Government Actuary's Department

Teachers' Pension Scheme

Final salary section

Late retirements

Factors and guidance

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Contents

1   Introduction

1.1   This note is provided for the Department for Education (DfE) as scheme manager of the Teachers' Pension Scheme (TPS) and sets out how to determine the appropriate uplift to be applied to a member's benefits in the final salary sections when retiring from active service after normal pension age (NPA).

1.2   This guidance does not apply to retirements from deferred status in the final salary sections or to the career average section. Separate guidance will be provided for the career average section.

1.3   This guidance is intended to supersede any factors or advice previously issued, for the purposes of late retirement calculations, which rely on input from the Scheme Actuary. In particular, this guidance supersedes:

> *Teachers' Pension Scheme: Late retirements (NPA 65): Factors and guidance* dated 4 August 2011.

> *Teachers' Pension Scheme: Factors for calculating debits in respect of annual allowance tax charges* dated 19 July 2012. This guidance document set out the appropriate uplift to be applied to a member's annual allowance debit(s) when retiring after NPA.

1.4   The factors provided in this note have been prepared in light of our advice to the DfE dated 14 October 2014 and its instructions following that advice.

1.5   The Regulations to which this document relates, and the corresponding factors provided, are set out in Appendix A.

1.6   A member may have benefits in both the final salary sections and the career average section. For the purposes of calculating a member's late retirement pension the member's final salary late retirement pension and career average section late retirement pension should be calculated separately using the relevant parts of this guidance and the separate guidance covering late retirement in the career average section.

1.7   DfE will determine the implementation date for the factors.

1.8   The remainder of this note covers the factor tables, guidance on their use and a number of worked examples.

2   Late retirement with actuarial uplift

2.1   An uplift is applied to 2007 or later entrants' (NPA 65 members) pensions when retiring from active service after age 65 in accordance with Regulation 61. A similar uplift applies to the NPA 65 pension of persons with mixed service. No uplift is applied to any Additional Pension, pre-2007 entrants' benefits, NPA 60 pension of persons with mixed service or for any retirements from deferred status (although a late retirement uplift is applied to any annual allowance pension debits of an NPA 60 member).

2.2   The benefits payable on late retirement are determined by applying the appropriate uplift factor to the relevant benefit entitlement at the date of retirement as follows. The factors are provided in Appendix B.

Pre-2007 entrants (NPA 60 members) retiring after age 60

2.3   Late retirement pension =

   NPA 60 main scheme pension

   +   Additional Pension

   -    Pension sharing on divorce pension debit(s)

   -    Annual allowance pension debit(s) x Factor LR3

2.4   Late retirement lump sum =

   NPA 60 scheme lump sum

   -    Pension sharing on divorce lump sum debit(s)

   -    Annual allowance lump sum debit(s) x Factor LR3

2.5   Points to note in using the factors:

   > Additional Pension and pension debits need to be revalued to the date of retirement.

   > Late retirement factors should be selected from the appropriate table with reference to a member's age at retirement (in years and complete months).

   > Where an annual allowance pension debit was implemented **after** age 60, an adjustment is required to the annual allowance pension debit line of the formula above. This adjustment is set out in paragraph 2.6.

   > Factors should be applied before any lump sum commutation option is exercised.

2.6   Where the annual allowance pension/lump sum debit(s) was implemented **after** age 60, the debit(s) needs to be adjusted to allow for implementation after age 60.

   Annual allowance pension/lump sum debit(s) x Factor LR3 at retirement
   ÷ Factor LR3 at implementation date

2.7   Example A in Section 3 provides an example calculation for a Pre-2007 entrant with an annual allowance pension debit that was implemented after age 60.

2007 or later entrants (NPA 65 members) retiring after age 65

2.8   Late retirement pension =

NPA 65 main scheme pension calculated based on service to 65 x Factor LR1

+   NPA 65 main scheme pension for service after age 65

+   Additional Pension

-    Pension sharing on divorce pension debit(s) x Factor LR2

-    Annual allowance pension debit(s) x Factor LR2

2.9   Points to note in using the factors:

> Additional Pension and pension debits need to be revalued to the date of retirement.

> Late retirement factors should be selected from the appropriate table with reference to a member's age at retirement (in years and complete months).

> Where a member divorced **after** age 65, an adjustment is required to the pension sharing on divorce debit line of the formula above. This adjustment is set out in paragraph 2.10.

> Where an annual allowance pension debit was implemented **after** age 65, an adjustment is required to the annual allowance pension debit line of the formula above. This adjustment is set out in paragraph 2.11.

> Factors should be applied before any lump sum commutation option is exercised.

