If the other party to the debit order transfers their share from the AVC fund then the application of any further debit is unnecessary. Otherwise, new money invested in the AVC fund should be invested and recorded separately from the fund available at Transfer day (the "shareable fund"). The pension debit at retirement is the appropriate percentage times the value of the shareable fund at retirement. For the avoidance of doubt, it is not necessary that a new or separate AVC policy should be set up, but it is important that the AVC fund at retirement can be split between amounts relating to money invested before and after Transfer day.

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4   Examples[*]

EXAMPLE 1: Debit calculation for an active member with CRA pre-2008 service and NRA65 post-2008 service

The divorce CETV is calculated in Example 1 of the GAD note.

Member data:

Date of birth:	1 November 1967
Sex:	Male
Date of joining:	1 November 1986
Transfer day:	1 November 2010

Total service:	24 years 0 days
Part A Membership:	21 years 151 days
Part B Membership:	1 year
Part C Membership:	1 year 214 days
Final pensionable salary:	£20,000

Monetary Amount awarded to former spouse = £30,231.52
CETV (as calculated in Example 1 of the GAD divorce CETV guidance) = £75,578.79
Appropriate Percentage = 30,231.52 / 75,578.79 × 100% = 40%

Initial Calculations

Part A Membership

Critical retirement age = 60

Benefit	Calculation	Amount
Member's pension	(21 +151/365) x £20,000 / 80	£5,353.42 pa
Member's lump sum	3 x £5,353.42	£16,060.26
Contingent survivor's pension	£5,353.42 / 2	£2,676.71 pa
Pre-88 GMP		£100 pa
Post-88 GMP		£500 pa

Part B Membership

Critical retirement age = 65

Benefit	Calculation	Amount
Member's pension	1 x £20,000 / 80	£250 pa
Member's lump sum	3 x £250	£750
Contingent survivor's pension	£250 / 2	£125 pa

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[*] Please note that the figures used in these examples are for illustrative purposes only

Part C Membership

Critical retirement age = 65

Benefit	Calculation	Amount
Member's pension	(1+214/365) x £20,000 / 60	£528.77 pa
Contingent survivor's pension	(1+214/365) x £20,000 / 160	£198.29 pa

Debits Calculated at Transfer day

Part A Membership (CRA 60)

Pension debit	(MEMDEB)	= £5,353.42 x 40 / 100	= £2,141.37 pa
Lump Sum debit	(LSDEB)	= £16,060.26 x 40 / 100	= £6,424.10
Survivor's debit	(SURDEB)	= £2,676.71 x 40 / 100	= £1,070.68 pa
Pre-88 GMP debit	(PREGMPDEB)	= £100 x 40 / 100	= £40 pa
Post-88 GMP debit	(POSTGMPDEB)	= £500 x 40 / 100	= £200 pa

Part B Membership (PA 65)

Pension debit	(MEMDEB)	= £250 x 40 / 100	= £100 pa
Lump Sum debit	(LSDEB)	= £750 x 40 / 100	= £300
Survivor's debit	(SURDEB)	= £125 x 40 / 100	= £50 pa

Part C Membership (PA 65)

Pension debit	(MEMDEB)	= £528.77 x 40 / 100	= £211.51 pa
Survivor's debit	(SURDEB)	= £198.29 x 40 / 100	= £79.32 pa

Debits to be applied at retirement

Scenario 1: Member retires at age 60

Factors (Male)	
MEMERF$_{ret}$ (5 years early retirement pension factor for PA65 service)	24%
LSERF$_{ret}$ (5 years early retirement lump sum factor for PA65 service)	12%
PI factor	1.65
GMP revaluation factor (to age 65 for a male)	1.95

Part A Membership (CRA 60)

Pension debit	= £2,141.37	x 1.65	= £3,533.26 pa
Lump Sum debit	= £6,424.10	x 1.65	= £10,599.77
Survivor's debit	= £1,070.68	x 1.65	= £1,766.62 pa
Pre-88 GMP debit*	= £40	x 1.95	= £78 pa
Post-88 GMP debit*	= £200	x 1.95	= £390 pa

Part B Membership (PA 65)

Pension debit	= £100	x 1.65 x (1 – 0.24)	= £125.40 pa
Lump Sum debit	= £300	x 1.65 x (1 – 0.12)	= £435.60
Survivor's debit	= £50	x 1.65	= £82.50 pa

Part C membership (PA 65)

Pension debit	= £211.51	x 1.65 x (1 - 0.24)	= £265.23 pa
Survivor's debit	= £79.32	x 1.65	= £130.88 pa

