



Government
Actuary's
Department

National Health Service Pension Scheme (Scotland)

Final pay control

Factors and Guidance

Date: 26 May 2020





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1 Introduction

Scope

- 1.1 This note is addressed to the Scottish Public Pensions Agency ('SPPA') as administrator of the National Health Service Pension Scheme (Scotland) ('NHSPSS'). It sets out how to calculate "employer charges" that may arise under "final pay control" where excessive pay increases have affected the final year's pensionable pay of a member who has retired from the 1995 Section or left service and become a deferred pensioner.
- 1.2 This note relates to regulation D3 of the NHSPSS Regulations 2011, which was inserted by the NHSPSS (Scotland) (Miscellaneous Amendments) Regulations 2014 (SSI 2014/154).
- 1.3 The factors and guidance cover members who retire from the 1995 Section under regulations¹ E1, E3, E7, E9 or E11 or who left service under regulation E12 and were entitled to a deferred pension at the date of assessment.
- 1.4 No advice or factors issued in the past for the National Health Service Pension Scheme (Scotland) should be used for final pay control cases for members of the NHSPSS. In particular this guidance supersedes:
 - "National Health Service Superannuation Scheme (Scotland): Final Pay Control - Factors and guidance" dated 27 March 2015.
- 1.5 This document should not be used for members with benefits only in the National Health Service Pension Scheme (Scotland) 2015 ('NHSPSS 2015').

Assumptions

- 1.6 We have advised the SPPA, acting for Scottish Ministers, on the assumptions to be adopted for the factors provided in this note in our letter dated 30 October 2018. SPPA has confirmed it has obtained HM Treasury consent to the factors as required by the Regulations.
- 1.7 A summary of the assumptions is listed in Appendix A.

Implementation and review

- 1.8 The factors contained in this guidance will apply from 29 October 2018. This guidance will apply from the date issued on the cover.
- 1.9 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the NHS Pension Scheme Scotland. Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.

¹ All references to regulations in this guidance relate to the NHSPSS Regulations SSI2011/117 (as amended).



- 1.10 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.
- 1.11 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.
- 1.12 The remainder of this note covers the factor tables, guidance on their use and worked examples.

Third party reliance

- 1.13 This guidance has been prepared for the use of SPPA for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on SPPA'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.
- 1.14 Other than SPPA, 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 Final pay control – basics

Background

- 2.1 Final pay controls were introduced to the 1995 Section of the NHSPSS with effect from 1 April 2014 and apply to all Employing Authorities.
- 2.2 Subject to certain exceptions, the controls apply an employer charge (referred to as “excess employer contributions” in the regulations) to a member’s Employing Authority² if the member’s pensionable pay increased by more than a specified percentage³ in any of the three years’ reckonable service preceding the member’s last day of employment and such increases affected the final year’s pensionable pay. This covers retirement in normal health as well as in ill health and early leavers but excludes deaths in service (or in deferment).
- 2.3 Pay increases prior to 1 April 2014 or more than 1,095 days prior to a member’s last day of pensionable employment should be ignored for the purposes of the controls⁴.
- 2.4 The process for calculating an employer charge is set out in regulation D3(6). The “applicable factors” referred to in regulation D3(6) are to be determined from time to time by Scottish Ministers having considered the advice of the Scheme Actuary and having obtained the Treasury’s consent, in accordance with regulation D3(21)(e).
- 2.5 The following paragraphs set out the basic approach to calculating an employer charge. Section 3 sets out guidance relating to specific circumstances and complications, such as where there has been:
 - a change in employment, concurrent (Officer) employments or one or more national Distinction Award(s) during the final three years’ reckonable service or
 - a break in pensionable service at any time.
- 2.6 Section 4 contains worked examples.

