

**POLICE PENSION SCHEMES  
2016/06**

**WHO SHOULD READ:** The Chief Constable of Police Scotland  
Pension Administrators

**ACTION:** Information relating to new pension commutation guidance affecting members of the 1987 Police Pension Scheme

**SUBJECT:** Police Pension Scheme 1987 Commutation Factors

**The purpose of this circular is to:**

- Advise on the introduction of revised factors prepared by the Government Actuary's Department for the purpose of calculating lump sums payable to retiring members under regulation B7 of the Police Pensions Regulations 1987. These factors should be applied to retiring members with effect from 18 March 2016.
- This updates the previous guidance dated 22 May 2014 which were outlined in Circular 5/2015.

In Budget 2016, the UK Government announced changes to the Discount Rate which is used for financing purposes in public service pension schemes. The discount rate has been reduced from 3% above CPI per annum to 2.8% above CPI per annum, with a resulting impact on certain actuarial factors used in police pensions.

Actuarial factors are the responsibility of the scheme actuary, the Government Actuary's Department (GAD). As a consequence of the reduction of the discount rate and also in consideration of updated mortality assumptions in the recent projections produced by the Office for National Statistics, GAD has undertaken a review of the scheme lump sum commutation factors and has recommended the factors are revised with immediate effect.

The review has shown there should be an increase to all the lump sum retirement commutation factors at all ages.

SPPA Circular [2015/5](#) provided information on the underpin that exists for members of the scheme in Scotland, which means that the higher of either the England and Wales scheme or Scottish Scheme factors are used for lump sums for officers retiring up to 31 March 2022. The underpin will continue to apply for the benefit of retiring officers.

The factors applicable in England and Wales have also been revised, and should be used in all cases, except for certain cases where a comparison calculation using the two tables should be done, and the more favourable option applied. These relatively rare cases relate to members below the age of 48 years and 6 months, firstly to those who have left service with a deferred pension entitlement, and later become entitled to early payment of the pension on grounds of ill-health, and secondly where an officer has opted out with 30 years'



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pensionable service and has not taken immediate payment of their pension. In these cases the lump sum is payable in two instalments, the second instalment is made at age 55 to take into account entitlement to pension increases.

The tables of factors relevant to England and Wales are contained in Annex A, with the commutation guidance for Scotland, including all relevant formulae, available on the SPPA website [here](#).

Officers due to retire who have already received a lump sum quote will receive a new quote based on the revised factors.

