

The Local Government Pension Scheme (England & Wales)

Conversion of lump sum into pension - Regulation 58

UNCLASSIFIED

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1 Introduction

- 1.1 Regulation 58(1) of the Local Government Pension Scheme Regulations 1997 (SI 1997/1612) (“the LGPS Regulations”) provides an opportunity for members to convert a lump sum benefit into pension (“inverse commutation”) This regulation has been revoked under Schedule 1 of the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008/238). However we understand from the Department for Communities and Local Government (“DCLG”) that there are a small number of members to whom this regulation still applies. Regulation 58(4) of the LGPS Regulations states that these members become entitled to such additional pension as determined in guidance issued by the Government Actuary.
- 1.2 The Government Actuary provided guidance on 27 December 2001 relating to Regulation 58 (Election of pension in lieu of retirement grant) of the LGPS Regulations. This new note, which supersedes the note of 27 December 2001, has been prepared by the Government Actuary’s Department for DCLG, and issued to them for onward transmission to administering authorities and employing authorities. The purpose of this note is to update the existing factors for converting a lump sum into pension. The guidance note of 27 December 2001 should no longer be used.
- 1.3 The tables attached to this note provide factors which show the additional pension paid to the member for each £100 of lump sum given up, according to their age at the date the member becomes entitled to immediate payment of pension. Separate factors are provided for men and women, and for members who are married or in a civil partnership and those who are not, and for members retiring on normal or ill health grounds. If factors are required for any members not covered by this guidance please contact DCLG with details for onward transmission to GAD.
- 1.4 This guidance does not provide financial advice to members.
- 1.5 Any cases involving members aged below 55 and retiring in normal health should be referred to DCLG to be forwarded onto GAD.
- 1.6 In carrying out this work I have followed our normal quality processes for work conducted on public service pension matters¹.

¹ [The GAD Statement of Understanding](#) sets out the standards which the Department currently applies for any work carried out in this area.

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2 Calculation

- 2.1 Two tables are provided, Table A should be used in cases where the member retires in normal health and Table B should be used where the member retires on ill health grounds.
- 2.2 If the member is married or in a civil partnership at the date the pension is converted to a lump sum then the factors in columns 1 and 2 should be used. If a member is not married or in a civil partnership at the date of conversion then the factors in columns 3 and 4 of the table should be used. The more favourable terms applicable to members who are not married or in a civil partnership should be used only when the administering authority is satisfied that the member is not married or in a civil partnership.
- 2.3 DCLG have confirmed that where the member is married or in a civil partnership at death a contingent pension is payable to the members partner at the rate of 50% of the member's pension.

3 Implementation and Review

- 3.1 The factors and guidance contained in this note should be followed with immediate effect.
- 3.2 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.
- 3.3 This guidance replaces the previous guidance dated 27 December 2001.

4 Limitations

- 4.1 This guidance note should not be used for any purpose other than to determine benefits on inverse commutation.
- 4.2 This guidance 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.
- 4.3 This guidance note only covers the principles around the calculation of the benefits on inverse commutation. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 4.4 Administrators should satisfy themselves that inverse commutation complies with all legislative requirements.

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2 October 2012

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**Table A: Amount of additional pension for every £100 of lump sum
Normal Retirement (ages 50 to 65)**