² In certain cases, the charge applies to the body responsible for the funding of awards recommended by the Scottish Advisory Committee on Distinction Awards

³ The increase in the CPI over the year to the February preceding the relevant year plus 4.5%; see paragraphs (3), (4) and (5) of regulation D3

⁴ See regulation D3(21)(d)



Calculation of employer charge for members retiring on an immediate pension

2.7 In the case of a member who:

- retires under regulations E1, E3, E7, E9 or E11 or
- having left service with a deferred pension under regulation E12, attains the age of 60 before the final pay control tests are applied to their deferred pension

the applicable factor referred to in step 4 of regulation D3(6) should be determined from Table B1 in Appendix B as applicable to the member's age at the point of retirement. (The member's age should be determined as age last birthday.)

2.8 The employer charge should be calculated as follows:

Employer charge = (Excess pension⁵ x applicable factor) + Excess lump sum⁶

Calculation of employer charge for members who have an entitlement to a deferred pension

2.9 For members who leave service early with an entitlement to a deferred pension from the 1995 Section under regulation E12, no charge is calculated at the point of the member leaving service but instead SPPA's current policy is to postpone the calculation of employer charges until their benefits are put into payment. Thus, for the time being, most cases will fall to be dealt with as specified in paragraphs 2.7 and 2.8 above.

2.10 The only exception will be where the member exercises their right to transfer their benefits, determined in accordance with Regulation E12, out of the Scheme under regulation M1. For a transfer case, the calculation should be carried out as at the date of transfer.

2.11 Where a calculation is to be carried out other than when the member's benefits are put into payment, the applicable factor referred to in step 4 of regulation D3(6) should be determined from the "Pension Factor" column of Table B2 in Appendix B as applicable to the member's age at the point of calculation and the applicable factor referred to in Step 5 should be determined from the "Lump Sum Factor" column. (The member's age should be determined as age last birthday.)

2.12 The employer charge should then be calculated as follows:

Employer charge = (Excess pension⁷ x pension factor) + (Excess lump sum⁸ x lump sum factor)

⁵ Calculated in accordance with Step 2 in regulation D3(6)

⁶ Calculated in accordance with Step 3 in regulation D3(6)

⁷ Calculated in accordance with Step 2 in regulation D3(6)

⁸ Calculated in accordance with Step 3 in regulation D3(6)



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- 2.13 If and when SPPA decides that charges should generally be calculated while benefits are still in deferment (e.g. once there is a break in service of greater than 5 years and the member rejoins pensionable service after 1 April 2015), revised guidance will be provided.



3 Calculation of employer charges in specific situations

- 3.1 This section considers the specific circumstances in which an employer charge should be assessed and how to allocate employer charges where there are multiple employments and/or a national Distinction Award is awarded in the member's final three years' reckonable service.

A) Members retiring from active service in the NHSPSS

- 3.2 This sub-section applies to any member who:

- (a) retires from service before 1 April 2015;
- (b) has full transitional protection; or
- (c) has tapered protection and retires within his/her period of protection.

- 3.3 For members retiring in normal health (at any age and with or without actuarial adjustment) or ill health an assessment is required of whether an employer charge should apply. The regulatory references and factors are set out in paragraphs 2.7 to 2.8 and 3.5 to 3.22. Worked examples are included in Section 4.

- 3.4 An assessment is required at the date of retirement in all circumstances, but where a member has had a change in employment, concurrent (Officer) employments or one or more national Distinction Award(s) during the final three years' reckonable service or a break in pensionable service at any time, the following principles should be applied.

i) Change(s) of employment within the period where earnings are considered for the determination of final year's pensionable pay and where no entitlement to deferred benefits arises due to the length of any gap

- 3.5 Final year's pensionable pay should be calculated as normal over the final three years' reckonable service.
- 3.6 Where a change in employment is within a single employer or within a group of connected employers, paragraphs 2.7 and 2.8 above apply as normal and a single employer charge arises at the point of retirement.
- 3.7 Where a genuine change of employment⁹ occurs within the period where earnings are considered for the purposes of determining the final year's pensionable pay at retirement (including a transfer of employment in the circumstances described in regulation C1(11)¹⁰) (and noting paragraph 2.3), multiple employer charges potentially arise. These charges are assessed at the point of retirement.

