



Government  
Actuary's  
Department

## **Police pension schemes (Scotland)**

1987 Scheme

Commutation on retirement

Factors and guidance

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Author: Samantha Watts





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## 1 Introduction

### Scope of this guidance note

- 1.1 Regulation B7 of the Police Pensions Regulations 1987 (SI 1987/257) (“the Regulations”) states that a member entitled to an ordinary, short service, ill-health or deferred pension may commute a portion of their pension for a lump sum. Additionally, regulation M11 of the Regulations states that a pension credit member may commute a portion of their pension.
- 1.2 The lump sum is the actuarial equivalent of the commuted portion of pension at the date of retirement, calculated from tables prepared by the Scheme Actuary.
- 1.3 The purpose of this note is to provide the tables for commutation of pension to lump sum in the Police Pension Scheme 1987 (Scotland).
- 1.4 This guidance supersedes the commutation guidance issued by GAD dated 31 October 2018 and any previous guidance or advice issued by the Government Actuary's Department (GAD) in connection with police pension commutation and has immediate effect.
- 1.5 This note should not be used for any purpose other than to determine the commutation factor that should be applied to the amount of pension commuted to provide a lump sum in the 1987 Scheme in Scotland. For example:
  - This guidance does not apply to exchange of lump sum for additional annual pension in the Police Pension Scheme 2006 (Scotland).
  - This guidance does not apply to the commutation of pension for lump sum in the Police Pension Scheme 2015 (Scotland).
  - This guidance does not apply to the trivial commutation of pension under regulations B8 and E4(3) of the Regulations, regulation 38 of the Police Pensions (Scotland) Regulations 2007 and regulation 193 of the Police Pensions Scheme (Scotland) Regulations 2015.
  - This guidance does not cover the calculation of the capitalised value of benefits for the purpose of determining death gratuities under regulation E3 of the Regulations, regulation 45 of the Police Pensions (Scotland) Regulations 2007 and regulation 156 of the Police Pensions Scheme (Scotland) Regulations 2015.
  - This guidance does not cover officers in England and Wales or Northern Ireland. These officers are covered under separate guidance.
- 1.6 This note should be considered in its entirety, not as individual sections which if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- 1.7 This note only covers the actuarial principles around the calculation and application of commutation factors. Any legal advice in this area should be sought from an appropriately qualified person or source.



### **Underpin to commutation lump sums in England and Wales**

- 1.8 Rule B7(7A) and B7(7B) of the Regulations states that the commutation factors applicable for officers in England should be used for retirements in Scotland where this would lead to a greater lump sum for retirement dates falling after 20<sup>th</sup> May 2014.
- 1.9 We can confirm that the factors in England will lead to larger lump sums in all cases, based on the factors currently in force.
- 1.10 Please note that the underpin mentioned in paragraph 1.8 above does not apply to pension credit members.

### **Changes to previous guidance**

- 1.11 We have revised all of the commutation factors from those set out in the commutation guidance dated 31 October 2018. This guidance note includes updated tables and illustrative examples to show these revised factors.
- 1.12 On 21st February 2022, the Scottish Public Pensions Agency (SPPA)<sup>1</sup> confirmed the removal of a restriction that was formerly set out under Regulation B7(5) of the Regulations. This provision had restricted members with less than 30 years' service who were retiring with an ordinary pension under the age of 55 to commute a maximum of 2.25 times their annual pension at retirement. Since 1 April 2022, all officers who are entitled to an ordinary pension are able to commute up to the maximum of 25% of their pension.
- 1.13 The guidance in paragraph 2.1 has been updated and we have removed the example which demonstrated how the 2.25 times pension restriction on the commutation lump sum was applied.
- 1.14 This guidance has also been updated to include the latest tables of commutation factors applicable in England and Wales for ease of reference because the underpin requires use of the factors applicable in England and Wales for all retirements except for pension credit members. Administrators should ensure that they are using the latest factors when calculating lump sums on retirement.
- 1.15 The factors for ages under 48.5 are only applicable for members retiring in ill-health. In the rare event that a member wishes to commute pension on retirement in normal health before the age of 48.5 please refer the case to GAD.
- 1.16 The guidance and formulae that should be used to calculate commutation lump sums in the 1987 Scheme is otherwise unchanged.

