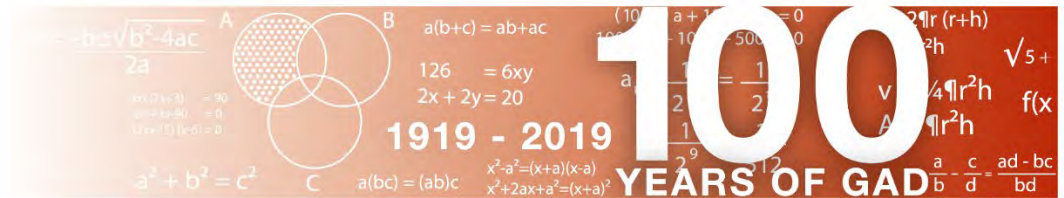




Government
Actuary's
Department



Principal Civil Service Pension Scheme (Northern Ireland)

Annual Allowance charges: Calculation of pension and
lump sum offsets

Factors and guidance

19 June 2020





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1 Introduction

- 1.1 This note is addressed to the Department of Finance (DoF) as the scheme manager of the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)).
- 1.2 The purpose of this note is to provide DoF with the factors and process to be used when calculating a reduction to benefits ('pension offset' and 'lump sum offset') in the PCSPS (NI) following an election by a member of the scheme for an annual allowance charge to be met by the scheme (known as 'scheme pays').
- 1.3 This note does not cover the method for determining the amount of any Annual Allowance charge.
- 1.4 This guidance is intended to supersede any factors and advice previously issued, for the purposes of annual allowance pension and lump sum offset calculations. No advice or factors issued in the past should be used for cases after this date. In particular, this guidance supersedes:

"Principal Civil Service Pension Scheme (Northern Ireland): Annual Allowance charges: Factors for the calculation of pension and lump sum offsets" dated 3 January 2017.

- 1.5 The factors in this note have been updated but the calculation methodology remains unchanged.

Assumptions

- 1.6 The factors in this note are the same as those currently adopted for the PCSPS (GB) scheme. DoF have confirmed that they wish to adopt this approach.
- 1.7 Details of the principal assumptions underlying the factor tables in this guidance are set out in Appendix B.

Scheme rules

- 1.8 The scheme rules for all sections of the PCSPS (NI) are silent on who is responsible for the calculation of offsets following an annual allowance charge. We have produced this note on the basis that the Minister for the Civil Service will be responsible for setting these factors, having taken actuarial advice. This is consistent with responsibilities for the majority of the other PCSPS (NI) factors, including the similar case where a reduction in benefits in respect of a lifetime allowance charge is required.

Cases not covered by this note

- 1.9 This note relates only to the calculation of annual allowance offsets in the PCSPS (NI). Separate guidance was issued covering the annual allowance offsets in the **alpha** scheme.
- 1.10 This guidance does not cover the reduction of pensions to cover lifetime allowance (LTA) charges in PCSPS(NI). Such cases should be referred to GAD.



- 1.11 This guidance does not cover cases where prison officers have a reserved right to a pension age of 55. Please refer any such cases to GAD.
- 1.12 Some members may have a normal pension age between 60 and 65 years - ie, their 'personal pension age' (PPA). Please refer any such cases to GAD.
- 1.13 This note does not cover the method for determining the amount of any Annual Allowance charge.
- 1.14 The scheme pays mechanism will not be available to all members incurring Annual Allowance charges, and administering authorities will need to ensure a member's eligibility before applying the approach set out in this guidance document.
- 1.15 We do not envisage any other special cases not covered by this note. However, if any do occur they should be referred to GAD.

Implementation and Review

- 1.16 As discussed in paragraph 1.8, we have assumed that the Minister will be responsible for setting the factors in this note. We recommended that the new factors be adopted as soon as possible. DoF have confirmed the revised PCSPS factors have been implemented from 1 April 2019 and are aware of any risks in selecting this implementation date.
- 1.17 The factors in this guidance will apply from 1 April 2019. This implementation date has been determined by DoF. This guidance will apply from the date of issue.
- 1.18 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the PCSPS Pension Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to the DoF.
- 1.19 In line with best practice and in order to make sure that factors are being used as intended and the instructions are fit for purpose, we suggest that some example calculations are sent to GAD for review.
- 1.20 The factors contained in this guidance 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.
- 1.21 Any special cases that are not covered by this guidance should be treated on a case by case basis.



