



## Important Announcement (Staff Transfers)

### Actuarial assumptions for broad comparability assessments

#### Introduction

1. This announcement sets out the actuarial assumptions which are used by GAD in carrying out broad comparability assessments under the Government's Fair Deal policy.
2. Annex A of the [Fair Deal 2013 policy](#) contains guidance about how the actuarial assumptions to be used for broad comparability assessments should be derived. The actuarial assumptions set out in this document have been derived with reference to this guidance.

#### Application

3. The actuarial assumptions set out in this document will be used for all broad comparability assessments carried out by GAD under the Fair Deal 2013 policy, until further notice.
4. These actuarial assumptions will also be used for broad comparability assessments carried out by GAD under the Fair Deal 2004 policy, for all new applications received by GAD on or after 1 July 2014.
5. Existing broad comparability certificates (and passport certificates) are not being withdrawn as a consequence of this change. There is therefore no requirement for contractors to replace an existing certificate on account of this change.

#### Financial assumptions

6. These are consistent with the long-term assumptions used for valuing public service pension liabilities, as set out in [The Public Service Pensions \(Valuation and Employer Cost Cap\) Directions 2014](#) ('the Directions').
7. The main financial assumptions used are as follows:
  - Rate of increase of official pensions (in line with Pensions (Increase) Act 1971)  
= 2.0% pa
  - Price measure revaluations of career average re-valued earnings  
= 2.0% pa (nominal)
  - Earnings measure revaluations of career average re-valued earnings  
= 4.75% pa (nominal)
  - Rate of public service earnings growth  
= 4.75% pa (nominal)



- Discount rate  
= 5.06% pa (nominal)
8. Although the public service pension schemes currently provide pension increases which follow directly changes in consumer prices, this is not always the case for private sector schemes used for broad comparability, which may have capped pension increases in deferment and/or payment. The assumptions used for capped pension increases are as follows:
- In line with the Pensions (Increase) Act 1971, or CPI (with no cap)  
= 2.0% pa
  - In line with the Pensions (Increase) Act 1971, or CPI, with an annual cap of 5%  
= 1.8% pa
  - In line with the Pensions (Increase) Act 1971, or CPI, with an annual cap of 2.5%  
= 1.2% pa
  - In line with the Pensions (Increase) Act 1971, or CPI, with an overall cap in deferment of 5% pa  
= 1.9% pa
  - In line with the Pensions (Increase) Act 1971, or CPI, with an overall cap in deferment of 2.5% pa  
= 1.65% pa
  - In line with RPI (with no cap)  
= 3.15% pa
  - In line with RPI, with an annual cap of 5%  
= 2.65% pa
  - In line with RPI, with an annual cap of 2.5%  
= 1.6% pa
  - In line with RPI, with an overall cap in deferment of 5% pa  
= 3.0% pa
  - In line with RPI, with an overall cap in deferment of 2.5% pa  
= 2.25% pa

The assumptions used for caps at other levels are available on request.



## Demographic assumptions

9. The demographic assumptions are generally scheme-specific, consistent with the last published actuarial valuation report for the relevant public sector pension scheme, with the following exceptions:

- *Post-retirement mortality assumptions*

Scheme specific baseline post-retirement mortality assumptions are used (consistent with the last published actuarial valuation for the relevant public sector pension scheme), but allowance for future improvements in post-retirement mortality rates is based on the Office for National Statistics 2012 principal population projections for the United Kingdom, in line with the assumption set out in the Directions.

- *State pension age*

State pension ages will be assumed to be in line with those set out in the Directions.

- *Commutation*

For schemes where members are entitled to choose to surrender pension for a lump sum at a rate of £12 lump sum for every £1 of pension surrendered (and is not entitled to a fixed lump sum on retirement), members will be assumed to surrender 15% of their pension for a lump sum at retirement.

- *Local Government Pension Scheme*

The demographic assumptions for broad comparability assessments against the Local Government Pension Scheme (LGPS), in England & Wales, in Scotland and in Northern Ireland, will be in line with those set out in the Appendix to this note, until such time as the first valuation for LGPS (in each respective region) under the Public Service Pensions Act 2013 is published – following which the assumptions will be in line with the relevant LGPS valuation for each scheme.

## Further information

10. Further information is available on request – please contact [staff.transfers@gad.gov.uk](mailto:staff.transfers@gad.gov.uk) or telephone 0207 211 2676 or 0207 211 2752

**Staff Transfers  
Government Actuary's Department**

**1 July 2014**



## Appendix

### Actuarial assumptions for broad comparability assessments against the LGPS

*The demographic assumptions for broad comparability assessments against the Local Government Pension Scheme (LGPS), in England & Wales, Scotland and Northern Ireland, will be in line with those set out in this Appendix, with effect from 1 July 2014 until such time as the first valuation for LGPS (in each respective region) under the Directions is published – following which the assumptions will be in line with the relevant LGPS valuation for each scheme.*

#### Pensioner mortality

##### Baseline mortality assumptions

Baseline mortality	Standard table <sup>1</sup>	Adjustment
<b>Males</b>		
Retirements in normal health	S1NMA	99%
Current ill-health pensioners	S1IMA	104%
Future ill-health pensioners	S1IMA	104%
Dependants	S1NMA	120%
<b>Females</b>		
Retirements in normal health	S1NFA	93%
Current ill-health pensioners	S1IFA	106%
Future ill-health pensioners	S1IFA	106%
Dependants	S1DFA	101%

<sup>1</sup> From the 'S1' series of standard tables published by the CMI and based on the experience of self-administered pension schemes over the period 2000 to 2006. Separate tables are available based on experience of members retiring in normal and ill health and for dependants.



