

**The Local Government Pension Scheme  
(Scotland)  
Late Retirement**

**Retirements on or after 1 April 2009**

Date: 25 February 2009

Author: Ian Boonin



## 1 Legislative Background

---

- 1.1 Under Regulation 17(2) of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 ('the Benefits Regulations') (SSI 2008/230), the Scheme Actuary is required to issue guidance to determine the increase applicable to accrued benefits when a member remains in employment after their 65<sup>th</sup> birthday.
- 1.2 Under Regulation 29(5) of the Benefits Regulations, the Scheme Actuary is required to issue guidance to determine the increase applicable to accrued benefits when a member who has left service without immediate entitlement to benefits under any of regulations 16 to 20 chooses not to receive payment of those benefits immediately on attaining normal retirement age. Regulations 16 to 20 cover retirement at normal retirement age, retirement after remaining in employment after age 65, flexible retirement and retirement on the grounds of inefficiency, redundancy or ill health.
- 1.3 For the avoidance of doubt, Scottish Public Pensions Agency's (SPPA's) policy intention is that similar increases should also be applied in respect of members who leave service with immediate entitlement to benefits under regulation 16 but who choose not to receive payment immediately.
- 1.4 This note has been prepared by the Government Actuary's Department (GAD) for SPPA. The main purpose of this note is to issue it to SPPA for onward transmission to administering authorities in order to provide the guidance required.

## **2 The increase in benefits**

---

- 2.1 Members remaining in active service after their 65<sup>th</sup> birthday continue to accrue pension benefits as they had before their 65<sup>th</sup> birthday. When they choose to retire, the initial level of pension and retirement grant (if payable) is increased.
- 2.2 Members postponing retirement until after their 65<sup>th</sup> birthday, but not remaining in service, do not accrue any further benefits. However, those benefits already accrued are increased.
- 2.3 The pension should be uplifted by 0.02% simple – and the retirement grant (if payable) uplifted by 0.01% simple – for each day after the member's 65<sup>th</sup> birthday but before the member's actual retirement date.
- 2.4 The increase under this guidance should be applied to the total pension, that is including the Guaranteed Minimum Pension ("GMP") element of the pension. The increases should be applied to the benefits after Pensions' Increases have been added if there was a period of deferment.
- 2.5 Benefits payable on the death of the member are not affected by this guidance.
- 2.6 The pension must come into payment no later than the day before the member's 75<sup>th</sup> birthday. Periods of service after age 75 do not count when calculating the increase applicable.
- 2.7 Once in payment, pensions should be increased in accordance with the Pensions (Increase) Acts, and based on the day of actual retirement, not the members 65<sup>th</sup> birthday.
- 2.8 The late retirement increases have been provided in a simple format to ease administration. They should not be regarded as representing strict actuarial neutrality for all profiles of late retirement. The increases are intended to broadly provide a benefit that is actuarially equivalent to the benefit that would have been paid in respect of service before 65 if the member had retired at age 65. The increase to benefits accrued after age 65 broadly provides a benefit that is actuarially equivalent to the value of the benefit if it were accrued at age 65.
- 2.9 The factors provided with this note may be subject to review in the future.



**Ian Boonin**  
Fellow of the Institute of Actuaries  
Government Actuary's Department  
25 February 2009

Local Government Pension Scheme (Scotland)  
Late retirement on or after 1 April 2009

### 3 ANNEX – Examples

#### Member retiring from active service after age 65

Consider a male member, whose 65<sup>th</sup> birthday fell on 30 May 2009.

The member decided to remain as an active member and retire on 30 September 2009, with his last day of service 29 September 2009. His details are as follows:

Final pay at 29 September 2009:	£41,000
Total Scheme service to 29 September 2009:	35 years 123 days
comprising:	
service to 31 March 2009:	34 years 306 days
service from 1 April 2009:	0 years 182 days
period after 65 <sup>th</sup> birthday to retirement:	0 years 123 days

Member's benefits at 30/09/2009 before late retirement additions:

Pension	£18,195.39 pa
Retirement Grant	£53,563.97

The late retirement increases should be calculated as:

Pension	$18,195.39 \times 123 \times 0.0002$	= £447.61 pa
Retirement grant	$53,563.97 \times 123 \times 0.0001$	= £658.84

The prospective benefits payable from 1 October 2009 are:

<b>Member's pension:</b>	$18,195.39 + 447.61$	<b>= £18,643.00 pa</b>
<b>Retirement grant:</b>	$53,563.97 + 658.84$	<b>= £54,222.81</b>

However, the member could decide to commute part of his pension of £18,643.00 into an additional lump sum in accordance with regulation 21 of the Benefits Regulations.

Pensions Increases should be awarded each April based on a P.I. beginning date of 1 October 2009.

Local Government Pension Scheme (Scotland)  
Late retirement on or after 1 April 2009

**Member retiring from deferment after age 65**

Consider a male member, whose 65<sup>th</sup> birthday fell on 30 May 2009.

The member's last day of service was 29 May 2009 but he retired on 30 September 2009. His details are as follows:

Final pay at 29 May 2009:	£41,000
Total Scheme service to 29 May 2009:	35 years 0 days
comprising:	
service to 31 March 2009:	34 years 306 days
service from 1 April 2009:	0 years 59 days
Period after 65 <sup>th</sup> birthday to retirement:	0 years 123 days

Member's benefits at 30/09/2009 before late retirement additions:

Pension	£17,965.12 pa
Retirement Grant	£53,563.97

No P.I. is awarded since member has retired in same year as their normal retirement date.

The late retirement increases should be calculated as:

Pension	$£17,965.12 \times 123 \times 0.0002:$	$= £441.94$ pa
Retirement grant	$£53,563.97 \times 123 \times 0.0001$	$= £658.84$

The prospective benefits payable from 1 October 2009 are:

<b>Member's pension:</b>	$£17,965.12 + £441.94$	<b>= £18,407.06 pa</b>
<b>Retirement grant:</b>	$£53,563.97 + £658.84$	<b>= £54,222.81</b>

However, the member could decide to commute part of his pension of £18,407.06 into an additional lump sum in accordance with regulation 21 of the Benefits Regulations.

Pensions Increases should be awarded each April based on a P.I. beginning date of 30 May 2009.