



Government Actuary's
Department

Local Government Pension Scheme (Scotland)

Flexible retirement

Formal actuarial and administration guidance note

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Garth Foster FIA C.Act

Martin Smith FFA C.Act

Navigating risk | Cutting through complexity

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1 Legislative background

- 1.1 This note contains two types of information relating to flexible retirement benefits in the Local Government Pension Scheme ('LGPS') Scotland:
- Formal actuarial guidance, issued in accordance with the statutory requirements of the scheme regulations.
 - Additional administration guidance, issued to support the effective administration of the scheme.
- 1.2 Scottish Ministers are required under the Local Government Pension Scheme (Scotland) Regulations 2018 ('the 2018 Regulations') (SSI 2018/141) and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 ('the 2015 Scheme Transitional Regulations') (SSI 2014/233) to issue formal actuarial guidance on how any benefits under the Earlier Regulations (as defined under the 2015 Scheme Transitional Regulations) (as amended) paid to a member on flexible retirement shall be taken into account in any subsequent calculation of his or her benefits.
- 1.3 The regulations do not fully specify the benefits taken on flexible retirement, or how to determine subsequent benefits after taking flexible retirement. The Scottish Public Pensions Agency ('SPPA') has confirmed the details described in the remainder of this note in relation to all such cases.
- 1.4 The additional administration guidance provided in this note reflects the Government Actuary's Department's ('GAD's') current understanding of the operation of the scheme regulations. However, these aspects of this guidance note do not relate to a statutory reference in the scheme regulations, and as such, do not carry legal authority within the scheme.
- Scheme Regulations should always take precedence over this administration guidance, and administrators should ensure that they comply with all relevant Regulations when dealing with cases.**
- 1.5 The remainder of this introduction contains:
- legislative references,
 - details of the implementation and future review of this guidance, and
 - statements about third party reliance and liability.
- 1.6 In the remainder of this note:
- the second section describes the options available to a member considering flexible retirement,
 - the third section provides additional details of the information used in the calculation of pensions payable on flexible retirement,
 - the fourth section describes the effect on the remaining entitlements,
 - the fifth section sets out a range of examples based on a member taking flexible retirement and subsequently retiring at Normal Pension Age ('NPA'), or earlier or later, or dying before NPA, and
 - Appendix A sets out some important limitations.

1.7 This guidance has been carried out in accordance with the applicable Technical Actuarial Standards: TAS 100 issued by the Financial Reporting Council (FRC). The FRC sets technical standards for actuarial work in the UK.

Relevant legislative references

1.8 The scheme benefits payable on flexible retirement, and the subsequent calculation of scheme benefits following flexible retirement, are set out in Regulation 27 of the 2018 Regulations.

1.9 The additional calculations required for an eligible member in respect of the statutory underpin are set out in Regulation 4C of the 2015 Scheme Transitional Regulations (as amended).

1.10 An active member who has attained the age of 55 or over who reduces working hours or grade of an employment may, with the Scheme employer's consent, elect to receive immediate payment of all or part of the retirement pension to which that member would be entitled in respect of that employment [Regulation 29(7) of the 2018 Regulations].

1.11 Where the member was an active member of the Scheme in an employment immediately before 1 April 2015 and became an active member of the 2015 Scheme on 1 April 2015, they must make a request to receive the following benefits [Regulation 11(2) and 11(3) of the 2015 Scheme Transitional Regulations]:

- all of the aggregated benefits from the 1998 Scheme,
- all, part or none of the aggregated benefits accrued under the 2009 Scheme,
- all, part or none of the aggregated benefits accrued under the 2015 Scheme, and
- any additional benefits, in accordance with actuarial guidance issued by Scottish Ministers.

1.12 The Earlier Regulations continue to have effect so far as is necessary so that membership accrued in the Earlier Schemes (as defined by the 2015 Scheme Transitional Regulations) in respect of service before 1 April 2015, the pension rights accrued at that date, and any rights and obligations imposed on any person under those Schemes in relation to service before 1 April 2015, are preserved [Regulation 3(1) of the 2015 Scheme Transitional Regulations].