⁹ Within this section, a change of employment means a genuine change, i.e. one where Scottish Ministers are satisfied that the second employment is with a new employer. In accordance with regulation D3(18), any move between "connected" employers should not be treated as a change in employment (and paragraph 3.6 applies).

¹⁰ See regulation D3(19).



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- 3.8 Any increase in pensionable pay arising from the genuine change in employment itself should be disregarded in the calculation of any employer charge.
- 3.9 For the purpose of determining the amount of any charges, pay received from a former employer in the year of leaving that employer and a new employer in the year of joining should be annualised in accordance with regulation D3(21)(c) before comparing with other years.
- 3.10 The former employer's charge is based on a comparison of the annualised rate of pensionable pay in the year of leaving and such earlier years' pay as are relevant to the final year's pensionable pay determination.
- 3.11 The new employer's charge is based on a comparison of the annualised rate of pensionable pay in the year of joining and such later years' pay as are relevant to the final year's pensionable pay determination.
- 3.12 Any excessive increases in pay determined in accordance with paragraphs 3.10 and 3.11 should be applied to the benefits arising from the member's entire period of reckonable service when determining the associated employer charge for each employer.

ii) Concurrent Officer employments within the period where earnings are considered for the determination of final year's pensionable pay

- 3.13 Final year's pensionable pay should be calculated as normal over the final three years' reckonable service, based on aggregate pensionable pay from all Officer employments.
- 3.14 Earnings from each separate employment¹¹ should be looked at independently when determining whether any excessive pay increases have affected the member's final year's pensionable pay.
- 3.15 Any excessive increases in pay in each separate employment should be applied to the benefits arising from the member's entire period of reckonable service when determining the associated employer charge for each employer.

¹¹ See regulation D3(15).



iii) Inclusion of National Distinction Awards in final year's pensionable pay

- 3.16 Where a member's final year's pensionable pay exceeds the maximum allowable amount for the relevant year only because it included an amount resulting from a national Distinction Award recommended by the Scottish Advisory Committee on Distinction Awards ("the Committee"), i.e. final year's pensionable pay would not have been excessive if the Distinction Award had not been awarded, the employer charge should be paid by the Committee¹².
- 3.17 Where a member's final year's pensionable pay exceeds the maximum allowable amount for the relevant year because of both a national Distinction Award recommended by the Committee and a pay increase awarded by the member's employer, the allocation of the aggregate employer charge between the employer and the Committee should be determined as follows:
- (a) If final year's pensionable pay would be based on a different relevant year if the national Distinction Award had not been awarded, refer the allocation to the Government Actuary's Department¹³;
- (b) Otherwise the allocation should be determined as in paragraph 3.18 below.
- 3.18 Where paragraph 3.17(b) applies, the allocation between the employer and the Committee should be determined as follows¹⁴:
- (a) Calculate the amount by which final year's pensionable pay exceeds the allowable amount for the relevant year ("A");
- (b) Calculate the total employer charge based on amount A ("B");
- (c) Calculate the amount by which final year's pensionable pay would have exceeded the allowable amount if the national Distinction Award had not been awarded ("C");
- (d) Calculate charge to be allocated to employer ("D") = $(C / A) \times B$, subject to D not exceeding B;
- (e) Calculate charge to be allocated to the Committee = $B - D$.

iv) Break(s) in service where service is not linked for benefit purposes

- 3.19 The charge payable by the member's employer(s) in the three years prior to retirement should be based only on reckonable service following the break and final year's pensionable pay should only be based on so much of the last three years' reckonable service that came after the break.

¹² See regulation D3(7)

¹³ See regulation D3(9)

¹⁴ See paragraphs (10) and (11) of regulation D3



- 3.20 If this has not already been done, an employer charge should also be calculated based on reckonable service and pensionable pay prior to the break(s) (if the break(s) occurred after 1 April 2014). This is payable by the member's employer(s) in the three years prior to the break(s).

v) Serious ill-health retirement with less than 12 months life expectancy

- 3.21 A member retiring in serious ill-health with life expectancy less than 12 months can receive their entire benefits as a single commuted lump sum. In this case, the Employer charge should be calculated as follows:
- (a) Excess pension ("Amount B") = nil
 - (b) Excess lump sum ("Amount C") = total lump sum payable where the whole pension is exchanged for a lump sum due to serious ill health calculated using "Amount A".
 - (c) Employer charge = Excess lump sum
- 3.22 For the avoidance of doubt, all other cases should continue to use the standard Final Pay Control approach (including ill health cases that do not meet the requirement for exchanging the whole pension for lump sum).