2.10   Where the member divorced **after** age 65, the pension sharing on divorce pension debit(s) should be split into two elements relating to service before and after age 65. The split should be pro-rata to scheme service at the date of the pension sharing order. A late retirement uplift applies only to the debit relating to service before age 65. The formula above should be modified as follows:

[Pension sharing on divorce pension debit relating to service before age 65 x Factor LR2 at age of retirement ÷ Factor LR2 at age of pension share

+   Pension sharing on divorce pension debit pension relating to service after age 65]

2.11   Where the annual allowance pension debit(s) was implemented **after** age 65, the debit(s) needs to be adjusted to allow for implementation after age 65. The formula above should be modified as follows:

Annual allowance pension debit(s) x Factor LR2 at retirement
÷ Factor LR2 at implementation date

2.12   Examples B to D in Section 3 provide example calculations for an NPA 65 member. Example C covers a NPA 65 member with a pension sharing on divorce debit where the divorce occurred before age 65. Example D covers a NPA 65 member with a pension sharing on divorce debit where the divorce occurred after age 65.

Persons with mixed service

2.13   Members with mixed service have both NPA 60 pension and NPA 65 pension. Their NPA 60 and NPA 65 pension should be considered separately for the purpose of calculating a member's late retirement pension.

2.14   For members with mixed service who are retiring after age 65:

> their NPA 60 late retirement pension should be calculated using the guidance in paragraphs 2.3 to 2.7 above; and

> their NPA 65 late retirement pension should be calculated using the guidance in paragraphs 2.8 to 2.12 above.

2.15   Members with mixed service who are retiring before age 65 will have their NPA 65 benefits reduced for early payment, as they will be taking their benefits before NPA. In this instance:

> their NPA 60 late retirement pension should be calculated using the guidance in paragraphs 2.3 to 2.7 above; and

> their NPA 65 early retirement pension should be calculated using the early retirements in normal health guidance.[1]

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[1] *Teachers' Pension Scheme: Final salary sections and career average section: Early retirements in normal health: Factors and guidance* dated 10 February 2015 is the guidance that is in force at the time of issuing this note.

3   Examples

3.1   This Section sets out a number of worked examples to help illustrate how the factors should be applied. The examples covered are as follows:

A. Late retirement of a Pre-2007 entrant with annual allowance pension debit and annual allowance lump sum debit implemented after age 60

B. Late retirement of a 2007 or later entrant

C. Late retirement of a 2007 or later entrant with a pension sharing on divorce pension debit (divorce occurred before age 65)

D. Late retirement of a 2007 or later entrant with a pension sharing on divorce pension debit (divorce occurred after age 65) In all examples, the member is assumed to be eligible for the retirement.

Example A
Late retirement of a NPA 60 member with an annual allowance debit implemented after age 60

Member Details

NPA	60
Sex	Female
Date of birth	10 June 1952

Date annual allowance debit implemented	5 April 2014
Date of retirement	21 October 2016
Age at annual allowance debit implementation	61 years and 9 months
Age at retirement	64 years and 4 months

NPA 60 main scheme pension	£11,000 pa
NPA 60 main scheme lump sum	£33,000
Annual allowance pension debit at retirement	£890 pa
Annual allowance lump sum debit at retirement	£2,670 pa

Factors

Factor table for pension	LR3
Annual allowance debit factor at implementation	1.091
Annual allowance debit factor at retirement	1.243

Pension

Late retirement pension =

NPA 60 main scheme pension

- Annual allowance pension debit x Factor LR3 at retirement ÷ Factor LR3 at implementation date

Late retirement pension	=	£11,000
		- £890 x 1.243 ÷ 1.091
	=	£11,000 - £1,014
	=	£9,986 pa

Lump sum

Late retirement lump sum =

NPA 60 main scheme lump sum

- Annual allowance lump sum debit x Factor LR3 at retirement ÷ Factor LR3 at implementation date

Late retirement lump sum	=	£33,000
		- £2,670 x 1.243 ÷ 1.091
	=	£33,000 - £3,041.99
	=	£29,958.01

Example B
Late retirement of a 2007 or later entrant (NPA 65 member)

Member Details

NPA	65
Date of birth	1 June 1945
Date of retirement	1 August 2015
Age at retirement	70 years and 2 months
Pensionable earnings	£14,600
Total service	20 years and 2 months
Service to age 65	15 years
Pension due to service to age 65	£3,650 pa (before uplift)
Service from age 65	5 years and 2 months
Pension due to service from age 65	£1,257.22 pa

Late Retirement Pension

Factor table	LR1
Pension factor	1.186

Late retirement pension =

NPA 65 main scheme pension calculated based on service to 65 x Factor LR1

+ NPA 65 main scheme pension for service after age 65

Late retirement pension	=	£3,650.00 x 1.186
		+ £1,257.22
	=	£4,328.90 + £1,257.22
	=	£5,586.12 pa

Example C
Late retirement of a 2007 or later entrant (NPA 65 member) with a pension sharing on divorce debit (divorce occurred before age 65)