Third Party Reliance

- 1.22 This guidance has been prepared for the use of the DoF and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on DoF and scheme administrator's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.23 Other than DoF and the scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, 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 Overview

Calculation Date

- 2.1 The Calculation Date to be used when calculating the pension and lump sum offsets will depend on the Pension Input Period (PIP) in which the tax charge occurs.
- 2.2 From the 2016/17 financial year onwards, the Pension Input Period used by PCSPS has been aligned to financial year i.e. the last day of the PIP is now 5 April each year.
- 2.3 For more information regarding the calculation of historic pension input periods, please consult:
- *Pensions technical note: transitional provisions for aligning pension input periods*¹.
- And
- the previous version of this guidance note *Principal Civil Service Pension Scheme (Northern Ireland): Annual Allowance charges: Factors for the calculation of pension and lump sum offsets* dated 3 January 2017.
- 2.4 The process for calculating the offsets will vary depending on whether the member has already retired or not at the Calculation Date. The process for each is described in paragraphs 2.6 to 2.9.

Member has not yet retired at the Calculation Date

- 2.5 The pension and lump sum offsets at the Calculation Date will be calculated as described in Section 3.
- 2.6 At retirement the pension and lump sum offsets may be adjusted to allow for whether the member retired before or after their NPA. The adjustment to be made is described in Section 4.

¹ <https://www.gov.uk/government/publications/pensions-technical-note-transitional-provisions-for-aligning-pension-input-periods/pensions-technical-note-transitional-provisions-for-aligning-pension-input-periods>



Member retired on or before the Calculation Date

- 2.7 Our understanding is that where members have already had their benefits put into payment, the scheme is not obliged to offer the option of scheme pays on a mandatory basis but can offer it on a voluntary basis. DoF have requested that GAD provide guidance on how the scheme pays offset should be calculated for such cases.
- 2.8 Section 5 describes how the offset should be calculated for such cases.

Miscellaneous

- 2.9 The pension and lump sum offsets should have inflation increases (assumed to be in line with the normal revaluation of deferred benefits within the scheme, currently CPI) applied during the period between the Calculation Date and the member's eventual retirement.
- 2.10 The benefits payable to a spouse, civil partner or other partner who is eligible to receive a pension on the member's death will not be reduced as a result of the scheme pays mechanism. This will apply regardless of whether the member dies during active service, in deferment or after retirement.
- 2.11 No offset will be applied to children's pensions.
- 2.12 No offset will be made to the lump sum payable to an active member who dies in service.
- 2.13 No offset will be made to the lump sum award that is payable on the death of a deferred member who incurred an Annual Allowance charge prior to exit, and elected for the scheme pays mechanism. However the lump sum (which is calculated as a multiple of pension) will be based on the pension after any scheme pays offset has been applied.
- 2.14 No offset is made to any lump sum paid on death after retirement that is payable to pensioner members who incurred an Annual Allowance charge prior to exit, and elected for the scheme pays mechanism. However the lump sum will be based on the pension after any scheme pays offset has been applied.
- 2.15 Options available at retirement, such as commutation or pension allocation, should be based on the residual pension after any scheme pays offset has been applied.
- 2.16 Pension offsets do not affect GMPs or NI Modifications.
- 2.17 Where a member 'buys out' the early retirement adjustment to their pension, the pension offset should still be reduced.
- 2.18 Administrators should store the offset along with the Calculation Date on the member's record. Where a member has multiple pension offsets, they should be recorded separately.



- 2.19 We understand that when calculating LTA charges the pension tested should be that which would come into payment after allowing for the impact of any Annual Allowance scheme pays offsets. The calculations set out in this document should therefore be carried out prior to any LTA test being applied to these members.
- 2.20 Some members may breach the Annual Allowance on more than one occasion during their careers. Since there is no limit on the number of times a member may opt to utilise scheme pays (subject to usual eligibility), a member may also have multiple Annual Allowance scheme pays offsets. In this circumstance each offset should be considered separately and treated in accordance with the guidance set out in this document.
- 2.21 It is our understanding from HM Treasury's initial documentation prepared during the development of the revised Annual Allowance regime, that costs incurred by the authorities in relation to operating the scheme pays mechanism may not be recovered from the member concerned.



3 Calculation of the pension and lump sum offset at the Calculation Date for members who have not yet retired

- 3.1 This section relates to members who have not yet retired at the Calculation Date. Section 5 describes the calculation required where members have already retired at the Calculation Date.
- 3.2 The calculation of the offset is different for the **classic**, **premium**, **classic plus** and **nuvos** schemes. The calculation for each scheme is described below.

Classic Members

- 3.3 The calculation of the pension offset for **classic** members is:

$$\text{Pension offset} = \text{AATAX} / (\text{PENFAC} + 3 \times \text{LSFAC})$$

Where:

AATAX = the Annual Allowance tax charge that the member has notified the scheme that they wish to meet via the scheme pays mechanism.

PENFAC = the pension factor from Table A1, based on the member's NPA², gender and age at the Calculation Date. Table A1 is included in Section 7 of this note.

