

THE LOCAL GOVERNMENT PENSION SCHEME

Commutation of Small Pensions - Regulation 48

1. Regulation 48 of the Local Government Pension Scheme (Scotland) Regulations 1998 (SI No.366 of 1998) permits an administering authority to pay a lump sum representing the capital value of a small pension to the member, or surviving spouse or children of a deceased member, as appropriate. Regulation 48(5) provides for the capital value of the pension to be calculated as shown in guidance issued by the Government Actuary. The purpose of this note prepared by the Government Actuary's Department for the Scottish Office Pensions Agency, and issued to them for onward transmission to administering authorities and employing authorities, is to provide the guidance required by Regulation 48(5).

Commutation of a Member's Pension - Tables A and B

2. Under Regulation 48(1), an administering authority may commute the retirement pension of a member who has attained state pensionable age. Regulation 48(6) provides that, where a payment is made in respect of a retirement pension, a payment representing the capital value of any long-term pension, which would be payable to the member's spouse if that spouse were to survive the member, must also be made. Regulation 48(7) then discharges the administering authority from their liability for any short-term or long-term pensions which may become payable on the member's death (which would include children's pensions); where they have made payment to a member in respect of a retirement pension.
3. Table A attached shows, according to the age and sex of the member, the factor to be multiplied by the member's pension in order to obtain the capital value of that pension (including an allowance for the contingent pension of a future marriage). Table B gives the relevant factors to be multiplied by the amount of the contingent spouse's pension for a married member. The total capital value for a married member is the sum of the Table A and Table B values.

Pensions increases

4. It is important that the total pension to which the factors are applied is the current level at the date the pension is commuted including pension increases. The total GMP should include revaluations up to state pensionable age, and any increments where payment of the GMP was deferred past state pensionable age. The post 5-April 1988 element of the GMP should include any pension increases applicable since state pensionable age for which the Scheme is responsible.

Tables A

5. These tables are for use for a member who has attained state pensionable age. It is necessary to apply separate factors to the pre-6 April 1988 GMP, to the post-5 April 1988 GMP and to the excess of the member's pension over the combined total of the GMPs. The reason for this is that pensions increases on the GMP elements are not normally paid by the Scheme (in the case of the pre-6 April 1988 GMP), or are normally paid only up to 3% each year in the case of the post-6 April 1988 element. In any case where the Scheme is paying pension increases on the whole of the pre-6 April 1988 GMP



or paying pension increases in excess of 3% on the post-5 April 1988 GMP, the capital value of that part of the GMP, or the whole it, as appropriate, should be calculated using the factor for the excess of the member's pension over the GMP.

Tables B

6. These tables are to be used only for married members in order to value the contingent spouse's and children's pensions to the extent that the value was not included in the value of the member's pension. Again, different factors should be applied to the contingent spouse's GMP (or post-5 April 1988 GMP in the case of a woman) and the excess of the total contingent spouse's pension over the contingent spouse's total GMP.

Surrender of pension

7. The factors in Tables B are not suitable for valuing the contingent pension for a member's spouse or other dependant secured by a member surrendering part of his retirement pension under Regulation 32. Any such cases should be referred to the Government Actuary's Department together with details of the contingent pension including the amount, the dates of birth of the member and the beneficiary, the date of retirement and the amount of pension surrendered by the member if it is to be restored in the event of the beneficiary dying before the member, under Reg 32(9).

Commutation of a surviving spouse's pension or a children's pension

Tables C and D

8. Under Regulation 48(2), an administering authority may commute the long-term pension which is payable to any surviving spouse or to (or in respect of) an eligible child or children, provided the annual rate does not exceed £260, or such higher amount as may be prescribed by regulations made under Section 21(1) of the Pension Scheme Act 1993.
9. Tables C show, according to the age and sex of the surviving spouse, the factors to be multiplied by the spouse's long-term pension. Table D shows the factors to be multiplied by the long-term pension payable to or in respect of the child or to or in respect of each of two children according to their age or ages. Where the administering authority has not apportioned a children's long-term pension among the eligible children, it should be assumed that it is apportioned equally between the two youngest eligible children.

