



# Government Actuary's Department

## **Local Government Pension Scheme (Northern Ireland)**

### **Application of a Pension Debit for Divorced Members**

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## 1 Introduction

- 1.1 The Department of the Environment (“DOE”) is required under the Local Government Pension Scheme Regulations (Northern Ireland) 2014 (‘the 2014 Regulations’) (SRNI 2014/188), to issue actuarial guidance on the debit applied to a member’s pension due to pension sharing on divorce.
- 1.2 This guidance is designed to be consistent with the Welfare Reform and Pensions Order (Northern Ireland) 1999 (“the 1999 Order”) and associated regulations. It should only be used when the Transfer day is on or after 1 April 2015. Where the Transfer day is earlier, the case should be dealt with according to the guidance dated 1 August 2013 (with factors updated on 26 January 2015).
- 1.3 The remainder of this introduction contains:
- > details of the implementation and future review of this guidance,
  - > the relevant legislative references, and
  - > statements about third party reliance and liability
- 1.4 In the remainder of this note:
- > The second section provides background information and states various definitions
  - > The third and fourth sections describe the calculation and application of the pension debit
  - > The fifth section contains examples
  - > Appendix A contains the table of factors for the reduction in pension debits where the member subsequently retires early in ill-health
  - > Appendix B contains the table of factors for the reduction in pension debits where the member subsequently retires early in normal health
  - > Appendices C and D quote the relevant statutory references and Regulations
  - > Appendix E sets out some important limitations
- 1.5 The Government Actuary’s Department (GAD) seeks to achieve a high standard in all our work. Please go to our [website](https://www.gov.uk/government/organisations/government-actuarys-department/about/terms-of-reference)<sup>1</sup> for details of the standards we apply.

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<sup>1</sup> <https://www.gov.uk/government/organisations/government-actuarys-department/about/terms-of-reference>



## Implementation and Review

- 1.6 DOE is required to consult GAD before issuing actuarial guidance under the 2014 Regulations [Regulation 2(3) of the 2014 Regulations].
- 1.7 As part of this consultation, DOE has asked GAD to recommend actuarial guidance in respect of the regulations detailed above. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.8 This note has effect only when this guidance is issued by DOE to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in accordance with Regulation 2(3) of the 2014 Regulations, and is subject to the implementation instructions provided at that time.
- 1.9 This guidance replaces the previous guidance dated 1 August 2013 (together with revised factors dated 26 January 2015) but uses the same assumptions on which the revised factors were based.
- 1.10 This guidance has been written for pension administrators and assumes some knowledge of general pensions terminology, and some familiarity with retirement calculations for the Local Government Pension Scheme ('the Scheme', or LGPS). Any questions concerning the application of the guidance should, in the first instance, be referred to DOE.
- 1.11 GAD recommends that guidance and 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.

## Use of this note

- 1.12 This note has been prepared for DOE and can be relied upon by them. We are content for this note to be released to third parties, provided that:
  - > it is released in full;
  - > the advice is not quoted selectively or partially; and
  - > GAD is identified as the source of the note.
- 1.13 Third parties may wish to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this note.

## Third party reliance

- 1.14 When issued by DOE in accordance with paragraph 1.8 above, this note should be used as the actuarial guidance required under the regulations cited. Other than for this purpose, no person or third party is entitled to place any reliance on the contents of this note, except to any extent explicitly stated herein.



## 2 Background information and definitions

- 2.1 Where a pension sharing order is issued by the Court, the former spouse or civil partner is allocated either a percentage (up to 100%) of the member's benefits, or a monetary amount (which can be converted into a percentage by dividing this monetary amount by the cash equivalent value of the member's total benefits). The member's benefits are reduced accordingly, 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 by the percentage allocated 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 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 event 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).
- 2.5 The methodology and instructions described in this note can be adopted and applied in respect of benefits for Councillor members.

### Definitions

- 2.6 **Appropriate percentage:** the percentage of the member's benefits that the ex-spouse or ex-civil partner will be entitled to. At times, most commonly for divorces in England and Wales and in Northern Ireland, the pension sharing order will specify the appropriate percentage. At other times, most commonly under Scottish law, the pension sharing order will specify a monetary amount. In that case, the appropriate percentage for the pension debit should be calculated as the ratio of the specified monetary amount and the cash equivalent.
- 2.7 **Transfer day** is the day on which the pension sharing order takes effect (Article 26(8) of the 1999 Order). The Transfer day is sometimes also referred to as the Effective date.
- 2.8 **Retirement age**, for a given tranche of benefits, is the earliest age from which the member can take those benefits unreduced without consent.



