



Government Actuary's Department

Local Government Pension Scheme (England & Wales)

Conversion of lump sum into pension – Regulation 58

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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an opportunity for members to convert a lump sum benefit into pension (“inverse commutation”) This regulation has been revoked under Schedule 1 of the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008/238).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.
- 1.2 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.
- 1.3 If factors are required for any members not covered by this guidance please contact DCLG with details for onward transmission to GAD. In particular, any cases involving members aged below 55 and retiring in normal health should be referred to DCLG to be forwarded onto GAD.

Implementation and Review

- 1.4 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. 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’].
- 1.5 The Secretary of State is required to consult GAD before issuing actuarial guidance under the 2013 Regulations [Regulation 2(3) of the 2013 Regulations].
- 1.6 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.
- 1.7 DCLG has asked GAD to prepare guidance for administering authorities for the purpose of updating the existing factors for converting a lump sum into pension.
- 1.8 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.



- 1.9 When issued, this guidance will replace the previous guidance dated 2 October 2012. In particular, Inverse Commutation 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

- 1.10 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.

- 1.11 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

- 1.12 When issued by the Secretary of State in accordance with paragraph 1.8 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 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 Factors

**Table A: Amount of additional pension for every £100 of lump sum
Normal Retirement (ages 55 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	4.45	4.84	4.60
55 years and 6 months	55 years and 11 months	4.50	4.48	4.89	4.64
56 years and 0 months	56 years and 5 months	4.54	4.52	4.93	4.68
56 years and 6 months	56 years and 11 months	4.58	4.55	4.98	4.72
57 years and 0 months	57 years and 5 months	4.61	4.59	5.03	4.76
57 years and 6 months	57 years and 11 months	4.65	4.63	5.08	4.80
58 years and 0 months	58 years and 5 months	4.69	4.66	5.13	4.84
58 years and 6 months	58 years and 11 months	4.73	4.70	5.18	4.88
59 years and 0 months	59 years and 5 months	4.77	4.75	5.24	4.93
59 years and 6 months	59 years and 11 months	4.81	4.79	5.29	4.97
60 years and 0 months	60 years and 5 months	4.86	4.83	5.35	5.02
60 years and 6 months	60 years and 11 months	4.90	4.88	5.41	5.07
61 years and 0 months	61 years and 5 months	4.95	4.92	5.47	5.12
61 years and 6 months	61 years and 11 months	4.99	4.97	5.53	5.17
62 years and 0 months	62 years and 5 months	5.04	5.02	5.59	5.22
62 years and 6 months	62 years and 11 months	5.09	5.07	5.66	5.28
63 years and 0 months	63 years and 5 months	5.14	5.12	5.73	5.34
63 years and 6 months	63 years and 11 months	5.19	5.17	5.80	5.39
64 years and 0 months	64 years and 5 months	5.25	5.23	5.87	5.45
64 years and 6 months	64 years and 11 months	5.30	5.29	5.94	5.52



**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	5.36	5.35	6.03	5.58
65 years and 6 months	65 years and 11 months	5.44	5.42	6.12	5.66
66 years and 0 months	66 years and 5 months	5.51	5.49	6.22	5.74
66 years and 6 months	66 years and 11 months	5.59	5.57	6.32	5.82
67 years and 0 months	67 years and 5 months	5.67	5.64	6.43	5.91
67 years and 6 months	67 years and 11 months	5.75	5.73	6.54	5.99
68 years and 0 months	68 years and 5 months	5.83	5.81	6.66	6.09
68 years and 6 months	68 years and 11 months	5.92	5.90	6.78	6.18
69 years and 0 months	69 years and 5 months	6.02	5.99	6.91	6.28
69 years and 6 months	69 years and 11 months	6.12	6.08	7.04	6.39
70 years and 0 months	70 years and 5 months	6.22	6.18	7.18	6.49
70 years and 6 months	70 years and 11 months	6.32	6.29	7.33	6.61
71 years and 0 months	71 years and 5 months	6.43	6.39	7.48	6.72
71 years and 6 months	71 years and 11 months	6.54	6.50	7.64	6.85
72 years and 0 months	72 years and 5 months	6.66	6.62	7.81	6.97
72 years and 6 months	72 years and 11 months	6.78	6.74	7.98	7.10
73 years and 0 months	73 years and 5 months	6.91	6.86	8.16	7.24
73 years and 6 months	73 years and 11 months	7.04	6.99	8.35	7.38
74 years and 0 months	74 years and 5 months	7.17	7.13	8.54	7.53
74 years and 6 months	74 years and 11 months	7.31	7.26	8.73	7.68