1.13 The value of any benefits under the Earlier Regulations paid to a member on flexible retirement shall be taken into account in any subsequent calculation of their benefits in accordance with actuarial guidance issued by Scottish Ministers [Regulation 18(9) of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (SSI 2008/230) "the 2008 Benefits Regulations" and Regulation 3(10) of the 2015 Scheme Transitional Regulations].

1.14 This note sets out GAD's recommendation for how any benefits under the Earlier Regulations paid to a member on flexible retirement shall be taken into account in any subsequent calculation of their benefits as required by Regulation 18(9) of the 2008 Benefits Regulations, which continue to have effect by virtue of Regulation 3(1) of the 2015 Scheme Transitional Regulations.

- 1.15 This note also provides guidance on the treatment of additional benefits taken on flexible retirement, in accordance with 11 (3) (d) of the 2015 Scheme Transitional Regulations.
- 1.16 The benefits payable on flexible retirement, and the benefits paid subsequently, may be subject to early or late retirement adjustments. The actuarial guidance required is contained in the latest GAD guidance documents: Early Payment of Pension, and Late Retirement.

Implementation and Review

- 1.17 Scottish Ministers are required to consult with the Scheme Actuary before issuing actuarial guidance under Regulation 2(3) of the 2018 Regulations.
- 1.18 As part of this consultation SPPA has asked GAD, as Scheme Actuary, to recommend actuarial guidance in respect of the Earlier Regulations detailed above. Section 4 of this document forms GAD's recommendation for the formal actuarial guidance required by these regulations. Additionally, the parts of Sections 2 and 3 of this guidance which relate to additional benefits, form GAD's recommendation for actuarial guidance in relation to the statutory reference detailed in paragraph 1.15 above.
- 1.19 This note has effect only when this guidance is issued by Scottish Ministers in accordance with Regulation 2(3) of the 2018 Regulations and is subject to the implementation instructions provided at that time.
- 1.20 This guidance replaces the previous guidance dated 23 April 2020 and has been updated to set out the additional calculations where an underpin is applicable to a member. The guidance has also been amended to ensure total death benefits provided are in line with the regulations in all situations.
- 1.21 Flexible retirement calculations involve actuarial factors and these factors will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light. The factors to be used when applying the approach set out in this guidance should reflect the factors in force as at the effective date of the calculation.
- 1.22 This guidance has been written for pension administrators and assumes knowledge of general pension terminology, and some familiarity with pension calculations for the Local Government Pension Scheme (Scotland). Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.

Third party reliance

- 1.23 This guidance has been prepared for the use of SPPA and the scheme administrators for the purposes of demonstrating the application of the calculations covered by this guidance only. This guidance may be published on the SPPA website and the scheme administration website (hosted by the Local Government Association) but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.24 When issued by Scottish Ministers in accordance with paragraph 1.17 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 other than SPPA and the scheme administrators is entitled to place any reliance on the contents of this note, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.

2 Options on benefits to draw-down

2.1 Under Regulation 29(7) of the 2018 Regulations, an active member aged 55 or over whose working hours are reduced or whose employment grade is reduced may, while remaining in an employment and subject to the employer's consent, elect to receive payment of some or all of the benefits that would have been payable if they had retired. This is known as flexible retirement.

2.2 The benefits that can be taken on flexible retirement need to be divided into five sections:

- (i) the total (whole-time equivalent) period of membership up to and including 31 March 2008, excluding any relevant service arising from items listed in (v), but including any transferred-in service and employer augmentations awarded ('pre-2008 service').
- (ii) the total (whole-time equivalent) period of membership from 1 April 2008 up to 31 March 2009, excluding any relevant service arising from items listed in (v), but including any transferred-in service and employer augmentations ('2008-2009 service').
- (iii) the total (whole-time equivalent) period of membership from 1 April 2009 up to 31 March 2015, excluding any relevant service arising from items listed in (v), but including any transferred-in service and employer augmentations ('2009-2015 service'), and any pension amounts granted as a result of transfers in or employer augmentations.
- (iv) the total benefits arising from membership between 1 April 2015 and the date of flexible retirement, excluding any benefits arising from items listed in (v), but including any transferred-in benefits and employer augmentations ('post-2015 service').
- (v) additional benefits including:
 - (a) service under added years contracts where the election occurred before 1 December 2006;
 - (b) service under added years contracts where the election occurred on or after 1 December 2006;
 - (c) AVCs that commenced before 30 June 2005;
 - (d) AVCs that commenced on or after 30 June 2005;
 - (e) additional pension contracts.

