



# IMPORTANT INFORMATION (STAFF TRANSFERS)

## Actuarial assumptions for broad comparability assessments that cover accrual from 1 April 2022 for staff transferring between public service pension schemes

### Introduction

1. This note sets out the actuarial assumptions which are used by GAD in carrying out broad comparability assessments that cover accrual from 1 April 2022 for staff transferring between public service pension schemes 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.
3. This note is provided for information only. It is not intended to be advice or assistance for any party and GAD can take no responsibility for any action or inaction taken partly or wholly on the basis of this note. Parties should seek their own advice as appropriate.

### Application

4. This note replaces the previous corresponding announcement dated 18 February 2019. This previous announcement was itself withdrawn in 2020 in light of the 'McCloud Judgment'. Details of the 'McCloud Remedy' are set out in [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1033170/PSP\\_Leaflet.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1033170/PSP_Leaflet.pdf)
5. The actuarial assumptions set out in this document will be used for broad comparability assessments in respect of accrual from 1 April 2022 for staff transferring between public service pension schemes carried out by GAD under the Fair Deal 2013 policy, until further



notice. They will also be used for broad comparability assessments that cover accrual from 1 April 2022 for staff transferring between public service pension schemes carried out by GAD under the Fair Deal 2004 policy.

6. They will be used for all cases processed by GAD on or after 1 February 2022. Existing broad comparability certificates (and passport certificates) which were not withdrawn in response to the McCloud Judgment are not affected by this note, and there is no requirement for contractors to replace an existing, unwithdrawn, certificate on account of this note.
7. The actuarial assumptions set out in this document are not being used for broad comparability assessments that cover accrual prior to 1 April 2022 for staff transferring between public service pension schemes, or where staff are transferring to or from a private sector pension scheme.

### **Financial assumptions**

8. 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) (Amendment) Directions 2014, as amended ('the Directions').
9. 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  
= 4.2% pa (nominal)
  - Rate of public service earnings growth  
= 4.2% pa (nominal)
  - Discount rate  
= 4.45% pa (nominal)

### **Demographic assumptions**

10. A single set of cross-scheme demographic assumptions is used for broad comparability purposes, based on a broad average of the assumptions set for the civil service pension schemes (GB), NHSPS (E&W) and LGPS (E&W) schemes for the 2016 valuations. These assumptions will normally be used for all cases involving transfers between public service workforces, including devolved administration schemes. Where schemes for workforces other than health, local government and civil servants are involved, confirmation should be sought from GAD that the cross-scheme basis is appropriate to the circumstances.

11. A summary of the main cross-scheme demographic assumptions is provided in the Appendix.  
Further details are available on request.

### **Further information**

12. Further information is available on request – please contact [staff.transfers@gad.gov.uk](mailto:staff.transfers@gad.gov.uk).

Staff Transfers

Government Actuary's Department

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## Appendix: Summary of cross-scheme demographic assumptions

	<b>Cross-scheme, unisex assumption based on valuation assumptions (2016)</b>
Post retirement mortality	<p>Normal Health: 95% S2NxA            Ill Health: 100% S2IxA            Dependants: 110% S2NxA</p> <p>Unisex annuity values are used, based on 40% male, 60% female</p> <p>Allowance for future improvements in post-retirement mortality rates is based on the Office for National Statistics 2020 principal population projections for the United Kingdom</p>
Age retirement	2% p.a. from age 55 to age 59, then 12.5% p.a. at each age onwards until 100% at SPA
Ill health decrement	Unisex scale – see sample rates below
Ill health tiers	<p>Upper tier - 70%</p> <p>Lower tier – 30% (split 15%/15% for tiers 2/3 for LGPS)</p>
Withdrawal	Unisex scale – see sample rates below
Pre-retirement mortality	Unisex scale – see sample rates below
Pay scale	Unisex scale – see sample rates below
Commutation	17.5%, where no automatic lump sum benefit
% partnered at death	<p>76% male, 54% female at age 50</p> <p>34% male, 7% female at age 90</p>
Age difference	<p>Male members 3 years older than their partners</p> <p>Female members 2 years younger than their partners</p>
Other assumptions	Contribution rate pay bands increase in line with salary escalation from date of calculation

Sample rates:

Age	Ill-health retirement	Withdrawal	Pre-retirement mortality	Pay scale
18	0.01%	14.0%	0.02%	7.0%
25	0.01%	7.0%	0.02%	3.5%
35	0.05%	4.3%	0.03%	1.5%
45	0.10%	3.0%	0.06%	0.7%
55	0.45%	3.0%	0.15%	0.3%
65	0.80%	3.0%	0.40%	0.0%