Age at date member becomes entitled to an immediate pension <i>in years and complete months</i>		Pension (£) for a member who is married or in a civil partnership		Pension (£) for a member who is not married or in a civil partnership	
from	to	male	female	male	female
55 years and 0 months	55 years and 5 months	4.47	4.47	4.84	4.63
55 years and 6 months	55 years and 11 months	4.50	4.51	4.88	4.67
56 years and 0 months	56 years and 5 months	4.54	4.54	4.93	4.71
56 years and 6 months	56 years and 11 months	4.58	4.58	4.98	4.75
57 years and 0 months	57 years and 5 months	4.61	4.62	5.03	4.79
57 years and 6 months	57 years and 11 months	4.65	4.66	5.08	4.83
58 years and 0 months	58 years and 5 months	4.69	4.70	5.13	4.88
58 years and 6 months	58 years and 11 months	4.74	4.74	5.19	4.92
59 years and 0 months	59 years and 5 months	4.78	4.78	5.24	4.97
59 years and 6 months	59 years and 11 months	4.82	4.83	5.30	5.02
60 years and 0 months	60 years and 5 months	4.87	4.87	5.36	5.07
60 years and 6 months	60 years and 11 months	4.92	4.92	5.42	5.12
61 years and 0 months	61 years and 5 months	4.96	4.97	5.48	5.17
61 years and 6 months	61 years and 11 months	5.01	5.02	5.55	5.23
62 years and 0 months	62 years and 5 months	5.07	5.07	5.61	5.28
62 years and 6 months	62 years and 11 months	5.12	5.12	5.68	5.34
63 years and 0 months	63 years and 5 months	5.18	5.18	5.75	5.40
63 years and 6 months	63 years and 11 months	5.23	5.24	5.83	5.46
64 years and 0 months	64 years and 5 months	5.29	5.30	5.90	5.53
64 years and 6 months	64 years and 11 months	5.35	5.36	5.98	5.60

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**Table A: Amount of additional pension for every £100 of lump sum
 Normal Retirement (ages 65 to 75)**

Age at date member becomes entitled to an immediate pension <i>in years and complete months</i>		Pension (£) for a member who is married or in a civil partnership		Pension (£) for a member who is not married or in a civil partnership	
from	to	male	female	male	female
65 years and 0 months	65 years and 5 months	5.42	5.43	6.07	5.67
65 years and 6 months	65 years and 11 months	5.48	5.49	6.15	5.74
66 years and 0 months	66 years and 5 months	5.55	5.56	6.24	5.81
66 years and 6 months	66 years and 11 months	5.62	5.64	6.34	5.89
67 years and 0 months	67 years and 5 months	5.70	5.71	6.43	5.97
67 years and 6 months	67 years and 11 months	5.77	5.79	6.53	6.06
68 years and 0 months	68 years and 5 months	5.86	5.87	6.64	6.14
68 years and 6 months	68 years and 11 months	5.94	5.96	6.75	6.23
69 years and 0 months	69 years and 5 months	6.03	6.04	6.87	6.33
69 years and 6 months	69 years and 11 months	6.12	6.14	6.99	6.43
70 years and 0 months	70 years and 5 months	6.21	6.23	7.11	6.53
70 years and 6 months	70 years and 11 months	6.31	6.33	7.24	6.64
71 years and 0 months	71 years and 5 months	6.41	6.44	7.37	6.75
71 years and 6 months	71 years and 11 months	6.51	6.54	7.51	6.86
72 years and 0 months	72 years and 5 months	6.62	6.66	7.65	6.98
72 years and 6 months	72 years and 11 months	6.74	6.78	7.80	7.11
73 years and 0 months	73 years and 5 months	6.86	6.90	7.95	7.24
73 years and 6 months	73 years and 11 months	6.98	7.03	8.11	7.37
74 years and 0 months	74 years and 5 months	7.11	7.16	8.28	7.51
74 years and 6 months	74 years and 11 months	7.25	7.30	8.46	7.66

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**Table B: Amount of additional pension for every £100 of lump sum
III-Health Retirement (ages 30 to 45)**

