

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

Retirements on or after 1 April 2009

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1 Introduction and 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 65th 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 reaching 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 business inefficiency, redundancy or ill health.
- 1.3 This purpose of this note is to provide the guidance referred to in Regulation 17(2) and Regulation 29(5). It has been prepared by the Government Actuary's Department (GAD) at the request of the Scottish Public Pensions Agency (SPPA) for onward transmission to administering authorities. The Government Actuary, as Scheme Actuary, has approved the release of this guidance.
- 1.4 There is another category of members who have reached the normal retirement age and are entitled to immediate benefits without reduction under Regulation 16 of the Benefits Regulations but who leave service and choose not to draw their benefits straight away. SPPA has confirmed that the intention is that similar increases to those applied under Regulation 17(2) and Regulation 29(5) should also be applied in respect of these members' accrued benefits.

2 The increase in benefits

- 2.1 Members remaining in active service after their 65th birthday continue to accrue pension benefits as they had before their 65th 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 65th 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 65th birthday but before the member's actual retirement date.
- 2.4 Subject to paragraph 2.9 below, 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 Once in payment, pensions should be increased in accordance with the Pensions (Increase) Acts.
- 2.6 Benefits payable on the death of the member are not affected by this guidance.
- 2.7 The pension must come into payment no later than the day before the member's 75th birthday. Periods of service after age 75 do not count when calculating the increase applicable.
- 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.
- 2.9 Section 13 of the Pension Schemes Act 1993 requires member consent if GMPs are deferred by more than 5 years after GMP pension age (which is age 60 for females and age 65 for males). Where a member elects to draw the GMP element of their total benefits, only the excess pension (over the GMP) should be increased at retirement in accordance with paragraph 2.3. See Example 3 on page 5 for more information. This also applies where a deferred pension has been postponed until after age 65 but where the GMPs have been brought into payment earlier (at or after GMP pension age).
- 2.10 The factors provided with this note may be subject to review in the future.



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3 ANNEX – Examples

Example 1: Member retiring from active service after age 65

Consider a male member, whose 65th 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 th birthday to retirement:	0 years 123 days

Member's benefits at 30 September 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 30 September 2009 are:

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

However, the member could decide to commute part of his pension 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 September 2009.

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

Example 2: Member retiring from deferment after age 65

Consider a male member, whose 65th 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 th birthday to retirement:	0 years 123 days

Member's benefits at 30 September 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 30 September 2009 are:

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

However, the member could decide to commute part of his pension 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.

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

Example 3: Female member retiring from active service after age 65 but with GMP being drawn from age 65

Consider a female member, whose 60th birthday fell on 30 May 2004.

The member decided to remain as an active member and retire on 30 September 2009, with her last day of service 29 September 2009 but drawing her GMP from age 65 ie 5 years after her GMP pension age (see paragraph 2.9). Her 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 th birthday to retirement:	0 years 123 days

Member's benefits at 30 September 2009 before late retirement additions:	
Pension	£18,195.39 pa
Retirement Grant	£53,563.97

Breakdown of retirement pension:	
Pre-88 GMP ¹ (in payment from age 65)	£1,000 pa
Post-88 GMP ¹ (in payment from age 65)	£2,300 pa
Pension in excess of GMPs	£14,895.39 pa

The late retirement increases should be calculated as:

Pension	$14,895.39 \times 123 \times 0.0002$	= £366.43 pa
Retirement Grant	$53,563.97 \times 123 \times 0.0001$	= £658.84

The prospective benefits payable from 30 September 2009 are:

Member's pension:	$14,895.39 + 366.43 + 1,000 + 2,300$	= £18,561.82 pa
Retirement grant:	$53,563.97 + 658.84$	= £54,222.81

However, the member could decide to commute part of her pension 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 September 2009.

¹The member opted to draw GMPs from age 65 ie from 30 May 2009.