**Iain Coltman**  
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**21 March 2016**

**Contact information**

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## Annex A

**Table 1 - Factors for commutation of pension to lump sum (England and Wales)**

### 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	
Below 48	23.10												
48	23.10	23.10	23.10	23.10	23.10	23.10	23.10	23.08	23.07	23.05	23.03	23.02	
49	23.00	22.98	22.95	22.93	22.90	22.88	22.85	22.83	22.80	22.78	22.75	22.73	
50	22.70	22.68	22.65	22.63	22.60	22.58	22.55	22.53	22.50	22.48	22.45	22.43	
51	22.40	22.38	22.35	22.33	22.30	22.28	22.25	22.23	22.20	22.18	22.15	22.13	
52	22.10	22.08	22.05	22.03	22.00	21.98	21.95	21.93	21.90	21.88	21.85	21.83	
53	21.80	21.77	21.73	21.70	21.67	21.63	21.60	21.57	21.53	21.50	21.47	21.43	
54	21.40	21.37	21.33	21.30	21.27	21.23	21.20	21.17	21.13	21.10	21.07	21.03	
55	21.00	20.97	20.93	20.90	20.87	20.83	20.80	20.77	20.73	20.70	20.67	20.63	
56	20.60	20.57	20.53	20.50	20.47	20.43	20.40	20.37	20.33	20.30	20.27	20.23	
57	20.20	20.16	20.12	20.08	20.03	19.99	19.95	19.91	19.87	19.83	19.78	19.74	
58	19.70	19.67	19.63	19.60	19.57	19.53	19.50	19.47	19.43	19.40	19.37	19.33	
59	19.30	19.27	19.23	19.20	19.17	19.13	19.10	19.07	19.03	19.00	18.97	18.93	
60	18.90	18.87	18.83	18.80	18.77	18.73	18.70	18.67	18.63	18.60	18.57	18.53	
61	18.50	18.46	18.42	18.38	18.33	18.29	18.25	18.21	18.17	18.13	18.08	18.04	
62	18.00	17.96	17.92	17.88	17.83	17.79	17.75	17.71	17.67	17.63	17.58	17.54	
63	17.50	17.47	17.43	17.40	17.37	17.33	17.30	17.27	17.23	17.20	17.17	17.13	
64	17.10	17.06	17.02	16.98	16.93	16.89	16.85	16.81	16.77	16.73	16.68	16.64	
65	16.60	16.56	16.52	16.48	16.43	16.39	16.35	16.31	16.27	16.23	16.18	16.14	
66	16.10	16.05	16.00	15.95	15.90	15.85	15.80	15.75	15.70	15.65	15.60	15.55	
67	15.50	15.46	15.42	15.38	15.33	15.29	15.25	15.21	15.17	15.13	15.08	15.04	
68	15.00	14.96	14.92	14.88	14.83	14.79	14.75	14.71	14.67	14.63	14.58	14.54	
69	14.50	14.46	14.42	14.38	14.33	14.29	14.25	14.21	14.17	14.13	14.08	14.04	
70	14.00	13.95	13.90	13.85	13.80	13.75	13.70	13.65	13.60	13.55	13.50	13.45	
71	13.40	13.36	13.32	13.28	13.23	13.19	13.15	13.11	13.07	13.03	12.98	12.94	
72	12.90	12.86	12.82	12.78	12.73	12.69	12.65	12.61	12.57	12.53	12.48	12.44	
73	12.40	12.35	12.30	12.25	12.20	12.15	12.10	12.05	12.00	11.95	11.90	11.85	
74	11.80	11.76	11.72	11.68	11.63	11.59	11.55	11.51	11.47	11.43	11.38	11.34	
75	11.30												

**Table 2 - Additional factors in respect of accrued pensions increases for use in commutation before age 55 after a break since leaving pensionable service (England and Wales)**

**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	
Below 48	13.90												
48	13.90	13.90	13.90	13.90	13.90	13.90	17.60	17.63	17.67	17.70	17.73	17.77	
49	17.80	17.84	17.88	17.93	17.97	18.01	18.05	18.09	18.13	18.18	18.22	18.26	
50	18.30	18.34	18.38	18.43	18.47	18.51	18.55	18.59	18.63	18.68	18.72	18.76	
51	18.80	18.84	18.88	18.93	18.97	19.01	19.05	19.09	19.13	19.18	19.22	19.26	
52	19.30	19.34	19.38	19.43	19.47	19.51	19.55	19.59	19.63	19.68	19.72	19.76	
53	19.80	19.85	19.90	19.95	20.00	20.05	20.10	20.15	20.20	20.25	20.30	20.35	
54	20.40	20.45	20.50	20.55	20.60	20.65	20.70	20.75	20.80	20.85	20.90	20.95	



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

**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	
Below 48	0.596												
48	0.596	0.596	0.596	0.596	0.596	0.596	0.735	0.738	0.741	0.744	0.747	0.749	
49	0.752	0.755	0.758	0.761	0.764	0.767	0.770	0.773	0.777	0.780	0.783	0.786	
50	0.789	0.792	0.795	0.798	0.801	0.805	0.808	0.811	0.814	0.817	0.821	0.824	
51	0.827	0.831	0.834	0.837	0.840	0.844	0.847	0.850	0.854	0.857	0.861	0.864	
52	0.867	0.871	0.874	0.878	0.881	0.885	0.888	0.892	0.895	0.899	0.902	0.906	
53	0.910	0.913	0.917	0.920	0.924	0.928	0.931	0.935	0.939	0.942	0.946	0.950	
54	0.954	0.957	0.961	0.965	0.969	0.973	0.977	0.980	0.984	0.988	0.992	0.996	

