

New Police Pension Scheme 2006

Exchange of lump sum for additional annual pension payments

Date: 16 September 2011

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1 Introduction

- 1.1 This note¹ is addressed to the administrators of the New Police Pension Scheme (NPPS).
- 1.2 This guidance applies to the calculation of the exchange of lump sum for additional annual pension payments (also known as inverse commutation), in the New Police Pension Scheme under regulation 37 of The Police Pensions Regulations 2006 (and under the corresponding Scottish and Northern Irish regulations).
- 1.3 The scope of cases that are covered by this guidance is detailed later in this note. Cases that are not covered by this guidance should be referred to Home Office, Scottish Public Pensions Agency (SPPA) or the Department of Justice (Northern Ireland) (DoJ(NI)) (as applicable) for onward transmission to GAD. If this gives rise to issues that are of general applicability then Home Office, SPPA or DoJ(NI) may be prepared to cover GAD's fees. Otherwise, police authorities would need to meet GAD's fees.
- 1.4 If administrators have any questions about how to use this guidance they should in the first instance consult published information or raise queries on the Police Pensions Administrators' Forum at:
<http://pensions.police.homeoffice.gov.uk/>
- 1.5 If the Forum does not help, administrators may contact the Police Pensions Teams at the Home Office, SPPA or DoJ(NI), who will seek input from the scheme actuary if necessary.

Implementation and review

- 1.6 The factors and guidance contained in this note are effective with immediate effect.
- 1.7 The remainder of this note covers the factor table, guidance on its use and a worked example.

¹ Although this note is not subject to the Technical Actuarial Standards issued by the Board for Actuarial Standards it is intended to comply with the requirements of the TAS P and TAS R as they relate to guidance for calculations using actuarial factors.

2 Exchange of lump sum

- 2.1 All or part of a member's NPPS lump sum may be exchanged for additional annual pension payments. This option applies to an ordinary pension or a deferred pension (paid on normal health grounds) but not to an ill-health pension or to a deferred pension paid early on grounds of ill-health.
- 2.2 Survivors' pensions are not affected by the member's decision to exchange lump sum for additional annual pension payments.
- 2.3 The additional annual pension payments should be determined as follows:

$$\text{Lump sum} \div \text{Factor}$$

where

- > Lump sum - the lump sum amount to be exchanged for additional annual pension payments
- > Factor - determined from the table in the appendix as applicable for the member's age (in years and completed months)

- 2.4 The example below illustrates this calculation.

Example:

Sex	Male
Date of birth	5 August 1954
Date of pension commencement	7 October 2011
Lump sum amount to be exchanged	£45,000
Age in years and completed months	57 years 2 months
Lump sum	£45,000
Factor	19.85

Additional annual pension payments payable to the member:

$$\begin{aligned}
 &= \text{Lump sum} \div \text{Factor} \\
 &= £45,000 / 19.85 \\
 &= \mathbf{£2,267.00 \text{ each year}}
 \end{aligned}$$

Appendix

Table: NPPS factors for exchange of lump sum for additional annual pension payments

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
55	20.70	20.67	20.63	20.60	20.57	20.53	20.50	20.47	20.43	20.40	20.37	20.33
56	20.30	20.27	20.23	20.20	20.17	20.13	20.10	20.07	20.03	20.00	19.97	19.93
57	19.90	19.88	19.85	19.83	19.80	19.78	19.75	19.73	19.70	19.68	19.65	19.63
58	19.60	19.57	19.53	19.50	19.47	19.43	19.40	19.37	19.33	19.30	19.27	19.23
59	19.20	19.17	19.13	19.10	19.07	19.03	19.00	18.97	18.93	18.90	18.87	18.83
60	18.80	18.76	18.72	18.68	18.63	18.59	18.55	18.51	18.47	18.43	18.38	18.34
61	18.30	18.27	18.23	18.20	18.17	18.13	18.10	18.07	18.03	18.00	17.97	17.93
62	17.90	17.87	17.83	17.80	17.77	17.73	17.70	17.67	17.63	17.60	17.57	17.53
63	17.50	17.46	17.42	17.38	17.33	17.29	17.25	17.21	17.17	17.13	17.08	17.04
64	17.00	16.96	16.92	16.88	16.83	16.79	16.75	16.71	16.67	16.63	16.58	16.54
65	16.50											