Age at date member becomes entitled to an immediate pension <i>in years and complete months</i>		Pension (£) for a member who is married or in a civil partnership		Pension (£) for a member who is not married or in a civil partnership	
from	to	male	female	male	female
30 years and 0 months	30 years and 5 months	3.77	3.71	4.18	3.90
30 years and 6 months	30 years and 11 months	3.78	3.72	4.20	3.92
31 years and 0 months	31 years and 5 months	3.79	3.73	4.21	3.93
31 years and 6 months	31 years and 11 months	3.80	3.75	4.22	3.94
32 years and 0 months	32 years and 5 months	3.81	3.76	4.24	3.96
32 years and 6 months	32 years and 11 months	3.82	3.77	4.25	3.97
33 years and 0 months	33 years and 5 months	3.84	3.78	4.27	3.98
33 years and 6 months	33 years and 11 months	3.85	3.80	4.28	4.00
34 years and 0 months	34 years and 5 months	3.86	3.81	4.30	4.01
34 years and 6 months	34 years and 11 months	3.87	3.82	4.31	4.03
35 years and 0 months	35 years and 5 months	3.89	3.84	4.33	4.04
35 years and 6 months	35 years and 11 months	3.90	3.85	4.34	4.06
36 years and 0 months	36 years and 5 months	3.91	3.86	4.36	4.07
36 years and 6 months	36 years and 11 months	3.92	3.88	4.37	4.09
37 years and 0 months	37 years and 5 months	3.94	3.89	4.39	4.10
37 years and 6 months	37 years and 11 months	3.95	3.91	4.40	4.12
38 years and 0 months	38 years and 5 months	3.96	3.92	4.42	4.13
38 years and 6 months	38 years and 11 months	3.98	3.94	4.44	4.15
39 years and 0 months	39 years and 5 months	3.99	3.96	4.46	4.17
39 years and 6 months	39 years and 11 months	4.01	3.97	4.47	4.19
40 years and 0 months	40 years and 5 months	4.02	3.99	4.49	4.20
40 years and 6 months	40 years and 11 months	4.04	4.01	4.51	4.22
41 years and 0 months	41 years and 5 months	4.05	4.02	4.53	4.24
41 years and 6 months	41 years and 11 months	4.07	4.04	4.55	4.26
42 years and 0 months	42 years and 5 months	4.09	4.06	4.57	4.28
42 years and 6 months	42 years and 11 months	4.11	4.08	4.60	4.30
43 years and 0 months	43 years and 5 months	4.13	4.10	4.62	4.32
43 years and 6 months	43 years and 11 months	4.15	4.12	4.65	4.34
44 years and 0 months	44 years and 5 months	4.17	4.14	4.67	4.36
44 years and 6 months	44 years and 11 months	4.19	4.16	4.70	4.39

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**Table B: Amount of additional pension for every £100 of lump sum
Ill-Health Retirement (ages 45 to 60)**

Age at date member becomes entitled to an immediate pension <i>in years and complete months</i>		Pension (£) for a member who is married or in a civil partnership		Pension (£) for a member who is not married or in a civil partnership	
from	to	male	female	male	female
45 years and 0 months	45 years and 5 months	4.21	4.18	4.73	4.41
45 years and 6 months	45 years and 11 months	4.23	4.21	4.76	4.44
46 years and 0 months	46 years and 5 months	4.25	4.23	4.79	4.46
46 years and 6 months	46 years and 11 months	4.28	4.25	4.82	4.49
47 years and 0 months	47 years and 5 months	4.30	4.28	4.85	4.51
47 years and 6 months	47 years and 11 months	4.33	4.31	4.89	4.54
48 years and 0 months	48 years and 5 months	4.35	4.33	4.92	4.57
48 years and 6 months	48 years and 11 months	4.38	4.36	4.96	4.60
49 years and 0 months	49 years and 5 months	4.41	4.38	5.00	4.63
49 years and 6 months	49 years and 11 months	4.44	4.41	5.04	4.66
50 years and 0 months	50 years and 5 months	4.47	4.44	5.08	4.69
50 years and 6 months	50 years and 11 months	4.50	4.47	5.12	4.72
51 years and 0 months	51 years and 5 months	4.53	4.50	5.17	4.75
51 years and 6 months	51 years and 11 months	4.56	4.53	5.21	4.79
52 years and 0 months	52 years and 5 months	4.59	4.57	5.26	4.82
52 years and 6 months	52 years and 11 months	4.63	4.60	5.31	4.86
53 years and 0 months	53 years and 5 months	4.66	4.63	5.35	4.89
53 years and 6 months	53 years and 11 months	4.70	4.67	5.40	4.93
54 years and 0 months	54 years and 5 months	4.74	4.71	5.46	4.97
54 years and 6 months	54 years and 11 months	4.77	4.74	5.51	5.01
55 years and 0 months	55 years and 5 months	4.81	4.78	5.56	5.05
55 years and 6 months	55 years and 11 months	4.85	4.82	5.62	5.09
56 years and 0 months	56 years and 5 months	4.89	4.86	5.68	5.14
56 years and 6 months	56 years and 11 months	4.94	4.90	5.74	5.18
57 years and 0 months	57 years and 5 months	4.98	4.95	5.80	5.23
57 years and 6 months	57 years and 11 months	5.03	4.99	5.86	5.27
58 years and 0 months	58 years and 5 months	5.07	5.04	5.93	5.32
58 years and 6 months	58 years and 11 months	5.12	5.08	5.99	5.37
59 years and 0 months	59 years and 5 months	5.17	5.13	6.06	5.43
59 years and 6 months	59 years and 11 months	5.22	5.18	6.13	5.48

