

The Public Sector Transfer Club

Memorandum by the Cabinet Office

1 Introduction

1.1 This paper describes the arrangements for transferring accrued pension benefits to and from schemes which participate in the Public Sector Transfer Club ('the Club'). This paper supersedes the previous issue (PSTC 3 January 2009).

The purpose of the Club

1.2 The Club is a network of public and private sector occupational pension schemes which makes it easier for employees who move between employers covered by separate participating schemes to transfer their accrued pension rights. In general such employees will be given an opportunity to transfer their pension rights between Club schemes and to receive a broadly equivalent service credit in the new scheme in exchange for their service in their old scheme. The new scheme service credit is calculated irrespective of any change of salary between leaving the old scheme and joining the new one. So when benefits are transferred between two schemes with identical provisions, the transfer should produce a year-for-year credit. When the benefits in the two schemes are not the same, for example if they have different pension ages, a transfer may produce a higher or lower service credit, as appropriate.

1.3 When an employee exercises his or her right to a transfer under the Club, the old scheme calculates a transfer payment which is made to the new scheme. The new scheme then reverses the calculation taking account of differences in scheme design to arrive at the service credit. The calculations required of the schemes are similar to those for paying or receiving a cash equivalent transfer value but are based on a set of standard tables used by all Club schemes as prepared from time to time by the Government Actuary's Department. These payments are broadly based on the value of the deferred benefits to which the employee would be entitled under the sending scheme. The credit being offered by the receiving scheme implicitly treats the payment as though it had included an allowance for a continuing link to future earnings. The financial effects in any individual case will depend upon a number of factors. The receiving scheme will normally be offering benefits of greater value than the Club payment received.

Club membership

1.4 The Cabinet Office maintains a list of schemes which are members of the Club. The list is available on www.civilservice.gov.uk/my-civil-service/pensions/Public-Sector-Transfer-Club.aspx or can be obtained from the Cabinet Office (see section 8). Administrators of Club schemes should ensure that the Cabinet Office is made aware of any changes to a scheme's name, address, or administrator. Administrators or trustees must also be aware of the circumstances under which a scheme cannot remain in the Club and the arrangements when a scheme leaves the Club (see section 2); the Cabinet Office must be given at least 3 months' notice of a scheme's intention to leave the Club.

1.5 Schemes who are interested in applying for membership of the Club should contact the Cabinet Office.

Club booklet

1.6 A booklet has been prepared for members of Club schemes explaining how the Club affects individuals. This is available at www.civilservice.gov.uk/my-civil-service/pensions/Public-Sector-Transfer-Club.aspx.

Contents

1.7 This Memorandum describes the main terms and conditions for membership of the Club and includes the following sections:

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2 Requirements for Club membership

2.1 Each scheme which is a member of the Club must undertake:

- a to comply with the Club arrangements as described in this Memorandum, or as separately notified to scheme managers by the Cabinet Office;
- b to use the appropriate standard tables attached as Annex 1 to this paper (or corresponding tables described in paragraph 3.4) when calculating transfer values payable to another Club scheme and when calculating the minimum service credits it will provide in return for a Club transfer value;
- c to accept a transfer value, which falls within the Club arrangements, from any scheme in the Club and to credit service in a way which will not penalise the employee for any increase in their salary between leaving the old scheme and joining the new scheme; and
- d to accept any GMP liability or section 9(2B) rights which have arisen from previous Club employment (if the receiving scheme is contracted-out).

2.2 All Club schemes must seek advice from their own actuaries regarding transfers which do not come under the Club arrangements (referred to as ‘non-Club transfers’ in this Memorandum) and ensure that they meet the statutory requirements for such transfers. This includes transfers involving pension arrangements outside the Club and transfers between Club schemes which fall outside the Club arrangements.

2.3 It is not a requirement of Club membership to use the approach described in this Memorandum for non-Club transfers. In the rest of this Memorandum, any reference to a Club transfer means a transfer from one Club scheme to another Club scheme which falls within the Club arrangements. However, if a service credit calculated on non-Club terms would be greater than a credit calculated on Club terms, the receiving scheme may award a non-Club service credit. Such cases are expected to be infrequent and are most likely to arise when an individual has taken a large drop in salary when moving. Club schemes may wish to consult their actuarial advisers on the criteria to adopt if they wish to test whether a non-Club transfer would be more advantageous for the scheme member.

Closed schemes

2.4 It is usually the case that the scheme receiving the Club transfer payment will grant an employee benefits which are of greater value than the transfer payment being received. Equitable treatment of schemes within the Club network depends on there being free movement between Club members. A scheme no longer open to new entrants (a closed scheme) if allowed to remain on its own as a member of the Club would introduce an inequitable distortion. A closed scheme may continue its Club membership if the same employer has an open scheme for new recruits which is also a Club member. If the open scheme is not a member of the Club the closed scheme cannot remain a member.