LSFAC = the lump sum factor from Table A1, based on the member's NPA², gender and age at the Calculation Date. This table is included in Section 7 of this note.

- 3.4 For **classic** members there will also be an offset to the member's lump sum. This is calculated as:

$$\text{Lump sum offset} = 3 \times \text{Pension Offset}$$

Where:

Pension Offset = the offset calculated in paragraph 3.3

² We understand that a small proportion of **classic** and **premium** members have an NPA of 65.



Premium Members

- 3.5 The calculation of the pension offset for **premium** members is:

$$\text{Pension offset} = AATAX / PENFAC$$

Where:

AATAX = the Annual Allowance tax charge that the member has notified the scheme that they wish to meet via the scheme pays mechanism.

PENFAC = the pension factor from Table A1, based on the member's NPA³, gender and age at the Calculation Date. This table is included in Section 7 of this note.

Classic Plus Members

- 3.6 For **classic plus** members, the method described in Paragraph 3.5 should be used and the offset made from the **premium** portion of their pension. In the unlikely event that a **classic plus** member has insufficient pension from their **premium** service to cover the scheme pays offset then an additional deduction in respect of the remainder of the tax charge should be made from the **classic** portion of their pension using the method described in Paragraphs 3.3 and 3.4.

Nuvos Members

- 3.7 The calculation of the pension offset for **nuvos** members is:

$$\text{Pension offset} = AATAX / (PENFAC \times REVAL)$$

Where:

AATAX = the Annual Allowance tax charge that the member has notified the scheme that they wish to meet via the scheme pays mechanism.

PENFAC = the factor from Table A2, based on the member's gender and age at the Calculation Date. This table is included in Section 7 of this note.

REVAL = the relevant revaluation factor from Table A3. The appropriate factor is the one corresponding to the number of 1st Aprils between the Calculation Date and the member's NPA. Where the member is older than NPA at the Calculation Date then the number of 1st Aprils should be assumed to be zero.

³ We understand that a small proportion of **classic** and **premium** members have an NPA of 65.



4 Adjusting pension offsets at retirement

- 4.1 This section relates to members who retire sometime after the Calculation Date at which the pension offset was initially calculated. Section 5 describes how to calculate the pension offset where members retired on or before the Calculation Date of the original offset.
- 4.2 This section sets out the method and instructions for calculating the offset to be applied at the point of retirement. In many cases this could be several years after the offset was initially calculated.

Retirement at NPA

- 4.3 The pension / lump sum offset to be applied if the member retires at NPA is as follows:

$$\text{Pension (or lump sum) offset at retirement at NPA} =$$
$$\text{Pension (or lump sum) offset} \times \text{INFL}$$

Where:

Pension (or lump sum) offset = as calculated in Section 3.

INFL = PI Act increases between the Calculation Date and the date of retirement.

Retirement before NPA

- 4.4 The pension / lump sum offset to be applied if the member retires before NPA (in normal or ill health) is as follows:

$$\text{Pension (or lump sum) offset at retirement before NPA} =$$
$$\text{Pension (or lump sum) offset} \times \text{INFL} \times \text{ERF}$$

Where:

Pension (or lump sum) Offset = as calculated in Section 3.

INFL = PI Act increases between the Calculation Date and the date of retirement.

ERF = where the member retires in ill health the relevant early retirement factor should be used from Table B1 in section 7; for all other cases the early retirement factors outlined in Table B2 in section 7 should be used.



Retirement after NPA

4.5 The pension offset to be applied if the member retires after NPA is as follows:

Pension (or lump sum) offset at retirement after NPA =

Pension (or lump sum) offset × INFL × LRF

Where:

Pension (or lump sum) Offset = as calculated in Section 3.

INFL = PI Act increases between the Calculation Date and the date of retirement.

LRF = the relevant late retirement factor in Table C1 in section 7. The relevant factor depends on the member's NPA and the duration between NPA and late retirement. Note that where the Calculation Date occurred after the member's NPA, the relevant factor is calculated in a slightly different way, as described below Table C1.



5 Calculation of the pension offset for members who retired on or before the Calculation Date

- 5.1 Our understanding is that where members have already had their benefits put into payment, the scheme is not obliged to offer the option of scheme pays on a mandatory basis but can offer it on a voluntary basis.
- 5.2 Where the member has already retired the offset should be calculated as follows:

$$\text{Pension offset} = \text{AATAX} / \text{AAFAC}$$

Where:

AATAX = the Annual Allowance tax charge that the member has notified the scheme that they wish to meet via the scheme pays mechanism.

AAFAC = the pensioner member's scheme pays factor taken from:

- Table D1 in section 7 if the member retired in normal health.
- Table D2 in section 7 if the member retired in ill health.

