



GOVERNMENT **ACTUARY'S** DEPARTMENT

**The Local Government Pension Scheme (Scotland)
Schedule 8 – Purchase of Pre-88 Service for Civil
Partners' Benefits
Applications on or after 15 December 2007**

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1 Purchase of additional benefits

- 1.1 Under Schedule 8 of the Local Government Pension Scheme (Scotland) Regulations 1998 (“the Principal Regulations”) (SI 1998/366), an active member may elect to make additional contributions to the LGPS to provide increased benefits for a civil partner, in respect of reckonable service before 6 April 1988. Paragraphs 2(3) and 3(2) provide that the amounts of the additional contributions must be such percentage of the member’s pay for the time being as is shown in guidance issued by the Government Actuary. In addition, Paragraph 5(3) requires a further factor. The purpose of this note prepared by the Government Actuary’s Department for the Scottish Public Pension Agency (SPPA) and issued to them for onward transmission to administering authorities and employing authorities, is to provide the guidance required by Regulations 2(3), 3(2) and 5(3) and it provides advice on the actuarial factor mentioned in Regulation 5(2).
- 1.2 This GAD guidance note reflects the changes made to the LGPS as a result of the Local Government Pension Scheme (Scotland) Amendment Regulations 2007 SSI 2007/514, coming into effect from 15 December 2007. It applies in respect of elections to purchase Pre-88 Service for Civil Partners benefits made on or after that date. Section 3 of this note sets out some example calculations.
- 1.3 Additional service for civil partners’ benefits can only be purchased in respect of the member’s qualifying service before 6 April 1988. The amount of service to be purchased must be either the whole of the member’s service that ended before 6 April 1988 or in units of whole years.
- 1.4 Members can elect to pay the additional contributions either by monthly payments (Method 1) or as a lump sum (Method 2).

Method 1

- 1.5 Where the additional contributions are to be paid by monthly payments (Method 1), the member must specify the percentage of full-time equivalent salary at which they are to be paid. The length of payment period, in years, is determined as:
- > $1.9\% / \text{Specified percentage contribution rate} \times \text{Number of years service being purchased}$
This should be rounded up to the next whole month. (see example 2)
- 1.6 For the avoidance of doubt, the multiplier under regulation 2(3) is equal to 1.9 divided by the specified percentage contribution rate. This rate is applicable for male and female members and does not vary according to the age at which the member receives unreduced retirement benefits.
- 1.7 If the member subsequently decides to increase the rate of contributions paid, the remaining length of payment period, in years, is then determined as:
- > $1.9\% / \text{Increased percentage contribution rate} \times \text{Number of years service being purchased less}$
 - > $\text{Old percentage contribution rate} / \text{Increased percentage contribution rate} \times \text{Number of years from start of the election until the new election is effective}$
This should be rounded up to the next whole month (see example 3)
- 1.8 If the member pays all the contributions due then the full amount of civil partnership membership is used when calculating benefits.

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- 1.9 If the payment period extends beyond the member's 65th birthday, then it should be noted that the full amount of service may not be credited unless the member actually makes all the contributions required.
- 1.10 If the member dies in service before age 65 and before payments had been completed, and if the payment period would have extended beyond the member's 65th birthday, the death grant will be reduced by the actuarial value of the contributions that would have been paid after the member's 65th birthday. The reduction is equal to the member's salary at death, multiplied by the percentage rate at which contributions were last payable divided by 100, multiplied by the relevant factor from table 1.
- 1.11 If the member dies in service after age 65 but before payments had been completed, the death grant will be reduced. The reduction is equal to the member's salary at death, multiplied by the percentage rate at which contributions were last payable divided by 100, multiplied by the relevant factor from table 1. For the avoidance of doubt, the multiplier under paragraph 5(3) is the relevant factor from Table 1.
- 1.12 If the member retires on grounds of permanent incapacity before age 65 and before payments had been completed, and if the payment period would have extended beyond the member's 65th birthday, the death grant (if paid) will be reduced by the actuarial value of the contributions that would have been paid after the member's 65th birthday. The reduction is equal to the member's salary at retirement, multiplied by the percentage rate at which contributions were last payable divided by 100, and multiplied by the relevant factor from table 1, and increased in line with Pension Increase orders from the date of retirement to the date of death.
- 1.13 If the member retires on grounds of permanent incapacity after age 65 and before payments had been completed, the death grant (if paid) will be reduced. The reduction is equal to the member's salary at retirement, multiplied by the percentage rate at which contributions were last payable divided by 100, multiplied by the relevant factor from table 1, and increased in line with Pension Increase orders from the date of retirement to the date of death.
- 1.14 In the above four cases the full amount of service to be purchased will then be credited for the civil partner's benefits unless the deduction to the death grant exceeds the grant itself or no death grant was payable on the member's death. In this case, any death grant payable is reduced to nil and SPPA has specified that contributions are to be treated as having been paid in respect of:

$$D \times \left(G + \frac{H \times J}{K} \right) \div F$$

Where:

D is the period of pre-88 service in respect of which the original election was made

F is the payment period if the member had remained in service

G is the period from the start of contributions to the later of the member's 65th birthday or the date at which contributions actually ceased

H = F-G

J is the deduction actually made (if any)

K is the full deduction

(see example 4)

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- 1.15 If the member stops contributions before the end of the contribution period for any other reason, the member can either:
- > Pay a lump sum equal to the actuarial value of the outstanding contributions and the full amount of the additional service to be purchased will be credited for the civil partner's benefits or
 - > Make no further payments and the amount of service credited for the civil partner's benefits will be reduced to reflect the ratio of period contributions were paid for and the originally intended payment period.