B) Members leaving voluntarily from active service in the NHSPSS

- 3.23 This sub-section applies to any member who:
- (a) leaves service before 1 April 2015;
 - (b) has full transitional protection; or
 - (c) has tapered protection and leaves service within his/her period of protection.
- 3.24 As above, no charge is calculated at the point of the member leaving service and instead SPPA's current policy is that the assessment of employer charges is not to occur before a deferred member's benefits are put into payment. Consequently the calculation of employer charges should follow the methodology and principles set out in sub-section A above at the time of retirement other than for transfers out, in which case refer to paragraphs 2.9 to 2.12.

C) Members retiring from active service in the NHSPSS 2015

- 3.25 This sub-section applies to all members with 1995 Section benefits who retire from service on or after 1 April 2015 except those who:
- (a) have full transitional protection; or
 - (b) have tapered protection and retire within their period of protection.



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- 3.26 For members retiring in normal health (at any age and with or without actuarial adjustment) or ill health an assessment is required of whether an employer charge should apply in relation to NHSPSS benefits. The principles set out in sub-section A above apply in these cases but reckonable service refers only to reckonable service in the NHSPSS. However, the final year's pensionable pay should continue to be calculated over the final three years' reckonable service (whether this is in the NHSPSS or NHSPSS 2015).

D) Members leaving voluntarily from active service in the NHSPSS 2015

- 3.27 This sub-section applies to all members with 1995 Section benefits who leave service with a deferred pension on after 1 April 2015 except those who:
- (c) have full transitional protection; or
 - (d) have tapered protection and leave within their period of protection.
- 3.28 As above, no charge is calculated at the point of the member leaving service and instead SPPA's current policy is that the assessment of employer charges is not to occur before a deferred member's benefits are put into payment (and deaths in deferment are to be disregarded for this purpose). Consequently the calculation of employer charges should follow the methodology and principles set out in sub-section C above at the time of retirement other than for transfers out, in which case refer to paragraphs 2.9 to 2.12.



4 Worked examples

Example 1 – Member retiring on an immediate pension (simple case)

4.1 See paragraphs 2.7 to 2.8

Date of birth: 1 August 1958

Last day of employment: 31 August 2019

Retirement date: 1 September 2019

Amount B calculated in accordance with Step 2 of regulation D3(6): £2,000 pa

Amount C calculated in accordance with Step 3 of regulation D3(6): £6,000

Age in complete years on retirement date: 61

Applicable factor – Table B1 (Step 4 of regulation D3(6)): 20.61

Employer charge calculated in accordance with Step 6(b) of regulation D3(6):

$$(\text{£}2,000.00 \times 20.61) + \text{£}6,000.00 = \text{£}47,220.00$$

Example 2 – Member with entitlement to a deferred pension and opting for transfer out (simple case)

4.2 See paragraphs 2.9 to 2.12

Date of birth: 1 August 1960

Date of leaving: 31 May 2019

Date of calculation: 1 June 2020

Amount B calculated in accordance with Step 2 of regulation D3(6): £1,200 pa

Amount C calculated in accordance with Step 3 of regulation D3(6): £3,600

Age in complete years on calculation date: 59

Applicable pension factor – Table B2 (Step 4 of regulation D3(6)): 21.11

Applicable lump sum factor – Table B2 (Step 5 of regulation D3(6)): 0.99

Employer charge calculated in accordance with Step 6(a) of regulation D3(6):

$$(\text{£}1,200.00 \times 21.11) + (\text{£}3,600.00 \times 0.99) = \text{£}28,896.00$$



Example 3 – Member retiring from NHSPSS having had a genuine change of employment in the final three years' reckonable service