The appropriate factor depends on the member's gender and age at the Calculation Date. The same factors are used for **classic**, **premium**, **classic plus** and **nuvos** members, regardless of the member's NPA.

- 5.3 For the avoidance of doubt, the member's age at the calculation date, not their age at retirement, should be used to calculate the pension offset. The pension offset should not be backdated to the member's retirement date and there should be no lump sum offset for **classic** members (since the member will have already received their lump sum).



6 Example Calculations

Example 1: Calculation of the initial pension offset for a nuvos section member

The following information is needed for this calculation:

A. Member's date of birth	23 January 1983
B. Tax year Annual Allowance charge is incurred	2019/20
C. Calculation date (illustrative – see paragraph 2.1)	31 July 2021
D. Member's age (last birthday) at Calculation Date	38 years
E. Gender	Male
F. Tax charge	£4,000
G. NPA	65
H. 1 st Aprils between Calculation Date and NPA	26

From paragraph 3.7, the formula for calculating the pension offset is:

$$\text{Pension offset} = \text{AATAX} / (\text{PENFAC} \times \text{REVAL})$$

We have:

AATAX = £4,000 (from F.)

PENFAC = 5.62 (which is the scheme pays factor for a male **nuvos** member at age 38, obtained from **Table A2**)

REVAL = 1.67 (which is the revaluation factor to use where there are 26 1st Aprils between Calculation Date and NPA, obtained from **Table A3**)

Substituting these values into the formula we get:

$$\text{Pension offset} = £4,000.00 \div (5.62 \times 1.67) = £426.19 \text{ pa}$$

This offset is recorded on the member's record with Calculation Date of 31 July 2021.

This offset will increase in line with PI Act increases and will be adjusted if the member's pension comes into payment before or after NPA. The offset will have no impact on the surviving partner's pension payable on the member's death.



Example 2: Calculation of the initial pension offset for a premium (NPA 60) section member

The following information is needed for this calculation:

A. Member's date of birth	19 March 1977
B. Tax year Annual Allowance charge is incurred	2019/20
C. Calculation date (illustrative – see paragraph 2.1)	31 July 2021
D. Member's age (last birthday) at Calculation Date	44 years
E. Gender	Female
F. Tax charge	£6,000
G. NPA	60

From paragraph 3.5, the formula for calculating the pension offset is:

$$\text{Pension offset} = \text{AATAX} / \text{PENFAC}$$

We have:

AATAX = £6,000 (from F.)

PENFAC = 13.93 (which is the scheme pays factor for the pension of a female member at age 44 with an NPA of 60, obtained from **Table A1**)

Note: For a member of the Premium scheme we do not need the Lump Sum Factors.

Substituting these values into the formula we get:

$$\text{Pension offset} = £6,000.00 / 13.93 = £430.73 \text{ pa}$$

This offset is recorded on the member's record with Calculation Date of 31 July 2021.

This offset will increase in line with inflation and will be adjusted if the member's pension comes into payment before or after NPA. The offset will have no impact on the surviving partner's pension payable on the member's death.



Example 3: Calculation of the initial pension offset for a classic (NPA 60) scheme member

The following information is needed for this calculation:

A. Member's date of birth	3 rd November 1973
B. Tax year Annual Allowance charge is incurred	2019/20
C. Calculation date (illustrative – see paragraph 2.1)	31 July 2021
D. Member's age (last birthday) at Calculation Date	47 years
E. Gender	Male
F. Tax charge	£4,000
G. NPA	60

From paragraph 3.3, the formula for calculating the pension offset is:

$$\text{Pension offset} = \text{AATAX} / (\text{PENFAC} + 3 \times \text{LSFAC})$$

We have:

$$\text{AATAX} = £4,000 \text{ (from F.)}$$

$$\text{PENFAC} = 14.90 \text{ (pension factor for age 47 male member with an NPA of 60, obtained from Table A1)}$$

$$\text{LSFAC} = 0.74 \text{ (lump sum factor for age 47 male member with an NPA of 60, obtained from Table A1)}$$

Substituting these values into the formula we get:

$$\text{Pension offset} = £4,000.00 \div (14.90 + 3 \times 0.74) = £233.64 \text{ pa}$$

From paragraph 3.4, the lump sum offset is then calculated as:

$$\text{Lump sum offset} = 3 \times \text{Pension offset}$$

$$= 3 \times £233.64$$

$$= £700.92$$

These offsets are recorded on the member's record with Calculation Date of 31 July 2021.

The offsets will increase in line with inflation and will be adjusted if the member's pension comes into payment before or after NPA. The offset will have no impact on the surviving partner's pension payable on the member's death.



