Actuarial Interest Factors

The GEPF ("the Fund") is a defined benefit fund in that the Rules of the Fund stipulate that the benefit payable to a member on retirement is based on his or her pensionable salary and years of service (including any purchase of service or money transferred into the Fund from other funds) in the Fund and has no relation to the contributions received on behalf of that member.

Where a member retires with less than 10 years of service or withdraws from the Fund prior to retirement, the member receives his or her ***Actuarial Interest*** in the Fund, which is the estimated value of the retirement benefits that the member has built up in the Fund to the date of exit. Put another way, it is the amount of money the Fund is holding at the date of the member's exit in order to fund the expected future benefit payments to the member.

The total of the Actuarial Interest values for all members and pensioners can be compared to the total assets held by the Fund to determine whether the Fund has sufficient assets to meet its liabilities – this is done formally every two years as part of the ***Actuarial Valuation*** of the Fund.

Actuarial Interest values are calculated by applying a formula based on the following:

1. The average pensionable (or basic) salary in the last two years prior to exit;
2. The years of membership with the Fund;
3. Any purchase of service or money transferred into the Fund from other funds; and
4. A factor – called an ***Actuarial Interest Factor*** – based on the member's age and whether the member is a "Services" member or an "Other" member.

The Actuarial Interest Factors provide an estimate of the future benefits the member would receive when he or she leaves the Fund (demographic assumptions) and the current value of those benefits (using economic assumptions).

The demographic and economic assumptions are reviewed as part of each Actuarial Valuation of the Fund to ensure they remain appropriate to give the best possible estimate of each member's Actuarial Interest value in the Fund.

- The demographic assumptions relate to the expected number of withdrawals, deaths and retirements of members at each age and how long pensioners are expected to live. These assumptions are specific to the Fund as they are calculated from the actual experience of the Fund- this is the best available indicator of what is likely to take place in the future.
- The economic assumptions relate to the expected level of future inflation, interest rates and investment returns (which are calculated from investment market information), salary increases (which are calculated relative to inflation) and pension increases (which are based on the pension increase policy of the Fund).

The Actuarial Interest Factors, and therefore Actuarial Interest values, can ***increase or decrease*** as a result of any change in the demographic and economic assumptions. In this regard it is important to note that the Trustees have very little discretion in setting the assumptions and any change in the assumptions is necessary to reflect the change in the current value of each member's benefits in the Fund.

Actuarial Interest Factors Frequently Asked Questions

- **What is Actuarial Interest?**

  Actuarial Interest is very simply the estimated value of each member's benefits in the GEPF at any point in time or, put another way, the amount estimated by the GEPF to be sufficient to pay the member's benefits when he/she subsequently leaves the GEPF.

  Payment of Actuarial Interest to a member who exits the GEPF is thus fair and reasonable in respect of the benefits that the member has built up in the GEPF.

- **What are Actuarial Interest Factors?**

  Actuarial Interest Factors are tables of mathematical functions used for calculating the member's estimated value in the GEPF. These tables are calculated by the Actuary of the Fund using both demographic and economic assumptions.

- **Why does the GEPF use Actuarial Interest Factors?**

  The GEPF uses Actuarial Interest Factors to calculate benefits payable to members who are owed Actuarial Interest on exit.

- **How often are Actuarial Interest Factors changed?**

  Actuarial Interest Factors change with every actuarial valuation. The GEPF carries out an actuarial valuation every 2 years.

- **What makes the Actuarial Interest Factors change?**

  Actuarial Interest Factors depend on demographic assumptions (e.g. life expectancy, rates of ill-health retirement, etc.) and economic assumptions (e.g. future investment returns, and future salary increases in the government).

  The Actuarial Interest Factors, and therefore Actuarial Interest values, can **increase** or **decrease** as a result of any change in the demographic and/or economic assumptions which could result in the change in your benefit payable at the time of exit.

- **When was the actuarial factors last update?**

  The Actuarial Interest Factors were last changed on 1 April 2015.

- **Why is there a need to change actuarial interest factors every 2 years?**

  The GEPF reviews the Actuarial Interest Factors as part of the Actuarial Valuation to make sure that they remain appropriate for the membership of the GEPF in changing conditions.

  Regularly changing the Actuarial Interest Factors is important to ensure that members who leave the Fund receive an appropriate benefit based on the benefits they have built up in the Fund and to ensure that the Fund does not make a profit or a loss based on the actual benefits that are paid to the exiting members.