### 3 Calculation of pension debits

- 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.
- 3.2 In principle a debit should be calculated for all benefits and tranches of benefit allowed for in the divorce cash equivalent calculation.

#### Calculation of pension debits

- 3.3 The debit should be calculated as

$$\text{Debit} = \text{Benefit accrued as at Transfer day} \times \text{Appropriate percentage}$$

for the following benefits:

- > Member pension (accrued pension and/or pension in payment as at the Transfer day)
  - > Survivor's pension (this should be that amount payable to the survivor of a post-exit marriage)
  - > Retirement Grant (but not if this was paid before the Transfer day)
  - > GMP (pre and post 88 separately).
- 3.4 Debits for separate periods of accrual should be recorded separately if different retirement ages could apply (e.g. pre 2008, 2008 to 2015, 2015 to 2016, etc). Unless specified otherwise in the sharing order the same appropriate percentage should be applied to each period of accrual in the Scheme up to the Transfer day.
- 3.5 For the avoidance of doubt, debits do not apply to:
- > Children's contingent pensions
  - > Death grant on death in service

#### Additional Voluntary Contributions

- 3.6 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.
- 3.7 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.



## 4 Application of pension debits

- 4.1 Debits in respect of active and deferred members' benefits should be applied when benefits come into payment. Debits in respect of pensioner members' benefits which are already in payment should be applied immediately (ie at the Transfer day). For any benefits not yet in payment (e.g. contingent survivor's pension or GMP) the relevant debit, if any, should be applied when those benefits come into payment.
- 4.2 On flexible retirement the debit should be applied pro rata to the benefits that come into payment, both at the time flexible retirement benefits are taken and on final exit.

### **Treatment of active and deferred member debits before retirement**

- 4.3 Both active and deferred members' debits should be increased from the Transfer day until benefits come into payment as if they were deferred pensions.
- 4.4 Increases and revaluations should be applied to these debits as if they were the corresponding benefits. E.g. a debit applying to a GMP should have GMP revaluation up to GMP Payment Age and then the applicable GMP increases after that.

### **Application of debits to survivor and death benefits**

- 4.5 For the avoidance of doubt, the survivor's pension debit should be applied to any survivor's pension that comes into payment, regardless of whether it is in respect of a post retirement marriage or otherwise. It should be applied at the same level to both short term and long term survivor's pensions.
- 4.6 For the lump sum on death in deferment the debit should be applied to the member's pension before the lump sum is calculated.
- 4.7 For the death after retirement guarantee lump sum the member's debit should not be applied again. The debit ought already to have been applied.

### **Application of a debit before or after retirement age**

- 4.8 Where a debit is applied either before or after the retirement age that applies to the corresponding benefit then the debit should be reduced or increased in accordance with the early retirement or late retirement guidance in force in exactly the same way as the corresponding benefit – with the following exceptions:
- 4.9 Where the Transfer day is after retirement age, the late retirement uplift should be applied from the Transfer day to the date benefits come into payment.
- 4.10 Where a member retires in normal health below age 60 and has a CRA below 60 then the debit should be reduced as if the member's CRA had been 60 and not their actual CRA (ie should be reduced for the number of years between their retirement and reaching age 60). This applies regardless of whether the member has their employer's (or former employer's) consent to receive unreduced benefits before 60.
- 4.11 For a member retiring in ill health, see the following subsection.



### **Application of a debit to a member retiring in ill health**

- 4.12 If the member retires early due to ill health on Tier 1 or Tier 2 benefits after the Transfer day then the debit (unlike the benefit) should be reduced. However the early retirement reduction applied to the debit (but not the benefit) should be taken from table A in Appendix A, rather than from the early retirement guidance.
- 4.13 For the avoidance of doubt any enhancement used to calculate the Tier 1 or Tier 2 ill health retirement pension should not be applied to the debit.



## 5 Examples<sup>2</sup>

### EXAMPLE 1: Debit calculation for an active member with CRA pre-2008 service, PA65 2008-2015 service, and NPA67 post 2015 service

#### Member data:

Date of birth:	2 April 1961
Sex:	Male
Transfer day:	2 April 2016

#### Member's pension:

Pre-2008 pension:	£5,500 pa
Pre-2008 retirement grant:	£16,500
2008-2009 pension	£400 pa
2008-2009 retirement grant:	£1,200
2009-2015 pension:	£2,500 pa
Post-2015 pension:	£800 pa
Pre 88 GMP:	£100 pa
Post 88 GMP:	£500 pa

