



Government
Actuary's
Department

The Local Government Pension Scheme (Northern Ireland)

Early payment of pension

Guidance note

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1 Introduction

- 1.1 The Department for Communities (“DfC”) is required under the Local Government Pension Scheme Regulations (Northern Ireland) 2014 (‘the 2014 Regulations’) (SRNI 2014/188), to issue actuarial guidance on the reduction in benefits for members who retire before they have a right to take unreduced benefits, i.e. on the voluntary early payment of pension.
- 1.2 This guidance also applies to benefits accrued before 1 April 2015, including members who left active service before 1 April 2015. It also applies to councillor members. The legislative references are discussed below.
- 1.3 The remainder of this introduction contains:
- details of the implementation and future review of this guidance
 - details of the legislative references
 - statements about the use of this note and third-party reliance
- 1.4 In the remainder of this note:
- The second section describes the calculation of the early retirement reduction
 - The third section contains examples of early retirement calculations
 - Appendix A contains the principal assumptions underlying the factors
 - Appendix B discusses when a member is entitled to unreduced benefits
 - Appendix C sets out some important limitations
- 1.5 This guidance has been carried out in accordance with the applicable Technical Actuarial Standards: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

Implementation and review

- 1.6 DfC 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 DfC has asked GAD to recommend actuarial guidance in respect of the regulations detailed below. 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 DfC in accordance with Regulation 2(3) of the 2014 Regulations and is subject to the implementation instructions provided at the time.



- 1.9 This guidance replaces the previous guidance dated 17 October 2019 and has been updated to set out the additional calculations required where an underpin is applicable to a member .
- 1.10 In addition, the factors used in this note have been updated to reflect those set out in the latest consolidation factors workbook as at the date of this note. As determined by DfC, these factors apply from 25 July 2023.
- 1.11 The factors will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light. The factors to be used when applying the approach set out in this guidance should reflect the factors in force as at the effective date of the calculation.
- 1.12 This guidance has been written for pension administrators and assumes knowledge of general pension terminology, and familiarity with retirement calculations for the Local Government Pension Scheme (Northern Ireland). Any questions concerning the application of the guidance should, in the first instance, be referred to DfC.

Relevant legislative references

- 1.13 DfC is required under the 2014 Regulations to issue actuarial guidance on the reduced benefits payable when a member, or pension credit member, aged 55 or over, elects to receive their benefits before their normal pension age [Regulations 31(5), 31(6) and 31(12) of the 2014 Regulations].
- 1.14 DfC is also required under the Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 (“the 2015 Scheme Transitional Regulations”) (SRNI 2014/189) to issue actuarial guidance on the payment of early retirement benefits for a member who was a member before 1 October 2006 and who reaches the age of 60 on or after 1 April 2016 and before 1 April 2020 [Paragraph 9(2) of Schedule 2 of the 2015 Scheme Transitional Regulations].
- 1.15 Where a person has been an active member of the 2015 Scheme (as defined in the 2015 Scheme Transitional Regulations), any benefits accrued before 1 April 2015 are subject to actuarial adjustment if they would have been subject to actuarial adjustment under the 2009 Scheme (as defined in the 2015 Scheme Transitional Regulations) [Regulation 3(5) of the 2015 Scheme Transitional Regulations]. This reduction is irrespective of whether a pension payable at the same time under the 2015 Scheme is subject to actuarial adjustment.



