



Government  
Actuary's  
Department

# Police and Fire Schemes

Remedy member examples

January 2023



# Introduction

These slides have been prepared at the request of HO, to provide illustrations of expected communications with members in respect of the McCloud Remedy. The following scenarios are covered:

- Member contribution adjustments
- Member benefit adjustments
- Voluntary contributions – added pension adjustments

The examples included are based on GAD's understanding of the HMT directions published in December 2022. See [The Public Service Pensions Exercise of Powers Compensation and Information Directions 2022.pdf](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/111111/The_Public_Service_Pensions_Exercise_of_Powers_Compensation_and_Information_Directions_2022.pdf) ([publishing.service.gov.uk](https://publishing.service.gov.uk))

The Financial Reporting Council sets technical standards for actuarial work in the UK. This work is not within scope of these standards, but, to the extent that the provisions are relevant, we have complied with the applicable Technical Actuarial Standard: TAS 100.

## Contents

<b>Introduction</b>	<b>2</b>
<b>Contribution adjustment examples</b>	
Contributions – underpayment by member	3
Contributions – overpayment by member	11
Contributions – under and overpayment by member	15
<b>Benefit adjustment examples</b>	
Benefits in payment – underpayment of pension and lump sum	19
Benefits in payment – overpayment of pension and lump sum	24
Benefits in payment – underpayment of pension and overpayment of lump sum	30
<b>Voluntary Contributions – Added pension</b>	<b>35</b>
<b>Appendices</b>	
Appendix A: Assumptions	38
Appendix B: Data	39
Appendix C: Limitations	40

Contributions –  
underpayment by  
member



# Contribution adjustment - underpayment

Example of unprotected member and 1987 and 2015 Police EW schemes

Scheme year	Salary (£)	Contributions paid under 2015 scheme: 13.44% pa of pensionable salary (£)			Contributions due under legacy scheme: 14.25% pa of pensionable salary (£)			Difference in net contributions (£)	Interest due on underpayments (£) (see notes)	Total amount owing (£)
		Before Tax	Tax relief	After tax relief	Before Tax	Tax relief	After tax relief			
2015/2016	40,000	5,376	1,075	4,301	5,700	1,140	4,560	259	23	282
2016/2017	41,200	5,537	1,107	4,430	5,871	1,174	4,697	267	20	287
2017/2018	42,400	5,699	1,140	4,559	6,042	1,208	4,834	275	19	293
2018/2019	43,700	5,873	1,175	4,699	6,227	1,245	4,982	283	17	300
2019/2020	45,000	6,048	1,210	4,838	6,413	1,283	5,130	292	14	306
2020/2021	46,400	6,236	1,247	4,989	6,612	1,322	5,290	301	11	312
2021/2022	47,800	6,424	1,285	5,139	6,812	1,362	5,449	310	11	321
<b>Total</b>		<b>41,194</b>	<b>8,239</b>	<b>32,955</b>	<b>43,676</b>	<b>8,735</b>	<b>34,941</b>	<b>1,986</b>	<b>114</b>	<b>2,100</b>

Total amount owing from the member to the scheme.

# Interest calculation – example year

**Scheme year** 01/04/2017 to 31/03/2018

**Mid point** 30/09/2017

**RSS date** 01/01/2024

In this example, interest due to the date 28 days after the initial RSS issue date (ie 29/01/2024).

**Period for interest** 30/09/2017 to 29/01/2024 = 6 years 121 days

**Amount due**

**before interest** £275

## Relevant NS&I interest rates \*

Relevant period in force			Interest rate (pa)	Interest for relevant period
30/09/2017	01/12/2017	61 days	0.70%	$(1 + 0.007)^{(61 / 365)} = 1.00117$
01/12/2017	01/10/2018	304 days	0.95%	$(1 + 0.0095)^{(304 / 365)} = 1.00791$
01/10/2018	24/11/2020	2 years 55 days	1.00%	$(1 + 0.01)^{(2 + 55 / 365)} = 1.02163$
24/11/2020	29/12/2021	1 year 35 days	0.15%	$(1 + 0.0015)^{(1 + 35 / 365)} = 1.00164$
29/12/2021	10/02/2022	43 days	0.35%	$(1 + 0.0035)^{(43 / 365)} = 1.00041$
10/02/2022	21/07/2022	161 days	0.50%	$(1 + 0.005)^{(161 / 365)} = 1.00220$
21/07/2022	25/10/2022	96 days	1.20%	$(1 + 0.012)^{(96 / 365)} = 1.00314$
25/10/2022	13/12/2022	49 days	1.80%	$(1 + 0.018)^{(49 / 365)} = 1.00240$
13/12/2022	29/01/2024	1 year 47 days	2.30%*	$(1 + 0.023)^{(1 + 47 / 365)} = 1.02600$
				Product of the above: 1.06811
Interest payable for the year:				$£275 \times (1.06811 - 1) = £19$