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<sup>1</sup> [https://pensions.gov.scot/sites/default/files/2022-02/Police\\_Circular\\_2022\\_02\\_Amendment\\_to\\_commutation\\_provisions\\_in\\_the\\_Police\\_Pension\\_Scheme\\_1987\\_v3.pdf](https://pensions.gov.scot/sites/default/files/2022-02/Police_Circular_2022_02_Amendment_to_commutation_provisions_in_the_Police_Pension_Scheme_1987_v3.pdf)



### **Use of the guidance**

- 1.17 This guidance has been prepared for the use of the SPPA for the purposes of demonstrating the application of the factors covered by this guidance only.
- 1.18 This guidance assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Police Pension Schemes.
- 1.19 Any questions concerning the application of the guidance should be referred to the Government Actuary's Department (GAD).

### **Third party reliance**

- 1.20 Other than the 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.
- 1.21 This note does not provide advice on whether a member should commute any part of their pension. Third parties should not rely on this guidance, but should separately seek their own actuarial advice where appropriate.



## 2 Administration

- 2.1 The amount of 1987 Scheme pension that can be commuted is subject to the limits set out in the Regulations. In most cases a quarter of the pension can be commuted. Please refer to the Regulations for full details of the commutation limits applicable to members.
- 2.2 Regulation B10 of the Regulations describes additional restrictions on the level of pension that can be commuted in certain circumstances.
- 2.3 Restrictions on pension commutation are also imposed by the pension taxation regime under Finance Act 2004. Administrators must ensure that the payment of a lump sum in lieu of pension is compliant with the tax rules as well as with the Regulations. The main taxation restriction is that for a lump sum to be authorised under the tax rules it must not exceed 25% of the total value of benefits crystallised ("25% HMRC limit"). Additionally, where an officer's pension savings exceed HMRC's Lifetime Allowance (LTA) (for retirements prior to 6 April 2023) or £268,275 (for retirements on or after 6 April), an additional tax charge may fall due.

In cases where lump sum benefits are payable in two instalments (as described in paragraphs 2.8 to 2.11), we would expect both lump sums to be separately tested against the member's remaining tax-free allowance at the point when each lump sum is paid.

Please refer to HMRC guidance for further information.

- 2.4 There are some scenarios where the 25% HMRC limit could potentially be breached.
- A member with a commutation factor above 20 commutes 25% of their pension. This can be avoided by commuting a lower proportion of pension.
  - Allocation in accordance with the regulation B9 of the Regulations.

Please refer to HMRC guidance if such cases arise.

### 1987 Scheme commutation – retiring from active service

- 2.5 For an officer retiring on pension directly from active pensionable service (and for pension credit members) the lump sum payable can be determined as follows:

**1987 Scheme pension given up × factor from Table 1**

Equivalently, the pension given up can be determined as follows:

**lump sum payable from the 1987 Scheme ÷ factor from Table 1**

- 2.6 The examples in section 3 illustrate these calculations, including an example showing how it may be possible to prevent breaching the 25% HMRC limit. For all retirement dates, the underpin mentioned in paragraphs 1.8 to 1.10 should be applied.



