



Government Actuary's Department

Health and Social Care Pension Scheme 2015

Partial Retirement for members within 10 years of Normal Pension Age

Factors and guidance

Version 1.0

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1 Introduction

- 1.1 This Note is addressed to the HSC as administrator of the Health and Social Care Pension Scheme 2015 ('HSCPS 2015'). It sets out our advice in relation to the calculation of benefits due to members on request for partial retirement.
- 1.2 This document relates to regulations 83 to 88 of the HSCPS 2015 Regulations¹ ("the Regulations").
- 1.3 This document provides guidance for members entitled to benefits from the HSCPS 2015 or to benefits from both the Health and Social Care Pension Scheme ('HSCPS') and HSCPS 2015. A separate document covers benefits for member entitled only to benefits from the HSCPS. This document should not be used members with benefits only in the HSCPS.
- 1.4 Section 3 of this document includes guidance for members with benefits in both the HSCPS and HSCPS 2015. The provisions for such members are included in SR 2015/122 Regulation 31 which cover the transitional provisions for members with benefits in both the HSCPS and HSCPS 2015. The term 'Regulations' is used generally in this note to refer to partial retirement provisions as they apply to members with benefits in either the HSCPS 2015 or in both the HSCPS and the HSCPS 2015.
- 1.5 The effective date of this guidance is 1 April 2015. The version number for this guidance is 1.0.

Implementation and review

- 1.6 This guidance should be used for all partial retirement cases with "option dates" on or after 1 April 2015.
- 1.7 The factors included in this document are all extracted from other related GAD guidance. These factors should be reconsidered in light of a review of the SCAPE discount rate, following each actuarial valuation where mortality, and other recent experience, is reviewed and if other relevant and credible evidence comes to light.
- 1.8 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 SR 2015/120



Limitations

- 1.9 The partial retirement regulations require the DHSSPS to seek advice from the scheme actuary in some circumstances. This guidance covers most cases where actuarial advice is required however the circumstances outlined in paragraphs 1.10 to 1.11 are not covered. If experience suggest guidance is appropriate for such contingencies these will be covered in future versions of the guidance.
- 1.10 Under Regulation 83(7) of SR 2015/120 the DHSSPS must take advice from the scheme actuary regarding:
- a) any benefits to be paid after the first election (but before the second election);
 - b) any benefits to be paid after a second election; and
 - c) the final payment.
- This note does not cover cases which may arise under a or b above (for example following a member's death, in the event of ill health or if a transfer value in relation to undrawn rights is requested). Calculation of the final payment (made on complete retirement from the Scheme) is covered in section 2.
- 1.11 This note does not cover:
- Determination of level of pension to be reinstated following abatement.



2 Partial Retirement

General information

- 2.1 Partial retirement allows members of the HSCPS 2015 to take part of their pension benefits on or after minimum pension age (currently age 55) whilst remaining in employment and accruing further benefits, subject to continuing to contribute to the Scheme². A member may request partial retirement on two separate occasions only, after which the remaining benefits must be taken in their entirety.

Conditions to exercise partial retirement option

- 2.2 A member may only request to exercise the partial retirement option if they satisfy the conditions under Regulation 83 of SR 2015/120.
- 2.3 To request partial retirement a member's pensionable earnings must reduce by at least 10% ie to become no more than 90% of their pensionable earnings in the 12 months ending on the "option date" (the date partial benefits become payable). A corresponding test must be applied at the second option date if applicable (with a requirement of at least a 10% reduction in the level of pensionable earnings in the 12 months ending on the second option date). Where a member has multiple employments (including concurrent officer and practitioner employments) the reduction in pay test is applied in aggregate across all employments. For practitioner members the regulations refer to 'level of engagement' rather than pensionable earnings. The term pensionable earnings is used throughout this document to refer to relative levels of remuneration pre and post option dates.

Restrictions of amount of benefits

- 2.4 In effect the member may access benefits equivalent to a proportion of the member's pension entitlement³ at the option date ("specified percentage"). The specified percentage must be sufficient so that the pension being claimed is not less than:
- The pension determined based on 20% of the member's total entitlement at the end of the option day, excluding any additional pension and before commutation of any pension, and
 - 0.05% of the member's lifetime allowance on the option day, where the pension considered includes any increase due to late retirement and is before any commutation of pension.
- 2.5 The retained deferred/accrued pension, excluding additional pension, must not be less than:
- The pension based on 20% of the member's total entitlement at the end of the "option day".