More details on the pre-2008, 2008-2009, 2009-2015 and post-2015 service are provided in paragraph 3.1.

Percentage drawn-down

2.3 Members who elect to take flexible retirement must take all of their benefits relating to pre-2009 service. Members may elect to draw-down part of, or all or none of, their benefits relating to 2009-2015 service and their post-2015 service.

Additional benefits

2.4 A member who elects to take flexible retirement must cease contributions under the arrangements set out in paragraph 2.2(v)(a) or (c) and the resulting benefits must be taken on flexible retirement.

2.5 The member can choose to take all or none of the benefits arising from type 2.2(v)(b), (d) or (e) arrangements above at flexible retirement.

2.6 If the member chooses to take some or all of their 2015 Scheme pension benefits, their existing additional pension contracts under the 2015 Scheme (type 2.2(v)(e) benefits) must cease. Administrators should also confirm whether other forms of flexible retirement may also require cessation of these contributions.

Statutory underpin

2.7 For an eligible member where the statutory underpin applies, additional calculations are required under Regulation 4C of the 2015 Scheme Transitional Regulations to allow for the statutory underpin when a member takes flexible retirement. As specified in Regulation 4C(7) of the 2015 Scheme Transitional Regulations, these calculations relate to pension built up in the 2015 Scheme only.

2.8 On the first occasion that a member takes flexible retirement, the member's pension account is to be increased by a percentage of the final guarantee amount, where:

- The percentage is equal to the amount of 2015 Scheme pension the member takes under regulation 29(7) of the 2018 Regulations as a percentage of the member's total 2015 Scheme pension at the final underpin date, i.e.

$$\text{Percentage} = \frac{\text{2015 Scheme pension taken on flexible retirement}}{\text{Total 2015 Scheme pension as at final underpin date}}$$

- The final guarantee amount is the amount by which the member's final underpin amount exceeds the final assumed benefits, where the two amounts are calculated in line with Regulations 4L and 4K of the 2015 Scheme Transitional Regulations respectively.

Section 4 of this note covers the benefits on full retirement, following an earlier flexible retirement. Members may also flexibly retire on more than one occasion. In the case of multiple flexible retirements, the statutory underpin will need to be considered at each subsequent flexible retirement date. The resulting calculations are complex. For full details of the calculation of Post-2015 Scheme benefits, allowing for the statutory underpin, please refer to the 2018 Regulations and the 2015 Transitional Regulations.

Other considerations

- 2.9 Benefits taken on flexible retirement, and any calculations for the purpose of the statutory underpin, will be subject to actuarial adjustment where appropriate. Further details on the application of actuarial adjustments can be found in the latest version of “*Local Government Pension Scheme (Scotland): Early Payment of Pension*” and “*Local Government Pension Scheme (Scotland): Late Retirement*” guidance notes, as appropriate.
- 2.10 Flexible retirement will constitute a Relevant Benefit Crystallisation Event (RBCE) within the meaning of the Finance Act 2004 (as amended) unless a member elects to receive no lump sum. Therefore, the commutation options as defined in Regulation 32 of the 2018 Regulations and Scottish Ministers’ guidance on commutation will be relevant.
- 2.11 A member may be able to take a flexible retirement option under Regulation 29(7) of the 2018 Regulations on more than one occasion. Where a member elects to exercise this option more than once, the same principles apply as those outlined in this Section and in Section 4 to calculate the benefits on final exit.

3 Additional details relating to draw-down

3.1 If categories of members and service are defined as set out below, the pre-2008 service, 2008-2009, 2009-2015 service and post-2015 service can be further broken-down as shown in Table 1. In what follows, NPA, the Normal Pension Age in the 2015 Scheme, is the greater of State Pension Age and age 65, and CRA is the member's 'Critical Retirement Age' as defined in paragraph 3.2 below.

