



Government Actuary's Department

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THE LOCAL GOVERNMENT PENSION SCHEME

REGULATION 52 – INCREASE OF MEMBERSHIP BY EMPLOYING AUTHORITY

Introduction

1. Regulation 52(1) of the Local Government Pension Scheme Regulations 1997 (“the LGPS Regulations”) provides an opportunity for employing authorities to increase the total membership of an active member, as a result of an amendment made by Statutory Instrument 2004 No.573 on 4 March 2004 (effective from 1 April 2004). Regulation 52(1) of the LGPS now provides that an employing authority may resolve to increase the total membership of the LGPS of an active member, provided that the total membership does not exceed the limits specified in Regulation 52(2).
2. Regulation 52(6) of the LGPS gives two options for making the payments required in respect of the resolution under Regulation 52(1). The option allowed under Regulation 52(6)(a), refers to Regulation 79 of the LGPS, and does not involve the Government Actuary. Administering and employing authorities may wish to consider their need for professional advice as to which option might be more appropriate in particular circumstances. The second option – Regulation 52(6)(b) – refers to the payment required by Regulation 80(1) of the LGPS. Regulation 80(1) of the LGPS provides that any resolution passed under Regulation 52 shall not become effective until the appropriate sum is paid to the appropriate fund (unless agreement has been reached to use the option under Regulation 52(6)(a) of the LGPS) where the appropriate sum is determined in accordance with guidance issued by the Government Actuary. The purpose of this guidance note is to provide the guidance referred to in Regulation 80(3) of the LGPS to the Office of the Deputy Prime Minister (ODPM) for onward transmission to the administering authorities.

Restriction

3. The earliest age at which the member can retire from the LGPS without employer consent or actuarial reduction is referred to as that member’s Critical Retirement Age (CRA). It may be that the member’s CRA will change on account of an employing authority increasing the total membership of the member under Regulation 52 of the LGPS. This guidance note only considers cases where the member’s CRA will not change. Administering authorities should forward other requests for guidance under Regulation 80(3), for cases not covered by this note, to the ODPM (enclosing full details of the member’s service record).

Formula

4. The appropriate sum should be determined by reference to the Transfer-In factors in force at the Calculation Date. The Transfer-In factors appropriate for this purpose are those used in respect of individual transfers received (under Regulation 121 of the LGPS) from pension arrangements, which are not member of the Public Sector Transfer Club. The appropriate sum (C) is calculated from the formula on the following page:



$$C = S \times Y \times AMC \times \left(F_p + (3 \times F_{ls}) + \left(\frac{1}{2} \times F_{wid} \right) \right) / 80$$

where:

S	=	Pay (as defined by Regulation 13 of the LGPS) at the date the resolution was passed
AMC	=	Appropriate market value adjuster from the transfer-in tables
Y	=	Additional membership in years, and part-years, to be granted
F _p	=	Non-club inward transfer factor for member's pension
F _{ls}	=	Non-club inward transfer factor for retirement grant
F _{wid}	=	Non-club inward transfer factor for spouse's pension

Pay (S) and the additional membership in years to be granted (Y) should both be expressed (for the purposes of the calculation) as *whole-time equivalents*. For a member in part-time employment, S should be calculated as the pay which would have been paid to the member for a single comparable whole-time employment (as Regulation 21(3) of the LGPS provides that the Final Pay of a member in part-time employment should be adjusted). The additional membership granted (Y) is also treated as whole-time service. It would be incorrect to adjust the period of additional membership granted (Y) in the manner outlined in Regulation 11(3) of the LGPS.

Example

- Consider the case where an employing authority wishes to grant an active member, who is a married male aged 38, and whose current pensionable salary is £20,000 per annum, 2 years additional service. For the purpose of this example we shall further assume that this member is entitled, under the LGPS Regulations, to take an unreduced pension from the age of 60. The appropriate factors for the formula, from the tables in force at the date this guidance was produced, are then:

S	=	£20,000
AMC	=	1.45 (if the reference yield* is 2% at the Calculation Date)
Y	=	2
F _p	=	7.97
F _{ls}	=	0.65
F _{wid}	=	3.30

and the appropriate sum is calculated as:

$$C = £20,000 \times 2 \times 1.45 \times \left(7.97 + (3 \times 0.65) + \left(\frac{1}{2} \times 3.30 \right) \right) / 80$$

$$C = £8,388$$

*Practitioners are reminded that, at the date this guidance note was issued, the AMC factor appropriate for a reference yield of 2% is to be used if the reference yield falls below 2%. That adjustment, along with an adjustment to the relevant index on which the AMC is based, came into effect from January 1999.

Members with a CRA later than 60

- Practitioners should note that the version of the Non-Club Incoming Transfer Values in force at the date this guidance was produced contains central factors appropriate for members with a retirement age of 60 *and* adjustments for other retirement ages. When

processing a case for a member with a CRA greater than 60 (this will usually be 65 if the CRA is going to be unchanged following the resolution to increase total membership) the appropriate values of F_p and F_{1s} for use in the formula above cannot be read directly from the central factors – the adjustment is required as outlined in paragraphs 2 and 4 of Appendix 4 of the CETV guidance from the Government Actuary, dated 22 September 1995. For example, should the above member have a CRA of 65 – say for a calculation after 1 April 2005 – the factor F_p would be 5.34 (being 0.67×7.97), and the factor F_{1s} would be 0.58 (being 0.89×0.65)

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