² The drawdown option relates only to benefits attributable to current pensionable service. Any unlinked benefits attributable to prior service are not included for partial retirement purposes.

³ Calculated as set out in Schedule 11 of the Regulations.



- 2.6 A member's election for partial retirement must state whether any additional pension (AP) entitlement is to become payable at the option date. If payment is requested all AP becomes payable from the option date with early or late payment adjustment as normal (including pro-rata adjustment for regular premium contracts which have not been completed).

Calculation of amount of benefit

- 2.7 The pension available at each option date is determined as follows. The calculations shown apply similarly at first and second option dates. The same principle applies for the final payment calculation with "specified percentage" meaning the remaining earnings still to be accessed at final retirement date.

Member aged less than normal pension age (NPA) at option date:

Pension = specified percentage x total pension entitlement x reduction factor

Member aged at least normal pension age (NPA) at option date:

Pension = specified percentage x total pension entitlement x increase factor

Where

Specified percentage has the same meaning as in paragraph 2.4.

Total pension entitlement means the member's entitlement as determined in accordance with Schedule 7 of SR 2015/120 (with exclusions for restriction purposes as set out in paragraph 2.4).

Reduction and increase factors are those applicable for the HSCPS 2015 (generally⁴ tables ERF1 and LRF1 of HSCPS 2015: Voluntary Early and Late retirements in normal health). At NPA the factor is 1. Note any late retirement addition should be applied to all pension. For members with ERRBO contracts the reduction and increase factors should be based on the period away from the members RRA (see guidance note).

- 2.8 AP should be added (with the appropriate adjustment) if the member opts for payment from the option date.
- 2.9 Dependant pensions and commutation options should be determined in the normal way based on the proportion of benefits taken.

Record keeping

- 2.10 On exercise of the partial retirement option, a new pensioner record is set up in respect of that part of the member's scheme pension taken at the election date, while the active (or deferred) member record is amended to reflect the fact that part of the member's pension has been taken. This should be recorded as a pension debit on the member's deferred/active record. The pension debit should be deemed to apply first to entitlement with the largest adjustment for payment not at NPA (ie lowest RRA for members with an ERRBO contract for some or all service).

⁴ Other factor tables may be relevant for members with AP



2.11 A partial retirement member therefore has 2 records:

- A pensioner record in respect of the service taken on partial retirement, and
- A deferred or active member record in respect of the pension retained in the scheme. Further pension would accrue as usual for active members taking partial retirement and continuing to pay contributions.

Abatement

- 2.12 Abatement provisions apply where a member's pensionable earnings (over all employments, including any entered into after the option date) subsequently increase to over 90% of pensionable earnings in the 12 months ending with the option date. In this case the partial retirement pension in payment is abated to zero.
- 2.13 On subsequent reduction in the member's pensionable earnings to less than 90% of their pensionable earnings in the 12 months preceding the option day, then the partial retirement pension is reinstated in full. Please refer such cases to GAD for determination of the amount of pension to be paid on reinstatement.

3 Transitional members with entitlement in HSCPS and HSCPS 2015

- 3.1 For members with entitlement in both the 2008 section of the HSCPS and HSCPS 2015 an application for partial retirement is deemed to apply to entitlement in both schemes. Benefits from the HSCPS 2015 may not be accessed until benefits from the 2008 section have been exhausted.

Conditions to exercise partial retirement option

- 3.2 The criteria for accessing benefits as set out in paragraphs 2.2 and 2.3 apply regardless of which scheme pension entitlement is provided from.

