



Government Actuary's Department

The Local Government Pension Scheme (England and Wales)

Use of accumulated AVCs to provide additional pension under the Scheme
Members who commenced payment of AVCs before 1 April 2014

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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. Regulation 15 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 allows these provisions to continue to have effect.

- 1.2 Important information and limitations are set out in Appendix A.

Implementation and Review

- 1.3 Regulation 3(12) of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 requires that guidance issued by the Government Actuary under earlier regulations is to be treated as actuarial guidance issued by the Secretary of State as defined by the Local Government Pension Scheme Regulations 2013 [“the 2013 Regulations”].
- 1.4 The Secretary of State is required to consult GAD before issuing actuarial guidance under the 2013 Regulations [Regulation 2(3) of the 2013 Regulations].
- 1.5 As part of this consultation the Department for Communities and Local Government (DCLG) 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.
- 1.6 This note has effect only when this guidance is issued by the Secretary of State in accordance with Regulation 2(3) of the 2013 Regulations, and is subject to the implementation instructions provided at that time.
- 1.7 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 DCLG.
- 1.8 This guidance relates to benefits purchased from a member’s accumulated AVC funds where the member commenced payment of AVCs before 1 April 2014. Where the member commenced payment of AVCs on or after 1 April 2014 the “post-2014” guidance dated 14 April 2016 applies.



- 1.9 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

- 1.10 The factors contained in this note are taken from other guidance prepared by GAD, which will be reviewed periodically. This will depend on external circumstances, for example when the LGPS cash equivalent transfer value basis is reviewed; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each triennial cycle of future valuations of the LGPS.
- 1.11 When issued, this guidance will replace the previous guidance dated 20 March 2012. AVC Conversion Factors have been updated but the calculation methodology remains unchanged. Therefore examples in the previous guidance, updated for factors in this guidance can be used for illustrative purposes.

Use of this note

- 1.12 This note has been prepared for DCLG 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 the Secretary of State in accordance with paragraph 1.6 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 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.



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.



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>	4.56	4.48	4.84	4.60
<i>55 years and 6 months</i>	<i>55 years and 11 months</i>	4.59	4.52	4.89	4.64
<i>56 years and 0 months</i>	<i>56 years and 5 months</i>	4.63	4.55	4.93	4.68
<i>56 years and 6 months</i>	<i>56 years and 11 months</i>	4.67	4.59	4.98	4.72
<i>57 years and 0 months</i>	<i>57 years and 5 months</i>	4.71	4.63	5.03	4.76
<i>57 years and 6 months</i>	<i>57 years and 11 months</i>	4.75	4.67	5.08	4.80
<i>58 years and 0 months</i>	<i>58 years and 5 months</i>	4.79	4.71	5.13	4.84
<i>58 years and 6 months</i>	<i>58 years and 11 months</i>	4.84	4.75	5.18	4.88
<i>59 years and 0 months</i>	<i>59 years and 5 months</i>	4.88	4.79	5.24	4.93
<i>59 years and 6 months</i>	<i>59 years and 11 months</i>	4.93	4.83	5.29	4.97
<i>60 years and 0 months</i>	<i>60 years and 5 months</i>	4.97	4.88	5.35	5.02
<i>60 years and 6 months</i>	<i>60 years and 11 months</i>	5.02	4.92	5.41	5.07
<i>61 years and 0 months</i>	<i>61 years and 5 months</i>	5.07	4.97	5.47	5.12
<i>61 years and 6 months</i>	<i>61 years and 11 months</i>	5.12	5.02	5.53	5.17
<i>62 years and 0 months</i>	<i>62 years and 5 months</i>	5.17	5.07	5.59	5.22
<i>62 years and 6 months</i>	<i>62 years and 11 months</i>	5.22	5.12	5.66	5.28
<i>63 years and 0 months</i>	<i>63 years and 5 months</i>	5.28	5.17	5.73	5.34
<i>63 years and 6 months</i>	<i>63 years and 11 months</i>	5.33	5.23	5.80	5.39
<i>64 years and 0 months</i>	<i>64 years and 5 months</i>	5.39	5.28	5.87	5.45
<i>64 years and 6 months</i>	<i>64 years and 11 months</i>	5.45	5.34	5.94	5.52
<i>65 years and 0 months</i>	<i>65 years and 5 months</i>	5.52	5.41	6.03	5.58
<i>65 years and 6 months</i>	<i>65 years and 11 months</i>	5.59	5.48	6.12	5.66
<i>66 years and 0 months</i>	<i>66 years and 5 months</i>	5.67	5.55	6.22	5.74
<i>66 years and 6 months</i>	<i>66 years and 11 months</i>	5.75	5.63	6.32	5.82
<i>67 years and 0 months</i>	<i>67 years and 5 months</i>	5.84	5.71	6.43	5.91
<i>67 years and 6 months</i>	<i>67 years and 11 months</i>	5.93	5.79	6.54	5.99



