

The Local Government Pension Scheme (England and Wales)

Use of accumulated AVCs to provide additional pension under the Scheme

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1 Introduction and Legislative Background

- 1.1 Regulation 26 of the Local Government Pension Scheme (Administration) Regulations 2008 (“the Administration Regulations”) (SI 2008/239) provides an opportunity for a member to use the accumulated value of his AVCs to provide a pension under the Scheme. A member who leaves his employment with entitlement to the immediate payment of retirement benefits may elect for the accumulated value of his AVCs to be used to provide additional pension under the Scheme. Regulation 26(5) provides that a member who has made such an election shall become entitled to such additional pension as is shown in guidance issued by the Government Actuary.
- 1.2 The purpose of this note prepared by the Government Actuary's Department is to provide the guidance required by Regulation 26(5). The note has been prepared for the Department for Communities and Local Government (DCLG) and is issued to them for onward transmission to administering authorities and employing authorities.
- 1.3 This guidance does not cover elections under Regulation 66(8) of the Local Government Pension Scheme Regulation 1997 (“the 1997 Regulations”) made by members who made an election under Regulation 60(1) of the 1997 Regulations prior to 13th November 2001.

Period for which factors apply

- 1.4 The factors and guidance contained in this note should be followed with immediate effect.
- 1.5 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.
- 1.6 The guidance replaces the previous guidance dated 6th April 2009.

Limitations

- 1.7 This note should not be used for any purpose other than to determine the amount of additional pension the member receives in respect of their AVCs.
- 1.8 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.
- 1.9 This note only covers the principles around the use of accumulated AVCs to provide additional pension under the scheme. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 1.10 Administrators should satisfy themselves that the additional pension from accumulated AVCs complies with all legislative requirements including, but not limited to, tax and contracting-out requirements.

2 Calculations

- 2.1 The tables attached to this note provide factors which show the additional pension to the member for each £100 of accumulated AVCs, according to age at the date the member becomes entitled to the immediate payment of retirement benefits or, if later, the date the member makes an election under Regulation 26(4) of the Administration Regulations.
- 2.2 Table 1 applies to members who become entitled to the immediate payment of retirement benefits under Regulation 16 (normal retirement), 17 (late retirement), 18 (flexible retirement), 19 (early leavers: inefficiency and redundancy) or by virtue of an election under Regulation 30 (early payment) of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (“the Benefits Regulations”) (SI 2007/1166). Table 1 factors for members under age 55 will be provided by the Government Actuary’s Department on request.
- 2.3 Table 2 applies to members who become entitled to an ill-health pension under Regulation 20 of the Benefits Regulations. DCLG have advised us that Table 2 also applies to members who become entitled to an ill-health pension under regulation 31 of the Benefits Regulations. Table 2 factors for members under age 30 will be provided by the Government Actuary’s Department on request.
- 2.4 Separate factors are provided for men and women. A member must choose whether to purchase dependants’ benefits or not when making an election. The factor used to calculate the amount of pension depends on the choice that the member makes.
- 2.5 An example calculation is provided below:

Example: Retirement in Normal Health

Member Details

Date of Birth	1 April 1947
Sex	Male
Normal Pension Age	65
Date of election	1 April 2012
Amount of AVC fund	£20,000
Form of additional pension	Member only
Amount of additional annual pension for every £100 of AVCs (from Table 1)	£6.07
Amount of additional annual pension for an AVC fund of £20,000	$£20,000 / £100 \times 6.07 = £1,214 \text{ pa}$

3 Benefits purchased

- 3.1 The additional pension is payable from the date used in the calculation. Increases after the date of commencement should be granted at the same time and at the same rate as the pension increases on the rest of the member's scheme pension.
- 3.2 The benefits provided to a member awarded additional pension are not fully specified in the regulations. However, DCLG have confirmed the details of additional pension benefits described below which are in the same form as the additional pension provided under other regulations.
- 3.3 A member will receive the following benefits:

Own benefits

- 3.4 The total pension awarded will be increased by the rate of additional pension purchased.
- 3.5 The additional pension may not be commuted for cash. If a member wishes to take some of his AVCs as a lump sum that part of the fund should not be converted to scheme pension.
- 3.6 On death in retirement a lump sum is payable equal to ten times the annual rate of additional pension in payment before death, less the amount of additional pension already paid.
- 3.7 The additional pension is increased with reference to PI while in payment, as required under Regulation 38 of the Benefits Regulations.

