



**The Local Government Pension Scheme
(Scotland)
Trivial Commutation**

Lump Sums paid on or after 18 January 2012

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Trivial Commutation – lump sums paid on or after 18 January 2012

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1 Introduction

- 1.1 Regulation 39 of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (SSI 2008/230) (“the Benefits Regulations”) permits administering authorities to pay a lump sum representing the capital value of a small pension to a member, or surviving dependant of a deceased member. Regulation 39(2) of the Benefits Regulations states that the lump sum is calculated in accordance with guidance issued by the Scheme Actuary.
- 1.2 The purpose of this note is to provide guidance to administrators referred to in Regulation 39(2) of the Benefit Regulations. It has been prepared by the Government Actuary's Department (GAD) in their role as Scheme Actuary for the Scottish Public Pensions Agency (SPPA) for onward transmission to administering authorities.

Period for which factors apply

- 1.3 The factors should be reviewed periodically, depending on external circumstances, for example when changes in the actuarial assumptions adopted for other scheme factors take place, or following each triennial cycle of future valuations of the LGPS (Scotland).
- 1.4 These factors are effective immediately.
- 1.5 This guidance replaces the previous guidance dated 26 March 2010.

Limitations

- 1.6 This note should not be used for any purpose other than to determine the lump sum to be paid in the event of trivial commutation.
- 1.7 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.
- 1.8 This note only covers the principles around the calculation of the lump sum to be paid on trivial commutation. Any legal or tax advice in this area should be sought from an appropriately qualified person or source.
- 1.9 Administrators should satisfy themselves that a trivial commutation lump sum complies with all legislative requirements including, but not limited to, taxation and contracting-out requirements.
- 1.10 Third parties should not rely on this guidance, but should separately seek their own actuarial advice where appropriate.

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2 Commutation of a Member's pension

- 2.1 Payment of a trivial commutation lump sum in respect of a pension in payment or about to come into immediate payment discharges administering authorities from their liability for any pension payable to the member, or pensions or lump sums which may become payable on the member's death (including children's pensions).
- 2.2 The factors are given in Appendix A.
- 2.3 Table A gives age/sex specific factors to be multiplied by the member's total pension (including any GMP). The factors in Table A have an implicit allowance for contingent spouse's, civil partner's or nominated cohabiting partner's pension.
- 2.4 The lump sum capital value payable should be determined in accordance with the following formula:

$$\text{Member's Pension} \times F$$

Where:

F factor applied to Member's pension – Table A

- 2.5 The example in Section 6 illustrates such calculations.

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3 Commutation of a Partner's pension

- 3.1 Administering authorities may commute the pension which is payable to any surviving spouse, civil partner or nominated cohabiting partner or to (or in respect of) an eligible child or children to pay a trivial commutation lump sum death benefit.
- 3.2 Table B gives age/sex specific factors for the surviving spouse, civil partner or nominated cohabiting partner. These factors are multiplied by their total pension (including any GMP) to give the lump sum capital value payable.
- 3.3 The lump sum capital value payable should be determined in accordance with the following formula:

$$\text{Partner's Pension} \times F$$

Where:

F factor applied to Partner's pension in payment – taken from Table B

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4 Commutation of Children's pension

- 4.1 Table C gives the factors to be multiplied by the pension payable to or in respect of children. This table should be used to value a pension which is payable to, or in respect of, an eligible child or children. Factors for children aged up to 15 are based on the child's age, and are independent of gender. The factors for those aged 16 and over are provided on the basis of the length of time that the child concerned is expected to remain in full-time education – these factors are independent of both age and gender. Administering authorities should determine this period and it should reflect the individual child's circumstances.
- 4.2 The expected period must last no longer than the period to the child's 23rd birthday.
- 4.3 Where a factor is required for a child aged 16 and over which does not relate to a whole number of years, this should be rounded up to the nearest integer.
- 4.4 No factors are provided to value a pension to a child who is incapacitated.
- 4.5 A case involving an incapacitated child, of any age should be referred to SPPA, for onward transmission to GAD, with full details.
- 4.6 The lump sum capital value payable should be determined in accordance with the following formula:

$$\text{Children's Pension} \times F$$

Where:

F factor applied to Children's pension in payment – taken from Table C

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5 Commutation of a Pension Credit Member's pension

- 5.1 Administering authorities may commute the pension payable to a pension credit member into a trivial commutation lump sum. Pension credit members are generally treated for this purpose in the same way as contributing members.
- 5.2 Table B should be used to capitalise lump sum benefits for pension credit members.
- 5.3 The lump sum capital value payable should be determined in accordance with the following formula:

Pension Credit Member's pension \times F

Where:

F factor applied to Pension Credit Member's pension in payment – taken from Table B

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6 Example

Former member's pension already in payment at capitalisation date

Sex: Male

Date of birth: 15 March 1947

Effective capitalisation date: 26 March 2012

Age in complete years on effective capitalisation date: 65

Total pension in payment: £500 pa.

