

To: Salaries and Wages  
Human Resources  
Pension Contacts

Circular 08/2026

21 May 2026

At: All Employing Authorities

Dear Colleagues,

### **Scheme review of factors and strain costs**

This circular is to advise employers that the Government Actuary's Department ('GAD') has commenced a review of all the Scheme's factors. This has both a short term impact, with immediate suspension of some calculations, and a longer term impact, with revised factors coming into force over the coming months.

### **Suspension of calculations**

Scheme factors are used in most pension calculations, for example to work out the value of pension if a member retires early or late, transfers pensions into or out of the Scheme, or if extra pension is bought. The last review of Scheme factors took place in 2023. These factors are set by the 'Superannuation Contributions Adjusted for Past Experience' (SCAPE) discount rate, which is published by HM Treasury.

On 19th May HM Treasury announced that the SCAPE discount rate had increased to CPI plus 2.0% (from CPI plus 1.7%) and revised its cash equivalent transfer value (CETV) guidance note with immediate effect. These changes are a trigger event for a factor review. Therefore, from this date, **transfer value quotations, non-club transfer ins and divorce calculations** are immediately suspended until new factors are issued by GAD.

We expect revised factors for currently suspended calculations to be provided to us by the end of June 2026. Following this, NILGOSC will resume processing calculations that were paused as soon as we are able to and following the necessary amendments to our pensions software systems.

### **Scheme factors transition**

Employers should be aware that all other scheme factors, such as those used in early and late retirement calculations and for added pension calculations, will be updated without a suspension period in the coming months. These will be released in a batched order, as

determined by GAD, and put into force as we receive them. The current timetable for this exercise, as scheduled by GAD, runs until Autumn 2026. We will issue further circulars in due course to inform you of the impact of the new factors on calculation outcomes, and any transitional arrangements that may apply.

### **Employer Strain costs**

Following the completion of the triennial valuation and GAD's exercise to review Scheme factors, the actuary for the Scheme will then proceed to update the factors that are used to calculate employer capital strain costs. These are costs that arise on payment of pension on redundancy or business efficiency grounds and employer awards of additional pension. This review will take into account any changes in financial and demographic assumptions since the last review which took place three years ago.

At this stage we do not know when any change in employer strain costs will be enacted, or what impact it will have on costs. We will write to you to let you know the implementation date and estimated impact of this change when it is known.

Yours sincerely



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Chief Pensions Officer