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>	6.02	5.88	6.66	6.09
<i>68 years and 6 months</i>	<i>68 years and 11 months</i>	6.12	5.97	6.78	6.18
<i>69 years and 0 months</i>	<i>69 years and 5 months</i>	6.22	6.06	6.91	6.28
<i>69 years and 6 months</i>	<i>69 years and 11 months</i>	6.32	6.16	7.04	6.39
<i>70 years and 0 months</i>	<i>70 years and 5 months</i>	6.43	6.26	7.18	6.49
<i>70 years and 6 months</i>	<i>70 years and 11 months</i>	6.55	6.36	7.33	6.61
<i>71 years and 0 months</i>	<i>71 years and 5 months</i>	6.66	6.47	7.48	6.72
<i>71 years and 6 months</i>	<i>71 years and 11 months</i>	6.79	6.59	7.64	6.85
<i>72 years and 0 months</i>	<i>72 years and 5 months</i>	6.92	6.70	7.81	6.97
<i>72 years and 6 months</i>	<i>72 years and 11 months</i>	7.05	6.83	7.98	7.10
<i>73 years and 0 months</i>	<i>73 years and 5 months</i>	7.18	6.95	8.16	7.24
<i>73 years and 6 months</i>	<i>73 years and 11 months</i>	7.33	7.09	8.35	7.38
<i>74 years and 0 months</i>	<i>74 years and 5 months</i>	7.47	7.22	8.54	7.53
<i>74 years and 6 months</i>	<i>74 years and 11 months</i>	7.62	7.36	8.73	7.68



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) in years and complete months		Pension (£) for member if bought with dependants' benefits		Pension (£) for member only	
from	to	male	female	male	female
30 years and 0 months	30 years and 5 months	3.78	3.71	4.06	3.88
30 years and 6 months	30 years and 11 months	3.80	3.72	4.08	3.89
31 years and 0 months	31 years and 5 months	3.81	3.74	4.09	3.90
31 years and 6 months	31 years and 11 months	3.82	3.75	4.11	3.91
32 years and 0 months	32 years and 5 months	3.83	3.76	4.12	3.93
32 years and 6 months	32 years and 11 months	3.84	3.77	4.13	3.94
33 years and 0 months	33 years and 5 months	3.86	3.78	4.15	3.95
33 years and 6 months	33 years and 11 months	3.87	3.80	4.17	3.97
34 years and 0 months	34 years and 5 months	3.88	3.81	4.18	3.98
34 years and 6 months	34 years and 11 months	3.89	3.82	4.20	3.99
35 years and 0 months	35 years and 5 months	3.91	3.83	4.21	4.01
35 years and 6 months	35 years and 11 months	3.92	3.85	4.23	4.02
36 years and 0 months	36 years and 5 months	3.93	3.86	4.24	4.04
36 years and 6 months	36 years and 11 months	3.95	3.88	4.26	4.05
37 years and 0 months	37 years and 5 months	3.96	3.89	4.27	4.07
37 years and 6 months	37 years and 11 months	3.98	3.90	4.29	4.08
38 years and 0 months	38 years and 5 months	3.99	3.92	4.31	4.10
38 years and 6 months	38 years and 11 months	4.00	3.93	4.32	4.11
39 years and 0 months	39 years and 5 months	4.02	3.95	4.34	4.13
39 years and 6 months	39 years and 11 months	4.04	3.97	4.36	4.15
40 years and 0 months	40 years and 5 months	4.05	3.98	4.38	4.16
40 years and 6 months	40 years and 11 months	4.07	4.00	4.40	4.18
41 years and 0 months	41 years and 5 months	4.09	4.02	4.42	4.20
41 years and 6 months	41 years and 11 months	4.10	4.04	4.44	4.22
42 years and 0 months	42 years and 5 months	4.12	4.05	4.46	4.24
42 years and 6 months	42 years and 11 months	4.14	4.07	4.48	4.26



