



Ministry of Housing,  
Communities &  
Local Government

Jeff Houston  
SAB Secretary  
18 Smith Square  
Westminster  
London, SW1P 3HZ

10 September 2020

Dear Jeff,

**Local Government Pension Scheme: Revised actuarial factors**

Regulation 2(3) of the Local Government Pension Scheme Regulations 2013 provides that the Secretary of State may, after consultation with the Government Actuary's Department, issue actuarial guidance to administering authorities.

Please find attached revised actuarial guidance on

- Individual Incoming & Outgoing Transfers;
- Trivial commutation;
- Pension sharing following divorce;
- Pension debits pre-2014;
- Pension debits post-2014.

This guidance comes into effect as of 1 November 2020 (the implementation date), subject to the transitional measures which are set out at Annex A below.

I would like to draw your attention to some of the more significant changes in this note with respect to the previous note.

1. GAD has updated the method and factors for non-club transfers and divorce cash equivalents where the member has a GMP. They now allow for full indexation of GMP benefits for members who reach state pension age on or after April 2016 (section 2 of both the Individual Incoming & Outgoing Transfer and Pension Sharing Following Divorce guidance provide more detailed summaries).
2. The format of the new factor tables and the associated formula for final salary transfers on a non-club basis are as announced in November 2018. From the implementation date, requests for these factors no longer need to be forwarded to GAD via MHCLG.
3. The updated guidance note clarifies the applicability of late retirement factors in relation to transfers and divorce cash equivalents at ages over NPA. We recognise administrators' systems may require some change to bring them into agreement with the guidance on this point.

4. In line with our Minister's preference, a revised approach to the survivor benefit amount as used in transfer, divorce cash equivalents and trivial commutation calculations.

You may wish to consider how to communicate this change to members who express an interest in transferring benefits into or out of the scheme, with the aim of ensuring that they are aware of how the timing of the decision may affect their benefits.

I understand that the Local Government Association (LGA) plan to circulate the revised factors to all scheme managers and publish the revised factors. I can confirm that the guidance has been subject to consultation with the Government Actuary's Department as required by Regulation 1(2) of the 2013 Regulations.

Yours sincerely,

A handwritten signature in black ink, appearing to read "S J Clarke". The signature is written in a cursive, slightly slanted style.

Suzanne Clarke

## Annex A – Transitional Measures

This annex sets out how transitional measures required above should be implemented. These measures should only affect the members identified below:

Calculation	Members
Cash Equivalent Transfers Out and Divorce cases	Members with a GMP, reaching SPa on or after 6 Apr 2016. Members affected by the improvement in survivor benefits. Members aged above NPA (as defined in Late Retirement Guidance)
Transfers in	Members with a GMP Members aged above NPA (as defined in Late Retirement Guidance)
Trivial commutation	certain members with service before 1988

### Cash Equivalent Transfer Out

Administrators should continue to use the existing guidance until the implementation date. If they perform calculations before the implementation date (as set out in the letter) the following should apply:

- if the member replies within the guarantee period and before the implementation date, honour the original quote, including the adjustment applied to GMP. This is subject to any possible future decision by government to take retrospective action on completed cases;
- if the member replies within the guarantee period but after implementation date, use the approach most beneficial to the member, likely to be the updated approach using the original relevant date;
- if the member replies outside of the guarantee period and after the implementation date, if you recalculate the CETV, use the updated approach. We understand there is no requirement to immediately provide a revised quotation.

### Divorce cases

The following transitional arrangements should be applied:

- New requests after the implementation date for a quotation as part of divorce proceedings, or new calculations after a pension sharing order has been made: apply updated GMP adjustment factors;
- For existing requests for a quotation as part of divorce proceedings, but where final determination is yet to be made: where possible to do so, administrators should identify any cases where they have applied GMP adjustment factors and provide a revised quotation. This mitigates the risk of challenge due to a failure to notify the court of a change in valuation;
- Existing requests where a pension sharing order has been made, but calculations have not yet been provided to the member: updated GMP adjustment factors should be applied. This is the case even when the calculation date is prior to the implementation date of the updated approach (as set out in the letter);

- Existing requests where a pension sharing order has been made, and results were provided to the member before the implementation date of the updated approach: we suggest no changes are made to existing calculations where the member and/or ex-partner has already been provided with those results. This includes cases where a pension sharing order has already been implemented.

### **Transfers in**

The following transitional arrangements should be used for transfer in calculations:

- if a transfer in has been completed before the implementation date of the new approach, the original calculation should be honoured
- use the updated approach for any other quotations in progress after the implementation date.

### **Trivial commutation**

Where a quotation was provided before the implementation date and the nominated date was also before the implementation date (as set out in the letter) use the old guidance; in all other cases use the new guidance.