**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	3.70	3.66	4.06	3.88
30 years and 6 months	30 years and 11 months	3.71	3.67	4.08	3.89
31 years and 0 months	31 years and 5 months	3.72	3.68	4.09	3.90
31 years and 6 months	31 years and 11 months	3.73	3.70	4.11	3.91
32 years and 0 months	32 years and 5 months	3.74	3.71	4.12	3.93
32 years and 6 months	32 years and 11 months	3.76	3.72	4.13	3.94
33 years and 0 months	33 years and 5 months	3.77	3.73	4.15	3.95
33 years and 6 months	33 years and 11 months	3.78	3.74	4.17	3.97
34 years and 0 months	34 years and 5 months	3.79	3.75	4.18	3.98
34 years and 6 months	34 years and 11 months	3.80	3.77	4.20	3.99
35 years and 0 months	35 years and 5 months	3.82	3.78	4.21	4.01
35 years and 6 months	35 years and 11 months	3.83	3.79	4.23	4.02
36 years and 0 months	36 years and 5 months	3.84	3.81	4.24	4.04
36 years and 6 months	36 years and 11 months	3.85	3.82	4.26	4.05
37 years and 0 months	37 years and 5 months	3.87	3.83	4.27	4.07
37 years and 6 months	37 years and 11 months	3.88	3.85	4.29	4.08
38 years and 0 months	38 years and 5 months	3.89	3.86	4.31	4.10
38 years and 6 months	38 years and 11 months	3.91	3.88	4.32	4.11
39 years and 0 months	39 years and 5 months	3.92	3.89	4.34	4.13
39 years and 6 months	39 years and 11 months	3.94	3.91	4.36	4.15
40 years and 0 months	40 years and 5 months	3.95	3.93	4.38	4.16
40 years and 6 months	40 years and 11 months	3.97	3.94	4.40	4.18
41 years and 0 months	41 years and 5 months	3.99	3.96	4.42	4.20
41 years and 6 months	41 years and 11 months	4.00	3.98	4.44	4.22
42 years and 0 months	42 years and 5 months	4.02	4.00	4.46	4.24
42 years and 6 months	42 years and 11 months	4.04	4.01	4.48	4.26
43 years and 0 months	43 years and 5 months	4.06	4.03	4.50	4.28
43 years and 6 months	43 years and 11 months	4.08	4.05	4.53	4.30
44 years and 0 months	44 years and 5 months	4.10	4.07	4.55	4.32
44 years and 6 months	44 years and 11 months	4.12	4.09	4.58	4.34



**Table B: Amount of additional pension for every £100 of lump sum
III-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	4.14	4.11	4.61	4.37
<i>45 years and 6 months</i>	<i>45 years and 11 months</i>	4.16	4.14	4.63	4.39
46 years and 0 months	46 years and 5 months	4.18	4.16	4.66	4.42
<i>46 years and 6 months</i>	<i>46 years and 11 months</i>	4.20	4.18	4.69	4.44
47 years and 0 months	47 years and 5 months	4.23	4.20	4.72	4.47
<i>47 years and 6 months</i>	<i>47 years and 11 months</i>	4.25	4.23	4.76	4.49
48 years and 0 months	48 years and 5 months	4.28	4.25	4.79	4.52
<i>48 years and 6 months</i>	<i>48 years and 11 months</i>	4.30	4.28	4.83	4.55
49 years and 0 months	49 years and 5 months	4.33	4.30	4.86	4.58
<i>49 years and 6 months</i>	<i>49 years and 11 months</i>	4.35	4.33	4.90	4.61
50 years and 0 months	50 years and 5 months	4.38	4.36	4.94	4.63
<i>50 years and 6 months</i>	<i>50 years and 11 months</i>	4.41	4.39	4.98	4.67
51 years and 0 months	51 years and 5 months	4.44	4.41	5.02	4.70
<i>51 years and 6 months</i>	<i>51 years and 11 months</i>	4.47	4.44	5.06	4.73
52 years and 0 months	52 years and 5 months	4.50	4.47	5.10	4.76
<i>52 years and 6 months</i>	<i>52 years and 11 months</i>	4.53	4.50	5.14	4.80
53 years and 0 months	53 years and 5 months	4.56	4.54	5.19	4.83
<i>53 years and 6 months</i>	<i>53 years and 11 months</i>	4.59	4.57	5.23	4.87
54 years and 0 months	54 years and 5 months	4.63	4.60	5.28	4.90
<i>54 years and 6 months</i>	<i>54 years and 11 months</i>	4.66	4.64	5.33	4.94
55 years and 0 months	55 years and 5 months	4.70	4.67	5.37	4.98
<i>55 years and 6 months</i>	<i>55 years and 11 months</i>	4.73	4.71	5.42	5.02
56 years and 0 months	56 years and 5 months	4.77	4.75	5.48	5.06
<i>56 years and 6 months</i>	<i>56 years and 11 months</i>	4.81	4.79	5.53	5.10
57 years and 0 months	57 years and 5 months	4.84	4.83	5.58	5.15
<i>57 years and 6 months</i>	<i>57 years and 11 months</i>	4.88	4.87	5.64	5.19
58 years and 0 months	58 years and 5 months	4.92	4.91	5.69	5.24
<i>58 years and 6 months</i>	<i>58 years and 11 months</i>	4.96	4.95	5.75	5.29
59 years and 0 months	59 years and 5 months	5.01	5.00	5.81	5.34
<i>59 years and 6 months</i>	<i>59 years and 11 months</i>	5.05	5.04	5.87	5.39