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**Table B: Amount of additional pension for every £100 of lump sum
Ill-Health Retirement (ages 60 to 75)**

Age at date member becomes entitled to an immediate pension <i>in years and complete months</i>		Pension (£) for a member who is married or in a civil partnership		Pension (£) for a member who is not married or in a civil partnership	
from	to	male	female	male	female
60 years and 0 months	60 years and 5 months	5.27	5.24	6.20	5.54
60 years and 6 months	60 years and 11 months	5.32	5.29	6.27	5.59
61 years and 0 months	61 years and 5 months	5.37	5.35	6.35	5.65
61 years and 6 months	61 years and 11 months	5.43	5.40	6.43	5.72
62 years and 0 months	62 years and 5 months	5.49	5.46	6.50	5.78
62 years and 6 months	62 years and 11 months	5.55	5.53	6.59	5.85
63 years and 0 months	63 years and 5 months	5.61	5.59	6.67	5.92
63 years and 6 months	63 years and 11 months	5.67	5.66	6.76	5.99
64 years and 0 months	64 years and 5 months	5.74	5.73	6.86	6.06
64 years and 6 months	64 years and 11 months	5.81	5.80	6.95	6.14
65 years and 0 months	65 years and 5 months	5.88	5.88	7.05	6.22
65 years and 6 months	65 years and 11 months	5.96	5.96	7.16	6.31
66 years and 0 months	66 years and 5 months	6.03	6.05	7.27	6.40
66 years and 6 months	66 years and 11 months	6.11	6.13	7.38	6.49
67 years and 0 months	67 years and 5 months	6.20	6.22	7.50	6.59
67 years and 6 months	67 years and 11 months	6.28	6.32	7.63	6.69
68 years and 0 months	68 years and 5 months	6.37	6.42	7.75	6.79
68 years and 6 months	68 years and 11 months	6.47	6.52	7.88	6.90
69 years and 0 months	69 years and 5 months	6.56	6.63	8.02	7.01
69 years and 6 months	69 years and 11 months	6.66	6.74	8.16	7.13
70 years and 0 months	70 years and 5 months	6.77	6.85	8.31	7.25
70 years and 6 months	70 years and 11 months	6.88	6.97	8.46	7.38
71 years and 0 months	71 years and 5 months	6.99	7.10	8.61	7.51
71 years and 6 months	71 years and 11 months	7.10	7.23	8.77	7.65
72 years and 0 months	72 years and 5 months	7.22	7.36	8.94	7.79
72 years and 6 months	72 years and 11 months	7.35	7.50	9.11	7.94
73 years and 0 months	73 years and 5 months	7.48	7.65	9.29	8.09
73 years and 6 months	73 years and 11 months	7.62	7.81	9.47	8.25
74 years and 0 months	74 years and 5 months	7.76	7.97	9.67	8.42
74 years and 6 months	74 years and 11 months	7.90	8.14	9.86	8.59

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Example

Member who retires in normal health

Member Details

Date of birth	1 February 1948
Sex	Male
Marital status	Married
Normal pension age	65
Lump sum amount to convert	£2,000
Date of conversion	1 February 2013

At the date of conversion, this member is exactly 65 years old. From Table A in this Note, the member is entitled to £5.42 of additional pension benefit for every £100 of lump sum available for conversion.

Hence, this member will be able to convert his £2,000 lump sum into $£5.42 \times £2,000/£100 =$ **£108.40** of additional pension benefit per annum.

This additional pension will be up-rated in line with pension increases every year.

A contingent pension will be payable to their partner in the event that they survive the member. This will be equal to $50\% \times £108.40 = £54.20$ per annum and will also be up-rated in line with pension increases each year.