

Guidance for Early retirement provision spread-sheet completion

For 2015-16 two spreadsheets are provided for institutions to estimate their own early retirement provisions. One spreadsheet is to be used for pensions that utilise the Consumer Price Index (CPI) for the indexation of benefits (Local Government Pension Schemes, STSS etc) and one for schemes that utilise Retail Price Index (RPI) for the indexation (some University occupational schemes).

Net interest rate

RPI indexed schemes

There is no change to the methodology used to calculate the net interest rate used for schemes that utilise RPI for the indexation of benefits (eg University occupational schemes). Use the RPI spread-sheet and the RPI net interest rate calculated.

The suggested net interest rate for 2016 for RPI indexed schemes is -0.5%

CPI indexed schemes

CPI is generally a lower measure of inflation than RPI. This requires an adjustment to be made from RPI to CPI. The adjustment reduces the inflation rate calculated by 1% and this then feeds through to a higher discount rate. This applies to schemes that use CPI as the base for indexation (LGPS, STSS). Use the CPI related net interest rate (and calculation) and the CPI spread-sheet (that performs the required adjustment automatically for in year retirements).

Where Colleges have both a RPI related scheme and a CPI related scheme both sheets should be used.

The suggested net interest rate for 2015 for CPI indexed schemes is 0.5%.