Pensions increases

10. It is important that the total spouse's pension or children's pension to which the factors are to be applied is the current level at the date the pension is commuted. In some circumstances, a widow does not inherit half her late husband's GMP, and a widower does not inherit half his late wife's post-5 April 1988 GMP. It is therefore important that a statement or notification has been received by the Scheme from DSS as to the liability for a widow(er)'s GMP and its amount. It is also important that the factors are applied to the notified widow(er)'s GMP including any inflation proofing since the death of the member for which the Scheme is liable.



Tables C

11. These tables are for use in valuing a surviving spouse's pension. Separate factors are appropriate for valuing the pre-6 April 1988 widow's GMP and the post-5 April 1988 widow's GMP, because pension increases on the pre-6 April 1988 GMP and pension increases in excess of 3% on the post-5 April 1988 GMP would not normally be paid by the Scheme. If, in any case the scheme is paying pension increases on the whole of a widow's pre-6 April 1988 GMP (or paying increases in excess of 3% on the post-1988 widow's GMP), the capital value of that part of the GMP, or the whole of it (as appropriate), should be calculated using the factor for the excess of the woman's pension over the GMP.
12. Separate factors are not provided for valuing the post-5 April 1988 GMP of widowers under age 65, because we understand that full increases are paid by the Scheme on this element of the pension until the widower attains age 65, and also after that age in most cases. If, in any case, the Scheme is paying pension increases in excess of 3% on the post-1988 widower's GMP of a man over age 65, the capital value of the post-5 April 1988 widower's GMP should be calculated using the factor for the excess of the man's pension over the post-5 April 1988 GMP.

Table D

13. This table is for use in valuing a long-term pension which is payable to, or in respect of, an eligible child or children. Factors have not been included to value a pension to, or in respect of, a child over age 15, because the value depends very much on how long the child is assumed to remain in full-time education. One possibility is that the children's long-term pension is not commuted where one of the children in the family is over 15 - commutation of the children's pension could be deferred until this is no longer the case. Alternatively, the Government Actuary's Department should be supplied with an assessment of the expected duration of the child's pension in appropriate cases.
14. No factors are provided to value a pension to a child who is incapacitated. One possibility is that a children's long-term pension should not be commuted where one of the children in the family who is receiving a pension is under age 17 and incapacitated. A case involving a child over age 17 who is not in full-time education but is still an eligible child because he is incapacitated should be referred to the Government Actuary's Department with full details.

Period for which factors apply

15. The factors are not subject to market conditions at the date the capital value of a small pension is to be calculated, but have been derived using assumptions which are expected to be appropriate over the next few years. It is necessary that the factors should be subject to periodic review, and it is expected that the first such review will take place some time after the completion of the actuarial valuations as at 31 March 1999.

M. J. Foster

R T Foster
15 June 1998



GOVERNMENT
ACTUARY'S
DEPARTMENT

Table A Factors for member's pension

Part 1 - Male members

Capital value of an annual pension of £1 to the member (including an allowance for the contingent pensions in respect of a member who is not married)

Member's age last birthday at the date of commutation	Pre-6 April 1988 GMP £	Post-5 April 1988 GMP £	Excess over the GMP £
65	8.79	10.71	11.89
66	8.55	10.37	11.47
67	8.31	10.02	11.04
68	8.07	9.67	10.63
69	7.83	9.32	10.21
70	7.58	8.98	9.80

Table A Factors for member's pension

Part 2 - Female members

Capital value of an annual pension of £1 to the member (including, where appropriate, an allowance for the contingent pensions in respect of a member who is not married).