7 Table of Factors

Table A1 (Table 607 in consolidated factors spreadsheet): Classic and Premium scheme pays factors (NPA 60 and NPA 65)

Age last birthday	Male NPA 60		Female NPA 60		Male NPA 65		Female NPA 65	
	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor
17	7.78	0.36	7.78	0.36	6.13	0.32	6.13	0.32
18	7.95	0.37	7.95	0.37	6.26	0.33	6.26	0.33
19	8.12	0.38	8.12	0.38	6.39	0.34	6.39	0.34
20	8.30	0.39	8.30	0.39	6.52	0.35	6.52	0.35
21	8.48	0.40	8.48	0.40	6.66	0.36	6.66	0.36
22	8.66	0.41	8.66	0.41	6.80	0.36	6.80	0.36
23	8.85	0.42	8.85	0.42	6.94	0.37	6.94	0.37
24	9.04	0.43	9.04	0.43	7.09	0.38	7.09	0.38
25	9.23	0.44	9.23	0.44	7.24	0.39	7.24	0.39
26	9.43	0.45	9.43	0.45	7.39	0.40	7.39	0.40
27	9.64	0.46	9.64	0.46	7.54	0.41	7.54	0.41
28	9.85	0.47	9.85	0.47	7.70	0.42	7.70	0.42
29	10.06	0.49	10.06	0.49	7.87	0.43	7.87	0.43
30	10.28	0.50	10.28	0.50	8.03	0.44	8.03	0.44
31	10.50	0.51	10.50	0.51	8.20	0.45	8.20	0.45
32	10.73	0.52	10.73	0.52	8.37	0.46	8.37	0.46
33	10.96	0.53	10.96	0.53	8.55	0.47	8.55	0.47
34	11.20	0.55	11.20	0.55	8.73	0.49	8.73	0.49
35	11.44	0.56	11.44	0.56	8.92	0.50	8.92	0.50
36	11.69	0.57	11.69	0.57	9.11	0.51	9.11	0.51
37	11.95	0.59	11.95	0.59	9.30	0.52	9.30	0.52
38	12.21	0.60	12.21	0.60	9.50	0.53	9.50	0.53
39	12.48	0.62	12.48	0.62	9.70	0.55	9.70	0.55
40	12.76	0.63	12.76	0.63	9.91	0.56	9.91	0.56
41	13.04	0.64	13.04	0.64	10.12	0.57	10.12	0.57
42	13.33	0.66	13.33	0.66	10.34	0.59	10.34	0.59
43	13.63	0.68	13.63	0.68	10.57	0.60	10.57	0.60
44	13.93	0.69	13.93	0.69	10.80	0.62	10.80	0.62



Table A1 (Table 607 in consolidated factors spreadsheet): Classic and Premium scheme pays factors (NPA 60 and NPA 65)

- continued

Age last birthday	Male NPA 60		Female NPA 60		Male NPA 65		Female NPA 65	
	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor
45	14.25	0.71	14.25	0.71	11.03	0.63	11.03	0.63
46	14.57	0.73	14.57	0.73	11.27	0.64	11.27	0.64
47	14.90	0.74	14.90	0.74	11.52	0.66	11.52	0.66
48	15.23	0.76	15.23	0.76	11.77	0.68	11.77	0.68
49	15.58	0.78	15.58	0.78	12.03	0.69	12.03	0.69
50	15.94	0.80	15.94	0.80	12.30	0.71	12.30	0.71
51	16.30	0.82	16.30	0.82	12.58	0.73	12.58	0.73
52	16.68	0.84	16.68	0.84	12.86	0.74	12.86	0.74
53	17.07	0.86	17.07	0.86	13.15	0.76	13.15	0.76
54	17.47	0.88	17.47	0.88	13.45	0.78	13.45	0.78
55	17.89	0.90	17.89	0.90	13.76	0.80	13.76	0.80
56	18.32	0.92	18.32	0.92	14.08	0.82	14.08	0.82
57	18.76	0.94	18.76	0.94	14.41	0.84	14.41	0.84
58	19.23	0.97	19.23	0.97	14.76	0.86	14.76	0.86
59	19.71	0.99	19.71	0.99	15.12	0.88	15.12	0.88
60	19.69	1.00	19.69	1.00	15.49	0.90	15.49	0.90
61	19.16	1.00	19.16	1.00	15.87	0.92	15.87	0.92
62	18.63	1.00	18.63	1.00	16.27	0.94	16.27	0.94
63	18.09	1.00	18.09	1.00	16.69	0.97	16.69	0.97
64	17.55	1.00	17.55	1.00	17.13	0.99	17.13	0.99
65	17.00	1.00	17.00	1.00	17.07	1.00	17.07	1.00
66	16.45	1.00	16.45	1.00	16.49	1.00	16.49	1.00
67	15.89	1.00	15.89	1.00	15.92	1.00	15.92	1.00
68	15.33	1.00	15.33	1.00	15.34	1.00	15.34	1.00
69	14.76	1.00	14.76	1.00	14.76	1.00	14.76	1.00
70	14.19	1.00	14.19	1.00	14.19	1.00	14.19	1.00
71	13.61	1.00	13.61	1.00	13.61	1.00	13.61	1.00
72	13.03	1.00	13.03	1.00	13.03	1.00	13.03	1.00
73	12.45	1.00	12.45	1.00	12.45	1.00	12.45	1.00
74	11.87	1.00	11.87	1.00	11.87	1.00	11.87	1.00
75	11.29	1.00	11.29	1.00	11.29	1.00	11.29	1.00