#### Survivor's pension:

Pre-2008 pension:	£2,750 pa
2008-2009 pension:	£200 pa
2009-2015 pension:	£937.50 pa
Post-2015 pension:	£245 pa

#### Pension Ages<sup>3</sup> for different parts of service:

Pre 1 April 2008 service:	CRA 60
Post 1 April 2008, pre 31 March 2015 service:	65
Post 31 March 2015 service	67

Appropriate Percentage specified in the pension sharing order (illustrative) = 40%

#### Debits Calculated at Transfer day

##### CRA 60 Debits (Pre 1 April 2008 service)

Pension debit	= £5,500 x 40 / 100	= £2,200.00 pa
Retirement grant debit	= £16,500 x 40 / 100	= £6,600.00
Survivor's debit	= £2,750 x 40 / 100	= £1,100.00 pa
Pre-88 GMP debit	= £100 x 40 / 100	= £40.00 pa
Post-88 GMP debit	= £500 x 40 / 100	= £200.00 pa

<sup>2</sup> Please note that these examples are provided simply as an aid to understanding this guidance note on pension debits. Benefits should always be calculated in accordance with the regulations in force.

<sup>3</sup> Retirement ages and factors shown are for illustration only. Factors and retirement ages should be calculated in line with actuarial guidance in force.



PA 65 Debits (Service between 1 April 2008 and 31 March 2015)

2008-2009 Pension debit	= £400 x 40 / 100	= £160.00 pa
2008-2009 Retirement grant debit	= £1,200 x 40 / 100	= £480.00
2008-2009 Survivor's debit	= £200 x 40 / 100	= £80.00 pa
2009-2015 Pension debit	= £2,500 x 40 / 100	= £1,000.00 pa
2009-2015 Survivor's debit	= £937.5 x 40 / 100	= £375.00 pa

NPA Debits (Post 1 April 2015 service)

Pension debit	= £800 x 40 / 100	= £320.00 pa
Survivor's debit	= £245 x 40 / 100	= £98.00 pa

**Debits to be applied at retirement**

**Scenario 1: Member retires at age 60 in normal health**

<b>Factors (Male)</b>	
5 years early retirement pension factor for PA65 service	25%
5 years early retirement grant factor for PA65 service	14%
7 years early retirement pension factor for NPA service	33%
PI factor (illustrative)	1.12
GMP revaluation factor (to age 65 for a male) (illustrative)	1.5

CRA 60 membership

Pension debit	= £2,200.00 pa	x 1.12	= £2,464.00 pa
Retirement grant debit	= £6,600.00	x 1.12	= £7,392.00
Survivor's debit	= £1,100.00 pa	x 1.12	= £1,232.00 pa
Pre-88 GMP debit*	= £40.00 pa	x 1.5	= £60.00 pa
Post-88 GMP debit*	= £200.00 pa	x 1.5	= £300.00 pa

PA65 membership

2008-2009 Pension debit	= £160.00 pa	x 1.12 x (1 - 0.25)	= £134.40 pa
2008-2009 Retirement grant debit	= £480.00	x 1.12 x (1 - 0.14)	= £462.34
2008-2009 Survivor's debit	= £80.00 pa	x 1.12	= £89.60 pa
2009-2015 Pension debit	= £1,000.00 pa	x 1.12 x (1 - 0.25)	= £840.00 pa
2009-2015 Survivor's debit	= £375.00 pa	x 1.12	= £420.00 pa

NPA membership (Post 1 April 2015 service)

Pension debit	= £320.00	x 1.12 x (1 - 0.33)	= £240.13 pa
Survivor's debit	= £98.00	x 1.12	= £109.76 pa

\* applicable from GMP age which is age 65 for a male. In reality calculation done at GMP age.



**Scenario 2: Member retires at age 59 in normal health**

<b>Factors (Male)</b>	
1 year early retirement pension factor for CRA60 service	6%
1 year early retirement grant factor for CRA60 service	3%
6 years early retirement pension factor for PA65 service	29%
6 year early retirement grant factor for PA65 service	16%
8 years early retirement pension factor for NPA service	36%
PI factor (illustrative)	1.1
GMP revaluation factor (to age 65 for a male) (illustrative)	1.5

CRA 60 membership

Pension debit	= £2,200.00	x 1.1 x (1 - 0.06)	= £2,274.80 pa
Retirement grant debit	= £6,600.00	x 1.1 x (1 - 0.03)	= £7,042.20
Survivor's debit	= £1,100.00	x 1.1	= £1,210.00 pa
Pre-88 GMP debit*	= £40.00	x 1.5	= £60.00 pa
Post-88 GMP debit*	= £200.00	x 1.5	= £300.00 pa