Restrictions of amount of benefits

- 3.3 The restrictions on accessing benefits as set out in paragraphs 2.4 to 2.5 should be applied to the aggregate entitlement from both the HSCPS and HSCPS 2015. The specified percentage must be sufficient so that the pension being claimed is not less than:
- The pension determined based on 20% of the member's total entitlement from the 2008 section and HSCPS 2015 at the end of the option day, excluding any additional pension and before commutation of any pension, and
 - 0.05% of the member's lifetime allowance on the option day, where the pension considered includes any increase due to late retirement and is before any commutation of pension.
- 3.4 The retained deferred/accrued pension, excluding additional pension, in aggregate for both the 2008 section and HSCPS 2015 must not be less than:
- The pension based on 20% of the member's total entitlement from both the 2008 section and the HSCPS 2015 at the end of the "option day".
- 3.5 A member's election for partial retirement must state whether any additional pension (AP) entitlement is to become payable at the option date. If payment is requested all AP becomes payable⁵ from the option date with early or late payment adjustment as normal (including pro-rata adjustment for regular premium contracts which have not been completed).

Calculation of amount of benefit

- 3.6 The pension available at each option date, and the source of pension where undrawn benefits remain in the 2008 section, should be determined as follows.
- 3.7 Step 1 – determine pension amount payable from 2008 section and HSCPS 2015 by accessing specified percentage.

⁵ Except where only 2008 section benefits are being drawn then HSCPS 2015 AP can be retained



2008 section – determine pension in accordance with paragraphs 2.10 and 2.11 of HSCPS: Partial retirement guidance for “specified percentage” chosen [PEN08]

HSCPS 2015 – determine pension in accordance with paragraphs 2.7 and 2.8 of this document for “specified percentage” chosen [PEN15]

3.8 Step 2 – determine total amounts available from the 2008 section and HSCPS 2015

2008 section – determine pension in accordance with paragraphs 2.10 and 2.11 of HSCPS: Partial retirement guidance but set “specified percentage” to 100% [TPEN08]

HSCPS 2015 – determine pension in accordance with paragraphs 2.7 and 2.8 of this document but set “specified percentage” to 100% [TPEN15]

3.9 Step 3 – determine source of drawdown

3.10 A: If $TPEN08 \geq (PEN08 + PEN15)$ all draw down is from 2008 section

The effective specified percentage in the 2008 section and the amount of pensionable service drawn down and retained should be determined as follows:

Effective specified percentage in the 2008 section

$$= (PEN08 + PEN15) / TPEN08$$

Pensionable service drawn down

$$= \text{effective specified percentage} \times \text{2008 section pensionable service}$$

Pensionable service retained

$$= \text{2008 section pensionable service} - \text{drawn down service}$$

Once the above has been determined the HSCPS partial retirement guidance should be applied as normal with ‘effective specified percentage’ being used in place of actual specified percentage and pensionable service recorded as above.

In this case HSCPS 2015 retained benefits are unaffected by the draw down.

3.11 B: If $TPEN08 < (PEN08 + PEN15)$ all 2008 section benefits are drawn down (effective specified percentage for that scheme is 100%) together with some HSCPS 2015 benefits.

The effective specified percentage in the HSCPS 2015 pension taken should be determined as follows:

Effective specified percentage in the HSCPS 2015

$$= (PEN08 + PEN15 - TPEN08) / TPEN15$$



HSCPS 2015 pension drawn down

= effective specified percentage x HSCPS 2015 pension x reduction factor⁶

HSCPS 2015 pension retained

= Total HSCPS 2015 pension x (1 – effective specified percentage)

Once the above has been determined the HSCPS 2015 partial retirement guidance should be applied as normal with 'effective specified percentage' being used in place of actual specified percentage and pensionable service recorded as above.

In this case 2008 section benefits are taken in full and in effect represent the final payment in accordance with the partial retirement regulations.

Record keeping

- 3.12 On exercise of the partial retirement option, a new pensioner record is set up in respect of that part of the member's scheme pension taken at the option date (in one or both scheme depending on where drawn down benefits are taken from), while the active (or deferred⁷) member record is amended to reflect the fact that part of the member's pension/service has been taken (again for one or both schemes depending on the drawdown). This should be recorded as a pension/service debit on the member's deferred/active record. The conventions for first source of drawdown (earliest service in 2008 section and lowest RRA (if applicable) for HSCPS 2015) should be applied as normal.
- 3.13 A partial retirement transitional member therefore potentially has 3 records:
- A pensioner record in respect of the service taken on partial retirement, from at least the 2008 section, and
 - A deferred or active member record in respect of the pension/service retained (in at least the HSCPS 2015. Further pension would accrue as usual for active members taking partial retirement and continuing to pay contributions.