4.3 See paragraphs 3.5 to 3.12

Date of birth: 1 May 1958 (so fully protected)

Last day of employment: 31 August 2019

Retirement date: 1 September 2019

Total Reckonable Service = 32 years

Last day of employment with Employer A: 28 February 2018

First day of employment with Employer B: 1 March 2018

Pensionable Pay 1 September 2015 - 31 August 2016 ("Year 4"): £59,000

Pensionable Pay 1 September 2016 - 31 August 2017 ("Year 3"): £60,000

Pensionable Pay 1 September 2017 - 28 February 2018 (181 days): £35,000

Pensionable Pay 1 March 2018 - 31 August 2018 (184 days): £45,000

Total Pensionable Pay 1 September 2017 - 31 August 2018 ("Year 2"): £80,000

Pensionable Pay 1 September 2018 - 31 August 2019 ("Year 1"): £97,500

CPI increases: 2.0% in each year (so allowable increases = 2.0% + 4.5% = 6.5% pa)

Final year's pensionable pay = £97,500 (i.e. Pensionable Pay in Year 1)

Annualised Year 2 Pensionable Pay in final 6 months with Employer A =

$$365/181 \times £35,000 = £70,580$$

Annualised Year 2 Pensionable Pay in first 6 months with Employer B =

$$365/184 \times £45,000 = £89,266$$

Employment with Employer A

Max allowable Pensionable Pay in Year 3 = £59,000 x 1.065 = £62,835

Max allowable Pensionable Pay in Year 2 = min{£60,000; £62,835} x 1.065 = £63,900

Annualised Pensionable Pay in Year 2 is excessive by: £70,580 - £63,900 = £6,680

Excess pension = $32/80 \times (£6,680 \times 1.02) = £2,725.44$ pa

Excess lump sum = $3 \times 32/80 \times (£6,680 \times 1.02) = £8,176.32$



Age in complete years on retirement date: 61

Applicable factor – Table B1 (Step 4 of regulation D3(6)): 20.61

Employer charge calculated in accordance with Step 6(b) of regulation D3(6):

$$(\pounds 2,725.44 \times 20.61) + \pounds 8,176.32 = \pounds 64,347.64$$

Employment with Employer B

Max allowable Pensionable Pay in Year 1 based on annualised Pensionable Pay in Year 2 = $\pounds 89,266 \times 1.065 = \pounds 95,068$

Pensionable Pay in year 1 is excessive by: $\pounds 97,500 - \pounds 95,068 = \pounds 2,432$

Excess pension = $32/80 \times \pounds 2,432 = \pounds 972.80$ pa

Excess lump sum = $3 \times 32/80 \times \pounds 2,432 = \pounds 2,918.40$

Employer charge = $(\pounds 972.80 \times 20.61) + \pounds 2,918.40 = \pounds 22,967.81$



Example 4 – Member retiring from NHSPSS having had concurrent employments in the final three years' reckonable service

4.4 See paragraphs 3.13 to 3.15

Date of birth: 1 May 1958 (so fully protected)

Last day of employment: 30 April 2019

Retirement date: 1 May 2019

Total Reckonable Service = 32 years

Year	Period	Pensionable Pay from Employer A	Pensionable Pay from Employer B	Aggregate Pensionable Pay
4	1 May 2015 – 30 April 2016	£29,000	£20,000	£49,000
3	1 May 2016 – 30 April 2017	£30,000	£28,000	£58,000
2	1 May 2017 – 30 April 2018	£31,000	£30,000	£61,000
1	1 May 2018 – 30 April 2019	£30,000	£32,000	£62,000

Final year's pensionable pay = £62,000 (i.e. Pensionable Pay in Year 1)

CPI increases: 2.0% in each year (so allowable increases = 2.0% + 4.5% = 6.5% pa)

Employment with Employer A

Max allowable Pensionable Pay in Year 3 = £29,000 x 1.065 = £30,885

Max allowable Pensionable Pay in Year 2 = min{£30,000; £30,885} x 1.065 = £31,950

Max allowable Pensionable Pay in Year 1 = min{£31,000; £31,950} x 1.065 = £33,015

Year 1 Pensionable Pay (£30,000) is not excessive, so no employer charge is payable by Employer A.

