

# NHS Pensions

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# Employer factsheet

# Guidance for calculating the Life Assurance Lump Sum (LALS) for partial retirement pensioners who die in pensionable employment

If after taking partial retirement the member was to die whilst in pensionable employment, their Life Assurance Lump Sum (LALS) will be calculated differently.

When calculating the LALS for members who have retired on partial retirement, we do not look at the benefits that have been drawn down. We instead look at the amount of service left, including any future service up to the member’s date of death, to work out a fraction of the LALS that becomes payable.

We are required to calculate the percentage of 2 times the pensionable earnings that are due, in addition to any LALS that would be payable if the member died within 5 years of taking this type of retirement. This part does not impact the calculation that is required for a benefit statement. For more information, view our ‘Partial retirement’ on the member hub for more information [www.nhsbsa.nhs.uk/member-hub/partial-retirement](http://www.nhsbsa.nhs.uk/member-hub/partial-retirement)

We have a statutory obligation to provide the value of the LALS on our benefit statements and need to ensure that we are following the correct guidance when calculating the death in service lump sum. If not, we are at risk of providing a value that is in excess of the amount payable.

## General

It would be unequitable and unsustainable for the Scheme to pay a full death in service lump sum of 2 times the pensionable earnings for members that have already benefited from a pension and/or lump sum for some of their membership.

The LALS calculation for partially retired members is designed to provide an appropriate fraction of 2 times the pensionable earnings from untaken membership.

In some cases, an additional LALS may be paid in respect of partial retirement membership where death occurs within 5 years.

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| --- | --- |
| **Partial retirement (1995/2008 and 2015)** | **Calculation** |
| Pension benefits that the member has not claimed as part of partial retirement and any further benefits the member accrues | Twice the percentage of the pensionable earnings to the date of the estimate calculation. The percentage used will be the percentage of benefits not claimed when taking partial retirement |

## Formula

Pensionable earnings x total unclaimed service = unclaimed actual earnings

Total service (including partial retirement)

LALS = 2 x unclaimed actual earnings

For calculating the membership for the LALS the legacy (1995/2008) is based on reckonable membership, but for the 2015 Scheme this is based on calendar length membership.

Here are four examples of scenarios for partial retirement LALS calculations.

### Calculation 1: Partial retirement

* payable date 04/12/2023
* 100% 1995 benefits
* benefit statement required at 31/03/2024

|  |  |
| --- | --- |
| 1995 reckonable service at 31/03/2022 | 18 years 262 days (6832 days) |
| 2015 calendar service from 01/04/2022 – 31/03/2024 | 2 years 000 days (730 days) |
| Total membership for the 1995 and 2015 Schemes | 20 years 262 days (7562 days) |
| Actual pensionable earnings (2023/2024) | £22,095.21 |

**£22,095.21 x (730 / 7562) = £2,132.96 x 2 = £4,265.93 LALS**

### Calculation 2: Partial retirement

* payable date 04/12/2023
* 80% 1995 benefits

|  |  |
| --- | --- |
| 1995 reckonable membership at 31/03/2022 | 18 years 262 days (6832 days) |

6832 / 100 x 80 = 5465.60 rounded up to 5466 (80% of membership claimed)

6832 – 5466 = 1366 (membership not included in partial retirement)

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| --- | --- |
| 2015 calendar membership 01/04/2022 – 31/03/2024 | 2 years 000 days (730 days) |

730 + 1366 = 2096 (2015 and 20% 1995 membership not claimed)

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| Total membership for the 1995 and 2015 Schemes | 20 years 262 days (7562 days) |
| Actual pensionable earnings (01/04/2023–31/03/2024) | £22,095.21 |

|  |  |
| --- | --- |
| **£22,095.21 x (2096/7562) = £6,124.25 x 2** | **= £12,248.50 death in service LALS** |

### Calculation 3: Partial retirement

* payable date 04/12/2023
* 100% 1995 benefits
* 50% 2015 benefits
* benefit statement required at 31/03/2024

|  |  |
| --- | --- |
| **1995 reckonable membership at 31/03/2022** | 18 years 262 days (6832 days) |
| **2015 calendar membership 01/04/2022 – 31/03/2024** | 2 years 000 days (730 days) |

730 / 2 = 365 (50% of membership claimed)

730 – 365 = 365 (membership not included in partial retirement)

|  |  |
| --- | --- |
| **Total membership for the 1995 and 2015 Schemes** | 20 years 262 days (7562 days) |
| **Actual Pensionable Earnings 01/04/2023 – 31/03/2024** | £22,095.21 |

|  |  |
| --- | --- |
| **£22,095.21 x 365 / 7562 = £1,066.48 x 2 =** | **£2,132.96 LALS** |

### Calculation 4: Partial retirement

* payable date 04/12/2023
* 100% 1995
* 100% 2015 benefits
* benefit statement required at 31/03/2024

|  |  |
| --- | --- |
| 1995 reckonable membership at 31/03/2022 | 18 years 262 days (6832 days) |
| 2015 calendar membership 01/04/2022 – 31/03/2024 | 2 years 000 days (730 days) |

730 - 612 = 118 (membership not included in partial retirement: 04/12/2023 – 31/03/2024)

|  |  |
| --- | --- |
| Total membership for the 1995 and 2015 Schemes | 20 years 262 days (7562 days) |
| Actual pensionable earnings from 04/12/2023 –31/03/2024 | £19,745.88 (uprated) |

Refer to the partial retirement supplementary form:

|  |  |
| --- | --- |
| Employer confirmed earnings from 01/04/2023 – 03/12/2023 | 20 years 262 days (7562 days) |
| 2023/2024 Pensionable earnings | £19,745.88 (uprated) |

£22,095.21 - £15,711.61 = £6,383.60 / 118 x 365 = £19,745.88 (earnings from 04/12/2023 – 31/03/2024, uprated to 365 days)

**£19,745.88 x 118 / 7562 = £308.12 x 2 = £616.24 LALS**

Calculation four only applies if, in this scenario, the partial retirement payable date and benefit statement year-end date fall within the same financial year.

Important points to consider:

* if you are projecting membership for the 2015 scheme this will also need to be completed when calculating the LALS
* check for disallowed days that fall before and after the partial retirement event
* LALS is calculated from actual pay and not whole-time equivalent pay
* pay should be for a period of 365 days
* for calculating the service for the LALS, 1995/2008 is based on reckonable membership. For the 2015 Scheme, this is based on calendar length membership

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