Dependants' benefits

- 3.8 If a member opts to purchase dependants' benefits as well as own benefits, then the following additional benefits will be paid on the death of the member.
- 3.9 The additional spouse, civil partner or nominated cohabiting partner's pension is 37.5% of the rate of additional member's pension purchased.
- 3.10 The child's additional pension is 18.75% of the member's additional pension if there is one eligible child. If there are two or more eligible children then the total children's pension awarded is 37.5% of the member's additional pension and is shared equally between the eligible children.
- 3.11 If there is no pension paid to an eligible spouse, civil partner or nominated cohabiting partner, then the additional child's pension is 25% of the member's additional pension if there is one eligible child. If there are two or more eligible children then the total additional pension awarded is 50% of the member's pension and is shared equally between the eligible children.
- 3.12 The rate of the dependant's additional pension is increased before it comes into payment with reference to the PI as for a member's pension. Once in payment, the dependants' additional pension is increased with reference to PI, as required under Regulation 38 of the Benefits Regulations.

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4 Table 1 – Retirements in normal health

All retirements except on grounds of ill health, page 1 (ages 55 to 67)						
Amount of additional annual pension for every £100 of accumulated AVCs						
Age at date member becomes entitled to an immediate pension or, if later, the date of election under Regulation 26(4) <i>in years and complete months</i>		Pension (£) for member if bought with dependants' benefits		Pension (£) for member only		
from	to	male	female	male	female	
<i>55 years and 0 months</i>	<i>55 years and 5 months</i>	4.55	4.51	4.84	4.63	
<i>55 years and 6 months</i>	<i>55 years and 11 months</i>	4.59	4.55	4.88	4.67	
<i>56 years and 0 months</i>	<i>56 years and 5 months</i>	4.63	4.58	4.93	4.71	
<i>56 years and 6 months</i>	<i>56 years and 11 months</i>	4.67	4.62	4.98	4.75	
<i>57 years and 0 months</i>	<i>57 years and 5 months</i>	4.71	4.66	5.03	4.79	
<i>57 years and 6 months</i>	<i>57 years and 11 months</i>	4.75	4.70	5.08	4.83	
<i>58 years and 0 months</i>	<i>58 years and 5 months</i>	4.80	4.74	5.13	4.88	
<i>58 years and 6 months</i>	<i>58 years and 11 months</i>	4.84	4.78	5.19	4.92	
<i>59 years and 0 months</i>	<i>59 years and 5 months</i>	4.89	4.83	5.24	4.97	
<i>59 years and 6 months</i>	<i>59 years and 11 months</i>	4.94	4.87	5.30	5.02	
<i>60 years and 0 months</i>	<i>60 years and 5 months</i>	4.98	4.92	5.36	5.07	
<i>60 years and 6 months</i>	<i>60 years and 11 months</i>	5.03	4.97	5.42	5.12	
<i>61 years and 0 months</i>	<i>61 years and 5 months</i>	5.08	5.02	5.48	5.17	
<i>61 years and 6 months</i>	<i>61 years and 11 months</i>	5.14	5.07	5.55	5.23	
<i>62 years and 0 months</i>	<i>62 years and 5 months</i>	5.19	5.12	5.61	5.28	
<i>62 years and 6 months</i>	<i>62 years and 11 months</i>	5.25	5.18	5.68	5.34	
<i>63 years and 0 months</i>	<i>63 years and 5 months</i>	5.31	5.23	5.75	5.40	
<i>63 years and 6 months</i>	<i>63 years and 11 months</i>	5.37	5.29	5.83	5.46	
<i>64 years and 0 months</i>	<i>64 years and 5 months</i>	5.43	5.35	5.90	5.53	
<i>64 years and 6 months</i>	<i>64 years and 11 months</i>	5.50	5.42	5.98	5.60	
<i>65 years and 0 months</i>	<i>65 years and 5 months</i>	5.57	5.48	6.07	5.67	
<i>65 years and 6 months</i>	<i>65 years and 11 months</i>	5.64	5.55	6.15	5.74	
<i>66 years and 0 months</i>	<i>66 years and 5 months</i>	5.71	5.62	6.24	5.81	
<i>66 years and 6 months</i>	<i>66 years and 11 months</i>	5.79	5.70	6.34	5.89	
<i>67 years and 0 months</i>	<i>67 years and 5 months</i>	5.87	5.77	6.43	5.97	
<i>67 years and 6 months</i>	<i>67 years and 11 months</i>	5.95	5.85	6.53	6.06	