- Group 1: A member who was an active member prior to 1 December 2006, and born on 31 March 1960 or earlier;
 - Group 2: A member who was an active member prior to 1 December 2006, and born on or after 1 April 1960;
 - Group 3: A member who was not an active member prior to 1 December 2006.
-
- Part A: Membership up to and including 31 March 2008
 - Part B: Membership from 1 April 2008 to 31 March 2009
 - Part C1: Membership from 1 April 2009 to 31 March 2015
 - Part C2: Membership from 1 April 2015 to 31 March 2020
 - Part D1A: Membership from 1 April 2020 to 31 March 2022
 - Part D1B: Membership from 1 April 2022
 - Part D2: does not relate to accrual during periods of membership

Table 1: combinations of pension age and accrual rate

Membership type	Member category		
	Group 1	Group 2	Group 3
Part A	CRA/80ths	CRA/80ths	65/80ths
Part B	CRA/80ths	65/80ths	65/80ths
Part C1	CRA/60ths	65/60ths	65/60ths
Part C2	CRA/49ths	NPA/49ths	NPA/49ths
Part D1A	NPA/49ths	NPA/49ths	NPA/49ths
Part D1B	NPA/49ths	NPA/49ths	NPA/49ths
Part D2	65/No accrual	65/No accrual	65/No accrual

Note that Part A relates to pre-2008 service, Part B is membership relating to 2008-2009 service, part C1 relates to 2009-2015 service, while parts C2, D1A and D1B are career average revalued earnings membership accrued under post 2015 service.

Service under added years contracts (i.e. additional benefits under paragraph 2.2(v)(a)) should be treated as Part A Membership if the election was before 1 December 2006 and part D2 membership otherwise.

Transferred-in service, employer service augmentations, and additional benefits should each be allocated to the appropriate category above. Further details are provided in the *“Local Government Pension Scheme (Scotland): Early payment of pension”* guidance note.

Definitions: Table 1

- 3.2 The member’s Critical Retirement Age is the earliest age at which they would have satisfied the 85 year rule for the purposes of Schedule 2 of the 2015 Scheme Transitional Regulations, subject to the limits as detailed in paragraphs B.8 to B.11 of the *“Local Government Pension Scheme (Scotland): Early payment of pension”* guidance note.
- 3.3 A member’s Critical Retirement Age cannot be greater than age 65.

Initial draw-down percentage

- 3.4 The percentages of service which a member decides to draw-down is referred to as the Initial Draw-down Percentage (‘IDP%’). The member will need to decide the IDP% for each of their pre-2008, 2008-2009, 2009-2015 and post-2015 memberships.
- 3.5 The member must draw-down all of their Part A and Part B membership (pre-2008 service and 2008-2009 service). Therefore, IDP(A)% and IDP(B)% will be 100%.
- 3.6 For their post 2009 service, a member will need to decide the draw-down percentage for their Part C1, C2, D1A and D1B membership, IDP (C1/C2/D1A/D1B)%. Partial drawdown is permitted (with the exception of any additional benefits included in paragraph 2.2(v)).
- 3.7 A member may hold additional benefits, including those not related to a period of actual service treated as part D2 membership. Partial drawdown of such benefits is not permitted – a member must take all or none of these benefits on flexible retirement (see paragraphs 2.4 and 2.5).
- 3.8 Our understanding of regulations 11 (3) and (4) of the 2015 Scheme Transitional Regulations is that where additional service or pension is granted as a result of an employer augmentation, or a transfer-in, then its treatment on flexible retirement is determined by which regulations this amount is ascribed to. Service attributable to the 1998 Scheme must be drawn down in full upon flexible retirement, whereas service or pension attributable to the 2009 and 2015 Schemes may be partially drawn-down.

Final pay on exit

- 3.9 The specific proportions of the various periods of membership deemed to be drawn-down will have no effect on the subsequent calculation of a member’s final pay on exit.

Transitional protection of retirement age

3.10 All service accrued following flexible retirement will be based on a pension age equalling the state pension age, or age 65 if higher, regardless of any transitional protection that the member had prior to flexible retirement. Under paragraph 5(2) of Schedule 2 of the 2015 Scheme Transitional Regulations, for service up to the payment of benefits drawn under flexible retirement which had CRA protection, the CRA will still be determined by service before and after flexible retirement, regardless of the benefits taken on flexible retirement. However, after determining the CRA, benefits in respect of service following flexible retirement will be subject to actuarial reduction if taken before NPA. Therefore, for the purposes of determining actuarial adjustments, this service following flexible retirement should be treated as Part D1B membership.

