



## Civil Service and Others Pension Scheme (Northern Ireland)

Annual Allowance charges: Factors for the calculation of  
pension offsets in the alpha scheme

Date: 27 August 2019





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## 1 Introduction

- 1.1 This note is addressed to the Department of Finance (DoF) as scheme manager of the Civil Service and Others Pension Scheme (Northern Ireland) (or the **alpha** scheme). The **alpha** scheme was established by The Public Service (Civil Servants and Others) Pensions Regulations (Northern Ireland) 2014 (the 'Regulations') and came into force on 1 April 2015.
- 1.2 The purpose of this note is to provide DoF with the factors to be used when calculating a reduction to benefits ('pension offset') in the **alpha** scheme following an election by a member of the **alpha** pension scheme for an annual allowance charge to be met by the scheme (known as 'scheme pays').
- 1.3 This guidance is intended to supersede any advice previously issued, for the purposes of annual allowance scheme pays offset calculations. No advice or factors issued in the past should be used for cases after this date. In particular, this guidance supersedes:
- “Civil Service (and Others) Pension Scheme (Northern Ireland) - Annual Allowance charges: Factors for the calculation of pension offsets in the alpha scheme” dated 3 January 2017.
- 1.4 This note does not cover the method for determining the amount of any Annual Allowance charge.

### Scheme Regulations

Regulation 174 of the Regulations states that where a member elects to use scheme pays, benefits should be 'reduced by the scheme manager' and that 'the reduction of benefits must fully reflect the amount paid by the scheme manager; and must be consistent with normal actuarial practice'. We have interpreted this as saying that the scheme manager is responsible for the calculation of the pension offsets (and for producing the factors used in that calculation) having taken advice from the scheme actuary.

### Assumptions

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

### Implementation

- 1.7 We understand scheme pays reduction factors are the responsibility of the scheme manager. These factors will come into force with effect from 1 April 2019.



### Cases not covered by this note

- 1.8 This note relates only to the calculation of annual allowance pension offsets in the **alpha** scheme. Separate guidance was issued covering the calculation of annual allowance pension offsets in the **classic**, **premium**, **nuvos** and **classic plus** sections of the Principal Civil Service Pension Scheme (Northern Ireland).
- 1.9 Separate guidance has been issued on the reduction of pensions to cover lifetime allowance (LTA) charges in the **alpha** scheme.
- 1.10 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 note.
- 1.11 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

- 1.12 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.
- 1.13 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the CSOPS Pension Scheme (Northern Ireland). Any questions concerning the application of the guidance should, in the first instance, be referred to the DoF.
- 1.14 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.
- 1.15 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.
- 1.16 Any special cases that are not covered by this guidance should be treated on a case by case basis.

### Third Party Reliance

- 1.17 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 Cabinet Office 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.



- 1.18 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 Annual Allowance – Scheme Pays Mechanism

### Introduction

- 2.1 This section sets out the method and instructions for calculating the pension offset applied to a member who incurs an Annual Allowance charge and elects to utilise the scheme pays mechanism to meet this charge. 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.
- 2.2 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.
- 2.3 From the 2016/17 financial year onwards, the Pension Input Period used by PSCPS has been aligned to financial year i.e. the last day of the PIP is now 31 March each year.
- 2.4 Prior to the 2016/17 financial year, the Minister had some discretion over the setting of the calculation date for Pension Input periods. However, following the Government's decision to require schemes to align pension input periods on 8 July 2015, transitional rules applied for pension input periods ending in the tax year 2015-16.
- All pension input periods open on 8 July 2015 will end on 8 July 2015. The next pension input period will be 9 July 2015 to 5 April 2016 for these arrangements. This means that CSOPS (NI) had 2 pension input periods ending in tax year 2015-16.
  - All future pension input periods were then aligned with the tax year.
- 2.5 For more information regarding the calculation of historic pension input periods, please consult:
- *Pensions technical note: transitional provisions for aligning pension input periods*<sup>1</sup>.

And

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<sup>1</sup> <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>



- the previous version of this guidance note "*Civil Service (and Others) Pension Scheme (Northern Ireland) - Annual Allowance charges: Factors for the calculation of pension offsets in the alpha scheme*" dated 3 January 2017
- 2.6 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 requested that GAD provide guidance on how the scheme pays offset should be calculated for such cases. Please see paragraphs 2.29 to 2.31 for the relevant guidance.