Table A2 (Table 608 in consolidated factors spreadsheet): Nuvos scheme pays factors – NPA 65

Age last birthday	Male NPA 65 factor	Female NPA 65 factor
17	2.39	2.39
18	2.49	2.49
19	2.59	2.59
20	2.70	2.70
21	2.81	2.81
22	2.93	2.93
23	3.05	3.05
24	3.18	3.18
25	3.31	3.31
26	3.45	3.45
27	3.59	3.59
28	3.74	3.74
29	3.89	3.89
30	4.05	4.05
31	4.22	4.22
32	4.40	4.40
33	4.58	4.58
34	4.77	4.77
35	4.97	4.97
36	5.18	5.18
37	5.39	5.39
38	5.62	5.62
39	5.85	5.85
40	6.10	6.10
41	6.35	6.35
42	6.62	6.62
43	6.90	6.90
44	7.19	7.19



Table A2 (Table 608 in consolidated factors spreadsheet): Nuvos scheme pays factors – NPA 65 (continued)

Age last birthday	Male NPA 65 factor	Female NPA 65 factor
45	7.50	7.50
46	7.81	7.81
47	8.14	8.14
48	8.49	8.49
49	8.85	8.85
50	9.23	9.23
51	9.63	9.63
52	10.04	10.04
53	10.47	10.47
54	10.93	10.93
55	11.40	11.40
56	11.90	11.90
57	12.43	12.43
58	12.98	12.98
59	13.56	13.56
60	14.17	14.17
61	14.81	14.81
62	15.49	15.49
63	16.20	16.20
64	16.96	16.96
65	17.07	17.07
66	16.49	16.49
67	15.92	15.92
68	15.34	15.34
69	14.76	14.76
70	14.19	14.19
71	13.61	13.61
72	13.03	13.03
73	12.45	12.45
74	11.87	11.87
75	11.29	11.29



Table A3(Table 609 in consolidated factors spreadsheet): Nuvos revaluation factors

Number of 1 Aprils between Calculation Date and NPA	Factor
0	1.00
1	1.02
2	1.04
3	1.06
4	1.08
5	1.10
6	1.13
7	1.15
8	1.17
9	1.20
10	1.22
11	1.24
12	1.27
13	1.29
14	1.32
15	1.35
16	1.37
17	1.40
18	1.43
19	1.46
20	1.49
21	1.52
22	1.55
23	1.58
24	1.61
25	1.64
26	1.67
27	1.71
28	1.74
29	1.78
30	1.81
31	1.85
32	1.88
33	1.92
34	1.96
35	2.00
36	2.04
37	2.08
38	2.12
39	2.16
40	2.21
41	2.25
42	2.30
43	2.34
44	2.39
45	2.44
46	2.49
47	2.54
48	2.59
49	2.64
50	2.69



Table B1(Table 610 in consolidated factors spreadsheet): Reduction to pension offset on ill health retirement – all sections