# Payment options

Options available:

- 1. Payment on receipt of RSS** – either initial RSS or subsequent annual statements. Interest at the prevailing NS&I rate(s) will be added from the original date (28 days from issue of the first RSS) to each anniversary date.
- 2. Deduction from Lump Sum on retirement** – interest at the prevailing NS&I rate(s) will be added from the original date (28 days from issue of the first RSS) to retirement



## 2. Payment by deduction from RLS – impact by age

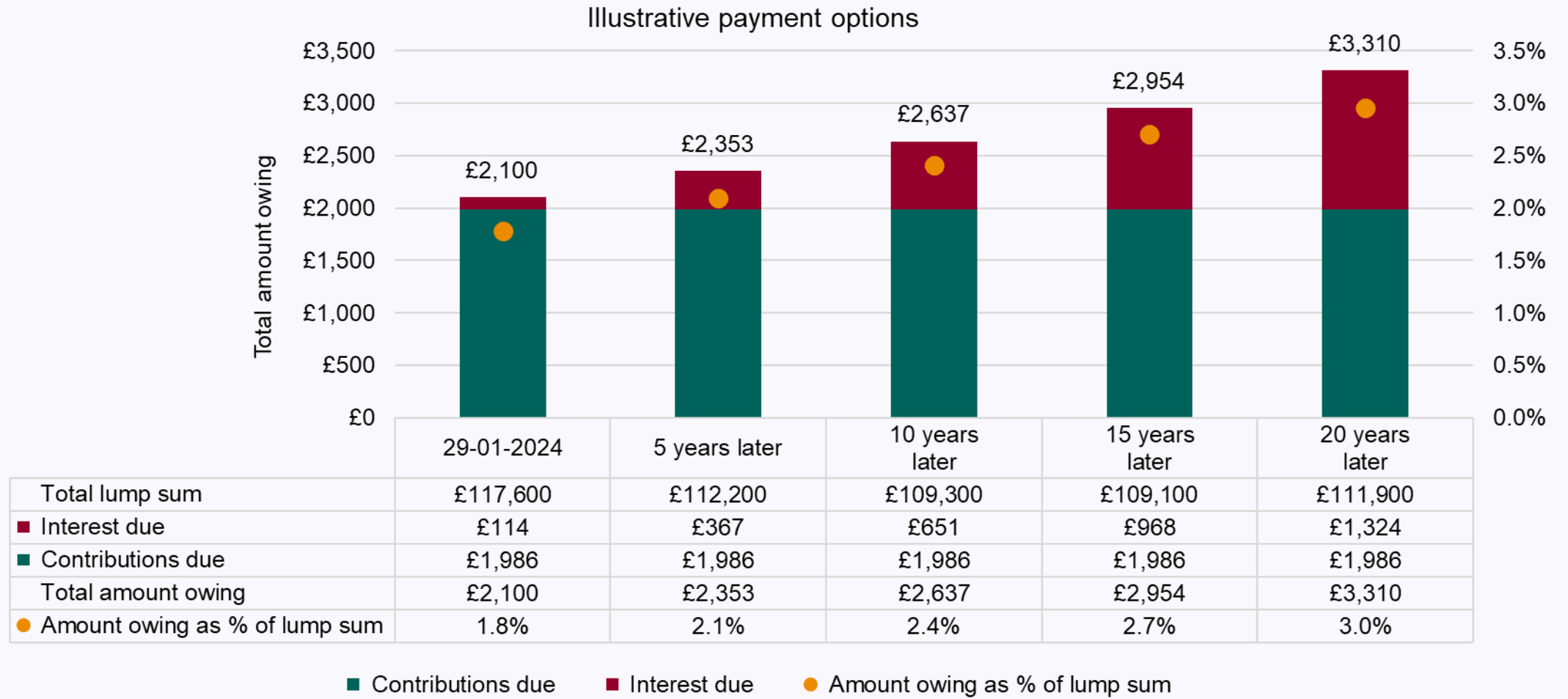
Unprotected member eligible for the Police EW 1987 legacy scheme:

- Interest at the NS&I savings rate is applied to 28 days after the initial RSS is issued, here we have assumed an initial RSS issue date of 01-01-2024.
- Total amount owing from the member to the scheme at 29-01-2024 is £2,100.