### Calculation of the pension offset

- 2.7 The principle is that the pension offset acts like a negative deferred pension. The offset should be expressed as a deduction to the member's pension which is to be recovered from the member's normal pension age (NPA)<sup>2,3</sup>. The calculation will be carried out at the Calculation Date for the particular member. The calculation of the pension offset is:

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

Where:

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

**AAFAC** = the Annual Allowance scheme pays factor from Table A1, based on the member's gender, age and NPA at the Calculation Date. This table is included in Section 4 of this note. The factors in this table are copies of the member's pension factors used for (non-Club) cash equivalent transfer value (CETV) calculations and contained in our latest guidance *CSOPS: Factors for cash equivalent transfer values (CETVs) for alpha members*.

**REVAL** = the relevant revaluation factor from Table A2. The appropriate factor is the one corresponding to the number of 1<sup>st</sup> 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 1<sup>st</sup> Aprils should be assumed to be zero.

- 2.8 The pension payable to the member on retirement at NPA will be reduced by an amount equal to the member's pension offset.

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<sup>2</sup> Note that pension offset calculations are not affected by the purchase of EPA or EEPA. The offsets are always calculated as a deduction recovered from NPA. Adjustments on early, late and ill health retirement should be relative to the member's NPA.

<sup>3</sup> Normal pension age is defined as a member's state pension age (or 65, if that is higher) in the alpha section. For the purpose of this note, a member's expected NPA in the alpha section is the same as their state pension age as set out in The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014, as subsequently amended –

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/411287/HMT\\_Directions\\_9\\_Mar\\_2015.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/411287/HMT_Directions_9_Mar_2015.pdf)

[As at the date of this guidance, there have been no amendments made to paragraph 18 of the HMT directions which set out the assumptions for State Pension Age.](#)



- 2.9 Administrators should store the offset calculated above with the Calculation Date on the member's record. Where a member has multiple pension offsets, they should be recorded separately.
- 2.10 The pension offset 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. The pension offset should also have inflation increases applied following retirement (assumed to be in line with the normal increases to pensions in payment within the scheme, currently CPI).
- 2.11 If the pension is drawn before NPA, either as a result of early retirement or on grounds of ill health, then the pension offset should be reduced. This is because the offset is generally expected to be applied over a longer period than was assumed when calculating the original offset, so a lower amount should be deducted.
- 2.12 In the case of ill health retirement, the early retirement reduction factor can be found in Table B1 of Section 4. The appropriate factor will depend on the member's age, gender and NPA. In all other cases of retirement before NPA, an early retirement adjustment factor as outlined in Table B2 should be applied.
- 2.13 Where a member 'buys out' the early retirement adjustment to their pension, the pension offset should still be reduced.

Where a member retires after NPA the pension offset should be increased because the offset is expected to be applied over a shorter period than was assumed when calculating the original offset. The late retirement adjustment factors in Table C1 of Section 4 should be used.

### **Contingent survivor benefits**

- 2.14 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.

### **Other benefits**

- 2.15 No offset will be applied to children's pensions.
- 2.16 No offset will be made to the lump sum payable to an active member who dies in service.
- 2.17 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.



- 2.18 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.
- 2.19 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.





### Adjusting benefit offsets on leaving

- 2.20 If the member leaves the scheme prior to receipt of their pension then the pension offset should be treated in the same way as a pension debit following divorce (except that the scheme pays offset applies to member benefits only). In particular, our understanding is that if the member leaves with a Club transfer then the scheme pays offset will be preserved in the receiving scheme.

### Adjusting benefit offsets at retirement

- 2.21 This section sets out the method and instructions for calculating the pension offset to be applied at the point of retirement. In many cases this could be several years after the pension offset was initially calculated.
- 2.22 The offset should be revalued to allow for inflation increases from the Calculation Date up to the April immediately before the date of retirement. If the pension is not drawn at NPA then the pension offset will need to be adjusted.
- 2.23 The pension offset to be applied if the member retires at NPA is as follows:

**Pension offset at retirement at NPA = Pension offset × INFL**

Where:

Pension Offset = as calculated in paragraph 2.7

INFL = PI Act (Pension Increases Act) multipliers between the Calculation Date and date of retirement.

- 2.24 The pension offset to be applied if the member retires before NPA is as follows:

**Pension offset at retirement before NPA = Pension offset × INFL × ERF**

Where:

Pension Offset = as calculated in paragraph 2.7

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

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



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

$$\text{Pension offset at retirement after NPA} = \text{Pension offset} \times \text{INFL} \times \text{LRF}$$

Where:

Pension Offset = as calculated in paragraph 2.7

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

LRF = the relevant factor in Table C1. Note that the LRF will be different for offsets incurred before and after NPA. Further detail is given below Table C1 in section 4.