Abatement

- 3.14 Abatement provisions apply to benefits drawn from either scheme where a member's pensionable earnings (over all employments, including any entered into after the option date) subsequently increase to over 90% of pensionable earnings in the 12 months ending with the option date. In this case the partial retirement pension in payment is abated to zero. Where pay subsequently reduces below 90% please refer to GAD to determine the amount of pension to be reinstated.

⁶ Or increase factor for retirements after NPA

⁷ If member contributions cease other than due to reaching service limits



4 Examples

A. HSCPS 2015 Early retirement – 2 option dates and final payment

Individual Data

Date of birth	1 June 1963
NPA	67
Option date 1	4 June 2026
AP to be taken (fully paid up)	Yes
AP at option date	£750 pa
Pensionable earnings in 12 months to option date ¹	£35,000
Pensionable earnings after option date 1	£30,000 (86% of pre-option pay)
Member's pension at option date 1	£15,000
Specified percentage	25%
Age at option date 1	63 years and 0 months
ERF1	0.807

Option date 1

Scheme pension payable at option date 1 = specified percentage x member's pension x reduction factor

$$= 0.25 \times 15,000 \times 0.807 = \text{£3,026 pa (before commutation)}$$

$$\text{AP from option date} = 750 \times 0.807 = \text{£605 pa}$$

$$\text{Total pension at option date} = 3,026 + 605 = \text{£3,631 pa (before commutation)}$$

Check at least 0.05% of lifetime allowance (using 2015/16 LTA):

$$\text{Minimum is } 0.05/100 \times 1.25\text{m} = \text{£625 pa}$$

Remaining member pension for active record is $(1 - 25\%) \times 15,000 = \text{£11,250 pa}$
(Check at least 20% of total pension of £15,000)

Option date 2

Option date 2	4 June 2027
Pensionable earnings in 12 months to option date ²	£30,000
Pensionable earnings after option date 2	£25,000 (83% of pre-option pay)
Member's pension at option date 2	£13,000
Specified percentage	25%
Age at option date 2	64 years and 0 months
ERF1	0.849

Scheme pension payable at option date 2

$$= 0.25 \times 13,000 \times 0.849 = \text{£2,759 pa (before commutation)}$$

No AP

$$\text{Satisfies minimum of } 0.05\% \text{ of lifetime allowance (using 2015/16 LTA)} = \text{£625 pa}$$

Remaining member pension for active record is $(1 - 25\%) \times 13,000 = \text{£9,750 pa}$
(Check at least 20% of total pension of £13,000)



Final payment

Retirement date	4 June 2030
Member's pension at retirement date	£12,000
Age at retirement date	67 years and 0 months

Scheme pension payable at retirement date
= **£12,000 pa** (before commutation)



B. HSCPS 2015 Early retirement with an ERRBO contract

Individual Data

Date of birth	1 June 1963
NPA	67
RRA for ERRBO	66
Option date 1	4 June 2026
AP to be taken (fully paid up)	Yes
AP at option date	£750 pa
Pensionable earnings in 12 months to option date 1	£35,000
Pensionable earnings after option date 1	£30,000 (86% of pre-option pay)
Member's pension at option date 1	£15,000
Pension accrued whilst ERRBO in place	£1,500 (10%)
Specified percentage	25%
Age at option date 1	63 years and 0 months
ERF1 (for NPA)	0.807
ERF1 (for RRA)	0.849

Option date 1

Convention is to take pension with lowest reduction/highest increase first

Scheme pension payable at option date 1 = specified percentage x member's pension x reduction factor

$$= 0.10 \times 15,000 \times 0.849 + 0.15 \times 15,000 \times 0.807 = £3,089 \text{ pa (before commutation)}$$

$$\text{AP from option date} = 750 \times 0.807 = £605 \text{ pa}$$

$$\text{Total pension at option date} = 3,089 + 605 = \mathbf{£3,694 \text{ pa (before commutation)}}$$