	29-01-2024	5 years later	10 years later	15 years later	20 years later
Assumed age	60	60	60	60	60
Salary	£ 47,800	£ 47,800	£ 47,800	£ 47,800	£ 47,800
Pre 2022 1987 scheme service	29	24	19	14	9
1987 Scheme lump sum	£ 114,939	£ 95,122	£ 75,305	£ 55,488	£ 35,671
Post 2022 2015 scheme service (rounded)	1	6	11	16	21
2015 scheme lump sum	£ 2,635	£ 17,126	£ 34,010	£ 53,588	£ 76,188
<b>Total LS</b>	<b>£ 117,600</b>	<b>£ 112,200</b>	<b>£ 109,300</b>	<b>£ 109,100</b>	<b>£ 111,900</b>

# 2. Payment by deduction from RLS – impact by age

NS&I rate assumed unchanged





### 3. Payment in a later year

RSS issue date 01-01-2027 (3 years after first RSS)

Amount due for settlement anytime in 12 months to 29-01-2028 (assuming no change in NS&I rate over the period):

$$£2,100 \times ((1 + 0.023) ^ (1096 / 365)) = \mathbf{£2,248}$$



# Example notes for member statement

1. The rate of tax relief due on pension contributions in any year has been derived from your earnings as reported on your P60 for that year. If you have other earnings a higher rate of tax relief may be applicable. If this is the case we will recalculate the amounts shown on the statement if you complete and return part 2 of Form A to show the year(s) concerned, the total amount of your earnings as recorded on your self-assessment return and provide suitable evidence. A copy of your self-assessment form is acceptable as evidence. If this is not available some other evidence must be supplied.
2. The rate of interest applied is in line with the NS&I equivalent savings rate. The rates applying for the period to date can be found at [The Public Service Pensions Exercise of Powers Compensation and Information Directions 2022.pdf \(publishing.service.gov.uk\)](https://publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/103122/the-public-service-pensions-exercise-of-powers-compensation-and-information-directions-2022.pdf).
3. Interest is applied from the mid-point of the year payments were due until payment is made and is compounded. For later payment further interest will be added at the NS&I rates as published by HM Treasury from time to time.
4. Should you not choose to make payment now you will receive an update of the amount due annually until benefits become payable. On receipt of each annual statement you will have the option to pay the amount then owing. If the amount remains due when benefits become payable it will be deducted from your benefits at that time. If you are then retiring you will be required to exchange sufficient pension for lump sum to cover the amount owing.

[A more granular interest calculation can be applied under the HMT directions should data be available.]



Contributions –  
overpayment by  
member



# Contribution adjustment - overpayment

Example of unprotected member and 2006 and 2015 Police EW schemes

Scheme year	Salary (£)	Contributions paid under 2015 scheme: 13.44% pa of pensionable salary (£)			Contributions due under legacy scheme: 12.04% pa of pensionable salary (£)			Difference in net contributions (£)	Interest due on overpayments (£) (see notes)
		Before Tax	Tax relief	After tax relief	Before Tax	Tax relief	After tax relief		
2015/2016	40,000	5,376	1,075	4,301	4,820	964	3,856	- 445	- 1,193
2016/2017	41,200	5,537	1,107	4,430	4,965	993	3,972	- 458	
2017/2018	42,400	5,699	1,140	4,559	5,109	1,022	4,087	- 471	
2018/2019	43,700	5,873	1,175	4,699	5,266	1,053	4,213	- 486	
2019/2020	45,000	6,048	1,210	4,838	5,423	1,085	4,338	- 500	
2020/2021	46,400	6,236	1,247	4,989	5,591	1,118	4,473	- 516	
2021/2022	47,800	6,424	1,285	5,139	5,760	1,152	4,608	- 532	
<b>Total</b>		<b>41,194</b>	<b>8,239</b>	<b>32,955</b>	<b>36,933</b>	<b>7,387</b>	<b>29,547</b>	<b>- 3,408</b>	
<b>Total amount owing from the scheme to the member</b>								<b>- 4,601</b>	



# Interest calculation – contribution overpayment

Total contribution overpayments over the whole 7 year period = £3,408

Earliest overpayment 30/04/2015

Interest calculated to 29/01/2024

Mid point for overpayment 15/09/2019

Period for overpayment interest 4 years 137\* days

Interest payable  $0.08 \times £3,408 \times (4 + 137 / 365) = £1,193$

- Interest is applicable at the rate of 8% pa simple.
- Note that if payment is delayed beyond 28 days from issue of initial RSS, interest is applied using the NS&I equivalent savings rates.
- \* where the period is an even number of days direction 14(20) sets the mid point as the first day of the second half of the period.



# Notes for statement

1. Payment will be made [automatically/bank account details to be supplied etc]. If payment is delayed beyond 28 days from issue of this statement further interest will be applied at the NS&I equivalent savings rates as published by HM Treasury from time to time.
2. The rate of tax relief due on pension contributions in any year has been derived from your earnings as reported on your P60 for that year. If you have other earnings a higher rate of tax relief may be applicable. If this is the case we will recalculate the amounts shown on the statement if you complete and return part 2 of Form A to show the year(s) concerned, the total amount of your earnings as recorded on your self-assessment return and suitable evidence. A copy of your self-assessment form is acceptable as evidence. If this is not available some other evidence must be supplied.
3. The rate of interest applied is 8% pa simple applied from the mid-point of the period from when the first overpayment was made until 28 days after the issue of this statement. Where the period is an even number of days the first day of the second half of the period is used.