### **1987 Scheme commutation – break between leaving service and pension commencing**

- 2.7 For an officer retiring with a break between leaving service as an active member in the police pension schemes and pension commencing, the commutation lump sum should be calculated as in paragraph 2.5 above in the following cases:
- if the pension commences at or above age 55; or
  - if the pension commences on grounds of ill health before age 55 and attracts full pension increases.
- 2.8 In other cases, that is where the pension commences before age 55 and the member is not immediately entitled to full pension increases, an alternative calculation is needed. The three main scenarios where this arises are as follows (note others may exist):
- Officer left service before age 50 with at least 25 but less than 30 years of pensionable service. The 1987 Scheme pension comes into payment at age 50 but pension increases are not payable until 55.
  - Officer left service with a deferred pension entitlement and is later awarded early payment of the pension on ill-health grounds but does not meet the criterion to receive pension increases under the Pensions (Increase) Act. The 1987 Scheme pension comes into payment immediately but pension increases are not payable until 55.
  - Officer opted out of the scheme after accruing 30 years' pensionable service but does not take the pension immediately. The 1987 Scheme pension comes into payment later, before age 55, and pension increases are not payable until 55.
- 2.9 In these cases, the lump sum will be payable in two instalments. One lump sum will be payable when the pension commences; a second lump sum will be payable when the member reaches age 55 (when the member becomes entitled to pension increases). The amount of the second lump sum is equal to the amount of the lump sum paid at retirement multiplied by the percentage pension increase applying between the member leaving pensionable service and the pension commencing. The second lump sum is not affected by pension increases accrued after the benefits come into payment.



2.10 In these cases, the lump sum (as calculated in accordance with the Regulations) should be split between the two payment dates as follows:

a) Lump sum payable when pension commences:

$$\text{Pension given up} \times \frac{(\text{factor from Table 1} + (\text{PI}\% \times \text{factor from Table 2}))}{1 + (\text{PI}\% \times \text{factor from Table 3})}$$

b) Lump sum payable at age 55:

$$\text{Lump sum payable when pension commences} \times \text{PI}\%$$

Where:

PI% is the percentage increase in the pension that is attributable to pension increases effective during the period between leaving pensionable service and the pension commencing. (Pension increases accrued after the pension commences are not to be included.)

2.11 Alternatively, the pension given up can be determined as follows:

$$\text{Lump sum payable when pension commences} \times \frac{(1 + (\text{PI}\% \times \text{factor from table 3}))}{\text{Factor from Table 1} + (\text{PI}\% \times \text{factor from Table 2})}$$

2.12 Example 3 in section 3 illustrates this calculation.

Samantha Watts  
Fellow of the Institute and Faculty of Actuaries





### 3 Example calculations

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

#### **Example 1 – 1987 Scheme : Retiring from active service**

Date of birth: 1 April 1964

Date pension commences: 1 April 2024

Pensionable Service: 30 years (continuous service - excluding doubling)

1987 Scheme pension payable: £20,000 per year

Age on day pension commences: 60 years 0 months

Proportion of pension commuted: 20%

Commutation Factor = 21.4 (from table 1)

3.2 Lump sum  $= £20,000 \times 20\% \times 21.4$   
 $= \textbf{£85,600}$

3.3 Pension after commutation for maximum lump sum  
 $= £20,000 - (£85,600 \div 21.4)$   
 $= \textbf{£16,000 per year}$

3.4 Under the current tax regime, the maximum lump sum that can be taken without being liable for a tax charge is 25% of the combined assessed value of the post-commutation pension and lump sum. To assess the value of the post-commutation pension HMRC currently use a factor of 20.

3.5 Under HMRC's assessment the value of these benefits is therefore:  
 $= (£16,000 \times 20) + £85,600$   
 $= £405,600$