Years until NPA at date of retirement	Male NPA 60		Female NPA 60		Male NPA 65		Female NPA 65	
	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor
0	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
1	0.952	0.977	0.952	0.977	0.945	0.977	0.945	0.977
2	0.907	0.954	0.907	0.954	0.895	0.954	0.895	0.954
3	0.865	0.931	0.865	0.931	0.849	0.931	0.849	0.931
4	0.826	0.909	0.826	0.909	0.806	0.909	0.806	0.909
5	0.790	0.888	0.790	0.888	0.767	0.888	0.767	0.888
6	0.757	0.867	0.757	0.867	0.730	0.867	0.730	0.867
7	0.725	0.847	0.725	0.847	0.697	0.847	0.697	0.847
8	0.695	0.827	0.695	0.827	0.665	0.827	0.665	0.827
9	0.667	0.808	0.667	0.808	0.636	0.808	0.636	0.808
10	0.641	0.789	0.641	0.789	0.609	0.789	0.609	0.789
11	0.616	0.770	0.616	0.770	0.583	0.770	0.583	0.770
12	0.593	0.752	0.593	0.752	0.559	0.752	0.559	0.752
13	0.571	0.735	0.571	0.735	0.536	0.735	0.536	0.735
14	0.550	0.717	0.550	0.717	0.515	0.717	0.515	0.717
15	0.530	0.701	0.530	0.701	0.495	0.701	0.495	0.701
16	0.511	0.684	0.511	0.684	0.477	0.684	0.477	0.684
17	0.493	0.668	0.493	0.668	0.459	0.668	0.459	0.668
18	0.476	0.653	0.476	0.653	0.442	0.653	0.442	0.653
19	0.460	0.637	0.460	0.637	0.426	0.637	0.426	0.637
20	0.445	0.622	0.445	0.622	0.411	0.622	0.411	0.622
21	0.430	0.608	0.430	0.608	0.397	0.608	0.397	0.608
22	0.416	0.593	0.416	0.593	0.383	0.593	0.383	0.593
23	0.402	0.580	0.402	0.580	0.370	0.580	0.370	0.580
24	0.390	0.566	0.390	0.566	0.358	0.566	0.358	0.566
25	0.377	0.553	0.377	0.553	0.346	0.553	0.346	0.553
26	0.366	0.540	0.366	0.540	0.335	0.540	0.335	0.540
27	0.354	0.527	0.354	0.527	0.324	0.527	0.324	0.527
28	0.344	0.515	0.344	0.515	0.314	0.515	0.314	0.515
29	0.333	0.503	0.333	0.503	0.304	0.503	0.304	0.503



Table B1 (Table 610 in consolidated factors spreadsheet): Reduction to pension offset on ill health retirement – all sections (continued)

Years until NPA at date of retirement	Male NPA 60		Female NPA 60		Male NPA 65		Female NPA 65	
	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor	Pension Factor	Lump Sum Factor
30	0.323	0.491	0.323	0.491	0.294	0.491	0.294	0.491
31	0.314	0.479	0.314	0.479	0.285	0.479	0.285	0.479
32	0.304	0.468	0.304	0.468	0.277	0.468	0.277	0.468
33	0.296	0.457	0.296	0.457	0.269	0.457	0.269	0.457
34	0.287	0.446	0.287	0.446	0.261	0.446	0.261	0.446
35	0.279	0.436	0.279	0.436	0.253	0.436	0.253	0.436
36	0.271	0.426	0.271	0.426	0.246	0.426	0.246	0.426
37	0.263	0.416	0.263	0.416	0.239	0.416	0.239	0.416
38	0.256	0.406	0.256	0.406	0.232	0.406	0.232	0.406
39	0.249	0.397	0.249	0.397	0.225	0.397	0.225	0.397
40	0.242	0.387	0.242	0.387	0.219	0.387	0.219	0.387
41	0.236	0.378	0.236	0.378	0.213	0.378	0.213	0.378
42	0.229	0.369	0.229	0.369	0.207	0.369	0.207	0.369
43	0.223	0.361	0.223	0.361	0.201	0.361	0.201	0.361
44	0.217	0.352	0.217	0.352	0.196	0.352	0.196	0.352
45	0.211	0.344	0.211	0.344	0.191	0.344	0.191	0.344

Note:

Where the number of years from retirement to NPA is not an integer, the reduction factor should be interpolated for part years (we have not specified a method of interpolation. Our understanding is that interpolation using actual days is currently used and we can confirm that the factors above can be interpolated in this manner).

We have included a factor for 0 years until NPA at date of retirement. This factor has been provided to enable the relevant ill-health early retirement factor to be calculated for a member retiring within 12 months of NPA. This factor will enable the administrator to interpolate between the 0 years and 1 year factors for the relevant number of months that the member retires early.



Table B2: Reduction to pension (or lump sum) offset on retirement in normal health before NPA

The factors used to reduce members' pensions and lump sums on early retirement in normal health should also be used to reduce pension and lump sum offsets when the member retires early in normal health. These factors are contained in our guidance note on *PCSPS (NI): early and late retirement factors* dated 20 April 2015. The guidance on how to apply these factors for members' pensions and lump sums should be followed in the same way when applying them for pension and lump sum offsets.