[A more granular interest calculation can be applied under the HMT directions should data be available.]

If compensation is paid and a member or his representative ultimately elects for 2015 scheme benefits (re)payment of outstanding contributions will be at DC and deducted from lump sum benefits.



Contributions – under  
and overpayment by  
member



# Fire E – member with under and overpayment of contributions

It is possible for certain members of the Fire E scheme to have both over and underpaid contributions over the remedy period as the table below illustrates.

Scheme year	Applicable salary band			2015 scheme contribution rate	Legacy 2006 scheme contribution rate	Difference in rates
2015/2016	£21,211	to	£27,000	10.00%	10.40%	-0.40%
2016/2017	£21,423	to	£27,270	10.00%	10.40%	-0.40%
2017/2018	£21,637	to	£27,543	10.50%	10.40%	0.10%
2018/2019 to 2021/2022	£27,819	to	£31,218	12.90%	10.40%	2.50%





# Contribution adjustment - under and overpayment

Example of unprotected member and contributions to the 2006 and 2015 Fire E schemes

Scheme year	Salary (£)	Contributions paid under 2015 scheme (£)			Contributions due under legacy scheme (£)			Difference in net contributions (£)	Interest due on underpayments (£) (see notes)	Interest due on overpayments (£) (see notes)
		Before Tax	Tax relief	After tax relief	Before Tax	Tax relief	After tax relief			
2015/2016	25,500	2,550	510	2,040	2,652	530	2,122	82	7	
2016/2017	26,300	2,630	526	2,104	2,735	547	2,188	84	6	
2017/2018	27,100	2,846	569	2,276	2,818	564	2,255	- 22		
2018/2019	27,900	3,599	720	2,879	2,902	580	2,321	- 558		
2019/2020	28,700	3,702	740	2,962	2,985	597	2,388	- 574		- 636
2020/2021	29,600	3,818	764	3,055	3,078	616	2,463	- 592		
2021/2022	30,500	3,935	787	3,148	3,172	634	2,538	- 610		
<b>Total</b>		<b>23,080</b>	<b>4,616</b>	<b>18,464</b>	<b>20,342</b>	<b>4,068</b>	<b>16,274</b>	<b>- 2,190</b>	<b>14</b>	<b>- 636</b>
<b>Total amount owing from the scheme to the member</b>								<b>- 2,813</b>		

# Interest

Interest on underpayments is applied in the same way as for all underpayments cases ie using NS&I rates from the mid point of year in which due until 28 days after the issue of the statement and compounded.

Interest on overpayments is applied in same way as for all overpayments cases ie using 8% pa simple rate applied from the mid-point of the period from the when the first overpayment was made until 28 days after the issue of this statement.

The total amount owing or due is the sum of the annual amounts due or owing (before interest adjustments) plus/minus the interest adjustments applicable to the under and overpayments separately.



Benefits in payment –  
underpayment of pension  
and lump sum



# Benefit adjustment – underpayment of pension and lumpsum

Example – unprotected member of the Police EW 1987 and 2015 schemes:

- Retirement date: 01/04/2019
- Maximum service of 30 years reached
- Maximum cash is taken from both schemes
- Assumed rectification date: 01/01/2024
- This example shows the correct theoretical amount owing. On delivery through payroll the marginal rate of tax relief in year of payment will be applied. A member may need to make an application for compensation if a higher marginal rate of tax is applied.

Scheme year	Pension paid under 2015 scheme (£)			Pension due under legacy scheme (£)			Difference in net pension (£)	Interest due on underpayments (£)
	Before Tax	Tax paid	After tax	Before Tax	Tax paid	After tax		
2019/2020	19,900	1,480	18,420	22,500	2,000	20,500	2,080	1,959
2020/2021	20,238	1,548	18,691	22,883	2,077	20,806	2,115	
2021/2022	20,339	1,554	18,786	22,997	2,085	20,912	2,126	
2022/2023	20,970	1,680	19,290	23,710	2,228	21,482	2,192	
2023/2024*	17,316	1,578	15,738	19,578	2,030	17,548	1,810	
<b>Total</b>	<b>98,764</b>	<b>7,839</b>	<b>90,925</b>	<b>111,668</b>	<b>10,420</b>	<b>101,248</b>	<b>10,323</b>	<b>1,959</b>
<b>Total amount owing to member</b>							<b>12,282</b>	

\*Part year to 01/01/2024.