Member Details

NPA	65
Date of birth	1 September 1949
Date of divorce	1 September 2010
Date of retirement	1 September 2015
Age at retirement	66 years and 0 months

Pension accrued before age 65	£6,050 pa
Pension accrued after age 65	£550 pa
Pension sharing on divorce debit at retirement	£2,600 pa

Factors

Factor table for main scheme pension	LR1
Pension factor at retirement age	1.031

Factor table for pension debit	LR2
Pension factor at retirement age	1.061

Pension

Late retirement pension =

  NPA 65 main scheme pension calculated based on service to 65 x Factor LR1

  + NPA 65 main scheme pension for service after age 65

  - Pension sharing on divorce pension debit(s) x Factor LR2

Late retirement pension	=	£6,050 x 1.031
		+ £550
		- £2,600 x 1.061
	=	£6,237.55 + £550 - £2,758.60
	=	£4,028.95 pa

Example D
Late retirement of a 2007 or later entrant (NPA 65 member) with a pension sharing on divorce debit (divorce occurred after age 65)

Member Details

NPA	65
Sex	Female
Date of birth	10 June 1948
Date of divorce	15 September 2014
Date of retirement	21 October 2016
Age at divorce	66 years and 3 months
Age at retirement	68 years and 4 months

Pension accrued before age 65	£12,000 pa
Pension accrued after age 65	£4,000 pa
Debit relating to service before 65	£4,578 pa
Debit relating to service after 65	£572 pa

Factors

Factor table for main scheme pension	LR1
Pension factor	1.112
Factor table for pension debit	LR2
Pension factor at divorce age	1.076
Pension factor at retirement age	1.217

Pension

Late retirement pension =

NPA 65 main scheme pension calculated based on service to 65 x Factor LR1

+ NPA 65 scheme pension for service after age 65

- (Pension sharing on divorce pension debit(s) relating to service before age 65 x Factor LR2 at age of retirement ÷ Factor LR2 at age of pension share)

- Pension sharing on divorce pension debit(s) pension relating to service after age 65

Late retirement pension	=	£12,000 x 1.112
		+ £4,000.00
		- (£4,578 x 1.217 ÷ 1.076)
		- £572.00
	=	£13,344.00 + £4,000.00 - £5,177.91 – 572.00
	=	£11,594.09 pa

Appendix A: Regulations to which this document relates and corresponding factors

Factor Table Number	Regulation (The Teachers' Pensions Regulations 2010 – SI 2010/990)
LR1 • pension uplift factors • NPA 65 • applicable to NPA 65 main scheme pension	61 Annual rate of phased retirement and retirement pension
LR2 • pension uplift factors • NPA 65 • applicable to NPA 65 pension debits	61 Annual rate of phased retirement and retirement pension
LR3 • pension and lump sum uplift factors • NPA 60 • applicable to NPA 60 annual allowance debits	61 Annual rate of phased retirement and retirement pension

Appendix B: Late retirement factor tables

Table LR1
Benefits payable to the member on late retirement (with actuarial uplift)
Final salary section, NPA 65 members, Main scheme pension

Age	Completed Months											
	0	1	2	3	4	5	6	7	8	9	10	11
65	1.001	1.004	1.006	1.009	1.011	1.014	1.016	1.019	1.021	1.024	1.026	1.029
66	1.031	1.034	1.037	1.040	1.042	1.045	1.048	1.051	1.053	1.056	1.059	1.062
67	1.064	1.067	1.070	1.073	1.076	1.079	1.082	1.085	1.088	1.091	1.094	1.097
68	1.100	1.103	1.106	1.109	1.112	1.115	1.119	1.122	1.125	1.128	1.131	1.134
69	1.138	1.141	1.145	1.148	1.151	1.155	1.158	1.162	1.165	1.168	1.172	1.175
70	1.179	1.183	1.186	1.190	1.194	1.197	1.201	1.205	1.208	1.212	1.216	1.219
71	1.223	1.227	1.231	1.235	1.239	1.243	1.247	1.251	1.255	1.259	1.263	1.267
72	1.271	1.275	1.280	1.284	1.288	1.292	1.297	1.301	1.305	1.309	1.314	1.318
73	1.322	1.327	1.332	1.336	1.341	1.346	1.350	1.355	1.360	1.364	1.369	1.374
74	1.379	1.384	1.389	1.394	1.399	1.404	1.409	1.414	1.419	1.424	1.429	1.434
75	1.437											

Notes:
1) These factors are to be used for calculating the actuarial uplift on late retirement for NPA 65 main scheme benefits

2) Factors are to be applied to pension calculated based on service accrued to age 65 and final pensionable pay at date of exit

3) Benefits to be awarded are obtained by multiplying the benefits calculated as in note 2) by the relevant factor then adding on the unadjusted benefits accrued after age 65
4) Increased benefits are to be calculated before any lump sum commutation option is exercised