4 Effect of draw-down on remaining entitlements

Calculation for Part A and B membership at final exit

4.1 All Part A and Part B benefits, including service or pension that is granted as a result of an employer augmentation or a transfer-in, will have been taken on the first instance of flexible retirement.

Calculation for Part C2, D1A and D1B membership at final exit

4.2 The calculation of 2015 Scheme benefits from 1 April 2015 following flexible retirement are set out in the 2018 regulations.

Calculation for Part C1 membership at final exit

4.3 The following paragraphs 4.4 to 4.22 set out GAD's recommendation for formal actuarial guidance required under the 2009 and 2015 Scheme Transitional Regulations of the scheme. Part C1 benefits include service or pension that is granted as a result of an employer augmentation or a transfer-in, attributable to service in the 2009 Scheme.

4.4 Following a flexible retirement, a subsequent award of benefits will be calculated based on the 2015 Scheme Transitional Regulations plus, in relation to 2009 Scheme benefits, the sum of:

- (i) $[100 - \text{IDP}(\text{C1})]\%$ of whole-time equivalent Part C1 membership, and
- (ii) any additional benefits of type 2.2(v) which were not taken at the point of flexible retirement and are not covered by paragraphs 4.1 / 4.2 above.

4.5 There will be no effect on the flexible retirement benefits already in payment.

Ill-health retirement

4.6 Following a flexible retirement, if a member leaves under the terms of Regulation 34 (ill-health retirement) of the 2018 Regulations, the benefits should be calculated based on the 2015 Scheme Transitional Regulations plus, in relation to 2009 Scheme, the benefits calculated under paragraph 4.4 should be paid immediately without actuarial reduction for early payment.

4.7 There will be no effect on the flexible retirement benefits already in payment.

Death in service benefits

Death grants

- 4.8 If a member dies after exercising an option to flexibly retire and whilst still actively contributing to the scheme, Regulation 17(6) of the 2015 Scheme Transitional Regulations stipulates that the death grant benefit payable will be calculated under Regulation 38 of the 2018 Regulations.
- 4.9 However, Regulation 17(7) of the 2015 Scheme Transitional Regulations stipulates that where an active member is also a deferred or pensioner member of the Earlier Schemes, the death grant payable is based on the higher of the amount of death grant that would have been payable under:
- Regulation 35 of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (or any other relevant provision under any of the Earlier Regulations); and
 - The death grant payable under Regulation 38 of the 2018 Regulations.

Survivor's pension

- 4.10 If the member dies in service and is survived by an eligible partner or spouse, that person will be entitled to benefits calculated based on Regulations 17(1) to (3) of the 2015 Scheme Transitional Regulations in respect of service accrued before 31 March 2015 plus CARE survivor benefits in respect of service accrued after 31 March 2015 as calculated under Regulation 39 of the 2018 Regulations. If a member has drawn benefits accrued after 1 April 2015 under the flexible retirement regulations, then CARE survivor benefits for these would be payable under Regulation 45 of the 2018 Regulations. These regulations ensure that the benefits payable are not double counted across all of the active and pensioner memberships.
- 4.11 Children's pensions under Regulations 40 and 46 of the 2018 Regulations are similarly calculated to avoid the double counting of service.

Leaving active service

- 4.12 If a member leaves active service from the scheme following flexible retirement, their residual pre-2015 deferred benefits are calculated as in paragraph 4.4.
- 4.13 If a member retires through ill-health under Regulation 36 of the 2018 Regulations after leaving active service from the scheme following flexible retirement, the benefits calculated under paragraph 4.4 should be paid immediately without actuarial reduction for early payment.

Death after leaving service – death grant

- 4.14 If a member dies after leaving active service following flexible retirement, the lump sum death benefit will be calculated based on:
- (i) For post 31 March 2015 benefits: a death grant calculated in accordance with Regulation 41 of the 2018 Regulations based on membership on or after 1 April 2015,

- (ii) plus, in relation to any residual pre-2015 Scheme benefits, the sum of a death grant based on service before 1 April 2015 calculated in accordance with Regulation 17(8) of the 2015 Scheme Transitional Regulations (relating to a deferred member) excluding the service underlying the flexible retirement benefits already taken plus,
- (iii) a death grant calculated in accordance with Regulation 17(8) of the 2015 Scheme Transitional Regulations based on the flexible retirement benefits from the Earlier Schemes in payment.