(see example 5)

- 1.16 If the member retires after age 65 but before completing payments, the member may fall under paragraphs 5(3) or 5(4). This guidance assumes that such a member would be treated under paragraph 5(4). Similarly, the guidance on late retirement (regulation 19(4A)) should be read as if such a person's benefits are covered under paragraph 5(4).

Method 2

- 1.17 If the member or surviving civil partner elects to paid contributions under Method 2, an additional lump sum contribution of 1.9% of the member's full-time equivalent salary is required to provide an increase in service for civil partners' benefits of one year. This rate is applicable for male and female members and does not vary according to the age at which the member receives unreduced retirement benefits. (see example 1)

2 Factors for calculating the actuarial value of contributions

The factors to be used to determine the actuarial value are set out in Table 1. If the remainder of the payment period is not an exact number of years, it should be interpolated from these factors.

Table 1

Remaining Years in Payment Period	Multiplier
0	0.000
1	0.990
2	1.961
3	2.913
4	3.846
5	4.760
6	5.657
7	6.536
8	7.398
9	8.244
10	9.072
11	9.884
12	10.681
13	11.461
14	12.227
15	12.977
16	13.713
17	14.434
18	15.141
19	15.835
20	16.514

3 Examples

Example 1

Member A has a salary of £38,000 and has been a member of the scheme since 24 January 1984. He elects to pay additional contributions to provide civil partner's benefits in respect of the whole of his pre 6 April 1988 qualifying service of 4.20 years. He opts to pay this as a lump sum. The lump sum payment required is £3,032.40.

$$1.9\% \times 4.20 \times £38,000 = £3,032.40$$

Example 2

Member B has a salary of £22,000 has been a member of the scheme since 15 November 1979. She elects to pay additional contributions to provide civil partner's benefits in respect of 5 years. She opts to make monthly payments at a rate of 4% of her salary. She will make these payments for 2 years and 5 months.

$$1.9\% / 4\% \times 5 = 2.375 \text{ years} = 2 \text{ years } 5 \text{ months.}$$

Example 3

After 9 months, Member B wishes to increase her contributions to 5% of salary. The length of the remaining payment period will be reduced from 1 year 8 months to 1 year and 4 months

$$1.9\% / 5\% \times 5 = 1.9 \text{ years}$$

$$1.9 - (9/12 \times 4\% / 5\%) = 1.30 \text{ years} = 1 \text{ year } 4 \text{ months}$$

Example 4

Member C has a salary of £26,000 and has been a member of the scheme since 1 June 1982. He elects to pay additional contributions to provide civil partner's benefits in respect of 4 years. He opts to make monthly contributions at a rate of 2% of his salary. He should make these contributions for 3 years and 10 months.

$$1.9\% / 2\% \times 4 = 3.80 \text{ years} = 3 \text{ years } 10 \text{ months}$$

After 2 years, Member C retires on ill-health grounds, aged 63½, at which time his salary is £27,500. On his death at age 75, no death grant is payable. A deduction would have been made to his death grant in respect of 4 months of contributions outstanding after his 65th birthday. Since the death grant was not sufficient to cover the deduction, his civil partner will only be awarded 3 years 238 days service rather than the full 4 years. PI from date of retirement to date of death is 1.2

$$\text{Outstanding period: } 3 \frac{10}{12} - 2 - 1.5 = 0.30 \text{ years} = 4 \text{ months}$$

$$\text{Deduction: } 4/12 \times 0.990 \times 2\% \times £27,500 \times 1.2 = £217.80$$

$$\text{Civil partner's benefits: } 4 \times (3 + 6/12 + ((4/12 \times 0)/217.80)) \div (3 + 10/12) = 3 \text{ y } 238 \text{ d}$$

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Example 5

Member D has a salary of £30,000 and has been a member of the scheme since 23 April 1980. She elects to pay additional contributions to provide civil partner's benefits in respect of 7 years. She opts to make monthly contributions at a rate of 3% of her salary. She should make these contributions for 4 years and 6 months.

$$1.9\% / 3\% \times 7 = 4.43 \text{ years} = 4 \text{ years } 6 \text{ months}$$

After 2½ years, Member D retires in good health aged 62, at which time her salary is £32,000. She can either

- > Pay a lump sum of £1,882.56 in respect of the actuarial value of the outstanding contributions and she will be credited with the full 7 years of civil partner's benefits.

$$4 \frac{6}{12} - 2.50 = 2.0 \text{ years}$$

$$1.961 \times 3\% \times £32,000 = £1,882.56$$

Or

- > Make no further payments and she will be credited with 3 years and 11 months of additional civil partner's benefits.

$$7 \times 2.50 / (4 \frac{6}{12}) = 3.889 \text{ years} = 3 \text{ years } 324 \text{ days}$$



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