3.6 25% of this:  
 $= 25\% \times £405,600$   
 $= £101,400$

3.7 The lump sum elected (£85,600) is lower than the 25% of the HMRC limit (£101,400).



### Example 2 – Avoiding breaching the 25% HMRC limit

- 3.8 To illustrate how members may be able to avoid breaching the 25% HMRC limit by commuting less pension than the maximum available under the 1987 Scheme, this example makes use of the current tax regime in force at the time of writing, in its most common form. Administrators should check whether there have been any changes to the tax regime, or whether any additional complexities apply, before undertaking individual calculations. Individuals may wish to seek financial advice regarding pensions and taxation.
- 3.9 **As per paragraphs 1.8 1.9 and 1.14, lump sums should be calculated using the factors that apply in England and Wales.**
- 3.10 **Please note that the underpin mentioned above does not apply to pension credit members. For pension credit members the factors from Table 1A should be used.**
- 3.11
- |                               |  |
|-------------------------------|--|
| Date of birth:                | 15 December 1971                                   |
| Date pension commences:       | 15 December 2023                                   |
| Pensionable Service:          | 30 years (continuous service - excluding doubling) |
| 1987 Scheme pension payable:  | £30,000 per year                                   |
| Age on day pension commences: | 52 years 0 months                                  |
| Commutation Factor =          | 25.90 (from Table 1)                               |
- 3.12 The member retires from active service at age 52 with 30 years' service, so the maximum amount of pension available to commute according to the Regulations is a quarter of the full amount of the pension.
- 3.13 Maximum lump sum under scheme regulations
- $$= £30,000 \times \frac{1}{4} \times 25.90$$
- $$= \mathbf{£194,250}$$
- 3.14 Pension after commutation for the maximum lump sum permitted under scheme regulations
- $$= £30,000 - (£194,250 \div 25.90)$$
- $$= \mathbf{£22,500 \text{ per year}} \text{ (which is } £30,000 \times \frac{3}{4} \text{)}$$
- 3.15 Under the current tax regime, the maximum lump sum that can be taken without being liable for a tax charge is 25% of the combined assessed value of the post-commutation pension and lump sum. To assess the value of the post-commutation pension HMRC currently use a factor of 20.
- 3.16 Under HMRC's assessment the value of these benefits is therefore:
- $$= (£22,500 \times 20) + £194,250$$



$$= £644,250$$

3.17 25% of this:

$$= 25\% \times £644,250$$

$$= £161,062.50$$

3.18 Therefore, if the member commuted the maximum under the scheme regulations (to give a lump sum of £194,250), they would be liable for a tax charge, as this exceeds the maximum tax-free lump sum permitted (£161,062.50).

3.19 To calculate the maximum amount of pension that can be commuted in this case without incurring a tax charge, it is necessary first to calculate the maximum 1987 Scheme lump sum allowable within the HMRC limit.

3.20 HMRC's maximum tax-free lump sum is calculated using the following equation:

$$\text{Maximum lump sum} = \frac{20 \times \text{pension before commutation}}{3 + (20 \div \text{factor from Table 1})}$$

$$= \frac{20 \times £30,000}{3 + (20 \div 25.90)}$$

$$= \textbf{£159,058} \text{ (rounded down to nearest £1)}$$

3.21 Setting the lump sum from the 1987 Scheme at this level ensures that the HMRC limit is not exceeded (since it is also within the overall limit of £268,275).

3.22 The amount of pension required to be commuted from the 1987 Scheme to provide this maximum *tax-free* lump sum:

$$= £159,058 \div 25.90$$

$$= £6,141.24 \text{ per year}$$

3.23 The pension remaining after commutation:

$$= £30,000 - £6,141.24$$

$$= \textbf{£23,858.76 per year}$$

3.24 To check that this is within HMRC limits, HMRC's assessment of the value of these benefits is:

$$= (£23,858.76 \times 20) + £159,058$$

$$= £636,233.20$$

3.25 25% of this:

$$= 25\% \times £636,233.20$$

$$= £159,058.30$$



- 3.26 So payment of the lump sum of £159,058 calculated above will not breach the tax-free limit.



### Example 3 – Pension commencing at age 51 after earlier opt out on reaching 30 years' service

3.27 As per Example 2, this example shows how members can avoid breaching the 25% HMRC limit by commuting less than the maximum available under the 1987 Scheme. This example makes use of the current tax regime in force at the time of writing, in its most common form. Administrators should check whether there have been any changes to the tax regime, or whether any additional complexities apply, before undertaking individual calculations. Individuals may wish to seek financial advice regarding pensions and taxation.