*applicable from GMP pension age which is age 65 for a male

Scenario 2: Member retires at age 59

Factors (Male)	
MEMERF$_{ret}$ (1 year early retirement pension factor for CRA60 service)	6%
LSERF$_{ret}$ (1 year early retirement lump sum factor for CRA60 service)	2%
MEMERF$_{ret}$ (6 years early retirement pension factor for PA65 service)	28%
LSERF$_{ret}$ (6 years early retirement lump sum factor for PA65 service)	14%
PI factor	1.6
GMP revaluation factor (to age 65 for a male)	1.9

Part A Membership (CRA 60)

Pension debit	= £2,141.37	x 1.6 x (1 - 0.06)	= £3,220.62 pa
Lump Sum debit	= £6,424.10	x 1.6 x (1 - 0.02)	= £10,072.99
Survivor's debit	= £1,070.68	x 1.6	= £1,713.09 pa
Pre-88 GMP debit*	= £40	x 1.9	= £76 pa
Post-88 GMP debit*	= £200	x 1.9	= £380 pa

Part B Membership (PA 65)

Pension debit	= £100	x 1.6 x (1 - 0.28)	= £115.20 pa
Lump Sum debit	= £300	x 1.6 x (1 - 0.14)	= £412.80
Survivor's debit	= £50	x 1.6	= £80 pa

Part C Membership (PA 65)

Pension debit	= £211.51	x 1.60 x (1 - 0.28)	= £243.66 pa
Survivor's debit	= £79.32	x 1.60	= £126.91 pa

*applicable from GMP pension age which is age 65 for a male

Scenario 3: Member retires at age 68

Factors (Male)	
MEMLRF$_{ret}$ (late retirement pension factor applied over 1,096 days)	21.92%
LSLRF$_{ret}$ (late retirement lump sum factor applied over 1,096 days)	10.96%
PI factor	2.1
Pre-88 GMP revaluation factor	2.9
Post-88 GMP revaluation factor	3.2

Part A Membership (CRA 60)

Pension debit	= £2,141.37	x 2.1 x (1 + 0.2192)	= £5,482.59 pa
Lump Sum debit	= £6,424.10	x 2.1 x (1 + 0.1096)	= £14,969.18
Survivor's debit	= £1,070.68	x 2.1	= £2,248.43 pa
Pre-88 GMP debit	= £40	x 2.9	= £116 pa
Post-88 GMP debit	= £200	x 3.2	= £640 pa

Part B Membership (PA 65)

Pension debit	= £100	x 2.1 x (1 + 0.2192)	= £256.03 pa
Lump Sum debit	= £300	x 2.1 x (1 + 0.1096)	= £699.05
Survivor's debit	= £50	x 2.1	= £105 pa

Part C Membership (PA 65)

Pension debit	= £211.51	x 2.1 x (1 + 0.2192)	= £541.53 pa
Survivor's debit	= £79.32	x 2.1	= £166.57 pa

EXAMPLE 2: Debit Calculation for a deferred pensioner with only CRA pre-2008 service

The divorce CETV is calculated in Example 2 of the GAD note.

Date of birth:	1 August 1955
Sex:	Female
CRA:	60

Deferred benefits at exit

Member's pension:	£2,000
Member's Lump Sum:	£6,000
Spouse's pension:	£1,000

Pre-88 GMP:	nil
Post-88 GMP:	nil

Pension Increase factor from exit to Transfer day: 1.2

Pension at Transfer day = 2,000 x 1.2 = £2,400 pa
Survivor's pension at Transfer day= 1,000 x 1.2 = £1,200 pa
Lump Sum at Transfer day = 3 x 2,400 = £7,200

Monetary amount awarded to former spouse = £19,272
CETV (as calculated in Example 2 of the divorce CETV guidance) = £48,180
Appropriate Percentage = 19,272 / 48,180 × 100% = 40%

<u>Debits Calculated at Transfer day</u>

<u>Part A Membership (CRA 60)</u>

Pension debit	(MEMDEB)	= £2,400.00 x 40 / 100	= £960.00 pa
Lump Sum debit	(LSDEB)	= £7,200.00 x 40 / 100	= £2,880.00
Survivor's debit	(SURDEB)	= £1,200.00 x 40 / 100	= £480.00 pa
Pre-88 GMP debit	(PREGMPDEB)	= £0 x 40 / 100	= £0 pa
Post-88 GMP debit	(POSTGMPDEB)	= £0 x 40 / 100	= £0 pa

<u>Debits to be applied at retirement</u>

Scenario 1: Member retires at age 60

Factors	
PI factor from Transfer day to age 60 (ie to April immediately before)	1.1

<u>Part A Membership (CRA 60)</u>

Pension debit	= £960.00	x 1.1	= £1056.00
Lump Sum debit	= £2,880.00	x 1.1	= £3168.00
Survivor's debit	= £480.00	x 1.1	= £528.00

Scenario 2: Member retires at age 59

Factors (Female)	
MEMERF$_{ret}$ (1 year early retirement pension factor for CRA service)	5%
LSERF$_{ret}$ (1 year early retirement lump sum factor for CRA service)	2%
PI factor from Transfer day to age 59 (ie to April immediately before)	1.06
GMP Revaluation (to age 60 for a female)	1.08

Part A Membership (CRA 60)

Pension debit	= £960.00	x 1.06 x (1 - 0.05)	= £966.72
Lump Sum debit	= £2,880.00	x 1.06 x (1 - 0.02)	= £2,991.74
Survivor's debit	= £480.00	x 1.06	= £508.80

EXAMPLE 3: Debit calculation for a Pensioner (for divorce purposes only)

The divorce CETV is calculated in Example 4 of the GAD note.

