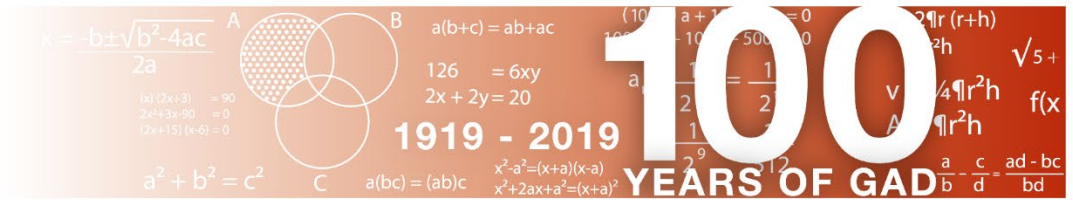




Government
Actuary's
Department



Scottish Teachers' Superannuation Scheme

Scottish Teachers' Pension Scheme 2015

Trivial commutation

Factors and guidance

Date: 24 June 2019





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1 Introduction

- 1.1 This note is provided for the Scottish Public Pension Agency (SPPA) as scheme manager of the Scottish Teachers' Superannuation Scheme (STSS) and the Scottish Teachers' Pension Scheme 2015 (STPS) and sets out how to calculate the lump sum due to members on trivial commutation of pension.
- 1.2 This document relates to regulations F12 and J9 of the Teachers' Superannuation (Scotland) Regulations 2005 (SSI 2005/393) and regulation 168 of the Teachers' Pension Scheme (Scotland) (No. 2) Regulations 2014 (SSI 2014/292).
- 1.3 This guidance supersedes the previous version of guidance, "*Scottish Teachers' Superannuation Scheme and Scottish Teachers' Pension Scheme: Trivial commutation: Factors and guidance*" dated 30 March 2015.

Assumptions

- 1.4 The factors provided in this note have been prepared in light of our advice to SPPA dated 30 October 2015 and their instructions following that advice.
- 1.5 Details of the assumptions underlying the factor tables in this guidance are set out in Appendix B.

Implementation and review

- 1.6 The factors contained in this guidance were implemented with effect from 29 October 2018. This guidance will apply from the date issued on the cover.
- 1.7 The remainder of this note covers the factor tables, guidance on their use and worked examples.
- 1.8 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Teachers' Pension Scheme Scotland. Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.
- 1.9 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.
- 1.10 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.



Third party reliance

- 1.11 This guidance has been prepared for the use of SPPA 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 SPPA and the 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.
- 1.12 Other than SPPA 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 Trivial commutation

- 2.1 Various restrictions on trivial pension commutation are imposed by the pension taxation regime under Finance Act 2004 (and any amending legislation) and contracting out legislation. SPPA should ensure that the payment of a lump sum in lieu of a small pension is compliant with these as well as with the relevant regulations covering the STSS and the STPS.
- 2.2 The lump sum payable in respect of commutation of a trivial pension (in addition to any other lump sum due) should be determined as follows:
- ***Total pension amount x factor***
- 2.3 The 'Total pension amount' is the pension that would otherwise be put into payment if trivial commutation were not to proceed. Therefore, this pension is the pension after any reduction due to commutation for tax free cash if relevant.
- 2.4 The 'factor' should be determined from the Tables in Appendix A as applicable for the member's age (in completed years) and status at the date of commutation. The factors apply to both males and females.
- 2.5 Status refers to either "former contributing member" (Table A1), "dependant" (Table A2) or "pension credit member" (Table A3).



3 Examples

3.1 Example 1

Status: Former contributing member

Date of birth: 1 September 1952

Effective commutation date: 1 December 2020

Total pension payable: £600 pa

Age in complete years on effective commutation date: 68

Lump sum payable: $£600.00 \times 16.8 = £10,080.00$

3.2 Example 2

Status: Dependant

Date of birth: 8 September 1936

Effective commutation date: 9 August 2019

Total pension payable: £500 pa

Age in complete years on effective commutation date: 82

Lump sum payable: $£500.00 \times 7.3 = £3,650.00$

3.3 Example 3

Status: Pension credit member

Date of birth: 21 August 1950

Effective commutation date: 18 July 2020

Total pension payable: £780 pa

Age in complete years on effective commutation date: 69

Lump sum payable: $£780.00 \times 15 = £11,700.00$



Appendix A: Factors

Table A1: Trivial commutation factors for former contributing members, STSS & STPS

Consolidated factor spreadsheet table number 501

| Age last birthday | Factor | Age last birthday | Factor |
|-------------------|--------|-------------------|--------|
| 55 | 23.4 | 78 | 10.9 |
| 56 | 23.0 | 79 | 10.3 |
| 57 | 22.5 | 80 | 9.7 |
| 58 | 22.0 | 81 | 9.2 |
| 59 | 21.6 | 82 | 8.7 |
| 60 | 21.1 | 83 | 8.2 |
| 61 | 20.6 | 84 | 7.7 |
| 62 | 20.1 | 85 | 7.3 |
| 63 | 19.5 | 86 | 6.9 |
| 64 | 19.0 | 87 | 6.6 |
| 65 | 18.5 | 88 | 6.3 |
| 66 | 17.9 | 89 | 6.0 |
| 67 | 17.4 | 90 | 5.7 |
| 68 | 16.8 | 91 | 5.5 |
| 69 | 16.2 | 92 | 5.4 |
| 70 | 15.6 | 93 | 5.3 |
| 71 | 15.0 | 94 | 5.2 |
| 72 | 14.5 | 95 | 5.1 |
| 73 | 13.9 | 96 | 5.0 |
| 74 | 13.3 | 97 | 5.0 |
| 75 | 12.6 | 98 | 4.9 |
| 76 | 12.0 | 99 | 4.9 |
| 77 | 11.5 | 100 | 4.9 |