Schemes with a restricted membership

2.5 An open scheme may be a member of the Club even if it is not available to all employees, or is restricted to certain grades of employees. The precise conditions of access will be considered by the Cabinet Office when the scheme applies to be a member of the Club.

Change of employer ~ change of scheme ~ bulk transfers

2.6 The Club transfer arrangements only apply for individual transfers where an employee voluntarily resigns from employment covered by one Club scheme and takes up a separate employment covered by another Club scheme. The arrangements do not apply where a group of staff transfer employment, either compulsorily or voluntarily with their employer's agreement and, as a consequence, move from one Club scheme to another. Similarly they do not apply when an employer either requires his employees to change pension schemes or offers them the opportunity to do so. The transfer value payable and/or the service credited in these cases should be determined as the two schemes agree, having taken appropriate actuarial advice.

Relationship with SERPS/State Second Pension (S2P)

2.7 Schemes which were contracted out of the State Earnings Related Pension Scheme (SERPS) provide Guaranteed Minimum Pensions (GMPs) in respect of some or all service before 6 April 1997. Contracting out of SERPS after 6 April 1997, or its successor the State Second Pension from 6 April 2002, is either on a salary related basis (COSR), or a money purchase basis (COMP). Contracted out rights on a COSR basis are known as section 9(2B) rights and on a COMP basis are known as protected rights. This memorandum has been written assuming all Club schemes are either not contracted-out or contracted out as a COSR.

2.8 At present there is no scheme in the Club which contracts out on a COMP basis. A scheme wishing to use the COMP option should contact the Cabinet Office about modifications to this memorandum.

2.9 Where a scheme is not contracted-out of SERPS or S2P (as appropriate), it cannot accept contracted-out rights. As the majority of the Club schemes are contracted-out, over time the number of transfers that can be accepted by a scheme which is not contracted-out will be limited. For this reason, new applications from schemes which are not contracted-out will be declined.

Changes to scheme rules

2.10 The Cabinet Office should be informed of any changes to scheme rules which affect the payment and receipt of transfer values, or the scheme's ability to apply the Club arrangements.

2.11 (paragraph deleted)

Schemes joining and leaving the Club

2.12 After having been accepted for Club membership by the Cabinet Office, or having given 3 months' notice of the intention to leave the Club, Club schemes should observe the following arrangements:

a *after entry*. Club transfers will be available to all deferred pensioners, including those who left service before their former scheme was admitted to the Club, subject to 4.1 which defines the right to a Club transfer by reference to when the employee became eligible to join their current scheme and not when their current scheme started to participate in the Club.

b *on withdrawal*. Schemes should notify the Cabinet Office of the date from when they intend to withdraw from the Club. Club transfers to and from that scheme will continue to be available to individuals who joined their new Club scheme on or before the date of withdrawal and who apply to transfer within the first year of service.

3 Transfer value factors

3.1 A Club transfer payment is calculated using the same principles as a cash equivalent transfer value of the accrued pension benefits. The calculations are made using the methods and standard Club factors set out in this Memorandum. After receiving a Club transfer payment the receiving scheme calculates a service credit using the Club factors appropriate to its circumstances following the methodology described in this Memorandum. Club schemes are not permitted to reduce a Club transfer value under the provisions of the Occupational Pensions (Transfer Values) (Amendment) Regulations 2008.

3.2 The Club arrangements have been devised to provide a simple and practical approach to transfers between member schemes. It is not the intention to allow for every facet of the different designs of member schemes. In general the opportunity to take a Club transfer will outweigh, for a scheme member, the failure to take fully into account lesser scheme benefits.

3.3 There are separate tables of Club factors according to the gender and normal pension age which apply under the rules of each scheme. The tables are for use both by those schemes which provide for benefits to dependants and partners, as well as those which limit payment to legal spouses (or civil partners) following the death of the scheme member. The use of the tables differs when partners' benefits are available as described in the footnote to the table. Separate factors are used for each of the accrued personal pension, lump sum, spouse's or partner's pension, national insurance modification (if appropriate) and GMP liabilities.

3.4 The tables attached at Annex 1 consist of two sets of factors; the first applicable to schemes with a pension age of 60, and the second for schemes with a pension age of 65. These are the most common pension ages. Schemes with a different pension age will need to use different factors and the appropriate tables may be obtained from the Cabinet Office at the address given in section 8.

3.5 A table of adjustment factors to allow for changes in investment conditions is also provided. These tables are linked to a market index (see paragraph 4.12). Schemes may, if they wish, obtain a list of the yields to be used from the Cabinet Office; this is also published on the website (see 1.4).

3.6 The tables have been produced by the Government Actuary' Department and may be revised from time to time (the tables were last revised in October 2010). There is a summary of the principal assumptions and methods underlying the tables in Annex 2.

