

# NHS Pensions

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# Employer factsheet

# Guidance for calculating the Life Assurance Lump Sum (LALS) for re-employed pensioners who die in pensionable employment

When a member retires from the NHS, is in receipt of pension benefits and then returns to pensionable employment their death in membership life assurance lump sum (LALS) is calculated differently than if they had died in service before retiring.

The LALS where a re-employed pensioner dies in service is 5 times the Tier 2 ill health pension if the member dies under normal pension age (NPA) and 5 times the age pension if the member is over NPA. NPA in the 1995 Section is age 55 for members of the special classes or age 60. NPA in the 2008 Section is age 65 and in the 2015 Scheme it’s age 65 or State Pension age (SPA), whichever is later.

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 membership lump sum. If not, we are at risk of providing a value that is in excess of the amount payable.

The table shows examples of the scheme the member retired from, the scheme they returned to and the LALS calculations:

|  |  |  |  |
| --- | --- | --- | --- |
| **The Scheme the member retired from** | **The Scheme the member returned to for pensionable**  **re-employment** | **LALS payable for active members under NPA** | **LALS payable for active members over NPA** |
| 1995 Section (transition members must have taken 2015 benefits at this stage too) | 2015 Scheme | 5 x Tier 2 ill health pension at the payable date of estimate (2015 scheme) | 5 x age pension at the payable date of estimate (2015 scheme) – this should not include late retirement factors (LRF’s) |
| 2008 Section  (transition members must have taken 2015 benefits at this stage too) | 2015 Scheme | 5 x Tier 2 ill health pension at the payable date of estimate (2015) | 5 x age pension at the payable date of estimate (2015 scheme) - this should not include LRF’s |
| 2015 Scheme | 2015 Scheme | 5 x Tier 2 ill health pension at the payable date of estimate (2015) | 5 x age pension at the payable date of estimate (2015 scheme) - this should not include LRF’s |
| 2008 Section | 2008 Section and transition to 2015 Scheme | 5 x age pension (2008 section) - this should not include LRF’s  plus  5 x Tier 2 ill health pension at the payable date of estimate (2015) | 5 x age pension (2008 section)  plus  5 x age pension at the payable date of estimate (2015 scheme)  This should not include LRF’s |

This only applies to active pensioner members of the Scheme. It does not apply to:

* members with decoupled benefits
* pensioner members who retired on ill health from either the 1995 or 2008 Section and returned to pensionable employment before age 50

Here are some examples of how we work out the Tier 2 ill health pension for the death in service LALS.

## 1995 Section (for reference only)

The member’s service is enhanced to include 2/3rds of their prospective service up to their normal retirement age (the day after their last day of service, up to the day before the member would reach a normal pension age of 60).

### Calculating a Tier 2 ill health pension for death in service benefits where there is whole time membership only

Service (including enhancement) x pensionable pay = pension

29200

### Calculating a Tier 2 ill health pension for death in service benefits where there is any part time membership

Calculate the basic accrued pension as followed:

Scaled service x pensionable pay = basic pension

29200

After this, then calculate:

Basic pension x (calendar length service + enhancement) = pension

calendar length service

## 2008 Section

The member’s service is enhanced to include 2/3rds of their prospective service, up to their normal retirement age (the day after their last day of service, up to the day before the member would reach a normal pension age of 65).

### Calculating a Tier 2 ill health pension for death in service benefits where there is whole time membership only

Service (including enhancement) x reckonable pay = pension

21900

### Calculating a Tier 2 ill health pension for death in service benefits where there is any part time membership

Calculate the basic accrued pension as followed:

Scaled service x reckonable pay = basic pension

21900

After this, then calculate:

Basic pension x (calendar length service + enhancement) = pension

calendar length service

The member’s service is enhanced to include 50% of their prospective service up to their normal retirement age (the day after their last day of service, up to the day before the member would reach a normal pension age of 65 or later).

### Calculating a Tier 2 ill health pension for death in service benefits

Total pension pot x (calendar service + enhancement) = pension

calendar service

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