- 1.16 Where a person has not been a member of the 2015 Scheme, benefits payable in respect of service before 1 April 2015 are payable in accordance with the Earlier Schemes [Regulation 3(8) of the 2015 Scheme Transitional Regulations]. This also applies to a member who has been an active member of the 2015 Scheme and has benefits under the Earlier Schemes which have not been aggregated with the benefits in the 2015 Scheme.
- 1.17 Further to paragraphs 1.15 and 1.16 above, the following provisions of the 2009 scheme relating to early payment of benefits have effect. Any reference to guidance issued by the Government Actuary in the Earlier Regulations is to be construed as a reference to actuarial guidance issued by DfC [Regulation 3(12) of the 2015 Scheme Transitional Regulations].
- 1.18 Under the 2015 Scheme Transitional Regulations as amended, actuarial guidance issued by DfC is required to adjust the final underpin amount where the member takes early payment of their pension, and the member has not attained the age of 65 [regulation 4L(4)].
- 1.19 Under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations (Northern Ireland) 2009 (“the 2009 Benefits Regulations”) (SRNI 2009/32), actuarial guidance issued by DfC is required to determine the appropriate amounts by which a member’s retirement pension should be reduced in respect of early payment [Regulations 30(4) of the 2009 Benefits Regulations].
- 1.20 Actuarial guidance issued by DfC is required to determine the reduction of additional pension in the 2009 Scheme where it is taken earlier than normal retirement age (i.e. before age 65) [Regulation 14(3) of the 2009 Benefits Regulations].
- 1.21 Under the Local Government Pension Scheme (Transitional Provisions) Regulations (Northern Ireland) 2009 (SRNI 2009/33) (‘the 2009 Scheme Transitional Regulations’), actuarial guidance issued by DfC is required to calculate the early retirement pension and grant for a member who was a member before 1 October 2006 and who reaches the age of 60 on or after 1 April 2016 and before 1 April 2020 [Paragraph 7(2) of Schedule 2 of the 2009 Scheme Transitional Regulations].
- 1.22 Any benefits accrued before 1 April 2009 are reduced in line with actuarial guidance issued by DfC where benefits become payable under Regulation 30 of the 2009 Benefits Regulations [Regulation 3(2)(b) of the 2009 Scheme Transitional Regulations].
- 1.23 Under the Local Government Pension Scheme (Administration) Regulations (Northern Ireland) 2009 (“the 2009 Administration Regulations”) (SRNI 2009/33), a pension credit member who was awarded a pension credit as a result of a Pension Sharing Order with effective date before 1 April 2015 and elects to receive benefits before normal benefit age should have their benefits reduced in accordance with guidance issued by DfC [Regulation 91(4) of the 2009 Administration Regulations].



Third party reliance

- 1.24 This guidance has been prepared for the use of DfC and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on DfC and the scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.25 When issued by the DfC 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.
- 1.26 Other than DfC and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



2 Calculation of early retirement reduction

2.1 The early retirement factors are based on the number of years early that the benefits are taken, that is the period between the dates (i) and (ii) below:

(i) is the effective date of the member's election under the relevant regulations;
and

(ii) is the date on which the member would be entitled to unreduced benefits.

2.2 Where the number of years early is not an integer number, the reduction factors from the table should be interpolated for part years.

2.3 If the date in 2.1(i) is later than the date in 2.1(ii), then no reductions are to be applied.

2.4 The pension following early retirement is calculated as follows:

Pension at early retirement = Accrued pension x (1 - P)

Where:

P is an early retirement factor (expressed in decimal form) depending on the number of years early the pension is taken. The retirement grant is calculated in a similar way.

2.5 DfC has confirmed that the pension paid to a dependant following the death of a member after election for early payment should be calculated as if no reduction for early payment had been applied to the member's pension.

Date on which the member would be entitled to unreduced benefits

2.6 Members who first joined the LGPS on or after 1 April 2015 are entitled to unreduced benefits from their State Pension Age, or if higher, age 65. DfC has confirmed that State Pension Age for the purpose of calculating early retirement factors should be based on legislation in force at the point benefits are paid.

2.7 The date on which the member who first joined the LGPS before 1 April 2015 would be entitled to unreduced benefits depends on a number of factors, including:

- whether they were a member prior to 1 October 2006,
- their date of birth,
- the time period over which service was accrued,
- the age at which they would have satisfied the 85 year rule,
- and the circumstances under which they are requesting early payment of pension.



Appendix B sets out details of the ages that should be used for different periods of service and different groups of members.

- 2.8 The calculation at paragraph 2.4 may need to be performed several times if different periods of service would entitle the member to unreduced benefits on different dates. The total pension that the member receives at early retirement will then be the sum of the pension at early retirement for each of the relevant periods of service.