PA65 membership

2008-2009 Pension debit	= £160.00 pa	x 1.1 x (1 - 0.29)	= £124.96 pa
2008-2009 Retirement grant debit	= £480.00	x 1.1 x (1 - 0.16)	= £443.52
2008-2009 Survivor's debit	= £80.00 pa	x 1.1	= £88.00 pa
2009-2015 Pension debit	= £1,000.00 pa	x 1.1 x (1 - 0.29)	= £781.00 pa
2009-2015 Survivor's debit	= £375.00 pa	x 1.1	= £412.50 pa

NPA membership

Pension debit	= £320.00	x 1.1 x (1 - 0.36)	= £225.28 pa
Survivor's debit	= £98.00	x 1.1	= £107.80 pa

**Scenario 3: Member retires at age 68**

<b>Factors (Male)</b>	
PA 65 pension late retirement factor (3 years = 1096 days)	15.34%
PA 65 retirement grant late retirement factor (3 years = 1096 days)	7.67%
NPA 67 pension late retirement factor (1 years = 365 days)	5.11%
PI factor (illustrative)	1.35
Pre-88 GMP revaluation factor (illustrative)	1.8
Post-88 GMP revaluation factor (illustrative)	2



CRA 60 membership

Pension debit	= £2,200.00	x 1.35 x (1 + 0.1534)	= £3,425.60 pa
Retirement grant debit	= £6,600.00	x 1.35 x (1 + 0.0767)	= £9,593.40
Survivor's debit	= £1,100.00	x 1.35	= £1,485.00 pa
Pre-88 GMP debit*	= £40.00	x 1.8	= £72.00 pa
Post-88 GMP debit*	= £200.00	x 2	= £400.00 pa

PA65 membership

2008-2009 Pension debit	= £160.00 pa	x 1.35 x (1 + 0.1534)	= £249.13 pa
2008-2009 Retirement grant debit	= £480.00	x 1.35 x (1 + 0.0767)	= £697.70
2008-2009 Survivor's debit	= £80.00 pa	x 1.35	= £108.00 pa
2009-2015 Pension debit	= £1,000.00 pa	x 1.35 x (1 + 0.1534)	= £1,557.09 pa
2009-2015 Survivor's debit	= £375.00 pa	x 1.35	= £506.25 pa

NPA membership

Pension debit	= £320.00	x 1.35 x (1 + 0.0511)	= £454.08 pa
Survivor's debit	= £98.00	x 1.35	= £132.30 pa

**EXAMPLE 2: Debit calculation for an active member with CRA pre-2008 service and taper post-2008 service**

**Member data:**

Date of birth:	1 November 1959
Sex:	Male
Date of joining:	1 November 1986
Transfer day:	1 November 2015

Member's pension:

Pre-2008 pension:	£5,500 pa
Pre-2008 retirement grant:	£16,500
2008-2009 pension	£400 pa
2008-2009 retirement grant:	£1,200
2009-2015 pension:	£2,100 pa
Post-2015 pension:	£500 pa
Pre 88 GMP:	£100 pa
Post 88 GMP:	£500 pa

Survivor's pension:

Pre-2008 pension:	£2,750 p.a.
2008-2009 pension:	£200 p.a.
2009-2015 pension:	£787.50 p.a.
Post-2015 pension:	£153.13 p.a.

\* applicable from GMP age which is age 65 for a male. In reality calculation done at GMP age



Appropriate Percentage specified in the pension sharing order (illustrative) = 40%

Pension Ages<sup>4</sup> for different parts of service:

Pre 1 April 2008 service:

Post 1 April 2008:

CRA 60  
Tapering applies

### **Debits Calculated at Transfer day**

#### **CRA 60 Debits (Pre 1 April 2008 service)**

Pension debit	= £5,500 x 40 / 100	= £2,200.00 pa
Retirement grant debit	= £16,500 x 40 / 100	= £6,600.00
Survivor's debit	= £2,750 x 40 / 100	= £1,100.00 pa
Pre-88 GMP debit	= £100 x 40 / 100	= £40.00 pa
Post-88 GMP debit	= £500 x 40 / 100	= £200.00 pa

#### **Taper Debits (service between 1 April 2008 and 31 March 2015)**

2008-2009 Pension debit	= £400 x 40 / 100	= £160.00 pa
2008-2009 Retirement grant debit	= £1,200 x 40 / 100	= £480.00
2008-2009 Survivor's debit	= £200 x 40 / 100	= £80.00 pa
2009-2015 Pension debit	= £2,100 x 40 / 100	= £840.00 pa
2009-2015 Survivor's debit	= £787.5 x 40 / 100	= £315.00 pa