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All retirements except on grounds of ill health, page 2 (ages 68 to 74)					
Amount of additional annual pension for every £100 of accumulated AVCs					
Age at date member becomes entitled to an immediate pension or, if later, the date of election under Regulation 26(4) <i>in years and complete months</i>		Pension (£) for member if bought with dependants' benefits		Pension (£) for member only	
from	to	male	female	male	female
<i>68 years and 0 months</i>	<i>68 years and 5 months</i>	6.03	5.94	6.64	6.14
<i>68 years and 6 months</i>	<i>68 years and 11 months</i>	6.12	6.02	6.75	6.23
<i>69 years and 0 months</i>	<i>69 years and 5 months</i>	6.22	6.11	6.87	6.33
<i>69 years and 6 months</i>	<i>69 years and 11 months</i>	6.31	6.21	6.99	6.43
<i>70 years and 0 months</i>	<i>70 years and 5 months</i>	6.41	6.30	7.11	6.53
<i>70 years and 6 months</i>	<i>70 years and 11 months</i>	6.52	6.41	7.24	6.64
<i>71 years and 0 months</i>	<i>71 years and 5 months</i>	6.63	6.51	7.37	6.75
<i>71 years and 6 months</i>	<i>71 years and 11 months</i>	6.74	6.62	7.51	6.86
<i>72 years and 0 months</i>	<i>72 years and 5 months</i>	6.85	6.74	7.65	6.98
<i>72 years and 6 months</i>	<i>72 years and 11 months</i>	6.98	6.86	7.80	7.11
<i>73 years and 0 months</i>	<i>73 years and 5 months</i>	7.10	6.98	7.95	7.24
<i>73 years and 6 months</i>	<i>73 years and 11 months</i>	7.23	7.11	8.11	7.37
<i>74 years and 0 months</i>	<i>74 years and 5 months</i>	7.37	7.25	8.28	7.51
<i>74 years and 6 months</i>	<i>74 years and 11 months</i>	7.52	7.39	8.46	7.66

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5 Table 2 – Retirements on ill health

Retirements on grounds of ill health, page 1 (ages 30 to 42)						
Amount of additional annual pension for every £100 of accumulated AVCs						
Age at date member becomes entitled to an immediate pension or, if later, the date of election under Regulation 26(4) <i>in years and complete months</i>		Pension (£) for member if bought with dependants' benefits		Pension (£) for member only		
from	to	male	female	male	female	
<i>30 years and 0 months</i>	<i>30 years and 5 months</i>	3.86	3.76	4.18	3.90	
<i>30 years and 6 months</i>	<i>30 years and 11 months</i>	3.88	3.77	4.20	3.92	
<i>31 years and 0 months</i>	<i>31 years and 5 months</i>	3.89	3.78	4.21	3.93	
<i>31 years and 6 months</i>	<i>31 years and 11 months</i>	3.90	3.79	4.22	3.94	
<i>32 years and 0 months</i>	<i>32 years and 5 months</i>	3.91	3.81	4.24	3.96	
<i>32 years and 6 months</i>	<i>32 years and 11 months</i>	3.92	3.82	4.25	3.97	
<i>33 years and 0 months</i>	<i>33 years and 5 months</i>	3.94	3.83	4.27	3.98	
<i>33 years and 6 months</i>	<i>33 years and 11 months</i>	3.95	3.85	4.28	4.00	
<i>34 years and 0 months</i>	<i>34 years and 5 months</i>	3.96	3.86	4.30	4.01	
<i>34 years and 6 months</i>	<i>34 years and 11 months</i>	3.97	3.87	4.31	4.03	
<i>35 years and 0 months</i>	<i>35 years and 5 months</i>	3.99	3.89	4.33	4.04	
<i>35 years and 6 months</i>	<i>35 years and 11 months</i>	4.00	3.90	4.34	4.06	
<i>36 years and 0 months</i>	<i>36 years and 5 months</i>	4.01	3.91	4.36	4.07	
<i>36 years and 6 months</i>	<i>36 years and 11 months</i>	4.03	3.93	4.37	4.09	
<i>37 years and 0 months</i>	<i>37 years and 5 months</i>	4.04	3.94	4.39	4.10	
<i>37 years and 6 months</i>	<i>37 years and 11 months</i>	4.05	3.96	4.40	4.12	
<i>38 years and 0 months</i>	<i>38 years and 5 months</i>	4.07	3.98	4.42	4.13	
<i>38 years and 6 months</i>	<i>38 years and 11 months</i>	4.08	3.99	4.44	4.15	
<i>39 years and 0 months</i>	<i>39 years and 5 months</i>	4.10	4.01	4.46	4.17	
<i>39 years and 6 months</i>	<i>39 years and 11 months</i>	4.11	4.02	4.47	4.19	
<i>40 years and 0 months</i>	<i>40 years and 5 months</i>	4.13	4.04	4.49	4.20	
<i>40 years and 6 months</i>	<i>40 years and 11 months</i>	4.15	4.06	4.51	4.22	
<i>41 years and 0 months</i>	<i>41 years and 5 months</i>	4.16	4.08	4.53	4.24	
<i>41 years and 6 months</i>	<i>41 years and 11 months</i>	4.18	4.09	4.55	4.26	
<i>42 years and 0 months</i>	<i>42 years and 5 months</i>	4.20	4.11	4.57	4.28	
<i>42 years and 6 months</i>	<i>42 years and 11 months</i>	4.22	4.13	4.60	4.30	