Employment with Employer B

Max allowable Pensionable Pay in Year 3 = £20,000 x 1.065 = £21,300

Max allowable Pensionable Pay in Year 2 = min{£28,000; £21,300} x 1.065 = £22,685



Max allowable Pensionable Pay in Year 1 = $\min\{\pounds 30,000; \pounds 22,685\} \times 1.065 = \pounds 24,160$

Year 1 Pensionable Pay is excessive by: $\pounds 32,000 - \pounds 24,160 = \pounds 7,840$

Excess pension = $32/80 \times \pounds 7,840 = \pounds 3,136.00$ pa

Excess lump sum = $3 \times 32/80 \times \pounds 7,480 = \pounds 9,408.00$

Age in complete years on retirement date: 61

Applicable factor – Table B1 (Step 4 of regulation D3(6)): 20.61

Employer charge = $(\pounds 3,136.00 \times 20.61) + \pounds 9,408.00 = \pounds 74,040.96$



Example 5 – Member retiring from NHSPSS having received a national Distinction Award in the final three years' reckonable service

4.5 See paragraphs 3.16 to 3.18

Date of birth: 1 May 1958 (so fully protected)

Last day of employment: 30 April 2019

Retirement date: 1 May 2019

Total Reckonable Service = 32 years

Year	Period	Pensionable Pay from Employer	Distinction Award	Total Pensionable Pay
4	1 May 2015 – 30 April 2016	£88,000	£20,000	£108,000
3	1 May 2016 – 30 April 2017	£90,000	£20,000	£110,000
2	1 May 2017 – 30 April 2018	£91,000	£36,000	£127,000
1	1 May 2018 – 30 April 2019	£99,000	£36,000	£135,000

Final year's pensionable pay = £135,000 (i.e. Pensionable Pay in Year 1)

CPI increases: 2.0% in each year (so allowable increases = 2.0% + 4.5% = 6.5% pa)

Max allowable Pensionable Pay in Year 3 = £108,000 x 1.065 = £115,020

Max allowable Pensionable Pay in Year 2 = min{£110,000; £115,020} x 1.065 = £117,150

Max allowable Pensionable Pay in Year 1 = min{£127,000; £117,150} x 1.065 = £124,765

So, final year's pensionable pay is excessive by: £135,000 – £124,765 = £10,235

Excess pension = $32/80 \times £10,235 = £4,094.00$ pa

Excess lump sum = $3 \times 32/80 \times £10,235 = £12,282.00$

Age in complete years on retirement date: 61

Applicable factor – Table B1 (Step 4 of regulation D3(6)): 20.61

Total employer charge = $(£4,094.00 \times 20.61) + £12,282.00 = £96,659.34$



Without the latest national Distinction Award:

Final year's pensionable pay would be £119,000 (i.e. £99,000 + £20,000) (also Pensionable Pay in Year 1)

Max allowable Pensionable Pay in Year 3 = £108,000 x 1.065 = £115,020

Max allowable Pensionable Pay in Year 2 = $\min\{\text{£}110,000; \text{£}115,020\} \times 1.065 = \text{£}117,150$

Max allowable Pensionable Pay in Year 1 = $\min\{(\text{£}91,000 + \text{£}20,000); \text{£}117,150\} \times 1.065 = \text{£}118,215$

Thus final year's pensionable pay would have been excessive by £119,000 - £118,215 = £785 if the latest national Distinction Award had not been awarded

Charge allocated to employer = $(\text{£}785 / \text{£}10,235) \times \text{£}96,659.34 = \text{£}7,413.54$

Charge allocated to the Committee = $\text{£}96,659.34 - \text{£}7,413.54 = \text{£}89,245.80$



Example 6 – Member retiring from NHSPSS on grounds of serious ill health

4.6 See paragraphs 3.21 to 3.22

Date of birth: 1 May 1958 (so fully protected)