3.28 As per paragraphs 1.8, 1.9 and 1.14, lump sums should be calculated using the factors that apply in England.

3.29 **Please note that the underpin mentioned above does not apply to pension credit members. For pension credit members the factors from Table 1A should be used.**

3.30	Date of birth:	30 June 1972
	1987 Scheme pension at date of leaving pensionable service:	£32,000 per year
	Date pension commences:	15 October 2023
	Accrued pension increases when pension commences (PI%):	10%
	Age on day pension commences:	51 years 3 months

Factor from Table 1 = 26.28

Factor from Table 2 = 22.80

Factor from Table 3 = 0.872

3.31 Maximum pension that can be commuted under scheme regulations<sup>2</sup>:

$$= £32,000 \times \frac{1}{4}$$

$$= £8,000 \text{ per year}$$

3.32 Leaving a pension after commutation of: £32,000 – £8,000 = **£24,000 per year**

3.33 Maximum lump sum payable under scheme regulations when pension commences (using the formula in 2.10a):

$$= \text{Pension given up} \times \frac{\text{factor from Table 1} + (\text{PI}\% \times \text{factor from Table 2})}{1 + (\text{PI}\% \times \text{factor from Table 3})}$$

<sup>2</sup> Based on this member's service and age



$$= £8,000 \times \frac{(26.28 + (10\% \times 22.80))}{(1 + (10\% \times 0.872))}$$

$$= \mathbf{£210,154.53}$$

3.34 Subsequent lump sum payable at age 55 (using the formula in 2.10b):

$$= \text{Lump sum payable when pension commences} \times \text{PI percentage}$$

$$= £210,154.53 \times 10\%$$

$$= \mathbf{£21,015.45}$$

3.35 Under the current tax regime, the maximum lump sum that can be taken without being liable for a tax charge is 25% of the combined assessed value of the post-commutation pension and lump sum at each Benefit Crystallisation Event ('BCE'). To assess the value of the post-commutation pension HMRC currently use a factor of 20.

3.36 Under HMRC's assessment the value of the above benefits at the pension commencement date is therefore:

$$= (\text{pension after commutation} \times 20) + \text{lump sum payable when pension commences}$$

$$= (£24,000 \times 20) + £210,154.53$$

$$= £690,154.53$$

3.37 25% of this:

$$= 25\% \times £690,154.53$$

$$= \mathbf{£172,538.63}$$

3.38 Therefore, if the member commuted the maximum under the scheme regulations at pension commencement (£210,154.53) they would be liable for a tax charge, as this exceeds the maximum tax-free lump sum permitted (£172,538.63).

3.39 To calculate the maximum amount of pension that can be commuted in this case without incurring a tax charge, it is necessary first to calculate the maximum 1987 Scheme lump sum allowable within the HMRC limit.

3.40 HMRC's maximum tax-free lump sum at the pension commencement date is calculated using the following equation:

$$3.41 \quad \text{Maximum lump sum} = \frac{20 \times \text{pension before commutation}}{(3 + (20 \times (1 + \text{PI}\% \times \text{F3}) \div (\text{F1} + \text{PI}\% \times \text{F2})))}$$

Where

F1 is the factor Table 1

F2 is the factor Table 2

F3 is the factor Table 3



3.42 Inserting the factors and PI% into the formula:

$$\begin{aligned}\text{Maximum lump sum} &= \frac{20 \times \text{£}32,000}{(3 + (20 \times (1 + 10\% \times 0.872) \div (26.28 + 10\% \times 22.80)))} \\ &= \text{£}170,151 \text{ (rounded down to nearest £1)}\end{aligned}$$

3.43 Setting the lump sum payable at the date pension commences from the 1987 Scheme at this level ensures that the HMRC limit is not exceeded (since it is also within the overall limit of £268,275).