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>	4.16	4.09	4.50	4.28
<i>43 years and 6 months</i>	<i>43 years and 11 months</i>	4.18	4.11	4.53	4.30
<i>44 years and 0 months</i>	<i>44 years and 5 months</i>	4.20	4.13	4.55	4.32
<i>44 years and 6 months</i>	<i>44 years and 11 months</i>	4.22	4.15	4.58	4.34
<i>45 years and 0 months</i>	<i>45 years and 5 months</i>	4.25	4.18	4.61	4.37
<i>45 years and 6 months</i>	<i>45 years and 11 months</i>	4.27	4.20	4.63	4.39
<i>46 years and 0 months</i>	<i>46 years and 5 months</i>	4.29	4.22	4.66	4.42
<i>46 years and 6 months</i>	<i>46 years and 11 months</i>	4.32	4.24	4.69	4.44
<i>47 years and 0 months</i>	<i>47 years and 5 months</i>	4.34	4.27	4.72	4.47
<i>47 years and 6 months</i>	<i>47 years and 11 months</i>	4.37	4.29	4.76	4.49
<i>48 years and 0 months</i>	<i>48 years and 5 months</i>	4.39	4.32	4.79	4.52
<i>48 years and 6 months</i>	<i>48 years and 11 months</i>	4.42	4.34	4.83	4.55
<i>49 years and 0 months</i>	<i>49 years and 5 months</i>	4.45	4.37	4.86	4.58
<i>49 years and 6 months</i>	<i>49 years and 11 months</i>	4.48	4.40	4.90	4.61
<i>50 years and 0 months</i>	<i>50 years and 5 months</i>	4.51	4.42	4.94	4.63
<i>50 years and 6 months</i>	<i>50 years and 11 months</i>	4.54	4.45	4.98	4.67
<i>51 years and 0 months</i>	<i>51 years and 5 months</i>	4.57	4.48	5.02	4.70
<i>51 years and 6 months</i>	<i>51 years and 11 months</i>	4.60	4.51	5.06	4.73
<i>52 years and 0 months</i>	<i>52 years and 5 months</i>	4.64	4.54	5.10	4.76
<i>52 years and 6 months</i>	<i>52 years and 11 months</i>	4.67	4.57	5.14	4.80
<i>53 years and 0 months</i>	<i>53 years and 5 months</i>	4.70	4.61	5.19	4.83
<i>53 years and 6 months</i>	<i>53 years and 11 months</i>	4.74	4.64	5.23	4.87
<i>54 years and 0 months</i>	<i>54 years and 5 months</i>	4.77	4.67	5.28	4.90
<i>54 years and 6 months</i>	<i>54 years and 11 months</i>	4.81	4.71	5.33	4.94
<i>55 years and 0 months</i>	<i>55 years and 5 months</i>	4.85	4.75	5.37	4.98
<i>55 years and 6 months</i>	<i>55 years and 11 months</i>	4.89	4.78	5.42	5.02
<i>56 years and 0 months</i>	<i>56 years and 5 months</i>	4.93	4.82	5.48	5.06
<i>56 years and 6 months</i>	<i>56 years and 11 months</i>	4.97	4.86	5.53	5.10