Taper reduction

- 2.9 DfC has confirmed that a Group 2 member (i.e. a member who was an active member prior to 1 October 2006, and born between 1 April 1956 and 31 March 1960 inclusive and who would reach their Critical Retirement Age (CRA) by 31 March 2020, as defined in Appendix B) is entitled to tapered reduction factors for some periods of service. The tapered reduction factors are interpolated between:
- the reduction factor applicable if the rule of 85 applied, and
 - the reduction factor applicable based on the member's Normal Retirement Age in the 2009 scheme (i.e. age 65)

The interpolation should be based on the later of the date on which the member would attain their CRA and the date of the member's 60th birthday. Taper reduction factors apply to service from 1 April 2008 to 31 March 2020.

The required interpolation is set out in paragraphs 2.101 to 2.134 below.

DfC has further confirmed that taper reduction factors do not apply to a member who was a member before 1 October 2006 and who was born between 1 April 1956 and 31 March 1960 inclusive and who would not reach their CRA by 31 March 2020.

- 2.10 The reduction factor for pension if the rule of 85 applied (P_{CRA}) is calculated by reference to the member's CRA (as defined in Appendix B). This is the age at which the member would be entitled to unreduced benefits under Paragraph 1 in Schedule 3 of the 2015 Scheme Transitional Regulations. Tapered reduction factors apply to some periods of service from 1 April 2008. This service takes place after the relevant date for the purpose of Paragraph 1 of Schedule 3 to the 2015 Scheme Transitional Regulations. However the CRAs for the purpose of taper reduction should be calculated as if that service was before the relevant date.
- 2.11 The reduction factor for pension based on their Normal Retirement Age (P_{NRA}) is calculated by reference to age 65 (i.e. the member's Normal Retirement Age in the 2009 Scheme).
- 2.12 The interpolation factor (F_1) is equal to the taper period divided by 4 years. The taper period is the number of years from 1 April 2016 to the later of:
- date on which the member would attain their CRA, or
 - the date of the member's 60th birthday.



Part-years should be taken into account in this calculation of the taper period, which must be between 0 and 4 years.

- 2.13 The tapered reduction factors for pension and retirement grant are then calculated as follows:

$$P_{\text{Taper}} = F_I \times P_{\text{NRA}} + (1 - F_I) \times P_{\text{CRA}}$$

$$RG_{\text{Taper}} = F_I \times RG_{\text{NRA}} + (1 - F_I) \times RG_{\text{CRA}}$$

- 2.14 The pension and retirement grant following early retirement are calculated as follows:

Pension at early retirement = Accrued pension x (1 – P_{Taper})

Retirement grant at early retirement = Accrued retirement grant x (1 – RG_{Taper})

where P_{Taper} and RG_{Taper} are as calculated in paragraph 2.133.

Early retirement before age 55

- 2.15 This note should not be used to calculate the reductions to be applied to members aged below 55 at the date of payment. Such cases should be referred to DfC, for onward transmission to GAD.

Statutory underpin

- 2.16 Where a statutory underpin (Regulation 4A to 4P of the 2015 Scheme Transitional Regulations) applies to a member, early retirement factors may need to be applied to derive the 'final assumed benefits' and 'final underpin amount' (2015 Scheme Transitional Regulations 4K and 4L) This section sets out the ages to which early retirement reductions are applied for the purpose of these calculations (which may differ from the ages set out earlier in this guidance)



2.17 The early retirement factors and methodology remain otherwise the same and are as contained in the consolidated factor workbook and the remainder of this guidance note respectively:

- In respect of the reduction to apply to the provisional assumed benefits to determine the final assumed benefits under 4K(4) and 4K(5) of the 2015 Scheme Transitional Regulations as amended, the member's provisional assumed benefits are subject to a reduction by reference to Group and tranche of benefits outlined below.
- Where a transfer in has been received in respect of a member that includes remediable service this should be included in the calculation of the provisional assumed benefits, provided there was no continuous break of more than five years in active membership of a public service pension scheme since the remediable service was accrued; see Individual Incoming & Outgoing transfers guidance note for further information.