3.44 The amount of pension required to be commuted from the 1987 Scheme to provide this maximum *tax-free* lump sum (using the formula in 2.11):

$$\begin{aligned}&= \text{£}170,151 \times \frac{(1 + (\text{PI}\% \times \text{factor from Table 3}))}{\text{Factor from Table 1} + (\text{PI}\% \times \text{factor from Table 2})} \\ &= \text{£}170,151 \times \frac{(1 + (10\% \times 0.872))}{26.28 + (10\% \times 22.80)} \\ &= \text{£}6,477.18 \text{ per year}\end{aligned}$$

3.45 The pension remaining after commutation:

$$\begin{aligned}&= \text{£}32,000 - \text{£}6,477.18 \\ &= \text{£}25,522.82 \text{ per year}\end{aligned}$$

3.46 *Tax-free* lump sum from the 1987 Scheme at age 55 (using the formula in 2.10b):

$$\begin{aligned}&= \text{£}170,151 \times 10\% \\ &= \text{£}17,015.10\end{aligned}$$

3.47 To check that this is within HMRC limits, HMRC's assessment of the value of these benefits is:

$$\begin{aligned}&= (\text{£}25,522.82 \times 20) + \text{£}170,151 \\ &= \text{£}680,607.40\end{aligned}$$

3.48 25% of this:

$$\begin{aligned}&= 25\% \times \text{£}680,607.40 \\ &= \text{£}170,151.85\end{aligned}$$

3.49 So payment of the lump sum of £170,151 calculated above will not breach the tax-free limit.



## 4 Tables of factors

**Table 1 – Factors for commutation of pension to lump sum (for all members except pension credit members).**

Table 1 contains the 1987 Scheme commutation factors calculated for the Police Pension Scheme (England & Wales), which apply to members (excluding pension credit members) as outlined in 1.8, 1.9 and 1.14.

Factors **highlighted** should only be used for ill-health retirements. Normal health retirements at these ages should be referred to GAD.

### Males and Females

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
<b>Below 48</b>	<b>28.20</b>											
<b>48</b>	<b>28.20</b>	<b>28.20</b>	<b>28.20</b>	<b>28.20</b>	<b>28.20</b>	<b>28.20</b>	27.50	27.47	27.43	27.40	27.37	27.33
<b>49</b>	27.30	27.27	27.23	27.20	27.17	27.13	27.10	27.07	27.03	27.00	26.97	26.93
<b>50</b>	26.90	26.86	26.82	26.78	26.73	26.69	26.65	26.61	26.57	26.53	26.48	26.44
<b>51</b>	26.40	26.36	26.32	26.28	26.23	26.19	26.15	26.11	26.07	26.03	25.98	25.94
<b>52</b>	25.90	25.86	25.82	25.78	25.73	25.69	25.65	25.61	25.57	25.53	25.48	25.44
<b>53</b>	25.40	25.36	25.32	25.28	25.23	25.19	25.15	25.11	25.07	25.03	24.98	24.94
<b>54</b>	24.90	24.85	24.80	24.75	24.70	24.65	24.60	24.55	24.50	24.45	24.40	24.35
<b>55</b>	24.30	24.25	24.20	24.15	24.10	24.05	24.00	23.95	23.90	23.85	23.80	23.75
<b>56</b>	23.70	23.65	23.60	23.55	23.50	23.45	23.40	23.35	23.30	23.25	23.20	23.15
<b>57</b>	23.10	23.05	23.00	22.95	22.90	22.85	22.80	22.75	22.70	22.65	22.60	22.55
<b>58</b>	22.50	22.45	22.40	22.35	22.30	22.25	22.20	22.15	22.10	22.05	22.00	21.95
<b>59</b>	21.90	21.86	21.82	21.78	21.73	21.69	21.65	21.61	21.57	21.53	21.48	21.44
<b>60</b>	21.40	21.34	21.28	21.23	21.17	21.11	21.05	20.99	20.93	20.88	20.82	20.76
<b>61</b>	20.70	20.65	20.60	20.55	20.50	20.45	20.40	20.35	20.30	20.25	20.20	20.15
<b>62</b>	20.10	20.05	20.00	19.95	19.90	19.85	19.80	19.75	19.70	19.65	19.60	19.55
<b>63</b>	19.50	19.44	19.38	19.33	19.27	19.21	19.15	19.09	19.03	18.98	18.92	18.86
<b>64</b>	18.80	18.75	18.70	18.65	18.60	18.55	18.50	18.45	18.40	18.35	18.30	18.25
<b>65</b>	18.20	18.15	18.10	18.05	18.00	17.95	17.90	17.85	17.80	17.75	17.70	17.65
<b>66</b>	17.60	17.54	17.48	17.43	17.37	17.31	17.25	17.19	17.13	17.08	17.02	16.96
<b>67</b>	16.90	16.85	16.80	16.75	16.70	16.65	16.60	16.55	16.50	16.45	16.40	16.35
<b>68</b>	16.30	16.24	16.18	16.13	16.07	16.01	15.95	15.89	15.83	15.78	15.72	15.66
<b>69</b>	15.60	15.55	15.50	15.45	15.40	15.35	15.30	15.25	15.20	15.15	15.10	15.05
<b>70</b>	15.00	14.94	14.88	14.83	14.77	14.71	14.65	14.59	14.53	14.48	14.42	14.36
<b>71</b>	14.30	14.25	14.20	14.15	14.10	14.05	14.00	13.95	13.90	13.85	13.80	13.75
<b>72</b>	13.70	13.64	13.58	13.53	13.47	13.41	13.35	13.29	13.23	13.18	13.12	13.06
<b>73</b>	13.00	12.95	12.90	12.85	12.80	12.75	12.70	12.65	12.60	12.55	12.50	12.45
<b>74</b>	12.40	12.35	12.30	12.25	12.20	12.15	12.10	12.05	12.00	11.95	11.90	11.85
<b>75</b>	11.80											