Check at least 0.05% of lifetime allowance (using 2015/16 LTA):

$$\text{Minimum is } 0.05/100 \times 1.25\text{m} = £625 \text{ pa}$$

Remaining member pension for active record is $(1 - 25\%) \times 15,000 = \mathbf{£11,250 \text{ pa}}$
(Check at least 20% of total pension of £15,000)

Final payment

Retirement date	4 June 2028
Member's pension at retirement date	£13,000
Age at retirement date	65 years and 0 months
ERF1 (for NPA)	0.896

[assuming ERRBO ceased at option date 1]

Scheme pension payable at retirement date

$$= 13,000 \times 0.896 = \mathbf{£11,648 \text{ pa (before commutation)}}$$



C. Transitional member (all 2008 section drawn down)

Individual Data

Date of birth	1 June 1963
Option date 1	4 June 2026
Pensionable earnings in 12 months to option date 1	£35,000
Pensionable earnings after option date 1	£30,000 (86% of pre-option pay)
Reckonable pay at option date 1	£34,000
Specified percentage	25%
2008 section pensionable service	10 years
No MLS	
2015 scheme pension at option date 1	£10,000
Age at option date 1	63 years
ERF2 (2008 section) (2 years' early)	0.900
ERF1 (HSCPS 2015) (4 years' early)	0.807

Option date 1

Step 1 – determine pension amount payable from 2008 section and HSCPS 2015 by accessing specified percentage.

2008 section – determine pension in accordance with paragraphs 2.10 and 2.11 of HSCPS: Partial retirement guidance for “specified percentage” chosen [PEN08]

$PEN08 = [\text{specified percentage} \times \text{pensionable service} \times \text{reckonable pay} \times \text{reduction factor}] \div 60$

$= [0.25 \times 10 \times 34,000 \times 0.900] \div 60 = \textbf{£1,275 pa}$ (before commutation)

HSCPS 2015 – determine pension in accordance with paragraphs 2.7 and 2.8 of this document for “specified percentage” chosen [PEN15]

$PEN15 = \text{specified percentage} \times \text{member's pension} \times \text{reduction factor}$

$= 0.25 \times 10,000 \times 0.807 = \textbf{£2,018 pa}$ (before commutation)

Step 2 – determine total amounts available from the 2008 section and HSCPS 2015

2008 section - determine pension in accordance with paragraphs 2.10 and 2.11 of HSCPS: Partial retirement guidance but set “specified percentage” to 100% [TPEN08]

$TPEN08 = [100\% \times \text{pensionable service} \times \text{reckonable pay} \times \text{reduction factor}] \div 60$

$= [1 \times 10 \times 34,000 \times 0.900] \div 60 = \textbf{£5,100 pa}$ (before commutation)

HSCPS 2015 - determine pension in accordance with paragraphs 2.7 and 2.8 of this document but set “specified percentage” to 100% [TPEN15]

$TPEN15 = 100\% \times \text{member's pension} \times \text{reduction factor}$

$= 1 \times 10,000 \times 0.807 = \textbf{£8,070 pa}$ (before commutation)



Step 3 – determine source of drawdown

$$\text{PEN08} + \text{PEN15} = 1,275 + 2,018 = \textbf{£3,293 pa} (<\text{TPEN08})$$

As $\text{PEN08} + \text{PEN15} < \text{TPEN08}$ all drawdown comes from 2008 section.

$$\begin{aligned} &\text{Determine effective specified percentage in the 2008 section} \\ &= (\text{PEN08} + \text{PEN15}) / \text{TPEN08} \\ &= 3,293 / 5,100 = \textbf{64.6\%} \end{aligned}$$

$$\begin{aligned} &\text{Pensionable service drawn down} \\ &= \text{effective specified percentage} \times \text{2008 section pensionable service} \\ &= 64.6\% \times 10 = \textbf{6 years 168 days} \end{aligned}$$

$$\begin{aligned} &\text{Pensionable service retained} \\ &= \text{2008 section pensionable service} - \text{drawn down service} \\ &= 10 \text{ years} - 6 \text{ years 168 days} = \textbf{3 years 197 days} \end{aligned}$$

HSCPS 2015 retained benefits are unaffected by the drawdown.

$$\text{Total pension at option date 1} = \text{£3,293 pa} (= \text{£1,275} + \text{£2,018})$$