Final assumed benefits (Regulations 4K(4) and 4K(5))

Tranche of provisional assumed benefits	Reduced by reference to:			
	Group 1	Group 2	Group 3	Group 4
1 April 2015 to 31 March 2016	CRA	Taper	NPA under the 2015 Scheme	NPA under the 2015 Scheme
1 April 2016 to 31 March 2020	NPA under the 2015 Scheme	Taper	NPA under the 2015 Scheme	NPA under the 2015 Scheme
1 April 2020 to 31 March 2022	NPA under the 2015 Scheme	NPA under the 2015 Scheme	NPA under the 2015 Scheme	NPA under the 2015 Scheme
CARE transfer-in of remediable service	NPA under the 2015 Scheme	NPA under the 2015 Scheme	NPA under the 2015 Scheme	NPA under the 2015 Scheme
Additional pension purchased	NPA under the 2015 Scheme	NPA under the 2015 Scheme	NPA under the 2015 Scheme	NPA under the 2015 Scheme

Where:

- CRA is the member's "Critical Retirement Age" as defined in Appendix C
- Taper indicates tapered early retirement reduction factors apply, as described in Appendix C
- Additional pension purchased is limited to that stated as to be included in the calculation of the provisional assumed benefits under 4I of the 2015 Scheme Transitional Regulations.
- Additional pension purchased is subject to 4K(6) of the 2015 Scheme Transitional Regulations.



- In respect of the reduction to apply to the provisional underpin amount to determine the final underpin amount under 4L(5) to 4L(7) of the 2015 Scheme Transitional Regulations as amended, the member's provisional underpin amount is subject to a reduction by reference to Group and tranche of benefits outlined below.
- Where a transfer in has been received in respect of a member that includes remediable service this should be included in the calculation of the provisional underpin amount, provided there was no continuous break of more than five years in active membership of a public service pension scheme since the remediable service was accrued; see Individual Incoming & Outgoing transfers guidance note for further information.

Final underpin amount (Regulations 4L(5) to 4L(7))

Tranche of provisional underpin amount	Reduced by reference to:			
	Group 1	Group 2	Group 3	Group 4
1 April 2015 to 31 March 2016	CRA	Taper	NPA under the 2009 Scheme	NPA under the 2009 Scheme
1 April 2016 to 31 March 2020	NPA under the 2009 Scheme	Taper	NPA under the 2009 Scheme	NPA under the 2009 Scheme
1 April 2020 to 31 March 2022	NPA under the 2009 Scheme	NPA under the 2009 Scheme	NPA under the 2009 Scheme	NPA under the 2009 Scheme
Notional final salary transfer-in of remediable service	65	65	65	65

Where:

- CRA is the member's "Critical Retirement Age" as defined in Appendix B
- Taper indicates tapered early retirement reduction factors apply, as described in Appendix B



A person who was not a member of the 2009 Scheme is treated as a Group 4 member and their NPA under the 2009 Scheme is treated as 65.

Where a Scheme employer has waived a reduction either in whole or in part under the 2014 Regulations 31(8) the same percentage waiver should be considered to apply to calculate the final underpin amount.



3 Examples

Please note that the examples below use the current early retirement factors as at the date of this guidance note. In practice, the early retirement factors that should apply are those in place at the effective date of election. The examples below have been built to demonstrate the application of factors in an early retirement calculation and are not necessarily illustrative of the factors that should be used at the date of election.

Example 1

Member data:

Date of Birth:	2 June 1963
Sex:	Female
Date of joining:	2 June 2000
Last day of employment:	1 June 2024
Effective date of election under Regulation 31(5)	2 June 2024
Age at election:	61
State Pension Age, or age 65 if higher (NPA)	67 (illustrative only)

("Group 3" member – see Appendix B)

Part A:

We proceed to calculate the member's CRA for Part A membership. At her early retirement date, she is aged 61 years exactly, and has 24 years of membership. She therefore satisfies the rule of 85 at that date (i.e. $61 + 24 = 85$) – so 61 is her CRA. The term for which the early retirement reductions should be applied is then 0 years (61 years less 61 years).

Part B and C1:

For a Group 3 member, the age the member is entitled to unreduced benefits is 65. The term for which the early retirement reductions should be applied is then 4 years (65 years less 61 years).