**Age retirement rates for members joining on or after 1 Oct 2006, and all members not entitled to unreduced benefits before age 65 under the 'Rule of 85'**

Age	NPA 65		NPA 66		NPA 67		NPA 68	
	Males	Females	Males	Females	Males	Females	Males	Females
55	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
56	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
57	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
58	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
59	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
60	0.090	0.090	0.003	0.002	0.003	0.002	0.003	0.002
61	0.090	0.090	0.090	0.090	0.003	0.002	0.003	0.002
62	0.090	0.090	0.090	0.090	0.090	0.090	0.003	0.002
63	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
64	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
65	1.000	1.000	0.090	0.090	0.090	0.090	0.090	0.090
66	1.000	1.000	1.000	1.000	0.090	0.090	0.090	0.090
67	1.000	1.000	1.000	1.000	1.000	1.000	0.090	0.090
68	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

**Age retirement rates for members entitled to unreduced benefits at age 60 under the 'Rule of 85'**

Age	NPA 65		NPA 66		NPA 67		NPA 68	
	Males	Females	Males	Females	Males	Females	Males	Females
55	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
56	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
57	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
58	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
59	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
60	0.310	0.300	0.310	0.300	0.186	0.179	0.099	0.095
61	0.170	0.230	0.170	0.230	0.102	0.138	0.055	0.073
62	0.170	0.230	0.170	0.230	0.138	0.173	0.055	0.073
63	0.170	0.230	0.170	0.230	0.138	0.173	0.115	0.134
64	0.170	0.230	0.170	0.230	0.138	0.173	0.115	0.134
65	1.000	1.000	0.170	0.230	0.138	0.173	0.115	0.134
66	1.000	1.000	1.000	1.000	0.138	0.173	0.115	0.134
67	1.000	1.000	1.000	1.000	1.000	1.000	0.115	0.134



68 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

**Age retirement rates for members entitled to unreduced benefits at between 60 and 65 under the 'Rule of 85'**

Note: these members are all treated as being entitled to unreduced benefits from age 62.

Age	NPA 65		NPA 66		NPA 67		NPA 68	
	Males	Females	Males	Females	Males	Females	Males	Females
55	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
56	0.003	0.002	0.003	0.002	0.003	0.002	0.003	0.002
57	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
58	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
59	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
60	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
61	0.020	0.020	0.020	0.020	0.013	0.013	0.008	0.008
62	0.310	0.300	0.310	0.300	0.221	0.215	0.099	0.095
63	0.170	0.230	0.170	0.230	0.138	0.173	0.115	0.134
64	0.170	0.230	0.170	0.230	0.138	0.173	0.115	0.134
65	1.000	1.000	0.170	0.230	0.138	0.173	0.115	0.134
66	1.000	1.000	1.000	1.000	0.138	0.173	0.115	0.134
67	1.000	1.000	1.000	1.000	1.000	1.000	0.115	0.134
68	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

**Ill-health retirement rates for all members**

Age	Males	Females
20	0.0000	0.0000
25	0.0001	0.0000
30	0.0001	0.0001
35	0.0002	0.0001
40	0.0005	0.0003
45	0.0010	0.0007
50	0.0020	0.0015
55	0.0041	0.0033
60	0.0084	0.0071
65*	0.0171	0.0153

\*rates are zero if above the member's NPA



**Percentage of ill-health retirement in tiers 1, 2 and 3, for all members**

Tier 1	Tier 2	Tier 3
77%	11%	12%

**Withdrawal rates (net of re-entry within 5 years) for all members**

Age	Males	Females
20	0.1030	0.1144
25	0.0810	0.0908
30	0.0638	0.0720
35	0.0502	0.0571
40	0.0395	0.0453
45	0.0310	0.0359
50	0.0244	0.0285
55	0.0192	0.0226
60	0.0151	0.0179
65*	0.0119	0.0142

\*rates are zero if above the member's NPA

**Death in service rates for all members**

Age	Males	Females
20	0.0002	0.0001
25	0.0002	0.0001
30	0.0003	0.0002
35	0.0005	0.0002
40	0.0006	0.0003
45	0.0009	0.0005
50	0.0013	0.0008
55	0.0021	0.0013
60	0.0032	0.0020
65	0.0051	0.0030



### Promotional salary scales for all members

Age	Males	Females
20	90	96
25	92	96
30	100	100
35	105	103
40	109	105
45	112	105
50	115	106
55	115	106
60	115	106
65	115	106

### Proportion married or partnered at retirement

Proportion married or partnered at ages up to 70	
Males	80%
Females	75%

Consistent proportions are assumed at higher ages, allowing for the impact of mortality.

Male members are assumed to be three years older than their partners and female members are assumed to be two years younger than their partners.