### **Additional guidance for certain specific circumstances**

#### **2.26 Interaction between Annual Allowance and scheme pays Lifetime Allowance (“LTA”) charges**

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.

#### **2.27 Multiple Annual Allowance and scheme pays offsets**

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 above.

### **Calculating the offset when the member has already retired**

2.28 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 has requested that GAD provide guidance on how the scheme pays offset should be calculated for such cases.



2.29 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 where the member retired in normal health.
- Table D2 where 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 regardless of the member's NPA. Tables D1 and D2 are included in Section 4 of this note. The factors in these tables are copies of the 'gross pension' factors used to calculate pensioner cash equivalents in cases of divorce, as contained in our latest guidance *CSOPS: Cash equivalents for pension sharing on divorce: Factors and guidance for the alpha scheme*.

2.30 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.



### 3 Example Calculations

3.1 This section provides some examples of the calculations described by this note.

#### Example 1: Calculation of the pension offset

The following information is needed for this calculation:

A. Member's date of birth	23 September 1983
B. Tax year Annual Allowance charge is incurred	2019/20
C. Calculation Date (illustrative – see paragraph 2.1)	5 April 2021
D. Member's age (last birthday) at Calculation Date	37 years
E. Gender	Male
F. Tax charge	£4,000
G. NPA (illustrative)	68
H. 1 <sup>st</sup> Aprils between Calculation Date and NPA	30

From paragraph 3.2, the formula for calculating the pension offset is:

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

We have:

AATAX = £4,000 (from F.)

AAFAC = 4.31 (which is the scheme pays factor for a male member at age 37 with an NPA of 68, obtained from **Table A1**)

REVAL = 2.08 (which is the revaluation factor to use where there are 30 1<sup>st</sup> Aprils between Calculation Date and NPA, obtained from **Table A2**)

Substituting these values into the formula we get:

$$\text{Pension offset} = £4,000 \div (4.31 \times 2.08) = £446.19 \text{ pa}$$

This offset is recorded on the member's record with Calculation Date of 5 April 2017.

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 2: Member retiring at normal pension age in normal health, with pension offset

The following information is needed for this calculation:

A. Member date of birth	23 March 1955
B. Retirement date	23 March 2021
C. NPA (illustrative)	66
D. Member age at retirement	66
E. Gender	Male
F. Member's pension before offset (including inflation increases to retirement date)	£30,000.00 pa
G. Pension offset for tax charge in 2016/17 (as calculated at the Calculation Date)	£450.00 pa
H. PI Act multiplier from 2016/17 pension offset Calculation Date (5 April 2017) to retirement. (The Calculation Date here is illustrative – see paragraph 2.1. The 1.075 multiplier is also an illustrative amount representing inflation of 7.5% between the Calculation Date and retirement. Actual inflation will be different.)	1.075

From paragraph 4.2, the formula for calculating the pension offset at retirement is:

$$\text{Pension offset on retirement at NPA} = \text{Pension Offset} \times \text{INFL}$$

We have:

Pension offset = £450.00 (from G.)

INFL = 1.075 (from H.)

Substituting these values into the formula we get:

$$\begin{aligned} \text{Adjusted pension offset} &= £450.00 \times 1.075 \\ &= £483.75 \text{ pa} \end{aligned}$$

The pension to be implemented is the full pension (£30,000.00 pa from F.) less the pension offset at the retirement age. Therefore the pension to be implemented is:

$$\begin{aligned} &= £30,000 - £483.75 \\ &= \mathbf{£29,516.25 \text{ pa}} \end{aligned}$$

The pension offset will have no impact on the surviving partner's pension payable on the member's death.



## 4 Tables of factors

Table A1 (Table 601 in consolidated factors spreadsheet): Alpha scheme pays factors - all NPAs