Part C2, D and E1:

For part C2, D and E1, we determine the NPA, which is the State Pension Age in force at the point benefits are paid, or age 65 if higher. In this example we have assumed the NPA is 67 and therefore the term for which the early retirement reductions should be applied is 6 years (67 years less 61 years)

P_{CRA}	0%
RG_{CRA}	0%
P_{65}	18%
RG_{65}	7%
P_{67}	25%



Assume that the member's benefits before reduction are:

Pension

Part A (up to 31 March 2008)	£2,000.00
• <i>CRA 61 Pension</i>	
Part B (1 April 2008 to 31 March 2009)	£250.00
• <i>65 pension</i>	
Part C1 (1 April 2009 to 31 March 2015)	£2,000.00
• <i>65 pension</i>	
Part C2 (1 April 2015 to 31 March 2016)	£408.16
• <i>NPA 67 pension</i>	
Part D (1 April 2016 to 31 March 2020)	£1,430.25
• <i>NPA 67 pension</i>	
Part E1 (1 April 2020 to 1 June 2024)	£1,500.00
• <i>NPA 67 pension</i>	
Total Pension (before reduction)	£7,588.41 pa

Pre-2009 Retirement Grant (before reduction):

Part A (up to 31 March 2008)	3 x £2,000 = £6,000.00
Part B (1 April 2008 to 31 March 2009)	3 x £250.00 = £750.00
Total Retirement Grant (before reduction)	£6,750.00

Pension benefits after early retirement factors have been applied:

Part	Calculation	Result
A	£2,000.00 x (1 - 0%)	£2,000.00
B	£250.00 x (1 - 18%)	£205.00
C1	£2,000.00 x (1 - 18%)	£1,640.00
C2	£408.16 x (1 - 25%)	£306.12
D	£1,430.25 x (1 - 25%)	£1,072.69
E1	£1,500.00 x (1 - 25%)	£1,125.00
Total		£6,348.81



Retirement Grant after early retirement factor has been applied:

Part	Calculation	Result
A	£6,000.00 x (1 – 0%)	£6,000.00
B	£750.00 x (1 – 7%)	£697.50
Total		£6,697.50

Statutory Underpin:

A Statutory underpin applies to this member. The guidance in Section 2 confirms the age at which the different tranches of benefits are reduced by reference for the purpose of the statutory underpin check.

As required to calculate the underpin amount, the following benefits are the provisional assumed benefits:

Part C2 (1 April 2015 to 31 March 2016)	£408.16
Part D (1 April 2016 to 31 March 2020)	£1,430.25
Part E1 (prior to 1 April 2022)	£750.00

As required to calculate the underpin amount, the following benefits in respect of the provisional underpin amounts:

Part C2 (1 April 2015 to 31 March 2016)	£326.53
Part D (1 April 2016 to 31 March 2020)	£1,144.20
Part E1 (prior to 1 April 2022)	£600.00

Underpin calculation of final assumed benefits after early retirement factors have been applied:

Tranche of provisional assumed benefits	Calculation	Result
C2	£408.16 x (1 – 25%)	£306.12
D	£1,430.25 x (1 – 25%)	£1,072.69
E1	£750.00 x (1 – 25%)	£562.50
Total		£1,941.31

Underpin calculation of final underpin amount after early retirement factors have been applied:

Tranche of provisional underpin benefits	Calculation	Result
C2	£326.53 x (1 – 18%)	£267.75
D	£1,144.20 x (1 – 18%)	£938.25
E1	£600.00 x (1 – 18%)	£492.00
Total		£1,698.00



The final underpin amount is less than the final assumed benefits and therefore there is no final guarantee amount required. The pension benefits are as follows:

- Pension Benefits: £6,348.81
- Retirement Grant: £6,6970.50



Example 2

Male member who elects while in active service:

Date of Birth:	20 September 1959
Sex:	Male
Date of joining:	20 September 1994
Last day of employment	19 September 2019
Effective date of election under Regulation 29(5)	20 September 2019
Age at election	60
State Pension Age, or age 65 if higher (NPA)	66

("Group 2" member – see Appendix B)

Part A

We proceed to calculate the member's CRA for Part A. At his early retirement date, he is aged 60 years exactly and has 25 years of membership. He therefore satisfy the 85 year rule at that date (i.e. $60 + 25 = 85$), so 60 is his CRA. The term for which early retirement reductions should be applied is the 0 years (60 years less 60 years).