Death after leaving service – survivor’s pension

4.15 If the member dies after leaving active service and is survived by an eligible partner or spouse, the survivor’s pension benefits would be calculated as follows:

- (i) For post 31 March 2015 benefits: a survivor’s pension calculated in accordance with Regulation 42 of the 2018 Regulations based on membership after 31 March 2015
- (ii) plus, in relation to any residual pre 2015 Scheme benefits, the sum of a survivor’s pension based on service before 1 April 2015 calculated in accordance with Regulation 17(2) the 2015 Scheme Transitional Regulations (relating to a deferred member) excluding the service underlying the flexible retirement benefits already taken

4.16 Children’s pensions under Regulations 43 and 46 of the 2018 Regulations are similarly calculated to avoid the double counting of service.

Other considerations

4.17 Early retirement - where a member’s final retirement is before age 65 or CRA, as relevant, then benefits which are not yet in payment may be reduced for early retirement in line with the *“Local Government Pension Scheme (Scotland): Early Payment of Pension”* guidance note. There will be no effect on the benefits already in payment.

4.18 Late retirement - where a member’s final retirement is after age 65 then benefits which are not yet in payment may be increased for late retirement in line with the *“Local Government Pension Scheme (Scotland): Late Retirement”* guidance note. There will be no effect on the benefits already in payment.

4.19 Pension increases - note that the increase applicable to the drawn-down pension in payment at the first Pensions Increase date following final exit may differ from that applicable to the residual pension at final exit.

- 4.20 Pension debits - where a member wishing to take flexible retirement benefits is subject to a pension debit under the terms of Regulation 50 of the 2018 Regulations, the debit relating to that part of the membership which is being drawn-down should be applied at the point of flexible retirement. Where the member elects to draw-down only a proportion of the membership, the debit should be pro-rated (in proportion to the membership being drawn-down) and applied to the relevant benefit being drawn-down. The remaining debit should be applied when the member eventually retires (or a further part of it may be applied earlier if the member exercises a further flexible retirement option). For further information please refer to the relevant current guidance *“Local Government Pension Scheme (Scotland): Application of a Pension Debit for Divorced Members”*.
- 4.21 Aggregation - any aggregation option exercised under Regulation 3(6) of the 2015 Scheme Transitional Regulations following a flexible retirement will not affect the flexible retirement benefits already in payment. The aggregation option will exclude any service drawn-down as part of that flexible retirement.
- 4.22 Where a member elects to take flexible retirement more than once, similar considerations as those set out in this guidance apply to determine the benefits at each point of draw-down and to subsequently calculate the benefits on final exit.
- 4.23 The calculation of 2015 Scheme benefits from 1 April 2015 on final retirement (including where this is before or after Normal Retirement Age) are set out in the 2018 regulations.

5 Example of benefits at and after flexible retirement

Scenario

In this example, a Group 2 member takes flexible retirement. His employer gives consent for him to take flexible retirement at age 57. He must draw-down his entire Part A membership (i.e. pre-2008) and Part B membership (i.e. 2008-2009) and decides to draw down 50% of his Part C1 membership (i.e. 2009-2015) and 50% of his C2/D1 membership (i.e. post-2015). The member then takes full retirement at their NPA.

Whilst this member is eligible for the statutory underpin, we have assumed that in this scenario no final guarantee payment is payable. Similar calculations would apply for members not eligible for the statutory underpin.

Note – This example has been simplified for ease of understanding, and some figures have been rounded. Any pensions increases are applied in an illustrative manner and ignore the requirement under Paragraph 1 of Section 8 of the Pensions (Increase) Act 1971. Salary increases are also applied in an approximate manner.