Age last birthday	Male NPA 65 factor	Female NPA 65 factor	Male NPA 66 factor	Female NPA 66 factor	Male NPA 67 factor	Female NPA 67 factor	Male NPA 68 factor	Female NPA 68 factor
17	2.39	2.39	2.23	2.23	2.07	2.07	1.93	1.93
18	2.49	2.49	2.32	2.32	2.16	2.16	2.00	2.00
19	2.59	2.59	2.41	2.41	2.25	2.25	2.09	2.09
20	2.70	2.70	2.51	2.51	2.34	2.34	2.17	2.17
21	2.81	2.81	2.62	2.62	2.43	2.43	2.26	2.26
22	2.93	2.93	2.73	2.73	2.53	2.53	2.35	2.35
23	3.05	3.05	2.84	2.84	2.64	2.64	2.45	2.45
24	3.18	3.18	2.96	2.96	2.75	2.75	2.55	2.55
25	3.31	3.31	3.08	3.08	2.86	2.86	2.66	2.66
26	3.45	3.45	3.21	3.21	2.98	2.98	2.76	2.76
27	3.59	3.59	3.34	3.34	3.10	3.10	2.88	2.88
28	3.74	3.74	3.48	3.48	3.23	3.23	3.00	3.00
29	3.89	3.89	3.62	3.62	3.36	3.36	3.12	3.12
30	4.05	4.05	3.77	3.77	3.50	3.50	3.25	3.25
31	4.22	4.22	3.93	3.93	3.65	3.65	3.38	3.38
32	4.40	4.40	4.09	4.09	3.80	3.80	3.52	3.52
33	4.58	4.58	4.26	4.26	3.95	3.95	3.66	3.66
34	4.77	4.77	4.43	4.43	4.12	4.12	3.81	3.81
35	4.97	4.97	4.62	4.62	4.29	4.29	3.97	3.97
36	5.18	5.18	4.81	4.81	4.46	4.46	4.14	4.14
37	5.39	5.39	5.01	5.01	4.65	4.65	4.31	4.31
38	5.62	5.62	5.22	5.22	4.84	4.84	4.48	4.48
39	5.85	5.85	5.44	5.44	5.04	5.04	4.67	4.67
40	6.10	6.10	5.66	5.66	5.25	5.25	4.86	4.86
41	6.35	6.35	5.90	5.90	5.47	5.47	5.06	5.06
42	6.62	6.62	6.15	6.15	5.70	5.70	5.27	5.27
43	6.90	6.90	6.41	6.41	5.94	5.94	5.49	5.49
44	7.19	7.19	6.67	6.67	6.19	6.19	5.72	5.72



**Table A1: Alpha scheme pays factors - all NPAs (continued)**

Age last birthday	Male NPA 65 factor	Female NPA 65 factor	Male NPA 66 factor	Female NPA 66 factor	Male NPA 67 factor	Female NPA 67 factor	Male NPA 68 factor	Female NPA 68 factor
45	7.50	7.50	6.96	6.96	6.44	6.44	5.96	5.96
46	7.81	7.81	7.25	7.25	6.72	6.72	6.21	6.21
47	8.14	8.14	7.56	7.56	7.00	7.00	6.47	6.47
48	8.49	8.49	7.87	7.87	7.29	7.29	6.74	6.74
49	8.85	8.85	8.21	8.21	7.60	7.60	7.03	7.03
50	9.23	9.23	8.56	8.56	7.92	7.92	7.32	7.32
51	9.63	9.63	8.92	8.92	8.26	8.26	7.63	7.63
52	10.04	10.04	9.31	9.31	8.61	8.61	7.96	7.96
53	10.47	10.47	9.71	9.71	8.98	8.98	8.30	8.30
54	10.93	10.93	10.12	10.12	9.37	9.37	8.65	8.65
55	11.40	11.40	10.56	10.56	9.77	9.77	9.02	9.02
56	11.90	11.90	11.02	11.02	10.20	10.20	9.41	9.41
57	12.43	12.43	11.51	11.51	10.64	10.64	9.82	9.82
58	12.98	12.98	12.02	12.02	11.11	11.11	10.26	10.26
59	13.56	13.56	12.55	12.55	11.60	11.60	10.71	10.71
60	14.17	14.17	13.12	13.12	12.12	12.12	11.18	11.18
61	14.81	14.81	13.71	13.71	12.67	12.67	11.68	11.68
62	15.49	15.49	14.33	14.33	13.24	13.24	12.21	12.21
63	16.20	16.20	14.99	14.99	13.85	13.85	12.77	12.77
64	16.96	16.96	15.69	15.69	14.49	14.49	13.36	13.36
65	17.07	17.07	16.43	16.43	15.17	15.17	13.98	13.98
66	16.49	16.49	16.52	16.52	15.89	15.89	14.65	14.65
67	15.92	15.92	15.94	15.94	15.97	15.97	15.35	15.35
68	15.34	15.34	15.36	15.36	15.38	15.38	15.42	15.42
69	14.76	14.76	14.77	14.77	14.79	14.79	14.82	14.82
70	14.19	14.19	14.19	14.19	14.20	14.20	14.22	14.22
71	13.61	13.61	13.61	13.61	13.61	13.61	13.62	13.62
72	13.03	13.03	13.03	13.03	13.03	13.03	13.03	13.03
73	12.45	12.45	12.45	12.45	12.45	12.45	12.45	12.45
74	11.87	11.87	11.87	11.87	11.87	11.87	11.87	11.87
75	11.29	11.29	11.29	11.29	11.29	11.29	11.29	11.29