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) in years and complete months		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>	5.01	4.90	5.58	5.15
<i>57 years and 6 months</i>	<i>57 years and 11 months</i>	5.05	4.94	5.64	5.19
<i>58 years and 0 months</i>	<i>58 years and 5 months</i>	5.10	4.99	5.69	5.24
<i>58 years and 6 months</i>	<i>58 years and 11 months</i>	5.14	5.03	5.75	5.29
<i>59 years and 0 months</i>	<i>59 years and 5 months</i>	5.19	5.08	5.81	5.34
<i>59 years and 6 months</i>	<i>59 years and 11 months</i>	5.23	5.12	5.87	5.39
<i>60 years and 0 months</i>	<i>60 years and 5 months</i>	5.28	5.17	5.93	5.44
<i>60 years and 6 months</i>	<i>60 years and 11 months</i>	5.33	5.22	6.00	5.49
<i>61 years and 0 months</i>	<i>61 years and 5 months</i>	5.38	5.27	6.06	5.55
<i>61 years and 6 months</i>	<i>61 years and 11 months</i>	5.43	5.33	6.13	5.61
<i>62 years and 0 months</i>	<i>62 years and 5 months</i>	5.48	5.38	6.19	5.66
<i>62 years and 6 months</i>	<i>62 years and 11 months</i>	5.53	5.44	6.26	5.72
<i>63 years and 0 months</i>	<i>63 years and 5 months</i>	5.59	5.49	6.33	5.79
<i>63 years and 6 months</i>	<i>63 years and 11 months</i>	5.64	5.55	6.40	5.85
<i>64 years and 0 months</i>	<i>64 years and 5 months</i>	5.70	5.61	6.48	5.92
<i>64 years and 6 months</i>	<i>64 years and 11 months</i>	5.75	5.68	6.55	5.99
<i>65 years and 0 months</i>	<i>65 years and 5 months</i>	5.83	5.75	6.65	6.07
<i>65 years and 6 months</i>	<i>65 years and 11 months</i>	5.92	5.84	6.77	6.16
<i>66 years and 0 months</i>	<i>66 years and 5 months</i>	6.01	5.93	6.89	6.26
<i>66 years and 6 months</i>	<i>66 years and 11 months</i>	6.11	6.02	7.02	6.36
<i>67 years and 0 months</i>	<i>67 years and 5 months</i>	6.21	6.11	7.15	6.46
<i>67 years and 6 months</i>	<i>67 years and 11 months</i>	6.32	6.21	7.29	6.57
<i>68 years and 0 months</i>	<i>68 years and 5 months</i>	6.43	6.32	7.44	6.69
<i>68 years and 6 months</i>	<i>68 years and 11 months</i>	6.54	6.43	7.59	6.81
<i>69 years and 0 months</i>	<i>69 years and 5 months</i>	6.66	6.54	7.75	6.93
<i>69 years and 6 months</i>	<i>69 years and 11 months</i>	6.78	6.66	7.91	7.06
<i>70 years and 0 months</i>	<i>70 years and 5 months</i>	6.91	6.78	8.09	7.20
<i>70 years and 6 months</i>	<i>70 years and 11 months</i>	7.04	6.91	8.27	7.34



Retirements on grounds of ill health, page 4 (ages 71 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>71 years and 0 months</i>	<i>71 years and 5 months</i>	7.18	7.04	8.45	7.49
<i>71 years and 6 months</i>	<i>71 years and 11 months</i>	7.32	7.18	8.65	7.64
<i>72 years and 0 months</i>	<i>72 years and 5 months</i>	7.46	7.32	8.85	7.80
<i>72 years and 6 months</i>	<i>72 years and 11 months</i>	7.61	7.47	9.05	7.96
<i>73 years and 0 months</i>	<i>73 years and 5 months</i>	7.76	7.62	9.26	8.13
<i>73 years and 6 months</i>	<i>73 years and 11 months</i>	7.92	7.78	9.48	8.30
<i>74 years and 0 months</i>	<i>74 years and 5 months</i>	8.08	7.94	9.70	8.48
<i>74 years and 6 months</i>	<i>74 years and 11 months</i>	8.24	8.10	9.91	8.66



Appendix A: Limitations

- 5.1 This note should not be used for any purpose other than to determine the additional pension due to a member's AVCs in accordance with the regulations cited above.
- 5.2 The factors contained in this note are subject to regular review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- 5.3 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.
- 5.4 This note only covers the actuarial principles around the calculation of additional pension from a member's AVCs. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 5.5 Administrators should satisfy themselves that the additional pension from a member's AVCs complies with all legislative requirements including, but not limited to, tax requirements.
- 5.6 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 DCLG. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.