Basic information

Gender	Male
Date of birth	1 April 1968
Date of commencement of service	1 April 1999
Critical retirement date	1 April 2026
Critical retirement age (CRA)	58 years
State pension age	67

At flexible retirement:

Date of flexible retirement	1 April 2025
Age (last birthday)	57
Part A membership	9 years
Part B membership	1 year
Part C1 membership	6 years
Part C2/D1A/D1B pension accrued	£4,500 pa
Final pensionable pay (before salary reduces after flexible retirement)	£25,000 pa
IDP(A)%	100%
IDP(B)%	100%
IDP(C1/C2/D1A/D1B)%	50%

Assume no commutation of pension for lump sum.

Assume that the member has no additional benefits.

C2/D1A/D1B membership has not been split for purpose of flexible retirement pension calculation as will all be treated the same for this member.

Pension drawn-down at flexible retirement

Part A membership for flexible retirement = $100\% \times 9 \text{ years} = 9 \text{ years}$
 Part A pension (before actuarial reduction) = $9 \text{ years} / 80 \times £25,000 = £2,812.50 \text{ pa}$
 (Part A retirement grant of $3 \times £2,812.50 = £8,437.50$)

Part B membership for flexible retirement = $100\% \times 1 \text{ year} = 1 \text{ year}$
 Part B pension (before actuarial reduction) = $1 \text{ year} / 80 \times £25,000 = £312.50 \text{ pa}$
 (Part B retirement grant of $3 \times £312.50 = £937.50$)

Part C1 membership for flexible retirement = $50\% \times 6 \text{ years} = 3 \text{ years}$
 Part C1 pension (before actuarial reduction) = $3 / 60 \times £25,000 = £1,250 \text{ pa}$

Part C2/D1A/D1B pension (before actuarial reduction) = $50\% \times £4,500 = £2,250 \text{ pa}$

The appropriate Early Retirement factors* are:

<u>Part A</u>	<u>Part B</u>	<u>Part C1</u>	<u>Part C2/D1A/D1B</u>
$P_{CRA} = 5.0\%$	$P_{NPA}^{65} = 31.2\%$	$P_{NPA}^{65} = 31.2\%$	$P_{NPA}^{67} = 36.6\%$
$RG_{CRA} = 1.7\%$	$RG_{65} = 12.6\%$		

* These factors are based on the factors in place at the time of drafting this guidance. In practice, the actual factors in place at the flexible retirement date would be used.

(Part A: In accordance with Paragraph 1(d) of Schedule 2 of the 2015 Scheme Transitional Regulations, a 1 year deduction applies for the period between age 57 and Rule of 85 age of 58.)

(Parts B and C1: The pension has been calculated in accordance with Section 2 of the latest guidance on Early Payment of Pension.)

The benefits paid to the member at flexible retirement will be:

Part A pension = $£2,812.50 \times (1 - 0.050) = £2,671.88 \text{ pa}$
 (Retirement grant of $£8,437.50 \times (1 - 0.017) = £8,294.06$ will also be paid to the member.)

Part B pension = $£312.50 \times (1 - 0.312) = £215.00 \text{ pa}$
 (Retirement grant of $£937.50 \times (1 - 0.126) = £819.38$ will also be paid to the member.)

Part C1 pension = $£1,250 \times (1 - 0.312) = £860.00 \text{ pa}$

Part C2/D1A/D1B pension = $£2,250 \times (1 - 0.366) = £1,426.50 \text{ pa}$

Total drawn-down pension at flexible retirement =
 $£2,671.88 + £215.00 + £860.00 + £1,426.50 = £5,173.38 \text{ pa}$

Total drawn-down lump sum at flexible retirement =
 $£8,294.06 + £819.38 = £9,113.44$ (assuming no commutation)

Retirement at NPA

The member takes full retirement at NPA. In accordance with paragraph 3.1, NPA for the 2015 Scheme pension will be in line with the member's state pension age, i.e. age 67 attained on 31 March 2035.

Assumed information at retirement date

Final pay at age 67	£24,000 pa
CARE revaluation applying since flexible retirement date	20%
Pension increases on benefits already taken at flexible retirement	22%
Additional Part D1B pension accrued since flexible retirement date (as at retirement date)	£3,500 pa

CARE revaluation and pension increases above are assumed only and do not reflect the actual CARE revaluation and pension increases between the relevant dates.

Calculation of benefits

All Part A and Part B benefits must be taken at flexible retirement, and no additional amount payable at full retirement.