Member's Pension	500
F	18.01

Capitalised lump sum payable:

Member's Pension \times F

= £500 * 18.01

= £9,005

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Appendix A: Factors

Table A: Factors for member's pension - Male members

Capital value of an annual pension of £1 to the member

Member's age last birthday at the date of commutation	Factor to apply to whole of pension
60	19.83
61	19.49
62	19.14
63	18.79
64	18.42
65	18.01
66	17.54
67	17.07
68	16.59
69	16.11
70	15.63
71	15.14
72	14.66
73	14.18
74	13.72

Table A: Factors for member's pension - Female members

Capital value of an annual pension of £1 to the member

Member's age last birthday at the date of commutation	Factor to apply to whole of pension
60	19.82
61	19.46
62	19.09
63	18.71
64	18.33
65	17.90
66	17.44
67	16.97
68	16.49
69	16.00
70	15.51
71	15.02
72	14.52
73	14.02
74	13.52

The factors in the tables above contain an allowance for contingent spouse's, civil partner's or nominated cohabiting partner's pension.

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Table B: Factors for surviving adult dependant's and pension credit member's pension - Women

Capital value of a long-term annual pension of £1 payable to a female surviving dependant or a female pension credit member

Age last birthday of woman	Factor to apply to whole of pension
20	28.89
21	28.75
22	28.60
23	28.45
24	28.29
25	28.13
26	27.96
27	27.79
28	27.62
29	27.44
30	27.25
31	27.06
32	26.87
33	26.67
34	26.47
35	26.26
36	26.05
37	25.83
38	25.60
39	25.37
40	25.14
41	24.90
42	24.65
43	24.40
44	24.14
45	23.87
46	23.60
47	23.32
48	23.03
49	22.74
50	22.44
51	22.13
52	21.82
53	21.50
54	21.17
55	20.84
56	20.50
57	20.15
58	19.79
59	19.42

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Table B: Factors for surviving adult dependant's and pension credit member's pension - Women

Capital value of a long-term annual pension of £1 payable to a female surviving adult dependant or a female pension credit member

Age last birthday of woman	Factor to apply to whole of pension
60	19.05
61	18.66
62	18.27
63	17.87
64	17.46
65	17.04
66	16.61
67	16.18
68	15.74
69	15.30
70	14.85
71	14.39
72	13.93
73	13.46
74	12.99
75	12.52
76	12.05
77	11.58
78	11.11
79	10.64
80	10.18
81	9.72
82	9.27
83	8.83
84	8.39
85	7.96
86	7.54
87	7.13
88	6.73
89	6.33
90	5.95
91	5.58
92	5.22
93	4.87
94	4.54
95	4.22
96	3.91
97	3.62
98	3.35
99	3.10
100	2.87

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Table B: Factors for surviving adult dependant's and pension credit member's pension – Men

Capital value of a long-term annual pension of £1 payable to a male surviving adult dependant or a male pension credit member

Age last birthday of man	Factor to apply to whole of pension
20	28.52
21	28.36
22	28.21
23	28.04
24	27.88
25	27.70
26	27.53
27	27.34
28	27.16
29	26.97
30	26.77
31	26.57
32	26.37
33	26.16
34	25.94
35	25.72
36	25.50
37	25.27
38	25.03
39	24.79
40	24.55
41	24.30
42	24.04
43	23.77
44	23.50
45	23.22
46	22.93
47	22.63
48	22.32
49	22.00
50	21.68
51	21.35
52	21.01
53	20.66
54	20.31
55	19.95
56	19.58
57	19.21
58	18.82
59	18.43

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Table B: Factors for surviving adult dependant's and pension credit member's pension - Men

Capital value of a long-term annual pension of £1 payable to a male surviving adult dependant or a male pension credit member

Age last birthday of man	Factor to apply to whole of pension
60	18.03
61	17.63
62	17.21
63	16.79
64	16.37
65	15.94
66	15.50
67	15.06
68	14.62
69	14.17
70	13.72
71	13.26
72	12.80
73	12.34
74	11.88
75	11.42
76	10.96
77	10.50
78	10.04
79	9.59
80	9.15
81	8.71
82	8.29
83	7.88
84	7.48
85	7.09
86	6.71
87	6.34
88	5.98
89	5.63
90	5.30
91	4.98
92	4.67
93	4.38
94	4.10
95	3.82
96	3.56
97	3.31
98	3.07
99	2.84
100	2.63

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Table C: Factors for children's pension

Capital value of an annual payment of pension of £1 payable to a child other than an incapacitated child

Age last birthday of child	Capital value of £1 per annum to a child £
0	14.31
1	13.72
2	13.12
3	12.50
4	11.86
5	11.20
6	10.52
7	9.82
8	9.10
9	8.36
10	7.59
11	6.81
12	6.00
13	5.16
14	4.30
15	3.42

Capital value of an annual payment of pension of £1 payable to a child, aged between 16 and 23, other than an incapacitated child. The factor should be chosen according to the time (in years) that the child is expected to remain in full-time education.

Number of years remaining in full-time education	Capital value of £1 per annum to a child £
7	6.32
6	5.50
5	4.65
4	3.77
3	2.87
2	1.94
1	0.99
0	0.00