Table C1(Table 611 in consolidated factors spreadsheet): Increases to pension and lump sum offset for retirement after NPA

Years after NPA at date of retirement	NPA 60 Pension Factor	NPA 60 Lump Sum Factor	NPA 65 Pension Factor	NPA 65 Lump Sum Factor
0	1.000	1.000	1.000	1.000
1	1.052	1.024	1.058	1.024
2	1.108	1.049	1.122	1.049
3	1.169	1.074	1.192	1.074
4	1.235	1.100	1.269	1.100
5	1.306	1.126	1.354	1.126
6	1.384	1.153	1.448	1.153
7	1.470	1.181	1.552	1.181
8	1.563	1.209	1.666	1.209
9	1.665	1.238	1.793	1.238
10	1.777	1.268	1.933	1.268
11	1.901	1.298	2.088	1.298
12	2.038	1.329	2.261	1.329
13	2.190	1.361	2.453	1.361
14	2.359	1.394	2.666	1.394
15	2.547	1.427	2.902	1.427

Note:

1. Where the Calculation Date for the offset is after the member's NPA, the relevant late retirement increase should be calculated by dividing the factor at the member's actual retirement age by the factor at the member's age on the Calculation Date. For example, if a member with a NPA of 65 incurs one pension offset when they are 55 and another when they are 67 and retires when they are 69, the two offsets will have different late retirement increases applied. The first offset should have a late retirement increase of 1.269 applied, and the second offset should have a late retirement increase of $1.269 / 1.122 = 1.131$ applied.
2. Where the number of years from NPA to retirement is not an integer, the factors from the above table should be interpolated for part years (we have not specified a method of interpolation. Our understanding is that interpolation using actual days is currently used and we can confirm that the factors above can be interpolated in this manner).



Table D1(Table 612 in consolidated factors spreadsheet): Scheme pays factors where the member has already retired in normal health

Age last birthday	Male Factor	Female Factor
50	24.35	24.35
51	23.92	23.92
52	23.48	23.48
53	23.04	23.04
54	22.58	22.58
55	22.12	22.12
56	21.65	21.65
57	21.18	21.18
58	20.69	20.69
59	20.20	20.20
60	19.70	19.70
61	19.19	19.19
62	18.67	18.67
63	18.15	18.15
64	17.62	17.62
65	17.07	17.07
66	16.49	16.49
67	15.92	15.92
68	15.34	15.34
69	14.76	14.76
70	14.19	14.19
71	13.61	13.61
72	13.03	13.03
73	12.45	12.45
74	11.87	11.87
75	11.29	11.29



Table D2(Table 613 in consolidated factors spreadsheet): Scheme pays factors where the member has already retired in ill health

Age last birthday	Male Factor	Female Factor
20	33.74	33.74
21	33.52	33.52
22	33.30	33.30
23	33.07	33.07
24	32.83	32.83
25	32.58	32.58
26	32.34	32.34
27	32.08	32.08
28	31.82	31.82
29	31.55	31.55
30	31.28	31.28
31	31.00	31.00
32	30.71	30.71
33	30.42	30.42
34	30.12	30.12
35	29.81	29.81
36	29.50	29.50
37	29.18	29.18
38	28.85	28.85
39	28.52	28.52
40	28.18	28.18
41	27.83	27.83
42	27.48	27.48
43	27.11	27.11
44	26.74	26.74
45	26.37	26.37
46	25.98	25.98
47	25.58	25.58
48	25.18	25.18
49	24.77	24.77
50	24.35	24.35
51	23.92	23.92
52	23.48	23.48
53	23.04	23.04
54	22.58	22.58
55	22.12	22.12
56	21.65	21.65
57	21.18	21.18
58	20.69	20.69
59	20.20	20.20
60	19.70	19.70
61	19.19	19.19
62	18.67	18.67
63	18.15	18.15
64	17.62	17.62
65	17.07	17.07
66	16.49	16.49
67	15.92	15.92
68	15.34	15.34
69	14.76	14.76
70	14.19	14.19
71	13.61	13.61
72	13.03	13.03
73	12.45	12.45
74	11.87	11.87
75	11.29	11.29



Appendix A: Assumptions underlying factors

Financial assumptions

Nominal discount rate	4.856% pa
CPI	2.00% pa

Mortality assumptions

Base mortality tables	S2NMA and S2NFA
Base table adjustment	Member: 110% of S2NMA for males and 104% of S2NFA for females Dependants: 124% of S2NMA for males and 100% of S2DFA for females (as per 2016 valuation)
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

Other assumptions

Proportion of male members for the purpose of unisexing factors	50%
Age difference between member and partner	Males assumed to be 3 years older than partner and females assumed to be 2 years younger than partner
Proportions partnered	Classic: 68% (male) and 50% (female) at retirement. Non-Classic: 73% (male) and 50% (female) at retirement
Allowance for commutation	Nil except for mandatory lump sum cases



Appendix B: Limitations of this guidance

- B.1** This guidance should not be used for any purpose other than those set out in this guidance.
- B.2** The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- B.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.
- B.4** This guidance only covers the actuarial principles around the calculation and application of annual allowance scheme pays offset factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- B.5** Scheme managers and administrators should satisfy themselves that annual allowance scheme pays offset calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- B.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 DoF and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.