

Correction to early retirement factors for deductions on ill health retirement

The table below should be used in place of those provided in:

- Table A in GAD guidance note “Application of a Pension Debit for Divorced Members” dated 4 March 2013; and
- Table B1 in Section 4 of GAD guidance note “Annual Allowance Charges: Calculation of Scheme Pays Offset” dated 6 September 2012.

It corrects a small error in those tables.

This table should only be read in conjunction with either of the relevant GAD guidance notes listed above, including any limitations they contain.

Guidance on how to treat any affected cases is below.

Ian Boonin
Fellow of the Institute and Faculty of Actuaries
Government Actuary's Department

21 February 2014

Adjustments to affected member's benefits in payment

This note is intended to assist administrators in implementing corrections to a member's benefits due to the change in the tables in the GAD guidance note "Application of a Pension Debit for Divorced Members" dated 4 March 2013 and the GAD guidance note "Annual Allowance Charges: Calculation of Scheme Pays Offset" dated 6 September 2012. It should be read in conjunction with the relevant guidance note including any limitations it contains.

Nothing in this note should be taken as overriding the relevant scheme regulations, and administrators should satisfy themselves that they are complying with all relevant requirements.

Members affected

The members affected are those who are

- Female;
- Have a pension debit or a "scheme pays" annual allowance deduction; and
- Retired on ill health between 29 March 2012, when the factors were last updated, and the date of this note.

And for whom there is a difference between the old and the corrected table (there will be for most, but not all, relevant members, depending on age at ill health retirement).

Method to implement the adjustment for members currently affected.

You will need to revisit all cases for affected members and do the following:

1. Find the original adjusted pension debit/scheme pays offset calculated (or recalculate the member's adjusted pension debit using the old incorrect table) (OldDebit).
2. Calculate the member's adjusted pension debit/scheme pays offset again using the corrected tables provided (NewDebit).
3. The member's pension should be increased by an amount equal to (OldDebit – NewDebit),. Pension increases should be applied to this amount as if it had been in payment since the date of retirement.
4. Arrears as if the additional amount (OldDebit – NewDebit) had been in payment since the member retired (allowing for pension increases) should also be paid in the same way as any other pension arrears.

Note that in some cases this additional amount will be zero, in which case no action is needed.

Interest

Regulations 44 and 51 of the 2008 Administration Regulations [SI 2008/239] provide that where a pension payment is delayed for over a year, interest at base rate plus one percent compounded with three monthly rests should be applied to these payments.

This could apply depending on the date of the member's retirement.

Appendix A Replacement table

Factors to replace those in Table A in “Application of a Pension Debit for Divorced Members” and Table B1 in “Annual Allowance Charges: Calculation of Scheme Pays Offset”

| Years Early / Years between retirement and age 65 | Pension Reduction (%) | | Retirement Grant ¹ Reduction All Members % |
|--|------------------------------|----------------|--|
| | Males | Females | |
| 0 | 0 | 0 | 0 |
| 1 | 3 | 3 | 3 |
| 2 | 6 | 6 | 6 |
| 3 | 9 | 11 | 8 |
| 4 | 13 | 16 | 11 |
| 5 | 18 | 20 | 14 |
| 6 | 22 | 24 | 16 |
| 7 | 26 | 27 | 19 |
| 8 | 29 | 31 | 21 |
| 9 | 33 | 34 | 23 |
| 10 | 36 | 37 | 26 |
| 11 | 39 | 40 | 28 |
| 12 | 42 | 43 | 30 |
| 13 | 44 | 45 | 32 |
| 14 | 47 | 47 | 34 |
| 15 | 49 | 50 | 36 |
| 16 | 51 | 52 | 38 |
| 17 | 54 | 54 | 39 |
| 18 | 56 | 56 | 41 |
| 19 | 57 | 57 | 43 |
| 20 | 59 | 59 | 45 |
| 21 | 61 | 61 | 46 |
| 22 | 62 | 62 | 48 |
| 23 | 64 | 64 | 49 |

¹ Does not apply to scheme pays offset.

Factors to replace those in Table A in “Application of a Pension Debit for Divorced Members” and Table B1 in “Annual Allowance Charges: Calculation of Scheme Pays Offset” - continued

| <i>Years Early</i> | <i>Pension Reduction (%)</i> | | <i>Retirement Grant² Reduction All Members %</i> |
|--------------------|------------------------------|----------------|---|
| | <i>Males</i> | <i>Females</i> | |
| 24 | 65 | 65 | 51 |
| 25 | 67 | 66 | 52 |
| 26 | 68 | 68 | 54 |
| 27 | 69 | 69 | 55 |
| 28 | 70 | 70 | 56 |
| 29 | 71 | 71 | 58 |
| 30 | 72 | 72 | 59 |
| 31 | 73 | 73 | 60 |
| 32 | 74 | 74 | 61 |
| 33 | 75 | 75 | 62 |
| 34 | 76 | 76 | 63 |
| 35 | 77 | 77 | 64 |
| 36 | 78 | 78 | 65 |
| 37 | 79 | 78 | 67 |
| 38 | 79 | 79 | 67 |
| 39 | 80 | 80 | 68 |
| 40 | 81 | 81 | 69 |
| 41 | 82 | 81 | 70 |
| 42 | 82 | 82 | 71 |
| 43 | 83 | 83 | 72 |
| 44 | 83 | 83 | 73 |
| 45 | 84 | 84 | 74 |

Notes:

Please refer to the notes in the relevant guidance documents which still stand.

² Does not apply to scheme pays offset