Table LR2
Benefits payable to the member on late retirement (with actuarial uplift)
Final salary section, NPA 65 members, Pension debits

Age	Completed Months											
	0	1	2	3	4	5	6	7	8	9	10	11
65	1.002	1.007	1.012	1.017	1.022	1.027	1.031	1.036	1.041	1.046	1.051	1.056
66	1.061	1.066	1.071	1.076	1.082	1.087	1.092	1.097	1.103	1.108	1.113	1.118
67	1.124	1.130	1.135	1.141	1.147	1.152	1.158	1.164	1.169	1.175	1.181	1.186
68	1.192	1.198	1.204	1.211	1.217	1.223	1.229	1.235	1.241	1.248	1.254	1.260
69	1.266	1.273	1.280	1.287	1.293	1.300	1.307	1.314	1.320	1.327	1.334	1.341
70	1.348	1.355	1.362	1.370	1.377	1.384	1.392	1.399	1.406	1.414	1.421	1.428
71	1.436	1.444	1.452	1.460	1.468	1.476	1.485	1.493	1.501	1.509	1.517	1.525
72	1.533	1.542	1.551	1.560	1.568	1.577	1.586	1.595	1.603	1.612	1.621	1.630
73	1.639	1.648	1.658	1.668	1.677	1.687	1.696	1.706	1.715	1.725	1.735	1.744
74	1.754	1.765	1.775	1.786	1.796	1.807	1.817	1.828	1.838	1.849	1.859	1.870
75	1.875											

Notes: 1) These factors are to be used for calculating the actuarial uplift on late retirement for NPA 65 pension debits
2) Factors are to be applied to pension debits revalued to the date of retirement in accordance with the PI Act
3) If divorce occurred after 65:
    > Only pension sharing on divorce debits related to service before age 65 should be uplifted
    > The pension debit should be multiplied by the factor for the age at retirement and divided by the factor for the age at divorce
4) If the annual allowance debit was implemented after age 65 then the pension debit should be multiplied by the factor for the age at retirement and divided by the factor for the age at implementation
5) Increased debits are to be calculated before any lump sum commutation option is exercised

Table LR3
Benefits payable to the member on late retirement (with actuarial uplift)
Final salary section, NPA 60 members, Annual Allowance Pension and Lump Sum debits

Age	Completed Months											
	0	1	2	3	4	5	6	7	8	9	10	11
60	1.002	1.006	1.010	1.014	1.018	1.022	1.027	1.031	1.035	1.039	1.043	1.047
61	1.051	1.056	1.060	1.064	1.069	1.073	1.078	1.082	1.087	1.091	1.095	1.100
62	1.104	1.109	1.114	1.118	1.123	1.128	1.132	1.137	1.142	1.146	1.151	1.156
63	1.161	1.166	1.171	1.176	1.181	1.186	1.191	1.196	1.201	1.206	1.211	1.216
64	1.222	1.227	1.232	1.238	1.243	1.248	1.254	1.259	1.264	1.270	1.275	1.280
65	1.286	1.292	1.297	1.303	1.309	1.315	1.320	1.326	1.332	1.338	1.343	1.349
66	1.355	1.361	1.367	1.374	1.380	1.386	1.392	1.398	1.404	1.411	1.417	1.423
67	1.429	1.436	1.443	1.449	1.456	1.463	1.469	1.476	1.483	1.489	1.496	1.503
68	1.510	1.517	1.524	1.531	1.538	1.545	1.553	1.560	1.567	1.574	1.581	1.588
69	1.596	1.603	1.611	1.619	1.626	1.634	1.641	1.649	1.656	1.664	1.672	1.679
70	1.687	1.695	1.704	1.712	1.720	1.728	1.737	1.745	1.753	1.761	1.770	1.778
71	1.786	1.795	1.804	1.813	1.822	1.831	1.840	1.849	1.858	1.867	1.876	1.885
72	1.894	1.904	1.913	1.923	1.933	1.942	1.952	1.962	1.971	1.981	1.991	2.000
73	2.010	2.021	2.031	2.041	2.052	2.062	2.072	2.083	2.093	2.103	2.114	2.124
74	2.135	2.146	2.157	2.168	2.180	2.191	2.202	2.213	2.225	2.236	2.247	2.258
75	2.264											

Notes: 1) These factors are to be used for calculating the actuarial uplift on late retirement for NPA 60 annual allowance pension and lump sum debits
2) Factors are to be applied to pension debits revalued to the date of retirement in accordance with the PI Act
3) If the annual allowance debit was implemented after age 60 the pension and lump sum debits should be multiplied by the factor for the age at retirement and divided by the factor for the age at implementation
4) Increased debits are to be calculated before any lump sum commutation option is exercised