# Benefit adjustment – underpayment of pension and lumpsum

	Total lump sum under 2015 member choice* (£)	Total lump sum under legacy member choice* (£)	Difference in lump sum (£)
<b>Legacy:</b>			
• Standard lump sum	0	0	0
• Commuted lump sum	133,200	166,500	33,300
<b>2015:</b>			
• Commuted lump sum	12,900	0	-12,900
<b>Total</b>	<b>146,100</b>	<b>166,500</b>	<b>20,400</b>
<b>Interest due on overpayment</b>			<b>7,758</b>
<b>Total amount owing from member</b>			<b>28,158</b>

Pension underpayment including interest owing to member £12,282  
 +  
 Lump sum underpayment including interest owing to member £28,158  
 =  
 Total amount owing to member £40,440

*\*Assuming max cash is taken from both schemes.*



# Interest calculation – benefit underpayment

## Pension benefits

Total pension underpayments owing to member are £10,323.

Earliest underpayment 30/04/2019

Interest calculated to 29/01/2024

Mid point for underpayment 14/09/2021

Period for underpayment interest 2 years 136 days

Interest payable  $0.08 \times £10,323 \times (2 + 136 / 365) = £1,959$

## Lump sum

Total lump sum underpayment was £20,400.

Initial payment date 30/04/2019

Interest calculated to 29/01/2024

Period for underpayment interest 4 years 275 days

Interest payable  $0.08 \times £20,400 \times (4 + 275 / 365) = £7,758$

- Interest is applicable at the rate of 8% pa simple.
- Note that if payment is delayed beyond 28 days from issue of initial RSS, interest is applied using the NS&I equivalent savings rates.
- \*where the period is an even number of days direction 14(20) sets the period to be the first day of the second half of the period.



# Contribution and benefit adjustments

## Contribution adjustment:

Scheme year	Salary (£)	Contributions paid under 2015 scheme: 13.44% pa of pensionable salary (£)			Contributions due under legacy scheme: 14.25% pa of pensionable salary (£)			Difference in net contributions (£)	Interest due on underpayments (£) (see notes)	Total amount owing (£)
		Before Tax	Tax relief	After tax relief	Before Tax	Tax relief	After tax relief			
2015/2016	41,200	5,537	1,107	4,430	5,871	1,174	4,697	267	23	290
2016/2017	42,400	5,699	1,140	4,559	6,042	1,208	4,834	275	21	296
2017/2018	43,700	5,873	1,175	4,699	6,227	1,245	4,982	283	19	302
2018/2019	45,000	6,048	1,210	4,838	6,413	1,283	5,130	292	17	309
<b>Total</b>		<b>23,157</b>	<b>4,631</b>	<b>18,526</b>	<b>24,553</b>	<b>4,911</b>	<b>19,642</b>	<b>1,117</b>	<b>81</b>	<b>1,197</b>

Total amount owing from the member to the scheme in respect of contributions.

## Net position:

Amount owing to member in respect of pension and lump sum underpayment £40,440

-

Amount owing to the scheme in respect of contribution underpayment £1,197

=

Net amount owing to member £39,243

Benefits in payment –  
overpayment of pension and  
lump sum





# Benefit adjustment – overpayment of pension and lumpsum

Example – unprotected member of the Fire E 2015 and 2006 standard schemes:

- Retirement date: 01/04/2019
- Max service of 45 years reached
- Max cash is taken from both schemes
- Assumed rectification date: 01/01/2024

Scheme year	Pension paid under 2015 scheme (£)			Pension due under legacy scheme (£)			Difference in net pension (£)	Interest due on overpayments (£)
	Before Tax	Tax paid	After tax	Before Tax	Tax paid	After tax		
2019/2020	24,167	2,333	21,833	24,108	2,322	21,787	- 47	- 2
2020/2021	24,578	2,416	22,162	24,518	2,404	22,115	- 47	- 2
2021/2022	24,700	2,426	22,274	24,641	2,414	22,227	- 48	- 2
2022/2023	25,466	2,579	22,887	25,405	2,567	22,838	- 49	- 1
2023/2024*	21,029	2,320	18,708	20,978	2,310	18,668	- 41	- 0
<b>Total</b>	<b>119,939</b>	<b>12,074</b>	<b>107,865</b>	<b>119,650</b>	<b>12,016</b>	<b>107,633</b>	<b>- 232</b>	<b>- 7</b>
<b>Total amount owing from member to the scheme</b>							<b>- 239</b>	

\*Part year to 01/01/2024.