Member's age last birthday at the date of commutation	Pre-6 April 1988 GMP £	Post-5 April 1988 GMP £	Excess over the GMP £
60	10.18	13.11	14.98
61	10.01	12.83	14.60
62	9.84	12.53	14.21
63	9.66	12.23	13.82
64	9.47	11.91	13.42
65	9.27	11.59	13.01
66	9.06	11.27	12.60
67	8.84	10.93	12.19
68	8.62	10.59	11.76
69	8.38	10.24	11.34
70	8.14	9.89	10.91

Note For a married member, the aggregate capital value should include the value of a contingent spouse's pension using the Table B factors.



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Table B Factors for contingent spouse's pension

Part 1 - Male members

Capital value of a contingent widow's long-term annual pension of £1 for a married male member (including allowance for contingent children's pensions).

Member's age last birthday at the date of commutation	Pre-6 April 1988 GMP £	Post-5 April 1988 GMP £	Excess over the GMP £
65	1.46	2.46	3.17
66	1.54	2.53	3.22
67	1.62	2.59	3.27
68	1.69	2.65	3.31
69	1.76	2.70	3.33
70	1.82	2.74	3.35

Table B Factors for contingent spouse's pension

Part 2 - Female members

Capital value of a contingent widower's long-term annual pension of £1 for a married female member (including allowance for contingent children's pensions).

Member's age last birthday at the date of commutation	Post-5 April 1988 GMP £	Excess over the post 5-April 1988 GMP £
60	0.98	1.23
61	1.00	1.24
62	1.02	1.26
63	1.04	1.27
64	1.05	1.28
65	1.07	1.29
66	1.08	1.29
67	1.10	1.30
68	1.11	1.31
69	1.12	1.31
70	1.13	1.32



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Table C Factors for surviving spouse's pension

Part 1 - Women

Capital value of a long-term annual pension of £1 payable to a female surviving spouse

Age last birthday of woman	Pre-6 April 1988 widow's GMP £	Post-5 April 1988 widow's GMP £	Excess over widow's GMP £
16	20.89	22.91	24.43
17	20.65	22.75	24.34
18	20.40	22.58	24.24
19	20.13	22.41	24.13
20	19.85	22.22	24.02
21	19.54	22.02	23.91
22	19.23	21.81	23.79
23	18.91	21.61	23.67
24	18.60	21.40	23.54
25	18.29	21.19	23.41
26	17.98	20.98	23.28
27	17.68	20.77	23.14
28	17.37	20.56	22.99
29	17.08	20.35	22.84
30	16.78	20.13	22.68
31	16.50	19.92	22.52
32	16.21	19.71	22.36
33	15.93	19.49	22.18
34	15.64	19.27	22.01
35	15.36	19.05	21.82
36	15.08	18.83	21.63
37	14.82	18.61	21.43
38	14.55	18.39	21.23
39	14.30	18.16	21.02
40	14.05	17.94	20.81
41	13.80	17.72	20.58
42	13.57	17.49	20.35
43	13.33	17.27	20.11
44	13.11	17.04	19.87
45	12.90	16.81	19.62
46	12.69	16.59	19.36
47	12.49	16.36	19.09
48	12.30	16.13	18.82
49	12.11	15.89	18.53
50	11.93	15.66	18.24
51	11.75	15.42	17.95
52	11.58	15.18	17.64
53	11.40	14.93	17.33
54	11.23	14.68	17.00
55	11.05	14.42	16.67
56	10.88	14.15	16.34
57	10.70	13.89	15.99
58	10.53	13.61	15.63
59	10.35	13.33	15.27
60	10.18	13.05	14.90



Table C Factors for surviving spouse's pension

Part 1 - Women - continued

Capital value of a long-term annual pension of £1 payable to a female surviving spouse