Part B, C1, C2, and D

For a group 2 member, the taper reduction factors apply. The appropriate Taper early retirement factor is determined in accordance with the Section 2 of this document. The calculation of the Taper early retirement factor is as follows):

	Calculation	Result
Taper Period	01/04/2016 – 19/09/2019	3 years 172 days
Interpolation factor (F_1)	$(3+172/365)/4$	0.8678
TERF (pension)	$0.8678 \times 21\% + (1-0.8678) \times 0.00$	18.22%
TERF (retirement grant)	$0.8678 \times 8\% + (1-0.8678) \times 0.00$	6.94%

P_{CRA} : 0%

P_{65} : 21%

RG_{65} : 8%

Assume that the member has accrued the following:

Pension (before reduction):

Part A (up to 31 March 2008) £5,250.00

- CRA 60 Pension



Part B (1 April 2008 to 31 March 2009) £500.00

- Taper reduction factors

Part C1 (1 April 2009 to 31 March 2015) £3,000.00

- Taper reduction factors

Part C2 (1 April 2015 to 31 March 2016) £613.00

- Taper reduction factors

Part D (1 April 2016 to 19 September 2019) £2,123.84

- Taper reduction factors

Total Pension (before reduction) £11,486.84 pa

Pre-2009 Retirement Grant (before reduction):

Part A (up to 31 March 2008) 3 x £5,250.00 = £15,750.00

Part B (1 April 2008 to 31 March 2009) 3 x £500.00 = £1,500.00

Total Retirement Grant (before reduction) £17,250.00

Pension Benefits after early retirement/taper factors have been applied:

Part	Calculation	Result
A	£5,250.00 x (1 - 0.00%)	£5,250.00 p.a.
B	£500.00 x (1 - 18.22%)	£408.88 p.a.
C1	£3,000.00 x (1 - 18.22%)	£2,453.29 p.a.
C2	£613.00 x (1 - 18.22%)	£501.29 p.a.
D	£2,123.84 x (1 - 18.22%)	£1,736.80 p.a.
Total		£10,350.26 p.a.

Retirement Grant after early retirement factor has been applied:

Part	Calculation	Result
A	£15,750.00 x (1 - 0.00%)	£15,750.00
B	£1,500.00 x (1 - 6.94%)	£1,395.86
Total		£17,145.86

Statutory Underpin:

A statutory underpin applies to this member. the guidance in Section 2 confirms the age at which different tranches of benefits are reduced by reference for the purpose of the statutory underpin check.



As required to calculate the underpin amount, the following benefits are the provisional assumed benefits:

Part C2 (1 April 2015 to 31 March 2016)	£613.00
Part D (1 April 2016 to 19 September 2019)	£2,123.84

As required to calculate the underpin amount, the following benefits in respect of the provisional underpin amounts:

Part C2 (1 April 2015 to 31 March 2016)	£858.20
Part D (1 April 2016 to 19 September 2019)	£1,911.46

Underpin calculation of final assumed benefits after early retirement factors have been applied:

Tranche of provisional assumed benefits	Calculation	Result
C2	$£613.00 \times (1 - 18.22\%)$	£501.29 p.a.
D	$£2,123.84 \times (1 - 18.22\%)$	£1,736.80 p.a.
Total		£2,238.09 p.a.

Underpin calculation of final underpin amount after early retirement/taper factors have been applied:

Tranche of provisional underpin benefits	Calculation	Result
C2	$£858.20 \times (1 - 18.22\%)$	£701.80 p.a.
D	$£1,911.46 \times (1 - 18.22\%)$	£1,563.12 p.a.
Total		£2,264.92 p.a.

The final underpin amount is more than the final assumed benefits and therefore there is a final guarantee amount required. The pension benefits are as follows:

Part	Pension	Lump Sum
A	£5,250.00 p.a.	£15,750.00
B	£408.88 p.a.	£1,395.86
C1	£2,453.29 p.a.	
C2	£701.80 p.a.	
D	£1,563.12 p.a.	
Total	£10,377.09 p.a.	£17,145.86



Appendix A: Principal assumptions underlying factors

Financial assumptions

Nominal discount rate	3.734%
CPI	2.00%
Real discount rate (in excess of CPI)	1.70%

Mortality assumptions

Base mortality tables and adjustments – normal health	Member: 115% of S3NMA (M) and 108% of S3NFA (F) (as per 2020 valuation)
Future mortality improvement	Based on ONS principal UK population projections 2020
Year of Use	2024