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Retirements on grounds of ill health, page 2 (ages 43 to 56)						
Amount of additional annual pension for every £100 of accumulated AVCs						
Age at date member becomes entitled to an immediate pension or, if later, the date of election under Regulation 26(4) <i>in years and complete months</i>		Pension (£) for member if bought with dependants' benefits		Pension (£) for member only		
from	to	male	female	male	female	
<i>43 years and 0 months</i>	<i>43 years and 5 months</i>	4.24	4.15	4.62	4.32	
<i>43 years and 6 months</i>	<i>43 years and 11 months</i>	4.26	4.17	4.65	4.34	
<i>44 years and 0 months</i>	<i>44 years and 5 months</i>	4.28	4.19	4.67	4.36	
<i>44 years and 6 months</i>	<i>44 years and 11 months</i>	4.30	4.22	4.70	4.39	
<i>45 years and 0 months</i>	<i>45 years and 5 months</i>	4.33	4.24	4.73	4.41	
<i>45 years and 6 months</i>	<i>45 years and 11 months</i>	4.35	4.26	4.76	4.44	
<i>46 years and 0 months</i>	<i>46 years and 5 months</i>	4.37	4.29	4.79	4.46	
<i>46 years and 6 months</i>	<i>46 years and 11 months</i>	4.40	4.31	4.82	4.49	
<i>47 years and 0 months</i>	<i>47 years and 5 months</i>	4.43	4.34	4.85	4.51	
<i>47 years and 6 months</i>	<i>47 years and 11 months</i>	4.45	4.36	4.89	4.54	
<i>48 years and 0 months</i>	<i>48 years and 5 months</i>	4.48	4.39	4.92	4.57	
<i>48 years and 6 months</i>	<i>48 years and 11 months</i>	4.51	4.42	4.96	4.60	
<i>49 years and 0 months</i>	<i>49 years and 5 months</i>	4.54	4.44	5.00	4.63	
<i>49 years and 6 months</i>	<i>49 years and 11 months</i>	4.57	4.47	5.04	4.66	
<i>50 years and 0 months</i>	<i>50 years and 5 months</i>	4.61	4.50	5.08	4.69	
<i>50 years and 6 months</i>	<i>50 years and 11 months</i>	4.64	4.53	5.12	4.72	
<i>51 years and 0 months</i>	<i>51 years and 5 months</i>	4.67	4.56	5.17	4.75	
<i>51 years and 6 months</i>	<i>51 years and 11 months</i>	4.71	4.59	5.21	4.79	
<i>52 years and 0 months</i>	<i>52 years and 5 months</i>	4.74	4.63	5.26	4.82	
<i>52 years and 6 months</i>	<i>52 years and 11 months</i>	4.78	4.66	5.31	4.86	
<i>53 years and 0 months</i>	<i>53 years and 5 months</i>	4.82	4.70	5.35	4.89	
<i>53 years and 6 months</i>	<i>53 years and 11 months</i>	4.86	4.73	5.40	4.93	
<i>54 years and 0 months</i>	<i>54 years and 5 months</i>	4.90	4.77	5.46	4.97	
<i>54 years and 6 months</i>	<i>54 years and 11 months</i>	4.94	4.81	5.51	5.01	
<i>55 years and 0 months</i>	<i>55 years and 5 months</i>	4.98	4.85	5.56	5.05	
<i>55 years and 6 months</i>	<i>55 years and 11 months</i>	5.02	4.89	5.62	5.09	
<i>56 years and 0 months</i>	<i>56 years and 5 months</i>	5.07	4.93	5.68	5.14	
<i>56 years and 6 months</i>	<i>56 years and 11 months</i>	5.11	4.97	5.74	5.18	