D. Transitional member (all 2008 section exhausted, some 2015 scheme draw down)

Individual Data

Date of birth	1 June 1963
Option date 1	4 June 2026
Pensionable earnings in 12 months to option date 1	£35,000
Pensionable earnings after option date 1	£30,000 (86% of pre-option pay)
Reckonable pay at option date 1	£34,000
Specified percentage	25%
2008 section pensionable service	3 years
No MLS	
2015 scheme pension at option date 1	£15,000
Age at option date 1	63 years
ERF2 (2008 section) (2 years' early)	0.900
ERF1 (HSCPS 2015) (4 years' early)	0.807

Option date 1

Step 1 – determine pension amount payable from 2008 section and HSCPS 2015 by accessing specified percentage.

2008 section – determine pension in accordance with paragraphs 2.10 and 2.11 of HSCPS: Partial retirement guidance for “specified percentage” chosen [PEN08]

$$\text{PEN08} = [\text{specified percentage} \times \text{pensionable service} \times \text{reckonable pay} \times \text{reduction factor}] \div 60$$

$$= [0.25 \times 3 \times 34,000 \times 0.900] \div 60 = \textbf{£383 pa}$$
 (before commutation)

HSCPS 2015 – determine pension in accordance with paragraphs 2.7 and 2.8 of this document for “specified percentage” chosen [PEN15]

$$\text{PEN15} = \text{specified percentage} \times \text{member's pension} \times \text{reduction factor}$$

$$= 0.25 \times 15,000 \times 0.807 = \textbf{£3,026 pa}$$
 (before commutation)
[Note 0.05% x LTA minimum applies in aggregate so permissible]

Step 2 – determine total amounts available from the 2008 section and HSCPS 2015

2008 section - determine pension in accordance with paragraphs 2.10 and 2.11 of HSCPS: Partial retirement guidance but set “specified percentage” to 100% [TPEN08]

$$\text{TPEN08} = [100\% \times \text{pensionable service} \times \text{reckonable pay} \times \text{reduction factor}] \div 60$$

$$= [1 \times 3 \times 34,000 \times 0.900] \div 60 = \textbf{£1,530 pa}$$
 (before commutation)

HSCPS 2015 - determine pension in accordance with paragraphs 2.7 and 2.8 of this document but set “specified percentage” to 100% [TPEN15]

$$\text{TPEN15} = 100\% \times \text{member's pension} \times \text{reduction factor}$$

$$= 1 \times 15,000 \times 0.807 = \textbf{£12,105 pa}$$
 (before commutation)



Step 3 – determine source of drawdown

$$\text{PEN08} + \text{PEN15} = 383 + 3,026 = \textbf{£3,409 pa} (>\text{TPEN08})$$

As $\text{PEN08} + \text{PEN15} > \text{TPEN08}$ all 2008 section benefits are drawn down and some 2015 scheme pension.

$$\begin{aligned} &\text{Determine effective specified percentage in the HSCPS 2015} \\ &= (\text{PEN08} + \text{PEN15} - \text{TPEN08}) / \text{TPEN15} \end{aligned}$$

$$= (383 + 3,026 - 1,530) / 12,105 = \textbf{15.52\%}$$

[Note 20% restriction is applied in aggregate so this is permissible]

$$\begin{aligned} &\text{HSCPS 2015 pension drawn down} \\ &= \text{effective specified percentage} \times \text{HSCPS 2015 pension} \times \text{reduction factor} \end{aligned}$$

$$= 0.1552 \times 15,000 \times 0.807 = \textbf{£1,879 pa}$$

$$\begin{aligned} &\text{HSCPS 2015 pension retained} \\ &= \text{Total HSCPS 2015 pension} \times (1 - \text{effective specified percentage}) \end{aligned}$$

$$= 15,000 \times (1 - 0.1552) = \textbf{£12,672 pa}$$

2008 section benefits are taken in full and in effect represent the final payment in accordance with the partial retirement regulations.

$$\text{Total pension at option date 1} = £1,530 + £1,879 = £3,409 (= £383 + £3,026)$$

In examples C and D refinements for MLS and AP may be required. Once the amounts being taken from/retained in each source have been determined as above the guidance relevant for the source scheme should be followed.