Age last birthday of woman	Pre-6 April 1988 widow's GMP £	Post-5 April 1988 widow's GMP £	Excess over widow's GMP £
61	10.01	12.76	14.53
62	9.84	12.47	14.14
63	9.66	12.16	13.75
64	9.47	11.85	13.35
65	9.27	11.54	12.95
66	9.06	11.21	12.54
67	8.84	10.88	12.13
68	8.62	10.54	11.71
69	8.38	10.19	11.28
70	8.14	9.84	10.86
71	7.90	9.48	10.43
72	7.65	9.13	10.01
73	7.39	8.77	9.59
74	7.14	8.42	9.17
75	6.88	8.07	8.76
76	6.62	7.72	8.36
77	6.37	7.38	7.97
78	6.11	7.05	7.59
79	5.86	6.73	7.22
80	5.62	6.42	6.87
81	5.39	6.12	6.53
82	5.16	5.83	6.20
83	4.94	5.56	5.90
84	4.73	5.30	5.61
85	4.53	5.05	5.33
86	4.34	4.82	5.08
87	4.16	4.60	4.84
88	3.99	4.39	4.61
89	3.83	4.20	4.40
90	3.68	4.02	4.21
91	3.53	3.85	4.03
92	3.40	3.70	3.85
93	3.27	3.54	3.69
94	3.14	3.40	3.53
95	3.02	3.25	3.37
96	2.90	3.11	3.22
97	2.78	2.97	3.08
98	2.66	2.84	2.93
99	2.55	2.71	2.79
100	2.43	2.58	2.66



Table C Factors for surviving spouse's pension

Part 2 - Men

Capital value of a long-term annual pension of £1 payable to a male surviving spouse

Age last birthday of man	Post-5 April 1988 widower's GMP for widowers who have attained age 65 £	Excess over post-5 April 1988 widower's GMP (or whole pension for men aged less than 65) £
16		23.99
17		23.88
18		23.77
19		23.66
20		23.54
21		23.42
22		23.29
23		23.16
24		23.02
25		22.87
26		22.72
27		22.56
28		22.40
29		22.23
30		22.06
31		21.87
32		21.68
33		21.49
34		21.28
35		21.07
36		20.86
37		20.63
38		20.40
39		20.16
40		19.91
41		19.66
42		19.40
43		19.13
44		18.85
45		18.57
46		18.27
47		17.97
48		17.66
49		17.35
50		17.03
51		16.70
52		16.36
53		16.01
54		15.66
55		15.30
56		14.94
57		14.57
58		14.19
59		13.80
60		13.41



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Table C Factors for surviving spouse's pension

Part 2 - Men - continued

Capital value of a long-term annual pension of £1 payable to a male surviving spouse

Age last birthday of man	Post-5 April 1988 widower's GMP for widowers who have attained age 65 £	Excess over post-5 April 1988 widower's GMP (or whole pension for men aged less than 65) £
61		13.01
62		12.61
63		12.21
64		11.81
65	10.28	11.40
66	9.95	11.00
67	9.61	10.59
68	9.28	10.19
69	8.94	9.79
70	8.61	9.40
71	8.28	9.01
72	7.95	8.63
73	7.63	8.25
74	7.31	7.88
75	6.99	7.52
76	6.69	7.17
77	6.38	6.82
78	6.09	6.49
79	5.81	6.17
80	5.53	5.86
81	5.26	5.57
82	5.00	5.28
83	4.76	5.01
84	4.52	4.75
85	4.29	4.50
86	4.07	4.26
87	3.87	4.03
88	3.67	3.82
89	3.48	3.62
90	3.30	3.43
91	3.13	3.24
92	2.97	3.07
93	2.82	2.91
94	2.67	2.75
95	2.53	2.60
96	2.39	2.46
97	2.27	2.32
98	2.14	2.20
99	2.03	2.07
100	1.92	1.96



Table D Factors for children's pension

Capital value of an annual payment of pension of £1 payable to a child other than an incapacitated child

Age last birthday of child	Capital value of £1 per annum to a child £
0	13.47
1	12.95
2	12.42
3	11.87
4	11.29
5	10.70
6	10.08
7	9.44
8	8.78
9	8.09
10	7.37
11	6.63
12	5.86
13	5.06
14	4.23
15	3.37