**Table 1A – Factors for commutation of pension to lump sum (for pension credit members)**

Table 1A contains the 1987 Scheme commutation factors calculated for the Police Pension Scheme (Scotland), which apply to pension credit members as outlined in 1.8, 1.9 and 1.14.

**Males and Females**

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
60	20.80	20.75	20.70	20.65	20.60	20.55	20.50	20.45	20.40	20.35	20.30	20.25
61	20.20	20.15	20.10	20.05	20.00	19.95	19.90	19.85	19.80	19.75	19.70	19.65
62	19.60	19.54	19.48	19.43	19.37	19.31	19.25	19.19	19.13	19.08	19.02	18.96
63	18.90	18.85	18.80	18.75	18.70	18.65	18.60	18.55	18.50	18.45	18.40	18.35
64	18.30	18.24	18.18	18.13	18.07	18.01	17.95	17.89	17.83	17.78	17.72	17.66
65	17.60	17.55	17.50	17.45	17.40	17.35	17.30	17.25	17.20	17.15	17.10	17.05
66	17.00	16.95	16.90	16.85	16.80	16.75	16.70	16.65	16.60	16.55	16.50	16.45
67	16.40	16.34	16.28	16.23	16.17	16.11	16.05	15.99	15.93	15.88	15.82	15.76
68	15.70	15.65	15.60	15.55	15.50	15.45	15.40	15.35	15.30	15.25	15.20	15.15
69	15.10	15.04	14.98	14.93	14.87	14.81	14.75	14.69	14.63	14.58	14.52	14.46
70	14.40	14.35	14.30	14.25	14.20	14.15	14.10	14.05	14.00	13.95	13.90	13.85
71	13.80	13.74	13.68	13.63	13.57	13.51	13.45	13.39	13.33	13.28	13.22	13.16
72	13.10	13.05	13.00	12.95	12.90	12.85	12.80	12.75	12.70	12.65	12.60	12.55
73	12.50	12.45	12.40	12.35	12.30	12.25	12.20	12.15	12.10	12.05	12.00	11.95
74	11.90	11.84	11.78	11.73	11.67	11.61	11.55	11.49	11.43	11.38	11.32	11.26
75	11.20											



**Table 2 – Additional factors in respect of accrued pension increases for use in commutation before age 55 after a break since leaving pensionable service**

Table 2 contains the 1987 Scheme commutation factors calculated for the Police Pension Scheme (England & Wales), which apply to members **(excluding pension credit members)** as outlined in 1.8, 1.9 and 1.14.