# Benefit adjustment – overpayment of pension and lumpsum

	Total lump sum under 2015 member choice* (£)	Total lump sum under legacy member choice* (£)	Difference in lump sum (£)
<b>Legacy:</b>			
• Standard lump sum	0	0	0
• Commuted lump sum	146,400	160,700	14,300
<b>2015:</b>			
• Commuted lump sum	14,600	0	-14,600
<b>Total</b>	<b>161,000</b>	<b>160,700</b>	<b>-300</b>
<b>Interest due on overpayment</b>			<b>-16</b>
<b>Total amount owing from member</b>			<b>-316</b>

Pension overpayment including interest owing from member £239  
 +  
 Lump sum overpayment including interest owing from member £316  
 =  
 Total amount owing to the scheme from the member £555

*\*Assuming max cash is taken from both schemes.*



# Interest calculation – pension overpayment example year

**Scheme year** 01/04/2019 to 31/03/2020  
**Mid point** 30/09/2019  
**RSS date** 01/01/2024  
**Period for interest** 30/09/2019 to 29/01/2024 = 4 years 121 days  
**Net overpayment** -£47

## Relevant NS&I interest rates

Relevant period in force			Interest rate (pa)	Interest for relevant period
30/09/2019	24/11/2020	1 year 55 days	1.00%	$(1 + 0.01)^{(1 + 55 / 365)} = 1.01152$
24/11/2020	29/12/2021	1 year 35 days	0.15%	$(1 + 0.0015)^{(1 + 35 / 365)} = 1.00164$
29/12/2021	10/02/2022	43 days	0.35%	$(1 + 0.0035)^{(43 / 365)} = 1.00041$
10/02/2022	21/07/2022	161 days	0.50%	$(1 + 0.005)^{(161 / 365)} = 1.00220$
21/07/2022	25/10/2022	96 days	1.20%	$(1 + 0.012)^{(96 / 365)} = 1.00314$
25/10/2022	13/12/2022	49 days	1.80%	$(1 + 0.018)^{(49 / 365)} = 1.00240$
13/12/2022	29/01/2024	1 year 47 days	2.30%	$(1 + 0.023)^{(1 + 47 / 365)} = 1.02600$
				Product of the above: 1.04802
Interest payable for the year:				$£-47 \times (1.04802 - 1) = -£2$



# Interest calculation – lump sum overpayment

Initial payment date 30/04/2019  
 RSS date 01/01/2024  
 Period for interest 30/04/2019 to 29/01/2024 = 4 years 275 days

## Relevant NS&I interest rates

Relevant period in force		Interest rate (pa)	Interest for relevant period
30/04/2019	24/11/2020	1 year 209 days	1.00%
			$(1 + 0.01)^{(1 + 209 / 365)} = 1.01577$
24/11/2020	29/12/2021	1 year 35 days	0.15%
			$(1 + 0.0015)^{(1 + 35 / 365)} = 1.00164$
29/12/2021	10/02/2022	43 days	0.35%
			$(1 + 0.0035)^{(43 / 365)} = 1.00041$
10/02/2022	21/07/2022	161 days	0.50%
			$(1 + 0.005)^{(161 / 365)} = 1.00220$
21/07/2022	25/10/2022	96 days	1.20%
			$(1 + 0.012)^{(96 / 365)} = 1.00314$
25/10/2022	13/12/2022	49 days	1.80%
			$(1 + 0.018)^{(49 / 365)} = 1.00240$
13/12/2022	29/01/2024	1 year 47 days	2.30%
			$(1 + 0.023)^{(1 + 47 / 365)} = 1.02600$
			Product of the above: 1.05243
Interest payable for the year:			$£-300 \times (1.05326 - 1) = -£16$



# Contribution and benefit adjustments

## Contribution adjustment:

Scheme year	Salary (£)	Contributions paid under 2015 scheme: 12.20% to 12.90% pa of pensionable salary (£)			Contributions due under legacy scheme: 11.20% pa of pensionable salary (£)			Difference in net contributions (£)	Interest due on overpayments (£) (see notes)
		Before Tax	Tax relief	After tax relief	Before Tax	Tax relief	After tax relief		
2015/2016	45,700	5,575	2,230	3,345	5,118	2,047	3,071	- 274	- 556
2016/2017	47,100	5,888	2,355	3,533	5,275	2,110	3,165	- 367	
2017/2018	48,500	6,160	2,464	3,696	5,432	2,173	3,259	- 437	
2018/2019	50,000	6,450	2,580	3,870	5,600	2,240	3,360	- 510	
<b>Total</b>		<b>24,072</b>	<b>9,629</b>	<b>14,443</b>	<b>21,426</b>	<b>8,570</b>	<b>12,855</b>	<b>- 1,588</b>	<b>- 556</b>
<b>Total amount owing from the scheme to the member</b>								<b>- 2,144</b>	

## Net position:

Amount owing to scheme in respect of pension and lump sum overpayment £555

-

Amount owing to member in respect of contribution overpayment £2,144

=

Net amount owing to member £1,589

Benefits in payment –  
underpayment of pension  
and overpayment of lump  
sum



# Benefit adjustment – underpayment of pension and overpayment of lump sum

Example based a member of the Police EW 2006 scheme:

- Retirement date: 01/04/2019
- Max service of 35 years reached
- Max cash is taken from both schemes
- Assumed rectification date: 01/01/2024

Scheme year	Pension paid under 2015 scheme (£)			Pension due under legacy scheme (£)			Difference in net pension (£)	Interest due on underpayments (£)
	Before Tax	Tax paid	After tax	Before Tax	Tax paid	After tax		
2019/2020	32,200	3,940	28,260	33,000	4,100	28,900	640	604
2020/2021	32,747	4,049	28,698	33,561	4,212	29,349	651	
2021/2022	32,911	4,068	28,843	33,729	4,232	29,497	654	
2022/2023	33,931	4,272	29,659	34,774	4,441	30,334	674	
2023/2024*	28,019	3,718	24,301	28,715	3,857	24,857	557	
<b>Total</b>	<b>159,809</b>	<b>20,048</b>	<b>139,761</b>	<b>163,779</b>	<b>20,842</b>	<b>142,937</b>	<b>3,176</b>	<b>604</b>
<b>Total amount owing to member</b>							<b>3,780</b>	

\*Part year to 01/01/2024.



# Benefit adjustment – underpayment of pension and overpayment of lump sum

	Total lump sum under 2015 member choice* (£)	Total lump sum under legacy member choice* (£)	Difference in lump sum (£)
<b>Legacy:</b>			
• Standard lump sum	116,900	132,000	15,100
• Commuted lump sum	0	0	0
<b>2015:</b>			
• Commuted lump sum	19,700	0	-19,700
<b>Total</b>	<b>136,600</b>	<b>132,00</b>	<b>-4,600</b>
<b>Interest due on overpayment</b>			<b>-241</b>
<b>Total amount owing from member</b>			<b>-4,841</b>

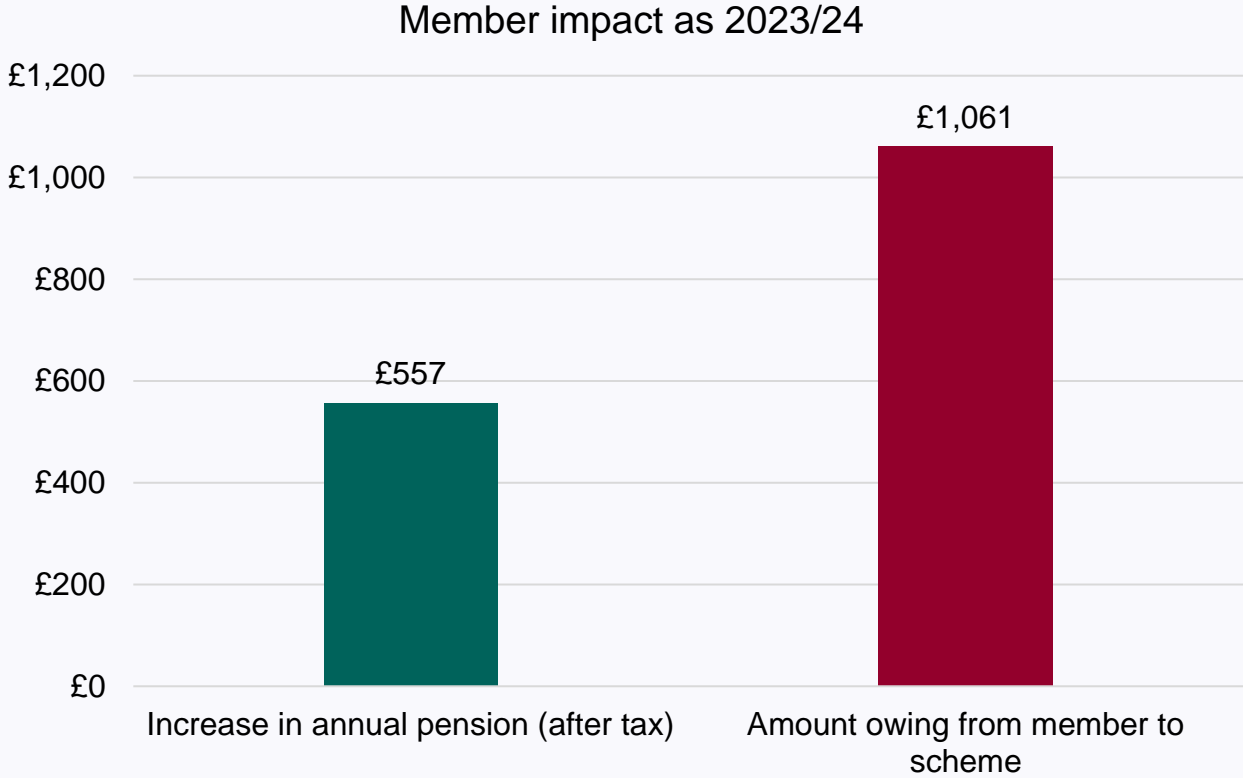
Pension underpayment including interest owing to member £3,780  
 -  
 Lump sum overpayment including interest owing from member £4,841  
 =  
 Total amount owing from member to scheme £1,061