**Table A2 (Table 602 in consolidated factors spreadsheet): Alpha revaluation factors**

<b>Number of 1 Aprils between Calculation Date and NPA</b>	<b>Factor</b>
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

Years until NPA at date of retirement	Male NPA 60 - Pension Factor	Male NPA 60 - Lump Sum Factor	Female NPA 60 - Pension Factor	Female NPA 60 - Lump Sum Factor	Male NPA 65 - Pension Factor	Male NPA 65 - Lump Sum Factor	Female NPA 65 - Pension Factor	Female NPA 65 - 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
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 for PCSPS factors and we can confirm that the factors above can be interpolated in this manner).

Similarly where the NPA is not an exact integer the reduction factor should be interpolated between the integer NPAs above and below. For example, a member taking ill health retirement 5.5 years before an NPA of 66.5. First calculate the reduction for 5.5 years early and an NPA of 66 by interpolating the 5 and 6 years early NPA 66 factors. Do the same to calculate the 5.5 years early reduction for NPA 67. Then interpolate the two new factors you've calculated to give a 5.5 years early NPA 66.5 factor.

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 offset on retirement in normal health before NPA**

The factors used to reduce standard earned pension on early retirement in normal health should also be used to reduce pension offsets. These factors are contained in our guidance note *Public Service (Civil Servants and Others) Pension Scheme (Northern Ireland) (Alpha Scheme): Factors for Early Payment Reduction (normal health) and Age Addition* dated 24 April 2015. The guidance on how to apply these factors for standard earned pension should be followed in the same way when applying them for pension offsets.



**Table C1 (Table 611 in consolidated factors spreadsheet): Increases to pension 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 pension 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 reduction factor 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 for PCSPS (NI) factors and we can confirm that the factors above can be interpolated in this manner).



**Table D1 (Table 605 in consolidated factors spreadsheet): Pensioner members (normal health) – Scheme pays factors – All NPAs**

<b>Age last birthday</b>	<b>Male</b>	<b>Female</b>
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	17.08	17.08
66	16.54	16.54
67	15.99	15.99
68	15.42	15.42
69	14.82	14.82
70	14.22	14.22
71	13.62	13.62
72	13.03	13.03
73	12.45	12.45
74	11.87	11.87
75	11.29	11.29
76	10.72	10.72
77	10.16	10.16
78	9.59	9.59
79	9.04	9.04
80	8.50	8.50



**Table D2 (Table 606 in consolidated factors spreadsheet): Pensioner members (ill health) – Scheme pays factors – All NPAs**

Age last birthday	Male	Female	Age last birthday	Male	Female
20	33.74	33.74	50	24.35	24.35
21	33.52	33.52	51	23.92	23.92
22	33.30	33.30	52	23.48	23.48
23	33.07	33.07	53	23.04	23.04
24	32.83	32.83	54	22.58	22.58
25	32.58	32.58	55	22.12	22.12
26	32.34	32.34	56	21.65	21.65
27	32.08	32.08	57	21.18	21.18
28	31.82	31.82	58	20.69	20.69
29	31.55	31.55	59	20.20	20.20
30	31.28	31.28	60	19.70	19.70
31	31.00	31.00	61	19.19	19.19
32	30.71	30.71	62	18.67	18.67
33	30.42	30.42	63	18.15	18.15
34	30.12	30.12	64	17.62	17.62
35	29.81	29.81	65	17.08	17.08
36	29.50	29.50	66	16.54	16.54
37	29.18	29.18	67	15.99	15.99
38	28.85	28.85	68	15.42	15.42
39	28.52	28.52	69	14.82	14.82
40	28.18	28.18	70	14.22	14.22
41	27.83	27.83	71	13.62	13.62
42	27.48	27.48	72	13.03	13.03
43	27.11	27.11	73	12.45	12.45
44	26.74	26.74	74	11.87	11.87
45	26.37	26.37	75	11.29	11.29
46	25.98	25.98	76	10.72	10.72
47	25.58	25.58	77	10.16	10.16
48	25.18	25.18	78	9.59	9.59
49	24.77	24.77	79	9.04	9.04
			80	8.50	8.50



## Appendix A: Assumptions underlying factors

### Financial assumptions

Nominal discount rate	4.856% pa
CPI	2.00% pa
Real discount rate (in excess of CPI)	2.40% 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 106% 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



## 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 pension 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 pension 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.