#### **Taper Debits (service from 1 April 2015)**

Pension debit	= £500 x 40 / 100	= £200.00 pa
Survivor's debit	= £153.13 x 40 / 100	= £61.25 pa

### **Debits to be applied at retirement**

#### **Scenario 1: Member retires at age 60 in normal health**

<b>Factors (Male)</b>	
5 years early retirement pension factor for PA65 service	25%
5 years early retirement grant factor for PA65 service	14%
Early retirement pension factor for taper membership*	22.41%
Early retirement grant factor for taper membership*	12.55%
PI factor (illustrative)	1.1
GMP revaluation factor (to age 65 for a male) (illustrative)	1.4

<sup>4</sup> For guidance on calculating pension ages for different parts of service, please see the current guidance on "Early Payment of Pension".



### **Taper membership early payment reduction calculation**

Taper period = 01/04/2016 – 31/10/2019 = 3 years 214 days

Interpolation factor =  $(3+214/365) / 4 = 0.89658$

Tapered pension early retirement factor =  $0.89658 \times 0.25 + (1 - 0.89658) \times 0.00 = 0.2241$

Tapered early retirement grant factor =  $0.89658 \times 0.14 + (1 - 0.89658) \times 0.00 = 0.1255$

### CRA 60 membership

Pension debit	= £2,200.00	x 1.1	= £2,420 pa
Retirement grant debit	= £6,600.00	x 1.1	= £7,260.00
Survivor's debit	= £1,100.00	x 1.1	= £1,210.00 pa
Pre-88 GMP debit*	= £40.00	x 1.4	= £56.00 pa
Post-88 GMP debit*	= £200.00	x 1.4	= £280.00 pa

### Taper membership (service between 1 April 2008 and 31 March 2015)

2008-2009 Pension debit	= £160.00 pa	x 1.1 x (1 - 0.2241)	= £136.56 pa
2008-2009 Retirement grant debit	= £480.00	x 1.1 x (1 - 0.1255)	= £461.74
2008-2009 Survivor's debit	= £80.00 pa	x 1.1	= £88.00 pa
2009-2015 Pension debit	= £840.00 pa	x 1.1 x (1 - 0.2241)	= £716.93 pa
2009-2015 Survivor's debit	= £315.00 pa	x 1.1	= £346.50 pa

### Taper membership (service from 1 April 2015)

Pension debit	= £200.00	x 1.1 x (1 - 0.2241)	= £170.70 pa
Survivor's debit	= £61.25	x 1.1	= £67.38 pa

\* applicable from GMP pension age which is age 65 for a male. In reality calculation done at GMP age



**Scenario 2: Member retires at age 59 in normal health**

<b>Factors (Male)</b>	
1 year early retirement pension factor for CRA60 service	6%
1 year early retirement grant factor for CRA60 service	3%
6 years early retirement pension factor for PA65 service	29%
6 years early retirement grant factor for PA65 service	16%
Early retirement pension factor for PA65 taper membership*	26.62%
Early retirement grant factor for PA65 taper membership*	14.66%
PI factor (illustrative)	1.07
GMP revaluation factor (to age 65 for a male) (illustrative)	1.4

**Taper membership early payment reduction calculation**

Taper period = 01/04/2016 – 31/10/2019 = 3 years 214 days

Interpolation factor =  $(3+214/365) / 4 = 0.89658$

Tapered pension early retirement factor =  $0.89658 \times 0.29 + (1 - 0.89658) \times 0.06 = 0.2662$

Tapered early retirement grant factor =  $0.89658 \times 0.16 + (1 - 0.89658) \times 0.03 = 0.1466$

CRA 60 membership

Pension debit	= £2,200.00	x 1.07 x (1 - 0.06)	= £2,212.76 pa
Retirement grant debit	= £6,600.00	x 1.07 x (1 - 0.03)	= £6,850.14
Survivor's debit	= £1,100.00	x 1.07	= £1,177.00 pa
Pre-88 GMP debit*	= £40.00	x 1.4	= £56.00 pa
Post-88 GMP debit*	= £200.00	x 1.4	= £280.00 pa

Taper membership (service between 1 April 2008 and 31 March 2015)