Last day of employment: 30 April 2019

Retirement date: 1 May 2019

Serious ill health lump sum based on max allowable final year's pensionable pay:
£100,000

Serious ill health lump sum in excess of max allowable final year's pensionable pay:
£15,000

Amount B calculated in accordance with Step 2 of regulation D3(6): £0 pa

Amount C calculated in accordance with Step 3 of regulation D3(6): £15,000

Age in complete years on retirement date: 61

Applicable factor – Table B1 (Step 4 of regulation D3(6)): 20.61

Employer charge calculated in accordance with Step 6(b) of regulation D3(6):

$$(\text{£}0 \times 20.61) + \text{£}15,000 = \text{£}15,000.00$$



Appendix A: Assumptions

Financial assumptions

Nominal discount rate	4.448% 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	As per 2016 valuation: Normal health: 95.5% (M)/ 97.5% (F) of S2NXA Dependants: 112.5% of S2NXA
Future mortality improvement	Based on ONS's principal UK population projections 2016
Year of use	2020

Other assumptions

Age difference between member and partner	Males assumed 3 years older than females																		
Proportions partnered at retirement	Sample rates: <table><tr><th>Age</th><th>Males</th><th>Females</th></tr><tr><td>50</td><td>0.76</td><td>0.54</td></tr><tr><td>60</td><td>0.76</td><td>0.54</td></tr><tr><td>70</td><td>0.74</td><td>0.46</td></tr><tr><td>80</td><td>0.61</td><td>0.23</td></tr><tr><td>90</td><td>0.34</td><td>0.07</td></tr></table>	Age	Males	Females	50	0.76	0.54	60	0.76	0.54	70	0.74	0.46	80	0.61	0.23	90	0.34	0.07
Age	Males	Females																	
50	0.76	0.54																	
60	0.76	0.54																	
70	0.74	0.46																	
80	0.61	0.23																	
90	0.34	0.07																	
Unisex weightings	Unisex factors based on 1/3 rd weighting to males and 2/3 rd weighting to females																		
Allowance for commutation	Nil except for mandatory lump sum cases																		



Appendix B: Factors

Table B1 (Table 814 in consolidated factors spreadsheet)
Final pay control factors applicable to members retiring with an immediate pension

Age last birthday	Factor
50	25.59
51	25.18
52	24.77
53	24.34
54	23.91
55	23.46
56	23.01
57	22.55
58	22.08
59	21.60
60	21.11
61	20.61
62	20.10
63	19.58
64	19.06
65	18.52
66	17.97
67	17.42
68	16.86
69	16.27
70	15.67
71	15.09
72	14.50
73	13.91
74	13.28
75	12.64



Table B2 (Table 815 in consolidated factors spreadsheet)
Final pay control factors applicable to members entitled to a deferred pension

Age last birthday	Pension Factor	Lump Sum Factor
26	10.20	0.45
27	10.42	0.46
28	10.65	0.47
29	10.88	0.49
30	11.12	0.50
31	11.36	0.51
32	11.61	0.52
33	11.86	0.53
34	12.12	0.55
35	12.38	0.56
36	12.65	0.57
37	12.93	0.59
38	13.21	0.60
39	13.50	0.62
40	13.80	0.63
41	14.10	0.64
42	14.41	0.66
43	14.73	0.68
44	15.05	0.69
45	15.39	0.71
46	15.73	0.73
47	16.08	0.74
48	16.44	0.76
49	16.81	0.78
50	17.18	0.80
51	17.57	0.82
52	17.97	0.84
53	18.38	0.86
54	18.80	0.88
55	19.23	0.90
56	19.68	0.92
57	20.14	0.94
58	20.62	0.97
59	21.11	0.99



Appendix C: Limitations

- C.1 This guidance should not be used for any purpose other than those set out in this guidance.
- C.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.
- C.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.
- C.4 This guidance only covers the actuarial principles around the calculation and application of final pay control factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Scheme managers and administrators should satisfy themselves that final pay control calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- C.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of SPPA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.