Table A2: Trivial commutation factors for surviving dependants, STSS & STPS

Consolidated factor spreadsheet table number 502

| Age last birthday | Factor | Age last birthday | Factor |
|--------------------------|---------------|--------------------------|---------------|
| 20 | 33.9 | 61 | 19.4 |
| 21 | 33.6 | 62 | 18.8 |
| 22 | 33.4 | 63 | 18.3 |
| 23 | 33.2 | 64 | 17.7 |
| 24 | 33.0 | 65 | 17.2 |
| 25 | 32.7 | 66 | 16.6 |
| 26 | 32.5 | 67 | 16.1 |
| 27 | 32.2 | 68 | 15.5 |
| 28 | 32.0 | 69 | 14.9 |
| 29 | 31.7 | 70 | 14.3 |
| 30 | 31.4 | 71 | 13.8 |
| 31 | 31.2 | 72 | 13.2 |
| 32 | 30.9 | 73 | 12.6 |
| 33 | 30.6 | 74 | 12.0 |
| 34 | 30.3 | 75 | 11.4 |
| 35 | 30.0 | 76 | 10.8 |
| 36 | 29.7 | 77 | 10.2 |
| 37 | 29.4 | 78 | 9.6 |
| 38 | 29.1 | 79 | 9.0 |
| 39 | 28.7 | 80 | 8.4 |
| 40 | 28.4 | 81 | 7.9 |
| 41 | 28.0 | 82 | 7.3 |
| 42 | 27.7 | 83 | 6.8 |
| 43 | 27.3 | 84 | 6.3 |
| 44 | 27.0 | 85 | 5.8 |
| 45 | 26.6 | 86 | 5.3 |
| 46 | 26.2 | 87 | 4.9 |
| 47 | 25.8 | 88 | 4.5 |
| 48 | 25.4 | 89 | 4.1 |
| 49 | 25.0 | 90 | 3.7 |
| 50 | 24.6 | 91 | 3.4 |
| 51 | 24.1 | 92 | 3.1 |
| 52 | 23.7 | 93 | 2.8 |
| 53 | 23.3 | 94 | 2.6 |
| 54 | 22.8 | 95 | 2.4 |
| 55 | 22.3 | 96 | 2.2 |
| 56 | 21.9 | 97 | 2.1 |
| 57 | 21.4 | 98 | 1.9 |
| 58 | 20.9 | 99 | 1.8 |
| 59 | 20.4 | 100 | 1.7 |
| 60 | 19.9 | | |



Table A3: Trivial commutation factors for pension credit members, STSS & STPS

Consolidated factor spreadsheet table number 503

| Age last birthday | Factor | Age last birthday | Factor |
|-------------------|--------|-------------------|--------|
| 55 | 22.4 | 78 | 10.0 |
| 56 | 21.9 | 79 | 9.4 |
| 57 | 21.4 | 80 | 8.9 |
| 58 | 20.9 | 81 | 8.4 |
| 59 | 20.4 | 82 | 8.0 |
| 60 | 19.9 | 83 | 7.5 |
| 61 | 19.4 | 84 | 7.1 |
| 62 | 18.9 | 85 | 6.7 |
| 63 | 18.3 | 86 | 6.4 |
| 64 | 17.8 | 87 | 6.1 |
| 65 | 17.3 | 88 | 5.8 |
| 66 | 16.7 | 89 | 5.6 |
| 67 | 16.2 | 90 | 5.4 |
| 68 | 15.6 | 91 | 5.3 |
| 69 | 15.0 | 92 | 5.1 |
| 70 | 14.5 | 93 | 5.0 |
| 71 | 13.9 | 94 | 5.0 |
| 72 | 13.3 | 95 | 4.9 |
| 73 | 12.7 | 96 | 4.9 |
| 74 | 12.2 | 97 | 4.8 |
| 75 | 11.6 | 98 | 4.8 |
| 76 | 11.0 | 99 | 4.8 |
| 77 | 10.5 | 100 | 4.8 |



Appendix B: Assumptions underlying factors

Financial assumptions

| | |
|---------------------------------------|-----------|
| Nominal discount rate | 4.448% pa |
| Real discount rate (in excess of CPI) | 2.40% pa |

Mortality assumptions

Base mortality tables and adjustments:

| | Males | Females |
|-------------------------------------|-----------------|---|
| Retirements in normal health | 119% of S2NMA_L | Age dependant adjustments to S1NFA_L: ≤79: 84% 80-84: 97% 85-89: 113% ≥90: 122% |
| Dependants | 135% of S2NMA | 107% of S2DFA |

| | |
|------------------------------|---|
| Future mortality improvement | Based on ONS principal UK population projections 2016 |
| Year of Use | 2020 |

Other assumptions

| | |
|---|---|
| Proportion of male members for unisex factors | 30% |
| Proportion married | 77% (Male) and 58% (Female) assumed married at retirement. |
| Age difference between member and partner | Male members 3 years older than spouse and female members 2 years younger than their spouse |
| Allowance for commutation | Nil |



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 trivial commutation 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 trivial commutation 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.