Residual Part C1 membership not yet taken = $(1-50\%) \times 6$ years
= 3 years (see paragraph 4.4)

Pension from residual Part C1 pension at age 67 (including a 2 year late retirement increase of 1.07665)
= $3 \text{ years} / 60 \times £24,000 \times 1.07665$
= £1,291.98 pa

Residual Part C2/D1A/D1B pension not yet taken at age 67 (including revaluation on that residual amount and additional pension accrued since flexible retirement date)
= $(1-50\%) \times £4,500 \times (1+20\%) + £3,500$
= £6,200.00 pa

Total additional pension coming into payment at retirement at NPA
= £1,291.98 + £6,200.00
= **£7,491.98 pa**

Total pension payable after retirement at NPA

(including revaluation on the pension taken at flexible retirement plus additional pension taken on full retirement)

= $£5,173.38 \times (1+22\%) + £7,491.98$
= **£13,803.50**

6 Example of flexible retirement with statutory underpin

These examples have been simplified for ease of understanding and some figures have been rounded. Any pensions increases are applied in an approximate manner and ignore the requirement under Paragraph 2 of Section 8 of the Pensions (Increase) Act 1971. Salary increases are also applied in an approximate manner.

Member takes first flexible retirement after underpin period

Scenario

In this example, a Group 3 member takes flexible retirement at age 60. This member is eligible for the statutory underpin.

Flexible retirement 1: On 31 March 2025, she decides to draw down 100% of her Part C1 membership and 25% of her Part C2/D1A/D1B pension.

Basic information

Gender	Female
Date of birth	31 March 1965
Date of commencement of service	1 April 2009
State pension age	67

Assume no commutation of pension for lump sum.

Assume that the member has no additional benefits.

Part C2/D1A/D1B membership has not been split for purpose of flexible retirement pension calculation as will all be treated the same for this member.

Flexible retirement 1:

Date of flexible retirement	31 March 2025
Age (last birthday)	60
Part C1 membership	6 years
Part C2/D1A/D1B pension	£3,000 pa
Final pensionable salary	£25,000 pa
IDP(C1)%	100%
IDP(C2/D1A/D1B)%	25%
Final guarantee amount (for statutory underpin)	£150 pa

The final guarantee amount should be calculated in accordance with the requirements of the 2015 Scheme Transitional Regulations and allows for Part C2 and D1A benefits only. An assumed figure is used for the purpose of this example.

Flexible retirement - Calculation

Pre-2015 pension taken at flexible retirement

Part C1 membership for flexible retirement = 100% x 6 years = 6 years

Part C1 pension (before actuarial reduction) = 6 years / 60 x £25,000 = £2,500 pa

Early Retirement factor* applying to Part C1 pension: 21.6%

(based on 5 years early factor effective as at 31 March 2025)

* The factors are based on the factors in place at the time of drafting this guidance. In practice, the actual factors in place at the flexible retirement date would be used.

The Pre-2015 benefits paid to the member at flexible retirement is:

Part C1 pension = £2,500 x (1 – 0.216) = £1,960.00 pa

Post-2015 pension taken at flexible retirement

Part C2/D1A/D1B pension for flexible retirement (before actuarial reduction)
= 25% x £3,000 pa = £750.00 pa

Early Retirement factor applying to Part C2, D1A and D1B pension: 28.2%

(based on 7 years early factor effective as at 31 March 2025)

The Post-2015 benefits (excl. statutory underpin) paid to the member at flexible retirement is:

Part C2/D1A/D1B pension = £750.00 x (1 – 0.282) = £538.50 pa

Statutory underpin

Percentage of Post-2015 benefits taken on flexible retirement = £750 / £3,000 = 25.0%

Final guarantee amount for flexible retirement = 25.0% x £150 = £37.50 pa

Total drawn-down pension at flexible retirement =

£1,960.00 + £538.50 + £37.50 = £2,536.00 pa

Appendix A: Limitations of guidance

- A.1 This guidance should not be used for any purpose other than those set out in this guidance.
- A.2 Factors are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- A.3 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- A.4 This guidance only covers the actuarial principles around the calculation and application of factors in flexible retirement cases. Any legal advice in this area should be sought from an appropriately qualified person or source.
- A.5 Scheme managers and administrators should satisfy themselves that flexible retirement calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- A.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 SPPA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.