2008-2009 Pension debit	= £160.00 pa	x 1.07 x (1 - 0.2662)	= £125.63 pa
2008-2009 Retirement grant debit	= £480.00	x 1.07 x (1 - 0.1466)	= £438.31
2008-2009 Survivor's debit	= £80.00 pa	x 1.07	= £85.60 pa
2009-2015 Pension debit	= £840.00 pa	x 1.07 x (1 - 0.2662)	= £659.54 pa
2009-2015 Survivor's debit	= £315.00 pa	x 1.07	= £337.05 pa

Taper membership (service from 1 April 2015)

Pension debit	= £200.00	x 1.07 x (1 - 0.2662)	= £157.03 pa
Survivor's debit	= £61.25	x 1.07	= £65.54 pa

\* applicable from GMP pension age which is age 65 for a male. In reality calculation done at GMP age



**Scenario 3: Member retires at age 68**

<b>Factors (Male)</b>	
PA65 pension late retirement factor (3 years = 1,095 days)	15.33%
PA65 retirement grant late retirement factor (3 years = 1,095 days)	7.67%
NPA66 pension late retirement factor (2 years = 730 days)	10.22%
PI factor (illustrative)	1.3
Pre-88 GMP revaluation factor (illustrative)	1.7
Post-88 GMP revaluation factor (illustrative)	1.9

CRA 60 membership

Pension debit	= £2,200.00	x 1.3 x (1 + 0.1533)	= £3,298.44 pa
Retirement grant debit	= £6,600.00	x 1.3 x (1 + 0.0767)	= £9,238.09
Survivor's debit	= £1,100.00	x 1.3	= £1,430.00 pa
Pre-88 GMP debit	= £40.00	x 1.7	= £68.00 pa
Post-88 GMP debit	= £200.00	x 1.9	= £380.00 pa

Taper membership (service between 1 April 2008 and 31 March 2015)

2008-2009 Pension debit	= £160.00 pa	x 1.3 x (1 + 0.1533)	= £239.89 pa
2008-2009 Retirement grant debit	= £480.00	x 1.3 x (1 + 0.0767)	= £671.86
2008-2009 Survivor's debit	= £80.00 pa	x 1.3	= £104.00 pa
2009-2015 Pension debit	= £840.00 pa	x 1.3 x (1 + 0.1533)	= £1,259.40 pa
2009-2015 Survivor's debit	= £315.00 pa	x 1.3	= £409.50 pa

Taper membership (service from 1 April 2015)

Pension debit	= £200.00 x 1.3 x (1 + 0.1022)	= £286.57 pa
Survivor's debit	= £61.25 x 1.3	= £79.63 pa



**EXAMPLE 3: Debit Calculation for a deferred pensioner with only CRA pre-2008 service**

**Member data:**

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

Deferred benefits at exit

Member pension:	£2,000
Retirement grant:	£6,000
Spouse's pension:	£1,000
Pre-88 GMP:	nil
Post-88 GMP:	nil
Pension Increase factor from exit to Transfer day (illustrative):	1.06
Appropriate Percentage specified in the pension sharing order (illustrative)	= 40%

Pension at Transfer day	= 2,000 x 1.06	= £2,120.00 pa
Retirement grant at Transfer day	= 6,000 x 1.06	= £6,360.00
Survivor's pension at Transfer day	= 1,000 x 1.06	= £1,060.00 pa

**Debits Calculated at Transfer day**

CRA 60 Debits

Pension debit	= £2,120.00 x 40 / 100	= £848.00 pa
Retirement grant debit	= £6,360.00 x 40 / 100	= £2,544.00
Survivor's debit	= £1,060.00 x 40 / 100	= £424.00 pa
Pre-88 GMP debit	= £0 x 40 / 100	= £0.00 pa
Post-88 GMP debit	= £0 x 40 / 100	= £0.00 pa

**Debits to be applied at retirement**

**Scenario 1: Member retires at age 60**

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

CRA 60 membership

Pension debit	= £848.00	x 1.1	= £932.80 pa
Retirement grant debit	= £2,544.00	x 1.1	= £2,798.40
Survivor's debit	= £424.00	x 1.1	= £466.40 pa



**Scenario 2: Member retires at age 59**

<b>Factors (Female)</b>	
1 year early retirement pension factor for CRA60 service	6%
1 year early retirement grant factor for CRA60 service	3%
PI factor from Transfer day to age 59 (ie to April immediately before) (illustrative)	1.06

CRA 60 membership

Pension debit	= £848.00	x 1.06 x (1 - 0.06)	= £844.95 pa
Retirement grant debit	= £2,544.00	x 1.06 x (1 - 0.03)	= £2,615.74
Survivor's debit	= £424.00	x 1.06	= £449.44 pa