*\*Assuming max cash is taken from both schemes.*





# Benefit adjustment – underpayment of pension and overpayment of lump sum



The increase in annual pension will equal the amount owing to the scheme within around 2 years



# Contribution and benefit adjustments

## Contribution adjustment:

Scheme year	Salary (£)	Contributions paid under 2015 scheme: 13.78% pa of pensionable salary (£)			Contributions due under legacy scheme: 12.75% pa of pensionable salary (£)			Difference in net contributions (£)	Interest due on overpayments (£) (see notes)
		Before Tax	Tax relief	After tax relief	Before Tax	Tax relief	After tax relief		
2015/2016	60,400	8,323	3,329	4,994	7,701	3,080	4,621	- 373	- 547
2016/2017	62,200	8,571	3,428	5,143	7,931	3,172	4,758	- 384	
2017/2018	64,100	8,833	3,533	5,300	8,173	3,269	4,904	- 396	
2018/2019	66,000	9,095	3,638	5,457	8,415	3,366	5,049	- 408	
<b>Total</b>		<b>34,822</b>	<b>13,929</b>	<b>20,893</b>	<b>32,219</b>	<b>12,888</b>	<b>19,332</b>	<b>- 1,562</b>	<b>- 547</b>
<b>Total amount owing from the scheme to the member</b>								<b>- 2,109</b>	

## Net position:

Amount owing to scheme in respect of pension underpayment and lump sum overpayment £1,061

-

Amount owing to member in respect of contribution overpayment £2,109

=

Net amount owing to member £1,048

# Voluntary Contributions (Added Pension) – Refund of VCs



# Refund of voluntary contributions

- Unprotected member paid AP contributions 2015-2018 and retired on 01/04/2018
- RSS issued 01-01-2024, interest calculated to 29/01/2024
  - Interest on refund of VCs is calculated in the same way as for an overpayment of contributions or underpayment of pension (ie 8% simple).
- This example considers the impact of VCs in isolation. In practice members may also be impacted by the contribution/benefit adjustments set out earlier. All impacts will be calculated independently and the totals added.

## Refund of contributions from scheme to member:

Scheme year	AP contributions paid (£)			Interest due (£)	AP built up over the year (£)
	Before Tax	Tax relief	After tax relief		
2015/2016	900	180	720	757	48
2016/2017	900	180	720		47
2017/2018	900	180	720		47
<b>Total</b>	<b>2,700</b>	<b>540</b>	<b>2,160</b>	<b>757</b>	<b>142</b>
<b>Total amount owing</b>				<b>2,917</b>	



# Appendices



# Appendix A: Assumptions

The assumptions adopted are as follows:

- Members have continuous full-time service.
- Unless otherwise stated, interest has been included up to 29 January 2024.
- Where interest has been calculated to a future date, we have used an NS&I interest rate of 2.30% pa. See [Historical interest rates | NS&I \(nsandi.com\)](#) for subsequent changes.
- The contribution examples only consider contributions paid during remediable service.
- Income tax has been applied based on the rates payable in England, Wales and Northern Ireland. We have assumed 2023/24 rates and bands are unchanged from 2022/23.



# Appendix B: Data

Income tax bands and rates for England, Wales and Northern Ireland:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23		2015/16 – 2022/23	
<b>Personal Allowance</b>	£10,600	£11,000	£11,500	£11,850	£12,500		£12,570		<b>Basic rate</b>	20%	
<b>Basic band</b>	£42,385	£43,000	£45,000	£46,351	£50,000		£50,270		<b>Higher rate</b>	40%	
<b>Higher band</b>	>£150,000									<b>Top rate</b>	45%

NS&I Equivalent Savings rates:

Effective from	Gross Equivalent Annual Rate
13/12/2022	2.30%
25/10/2022	1.80%
21/07/2022	1.20%
10/02/2022	0.50%
29/12/2021	0.35%
24/11/2020	0.15%
01/10/2018	1.00%
01/12/2017	0.95%
01/05/2017	0.70%
06/06/2016	0.80%
12/09/2013	1.10%



# Appendix C: Limitations

These slides have been prepared for the use of HO and must not be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.

Other than HO, no person or third party is entitled to place any reliance on the contents of this report, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this report.

Please note that all of the figures contained in this report should be treated as illustrative examples only. Actual member outcomes will vary depending on individual member circumstances.







The Government Actuary's Department is proud to be accredited under the Institute and Faculty of Actuaries' [Quality Assurance Scheme](#). Our website describes [the standards we apply](#).

The information in this presentation is not intended to provide specific advice. Please see [our full disclaimer](#) for details.

