

**FINANCE ACT 1995: SECTION 58 AND SCHEDULE 11
ACTUARIAL TABLES FOR CALCULATING THE
MAXIMUM INCOME WITHDRAWAL UNDER PERSONAL
PENSION SCHEMES AND MONEY-PURCHASE
OCCUPATIONAL PENSION SCHEMES**



**DETAILS OF ACTUARIAL BASIS USED IN PRODUCING
TABLES**

**NON-PROTECTED RIGHTS, AND PROTECTED RIGHTS
WHERE THE "REFERENCE DATE" IS AFTER
5 APRIL 2005**

This document sets out the actuarial assumptions made in producing the tables for calculating the maximum and minimum income withdrawal under personal pension schemes and money-purchase occupational pension schemes. These tables are known as Table 1 (for men) and Table 2 (for women) – Table 3, for withdrawals by children, is constructed using slightly different assumptions. For income withdrawal from protected rights in appropriate personal pensions where the "reference date" is before 6 April 2005, separate tables, calculated using different assumptions, should be used. The protected rights tables and the details of the assumptions used in their construction are available from GAD's website www.gad.gov.uk/pensions/income_drawdown.htm.

Mortality

The standard male mortality table IM80 ultimate (U = 1996) is adopted for the table of income withdrawals made by men (Table 1), while the standard female mortality table IF80 ultimate (U = 1996) is adopted for the table of income withdrawals made by women (Table 2). These tables are produced by the Continuous Mortality Investigation Bureau of the Faculty and Institute of Actuaries, based on the mortality of people who have bought annuities. Improvements in mortality are projected to apply throughout their subsequent lifetimes for men and women at given ages in 1996.

Rate of Interest

The rate of interest used for deriving the annuity rates is set having regard to the gross redemption yield on UK gilts (Yield Indices: 15 years) published daily in the Financial Times newspaper, as the benchmark yield. This yield is convertible twice yearly, and is adjusted to the equivalent annual rate for calculating (but not looking up) the rates shown in the tables. For the purpose of looking up the rates given in the tables, the yield obtained direct from the published index is rounded down to the lower 0.25% ($\frac{1}{4}\%$).

Expenses

In producing the tables a deduction of 2% of the purchase price of the annuity is assumed to allow for the initial expenses of insurance companies. In using the tables no such adjustment needs to be made.

Other

For practical purposes, the age definition used is the age attained at the last birthday before the "reference date" of the calculation, and the frequency of payment allowed for in the annuity rate is monthly in arrears.

Government Actuary's Department

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