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Retirements on grounds of ill health, page 3 (ages 57 to 70)						
Amount of additional annual pension for every £100 of accumulated AVCs						
Age at date member becomes entitled to an immediate pension or, if later, the date of election under Regulation 26(4) <i>in years and complete months</i>		Pension (£) for member if bought with dependants' benefits		Pension (£) for member only		
from	to	male	female	male	female	
<i>57 years and 0 months</i>	<i>57 years and 5 months</i>	5.16	5.01	5.80	5.23	
<i>57 years and 6 months</i>	<i>57 years and 11 months</i>	5.21	5.06	5.86	5.27	
<i>58 years and 0 months</i>	<i>58 years and 5 months</i>	5.26	5.10	5.93	5.32	
<i>58 years and 6 months</i>	<i>58 years and 11 months</i>	5.31	5.15	5.99	5.37	
<i>59 years and 0 months</i>	<i>59 years and 5 months</i>	5.36	5.20	6.06	5.43	
<i>59 years and 6 months</i>	<i>59 years and 11 months</i>	5.42	5.25	6.13	5.48	
<i>60 years and 0 months</i>	<i>60 years and 5 months</i>	5.47	5.31	6.20	5.54	
<i>60 years and 6 months</i>	<i>60 years and 11 months</i>	5.53	5.36	6.27	5.59	
<i>61 years and 0 months</i>	<i>61 years and 5 months</i>	5.59	5.42	6.35	5.65	
<i>61 years and 6 months</i>	<i>61 years and 11 months</i>	5.65	5.48	6.43	5.72	
<i>62 years and 0 months</i>	<i>62 years and 5 months</i>	5.71	5.54	6.50	5.78	
<i>62 years and 6 months</i>	<i>62 years and 11 months</i>	5.77	5.60	6.59	5.85	
<i>63 years and 0 months</i>	<i>63 years and 5 months</i>	5.84	5.67	6.67	5.92	
<i>63 years and 6 months</i>	<i>63 years and 11 months</i>	5.91	5.74	6.76	5.99	
<i>64 years and 0 months</i>	<i>64 years and 5 months</i>	5.98	5.81	6.86	6.06	
<i>64 years and 6 months</i>	<i>64 years and 11 months</i>	6.06	5.89	6.95	6.14	
<i>65 years and 0 months</i>	<i>65 years and 5 months</i>	6.14	5.96	7.05	6.22	
<i>65 years and 6 months</i>	<i>65 years and 11 months</i>	6.22	6.05	7.16	6.31	
<i>66 years and 0 months</i>	<i>66 years and 5 months</i>	6.30	6.13	7.27	6.40	
<i>66 years and 6 months</i>	<i>66 years and 11 months</i>	6.39	6.22	7.38	6.49	
<i>67 years and 0 months</i>	<i>67 years and 5 months</i>	6.48	6.31	7.50	6.59	
<i>67 years and 6 months</i>	<i>67 years and 11 months</i>	6.57	6.41	7.63	6.69	
<i>68 years and 0 months</i>	<i>68 years and 5 months</i>	6.67	6.51	7.75	6.79	
<i>68 years and 6 months</i>	<i>68 years and 11 months</i>	6.77	6.61	7.88	6.90	
<i>69 years and 0 months</i>	<i>69 years and 5 months</i>	6.88	6.72	8.02	7.01	
<i>69 years and 6 months</i>	<i>69 years and 11 months</i>	6.98	6.83	8.16	7.13	
<i>70 years and 0 months</i>	<i>70 years and 5 months</i>	7.10	6.95	8.31	7.25	
<i>70 years and 6 months</i>	<i>70 years and 11 months</i>	7.21	7.07	8.46	7.38	

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Amount of additional annual pension for every £100 of accumulated AVCs						
Age at date member becomes entitled to an immediate pension or, if later, the date of election under Regulation 26(4) <i>in years and complete months</i>		Pension (£) for member if bought with dependants' benefits		Pension (£) for member only		
from	to	male	female	male	female	
<i>71 years and 0 months</i>	<i>71 years and 5 months</i>	7.33	7.19	8.61	7.51	
<i>71 years and 6 months</i>	<i>71 years and 11 months</i>	7.46	7.33	8.77	7.65	
<i>72 years and 0 months</i>	<i>72 years and 5 months</i>	7.59	7.46	8.94	7.79	
<i>72 years and 6 months</i>	<i>72 years and 11 months</i>	7.72	7.61	9.11	7.94	
<i>73 years and 0 months</i>	<i>73 years and 5 months</i>	7.86	7.76	9.29	8.09	
<i>73 years and 6 months</i>	<i>73 years and 11 months</i>	8.01	7.91	9.47	8.25	
<i>74 years and 0 months</i>	<i>74 years and 5 months</i>	8.16	8.08	9.67	8.42	
<i>74 years and 6 months</i>	<i>74 years and 11 months</i>	8.31	8.25	9.86	8.59	