#### EXAMPLE 4: Debit calculation for a Pensioner

**Member data:**

Date of birth:	1 October 1942
Sex:	Male
Current Pension:	£6,000.00 pa
Spouse's Pension:	£3,000.00 pa
Pre-88 GMP	£80.00 pa
Post-88 GMP	£300.00 pa
Appropriate Percentage specified in the pension sharing order (illustrative) = 40%	

Pension debit	= £6,000.00 x 40 / 100	= £2,400.00 pa
Survivor's debit	= £3,000.00 x 40 / 100	= £1,200.00 pa
Pre-88 GMP debit	= £80.00 x 40 / 100	= £32.00 pa
Post-88 GMP debit	= £300.00 x 40 / 100	= £120.00 pa



## Appendix A: Reduction to pension debits on early retirement in ill-health

Table A: Reduction to pension and retirement grant debits on ill-health retirement

<i>Years Early</i>	<i>Pension Reduction (%)</i>		<i>Retirement Grant Reduction All Members %</i>
	<i>Males</i>	<i>Females</i>	
0	0	0	0
1	3	3	3
2	6	8	6
3	11	13	8
4	16	17	11
5	20	22	14
6	24	25	16
7	28	29	19
8	32	32	21
9	35	36	23
10	38	39	26
11	41	41	28
12	44	44	30
13	46	46	32
14	49	49	34
15	51	51	36
16	53	53	38
17	55	55	39
18	57	57	41
19	59	59	43
20	61	60	45
21	62	62	46
22	64	63	48
23	65	65	49
24	66	66	51
25	68	67	52



<i>Years Early</i>	<i>Pension Reduction (%)</i>		<i>Retirement Grant Reduction All Members %</i>
	<i>Males</i>	<i>Females</i>	
26	69	69	54
27	70	70	55
28	71	71	56
29	72	72	58
30	73	73	59
31	74	74	60
32	75	75	61
33	76	76	62
34	77	77	63
35	78	77	64
36	79	78	65
37	79	79	67
38	80	80	67
39	81	80	68
40	82	81	69
41	82	82	70
42	83	82	71
43	83	83	72
44	84	84	73
45	85	84	74
46	85	85	74
47	86	85	75
48	86	86	76
49	87	86	77
50	87	87	77

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 or the normal pension age NPA, depending on the membership being considered.

- (2) Practitioners may need to refer to this table more than once (with different values of *Years Early*) when preparing calculations. For example if tapered factors are required they should be derived by these using these factors twice and tapering between the resulting reductions.
- (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.



## Appendix B: Reduction to pension debits on early retirement in normal health

**Table B: Reduction to pension and retirement grant debits on normal health early retirement**

Years Early	Pension Reduction (%)		Retirement Grant Reduction (%)
	Males	Females	All Members
0	0	0	0
1	6	6	3
2	11	11	6
3	16	15	8
4	21	20	11
5	25	24	14
6	29	28	16
7	33	31	19
8	36	35	21
9	39	38	23
10	42	41	26
11	46	44	N/A
12	49	47	N/A
13	52	50	N/A

**Notes:**

- (1) The number of *Years Early* is the period between the dates (i) and (ii) below, where:
  - (i) is the effective date of the member's election under the relevant regulations; and
  - (ii) is the date (or dates) on which the member would be entitled to unreduced benefits.
- (2) Practitioners may need to refer to this table more than once (with different values of *Years Early*) when preparing calculations. For example if tapered factors are required they should be derived by these using these factors twice and tapering between the resulting reductions.
- (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.
- (5) These factors should not be used to calculate the reductions to be applied to members aged below 55 at the date of retirement. Such cases should be referred to DOE for onward transition to GAD.



## Appendix C: Legislative references

- C.1 Regulation 20(3) of the Local Government Pension Scheme (Amendment and Transitional Provisions) (Northern Ireland) Regulations 2014 (“the 2015 Scheme Transitional Regulations”) (SRNI 2014/189) states that, where a Pension Sharing Order requires a pension debit in respect of a percentage a member’s pension benefits, the debit shall be calculated in accordance with actuarial guidance issued by DOE.
- C.2 Regulation 25(9) of the 2014 Regulations states that NILGOSC shall reduce the balance in an active member’s account to reflect the reduction in the member’s rights, calculated in accordance with actuarial guidance issued by DOE.
- C.3 Regulation 26(10), Regulation 25(6) and Regulation 25(9) of the 2014 Regulations provide for NILGOSC to reduce the balance in a deferred member’s account to reflect the reduction in the member’s rights, calculated in accordance with actuarial guidance issued by DOE.
- C.4 Regulations 27(5) and 28(5)(b) of the 2014 Regulations provide for NILGOSC to reduce the balance in the retirement accounts of a member to reflect the reduction in the member’s rights, calculated in accordance with actuarial guidance issued by DOE.
- C.5 Regulation 59(1) of the 2014 Regulations states that NILGOSC shall have regard to guidance issued by DOE as to the reduction of benefits payable in consequence of a pension debit created under Article 28(1)(a) of the Welfare Reform and Pensions Order (Northern Ireland) 1999 (“the 1999 Order”).