Factors **highlighted** should only be used for ill-health retirements. Normal health retirements at these ages should be referred to GAD.

### Males and Females

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
<b>Below 48</b>	<b>19.50</b>											
<b>48</b>	<b>19.50</b>	<b>19.50</b>	<b>19.50</b>	<b>19.50</b>	<b>19.50</b>	<b>19.50</b>	21.80	21.83	21.87	21.90	21.93	21.97
<b>49</b>	22.00	22.03	22.05	22.08	22.10	22.13	22.15	22.18	22.20	22.23	22.25	22.28
<b>50</b>	22.30	22.33	22.37	22.40	22.43	22.47	22.50	22.53	22.57	22.60	22.63	22.67
<b>51</b>	22.70	22.73	22.77	22.80	22.83	22.87	22.90	22.93	22.97	23.00	23.03	23.07
<b>52</b>	23.10	23.13	23.17	23.20	23.23	23.27	23.30	23.33	23.37	23.40	23.43	23.47
<b>53</b>	23.50	23.53	23.57	23.60	23.63	23.67	23.70	23.73	23.77	23.80	23.83	23.87
<b>54</b>	23.90	23.93	23.97	24.00	24.03	24.07	24.10	24.13	24.17	24.20	24.23	24.27



**Table 3 – Timing adjustment factors for use in commutation before age 55 after a break since leaving pensionable service**

**Factors highlighted should only be used for ill-health retirements. Normal health retirements at these ages should be referred to GAD.**

**Males and Females**

Years	Age in years and completed months on day pension commences											
	0	1	2	3	4	5	6	7	8	9	10	11
<b>Below 48</b>	0.704											
<b>48</b>	0.704	0.704	0.704	0.704	0.704	0.704	0.788	0.791	0.794	0.797	0.800	0.803
<b>49</b>	0.803	0.805	0.807	0.810	0.812	0.815	0.817	0.820	0.822	0.825	0.827	0.830
<b>50</b>	0.833	0.835	0.838	0.840	0.843	0.845	0.848	0.851	0.853	0.856	0.858	0.861
<b>51</b>	0.864	0.866	0.869	0.872	0.874	0.877	0.880	0.882	0.885	0.888	0.890	0.893
<b>52</b>	0.896	0.899	0.901	0.904	0.907	0.910	0.912	0.915	0.918	0.921	0.924	0.926
<b>53</b>	0.929	0.932	0.935	0.938	0.941	0.944	0.946	0.949	0.952	0.955	0.958	0.961
<b>54</b>	0.964	0.967	0.970	0.973	0.976	0.979	0.982	0.985	0.988	0.991	0.994	0.997



## 6 Assumptions underlying Scotland factors (Table 1A)

### Financial assumptions

Nominal discount rate	3.73% pa
CPI	2.00% pa
Real discount rate (in excess of CPI)	1.70% pa

### Mortality assumptions

Base mortality tables and adjustments	As recommended for 2020 valuation:  <u>Normal health</u> Males: 120% of S3NMA and Females: 129% of S3NFA  <u>Ill health</u> Males: 118% of S3NMA_H and Females: 136% of S3NFA_H
Future mortality improvement	Based on ONS principal UK population projections 2020
Year of Use	2024

### Other assumptions

Proportion of male members for unisex factors	75%
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## 7 Limitations

- 7.1 This guidance should not be used for any purpose other than those set out in this guidance.
- 7.2 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.
- 7.3 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 guidance provided by GAD.
- 7.4 This guidance only covers the actuarial principles around the calculation and application of cash commutation on retirement factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 7.5 Scheme managers and administrators should satisfy themselves that cash commutation factor calculations and benefit awards comply with all legislative requirements.
- 7.6 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 the SPPA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.