**Table B: Amount of additional pension for every £100 of lump sum
III-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	5.09	5.09	5.93	5.44
<i>60 years and 6 months</i>	<i>60 years and 11 months</i>	5.14	5.14	6.00	5.49
61 years and 0 months	61 years and 5 months	5.18	5.19	6.06	5.55
<i>61 years and 6 months</i>	<i>61 years and 11 months</i>	5.23	5.24	6.13	5.61
62 years and 0 months	62 years and 5 months	5.28	5.29	6.19	5.66
<i>62 years and 6 months</i>	<i>62 years and 11 months</i>	5.32	5.35	6.26	5.72
63 years and 0 months	63 years and 5 months	5.37	5.40	6.33	5.79
<i>63 years and 6 months</i>	<i>63 years and 11 months</i>	5.43	5.46	6.40	5.85
64 years and 0 months	64 years and 5 months	5.48	5.52	6.48	5.92
<i>64 years and 6 months</i>	<i>64 years and 11 months</i>	5.53	5.58	6.55	5.99
65 years and 0 months	65 years and 5 months	5.60	5.65	6.65	6.07
<i>65 years and 6 months</i>	<i>65 years and 11 months</i>	5.68	5.74	6.77	6.16
66 years and 0 months	66 years and 5 months	5.77	5.82	6.89	6.26
<i>66 years and 6 months</i>	<i>66 years and 11 months</i>	5.86	5.91	7.02	6.36
67 years and 0 months	67 years and 5 months	5.95	6.01	7.15	6.46
<i>67 years and 6 months</i>	<i>67 years and 11 months</i>	6.05	6.10	7.29	6.57
68 years and 0 months	68 years and 5 months	6.15	6.20	7.44	6.69
<i>68 years and 6 months</i>	<i>68 years and 11 months</i>	6.25	6.31	7.59	6.81
69 years and 0 months	69 years and 5 months	6.36	6.42	7.75	6.93
<i>69 years and 6 months</i>	<i>69 years and 11 months</i>	6.47	6.53	7.91	7.06
70 years and 0 months	70 years and 5 months	6.59	6.65	8.09	7.20
<i>70 years and 6 months</i>	<i>70 years and 11 months</i>	6.71	6.78	8.27	7.34
71 years and 0 months	71 years and 5 months	6.83	6.91	8.45	7.49
<i>71 years and 6 months</i>	<i>71 years and 11 months</i>	6.96	7.04	8.65	7.64
72 years and 0 months	72 years and 5 months	7.09	7.18	8.85	7.80
<i>72 years and 6 months</i>	<i>72 years and 11 months</i>	7.23	7.32	9.05	7.96
73 years and 0 months	73 years and 5 months	7.37	7.47	9.26	8.13
<i>73 years and 6 months</i>	<i>73 years and 11 months</i>	7.51	7.62	9.48	8.30
74 years and 0 months	74 years and 5 months	7.65	7.77	9.70	8.48
<i>74 years and 6 months</i>	<i>74 years and 11 months</i>	7.80	7.93	9.91	8.66



Example

The calculation methodology is unchanged from the previous guidance dated 2 October 2012 and therefore examples in the previous guidance, updated for factors in this guidance can be used for illustrative purposes.



4 Limitations

- 4.1 This note and the associated Factor Suite should not be used for any purpose other than for guidance in the calculation of benefits on inverse commutation.
- 4.2 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.
- 4.3 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.
- 4.4 This note only covers the actuarial principles around the calculation of outgoing transfer values and earned pension or service credits for an incoming transfer. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 4.5 Administrators should satisfy themselves that the amended benefits arising from this option comply with all legislative requirements including, but not limited to, tax and contracting out requirements.
- 4.6 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.