## Appendix D: Cited Regulations

### D.1 Excerpts from the 2014 Regulations<sup>5</sup>

#### Introduction and interpretation

2.—

...

(2) The Scheme manager responsible for the administration of pensions and other benefits payable under these Regulations, is the Northern Ireland Local Government Officers' Superannuation Committee, and in these Regulations is referred to as "the Committee".

(3) The Department may, after consultation with the Government Actuary's Department, issue actuarial guidance to the Committee.

#### Active member's pension accounts

25. —

...

(6) Other than to correct an error in a pension account, an adjustment to a pension account ("pension account adjustment") can only arise as a consequence of—

...

(c) a pension debit being made;

(d) a Scheme pays election;

...

9) Where—

(a) a pension debit as is mentioned in paragraph (6)(c) is made, or

(b) the joint liability amount specified in a notice given in relation to an election as mentioned in paragraph (6)(d) is met by the pension fund,

the Committee shall reduce the balance in the member's account to reflect the reduction in the value of the member's rights, calculated in accordance with actuarial guidance issued by the Department.

#### Deferred member's pension account and deferred refund account

26.—

...

(10) Other than to correct an error in a deferred member's pension account, the only pension account adjustment that can arise under this regulation is an adjustment as a consequence of a matter specified in regulation 25(6) (active member's pension accounts, adjustments).

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<sup>5</sup> The Local Government Pension Scheme Regulations (Northern Ireland) 2014 (SRNI 2014/188)



### **Retirement pension accounts: active members**

#### **27. —**

...

- (2) The retirement pension account shall specify—
- (a) the amount of accrued pension;
  - ...
  - (e) the amount of any pension adjustment;

...

- (5) The amount of any pension adjustment not already accounted for under paragraph (2)(a) is, for the purposes of paragraph (2)(e), the aggregate of the amounts calculated in accordance with actuarial guidance issued by the Department to account for any tax to which the Committee may become chargeable under the 2004 Finance Act in accordance with regulation 97 (tax) or as a result of a pension sharing order.

### **Retirement pension accounts: deferred members and pension credit members**

#### **28. —**

...

- (2) The retirement pension account shall specify—
- (a) the amount of accrued pension;
  - ...
  - (e) the amount of any pension adjustment;

...

- (5) The amount of any pension adjustment not already accounted for under paragraph (2)(a) is, for the purposes of paragraph (2)(e), the aggregate of the amounts calculated in accordance with actuarial guidance issued by the Department to account for—

- (a) any tax to which the Committee may become chargeable under the 2004 Finance Act in accordance with regulation 97 (tax); or
- (b) a pension sharing order.

### **Pension debits**

#### **59. —**

- (1) The Committee shall have regard to actuarial guidance issued by the Department as to the reduction of benefits payable under these Regulations in consequence of a pension debit.

- (2) The Committee shall make such adjustments to a member's pension accounts as are required to give effect to a pension debit.



## D.2 Excerpts from the 2015 Scheme Transitional Regulations<sup>6</sup>

### Pension sharing

#### 20. —

...

(3) Where a pension sharing order requires a pension debit in respect of a percentage of a member's pension benefits, any benefits accrued in the earlier Schemes or the Scheme shall be debited by the same percentage unless the order specifies otherwise, with the debit being calculated in accordance with actuarial guidance issued by the Department.

(4) Where a pension sharing order requires a pension debit in terms other than a percentage of the member's benefits, the debit is to apply in proportion to the cash equivalent transfer value of the benefits accrued within the earlier Schemes and the Scheme unless the order specifies otherwise.

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<sup>6</sup> The Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 (SRNI 2014 / 189)



## Appendix E: Limitations

- E.1 This note should not be used for any purpose other than to determine the pension debit to be applied to the member's benefits in accordance with the regulations cited above.
- E.2 The factors contained in this note are subject to periodic review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- E.3 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.
- E.4 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.
- E.5 Administrators should satisfy themselves that pension debits comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- E.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of DOE. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.