Other assumptions

Proportion of male members for unisex factors	45%
Allowance for commutation	Nil



Appendix B: Transitional provisions

- B.1 This appendix sets out the ages at which a member who first joined the LGPS before 1 April 2015 would be entitled to unreduced benefits – different ages may apply to different periods of service. DfC has confirmed that the dates as set out in this appendix are in line with the policy intention of the LGPS Regulations.
- B.2 The Scheme Regulations are the legal basis of the Scheme. Nothing in this appendix can override them and, in the event of any difference, the Scheme Regulations will apply. In particular, in the event of a difference between this appendix and the Scheme Regulations, in applying this guidance the date on which the member would be entitled to unreduced benefits should be calculated in accordance with the Scheme Regulations, not this Appendix. This will affect the early retirement reduction factors that apply.
- B.3 If users of this guidance are aware of any difference between this Appendix and the Scheme Regulations, they should contact DfC.

Age at which a member is entitled to unreduced benefits

- B.4 For the purposes of this appendix, members have been grouped into a number of categories for ease of reference:
- Group 1: A member who was an active member prior to 1 October 2006, and born on 31 March 1956 or earlier;
 - Group 2: A member who was an active member prior to 1 October 2006, and born between 1 April 1956 and 31 March 1960 inclusive and who would reach their Critical Retirement Age by 31 March 2020;
 - Group 3: A member who was an active member prior to 1 October 2006 who is not a Group 1 or Group 2 member;
 - Group 4: A member who was not a member prior to 1 October 2006.
- B.5 A member's total membership should be divided into the following periods:
- Part A: Membership up to 31 March 2008
 - Part B: Membership from 1 April 2008 to 31 March 2009
 - Part C1: Membership from 1 April 2009 to 31 March 2015
 - Part C2: Membership from 1 April 2015 to 31 March 2016
 - Part D: Membership from 1 April 2016 to 31 March 2020
 - Part E1: Membership from 1 April 2020
 - Part E2: Certain benefits not related to a period of actual service, see paragraphs B.12 to B.22.



B.6 A councillor who was a deferred member of the Scheme in respect of a new council (as defined in the 2015 Scheme Transitional Regulations), or an active member of the Scheme before 1 April 2015, and who becomes a member of the 2015 Scheme will receive benefits deriving from their pre-1 April 2015 service reduced for early payment (or increased for late payment) by reference to retirement age 65, and benefits for post-1 April 2015 service reduced for early payment (or increased for late payment) by reference to NPA. The age at which other members are entitled to unreduced benefits for each combination of member group and service part are given below.

	Group 1	Group 2	Group 3	Group 4
Part A	CRA	CRA	CRA	65
Part B	CRA	Taper	65	65
Part C1	CRA	Taper	65	65
Part C2	CRA	Taper	NPA	NPA
Part D	NPA	Taper	NPA	NPA
Part E1	NPA	NPA	NPA	NPA
Part E2	65	65	65	65

Where:

- CRA is the member's 'Critical Retirement Age' as defined in paragraph B.7 below.
- NPA is the member's Normal Pension Age in the 2015 scheme; that is State Pension Age or, if higher, age 65.
- Taper indicates tapered early retirement reduction factors apply, as described in paragraphs 2.11 to 2.16.

Critical Retirement Age

B.7 The member's Critical Retirement Age is the earliest date at which they would have satisfied the 85 year rule for the purposes of Schedule 3 of the 2015 Scheme Transitional Regulations, subject to the limits set out in paragraphs B.9 and B.10 below.

B.8 Note that in the case of a person who was a member of the 2000 Scheme immediately before 1 February 2003, any qualifying period counted by virtue of Regulation 127 of the Local Government Pension Scheme Regulations (Northern Ireland) 2002 (SRNI 2002/352) ("the 2002 Regulations") (rights as to service not matched by credited period) which was awarded before 1 February 2003 is included in the rule of 85 calculation.

B.9 A member's Critical Retirement Age cannot be greater than age 65.