Member data:

Date of birth: 1 October 1941
Sex: Male

Current Pension: £6,000
Spouse's Pension: £3,000

Pre-88 GMP   £80 pa
Post-88 GMP   £300 pa

Monetary amount awarded to former spouse = £37,558.17
CETV (as calculated in Example 4 of the divorce CETV guidance): £93,895.43
Appropriate Percentage = 37,558.17 / 93,895.43 × 100% = 40%

Pension debit	(MEMDEB)	= £6,000 x 40 / 100	= £2,400.00 pa
Survivor's debit	(SURDEB)	= £3,000 x 40 / 100	= £1,200.00 pa
Pre-88 GMP debit	(PREGMPDEB)	= £80 x 40 / 100	= £32 pa
Post-88 GMP debit	(POSTGMPDEB)	= £300 x 40 / 100	= £120 pa

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Table A: Reduction to pension and lump sum debits on ill health retirement

Years Early	Pension Reduction (%)		Retirement Grant Reduction All Members %
	Males	Females	
0	0	0	0
1	2	2	2
2	5	5	5
3	7	7	7
4	12	12	9
5	17	17	12
6	22	21	14
7	26	25	16
8	30	28	18
9	34	32	20
10	37	35	22
11	40	38	24
12	43	41	26
13	46	43	27
14	48	46	29
15	50	48	31
16	53	50	33
17	55	52	34
18	57	54	36
19	58	56	37
20	60	58	39
21	62	60	40
22	63	61	42
23	65	63	43
24	66	64	45
25	67	65	46
26	69	67	47
27	70	68	49
28	71	69	50
29	72	70	51

Table A: Reduction to pension and lump sum debits on ill health retirement - continued

Years Early	Pension Reduction (%)		Retirement Grant Reduction All Members %
	Males	Females	
30	73	71	52
31	74	72	53
32	75	73	55
33	76	74	56
34	77	75	57
35	77	76	58
36	78	76	59
37	79	77	60
38	80	78	61
39	80	79	62
40	81	79	63
41	82	80	64
42	82	81	65
43	83	81	65
44	83	82	66
45	84	82	67

Notes:
(1)   The number of *Years Early* is the period between the dates (i) and (ii) below, where:
   (i)   is the date of the member's ill-health early retirement.
   (ii)   is the date (or dates) on which the member would have been entitled to unreduced benefits **without** employer consent on normal retirement- ie CRA (between 60 and 65) or PA65, depending on the membership being considered.

(2)   Practitioners may need to refer to this table twice (with different values of *Years Early*) when preparing calculations.

(3)   If the date in (1)(i) is later than the date in (1)(ii), then it should be clear that no reductions are to be applied (to the relevant part of the membership under consideration, if applicable).

(4)   Where the number of *Years Early* is not an integer number, the reduction factors from the table should be interpolated for part years.

Table B: Reduction to pension and lump sum debits on early retirement

Years Early	Pension Reduction (%)		Retirement Grant Reduction All Members %
	Males	Females	
0	0	0	0
1	6	5	2
2	11	10	5
3	16	15	7
4	20	19	9
5	24	23	12
6	28	27	14
7	32	30	16
8	35	33	18
9	38	36	20
10	41	39	22
11	44	42	24
12	47	45	26
13	50	47	27
14	52	49	29
15	54	51	31

Notes:

(1)   The number of *Years Early* is the period between the dates (i) and (ii) below, where:
   (i)   is the date of the member's (voluntary or involuntary) early retirement.
   (ii)   is the date (or dates) on which the member would be entitled to unreduced benefits **without** employer consent - ie CRA (between 60 and 65) or PA65, depending on the membership being considered. Please note that this is different to the definition for the member's early retirement factors as described in the latest version of Government Actuary's Department guidance note on early retirement, since a reduction is applied to pension debits taken before age 60 even if the rule of 85 is satisfied before age 60.

(2)   Practitioners may need to refer to this table twice (with different values of *Years Early*) when preparing calculations.

(3)   If the date in (1)(i) is later than the date in (1)(ii), then it should be clear that no reductions are to be applied (to the relevant part of the membership under consideration, if applicable).

(4)   Where the number of *Years Early* is not an integer number, the reduction factors from the table should be interpolated for part years.