B.10 For members requesting to receive immediate payment of retirement benefits under regulation 31(5) (retirement benefits: early retirement) of the 2014 Regulations, the Critical Retirement Age cannot be less than age 60 unless the member's scheme employer agrees that it should be [Paragraph 1(b) of Schedule 3 of the 2015 Scheme Transitional Regulations].



- B.11 Note that the limit in paragraph B.10 above does not apply to a member aged under 60 who requests to receive immediate payment of retirement benefits under regulation 30(1) (choice of early payment of pension) of the 2009 Benefits Regulations) or regulation 31(6) (retirement benefits: flexible retirement) of the 2014 Regulations: however, under these regulations employer consent is required. In consequence, a member may have different Critical Retirement Ages depending on the circumstances under which they are requesting early payment of pension. For example a Group 1 member retiring at age 55 who would have first satisfied the 85 year rule at age 57 would have:
- Critical Retirement Age 57, if requesting to receive immediate payment of retirement benefits under regulation 31(6) (retirement benefits: flexible retirement) of the 2014 Regulations, but
 - Critical Retirement Age 60, if requesting to receive immediate payment of retirement benefits under regulation 31(5) (retirement benefits: early retirement) of the 2014 Regulations and the member's scheme employer has not agreed that CRA should be less than 60 (i.e. Paragraph 1(4) of Schedule 3 of the 2015 Scheme Transitional Regulations applies).

Benefits not related to a period of actual service

Transferred in benefits

- B.12 Earned pension credited under Regulation 113 of the 2014 Regulations should be treated as Part E1 Membership.
- B.13 Membership credited under Regulation 9(1) of the 2015 Scheme Transitional Regulations in respect of a club transfer payment into the 2015 Scheme which would have entitled the member to final salary benefits should be treated as Part E2 membership.
- B.14 Membership credited under Regulation 79 of the 2009 Administration Regulations or equivalent previous regulations (transferred-in membership) in respect of Group 1, 2 or 3 members should be treated as Part A Membership if the transfer occurred before 1 April 2008. Other Membership credited under Regulation 79 should be treated as Part E2 membership.
- B.15 A transfer credit awarded under protected regulation 68(8) of the 2002 Regulations, or equivalent previous regulations, should be reduced if it is taken earlier than the retirement age assumed for the calculation of the credit. For example, if a transfer credit was calculated based on a retirement age of 65 is taken before age 65, then a reduction factor should be applied based on the period from the date of early retirement to age 65 using the factors in Appendix B. Similarly, if a credit was previously calculated based on a member's CRA, then if taken early the credit should be reduced relative to the period to CRA.



Added Years

- B.16 Membership credited under Regulation 57 of the 2002 Regulations or equivalent previous regulations (Added Years) should be treated as Part A Membership if the election was before 1st October 2006. Other Membership under Regulation 57 should be treated as Part E2 membership.
- B.17 Membership credited under Regulation 35 of the 2009 Administration Regulations or equivalent previous regulations (Employer Augmented Membership) in respect of Group 1, 2 or 3 members should be treated as Part A Membership if it was credited before 1 April 2008. Other Membership under Regulation 35 should be treated as Part E2 membership.

Added Pension

- B.18 Added pension credited under Regulation 16 or awarded under Regulation 32 of the 2014 Regulations for contributions from 1 April 2015 should be treated as Part E1 membership.
- B.19 Added pension credited under Regulation 22 of the 2009 Administration Regulations (including added pension credited in respect of the preservation of Regulation 22 of the 2009 Administration Regulations by Regulation 14 of the 2015 Scheme Transitional Regulations) should be treated as Part E2 membership.
- B.20 Additional pension awarded by the employer under regulation 13 of the 2009 Benefits Regulations should be treated as Part E2 membership.

Pension Credit Members

- B.21 Pension credit accounts created under Regulation 30 of the 2014 Regulations should be treated as Part E1 membership.
- B.22 Pension credit rights created under Regulation 84 of the 2009 Administration Regulations or equivalent previous regulations (discharge of liability for pension credit rights) should be treated as Part E2 membership.



Appendix C: Limitations

- C.1 This guidance should not be used for any purpose other than those set out in this guidance.
- C.2 The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.3 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- C.4 This guidance only covers the actuarial principles around the calculation and application of early retirement factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Scheme managers and administrators should satisfy themselves that early retirement calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- C.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 DfC and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.