4 Transfers out of Club schemes

Application for a Club transfer

4.1 An individual must apply for a Club transfer in writing to the receiving scheme within 12 months of becoming eligible to join, or, subject to (i) below, re-join the scheme. (A request for an estimate of a transfer value should not be regarded as an application to transfer benefits.) The application should be copied to the previous scheme. Applications should not be accepted where either:

- (i) an individual resigns from employment and rejoins the same scheme within 6 months, except during any period after rejoining which falls within 12 months of first becoming eligible to join the scheme; or
- (ii) an individual has joined the Club scheme from another Club scheme as a consequence of a compulsory transfer of employment, or of pension scheme (see 2.6).

4.2 A Club transfer is normally available until the date the individual reaches the normal pension age of the sending scheme. However, a Club scheme may allow a Club transfer to be taken after this date provided the receiving scheme is willing to accept it AND the member has not started drawing the benefits from the sending scheme. The sending scheme may impose other time limits, which affect the individual's right to a Club transfer value, where there is no statutory requirement to provide preserved benefits.

4.3 An application may be withdrawn, in writing, at any time before the sending scheme makes arrangements to pay a transfer value.

Breaks between pensionable employments

4.4 A Club transfer must be accepted regardless of the length of any break between leaving the sending scheme and joining the receiving scheme. The only exception is where an individual scheme specifies a time limit in its rules for the payment of transfer values where preserved benefits are not provided.

Guarantee date

4.5 The relevant date for calculating a Club cash equivalent transfer value after 6 April 1997 is the 'Guarantee Date' as defined in The Occupational Pensions Schemes (Transfer Values) Regulations 1996. This must be within 3 months (or exceptionally 6 months) of the date of the individual's application. In practice it will normally be the date when the transfer value is calculated.

Guaranteed transfer values

4.6 A Club transfer value must be guaranteed for three months from the guarantee date. This ensures consistency with non-Club transfer values, and should ease administration. If a request to pay the transfer value is made within three months of the guarantee date it will not be necessary to recalculate the Club transfer value.

Information required from the sending scheme

4.7 It will be necessary for the sending scheme to advise the new scheme of the following:

- a member's name;
- b member's date of birth;
- c last date of service;
- d the guarantee date for the purposes of the calculation;
- e the member's age and marital or civil partnership status at the guarantee date;
- f the member's sex;
- g the pensionable pay figure used in the calculation;
- h reckonable service;
- i qualifying service;
- j the rate at which any pensions increase has been applied to the accrued pension benefits but ignoring any special increases (see paragraphs 4.8 and 5.8(ii));
- k the following information on the GMP;
 - i the amount of the GMP accrued after 5 April 1988 and the total GMP, as at the guarantee date,
 - ii the rate of revaluation applicable to the GMP, and
 - iii whether revaluation subsequent to the last day of service has actually occurred;
- l the AMC figure used in the calculation (the AMC is defined and described in paragraphs 4.12 and 4.13);
- m the transfer value amount before the adjustments for the GMP and AMC take place and the total transfer value actually payable;
- n reckonable service after 6 April 1997 which counts as section 9(2B) rights;
- o the amount of the transfer value in respect of section 9(2B) rights or protected rights.

In most instances, receiving schemes will prefer to receive a copy of the sending scheme's calculation sheet so that reckonable service may be compared and any differences explained to the transferring member. Some receiving schemes also find it useful to be provided with the member's pension contributions and the member's contracted out earnings in respect of the previous two tax years; sending schemes may care to bear this in mind.

4.8 Preserved benefits should be **revalued to the guarantee date**, where appropriate - usually where the individual's last day of service and the guarantee date fall into different tax years. The accrued pension benefits should be calculated at the

last day of service, and then increased in line with the sending scheme's uprating arrangements underpinned by the statutory requirements. For many Club schemes this will be in accordance with the standard public service pensions increase arrangements. The increases should include any additional increases awarded as part of a benefits improvement package.

4.9 Where applicable, any **National Insurance modification** must be taken into account and the deduction made from the transfer value. The amount of modification should be expressed as an annual rate and reflect increases under paragraph 4.8.

4.10 The transfer value must be adjusted to reflect increases on the **Guaranteed Minimum Pension (GMP)** which are the responsibility of the State Scheme after State Pension Age. (That is all increases on the pre-April 1988 GMPs, and increases above 3% per annum on the post-April 1988 GMPs.) Separate pre- and post-1988 GMPs should therefore be obtained from NICO incorporating revaluations consistent with the scheme's chosen revaluation method, up to the guarantee date.

4.11 Annual GMP figures can be obtained by multiplying the weekly GMP figures by 52. The GMP in respect of service from 6 April 1988 is multiplied by 0.3 (except where the member is female and the normal retiring age of the scheme is greater than 60 – see the "Fpost88GMP" factor in the table below paragraph 4.14). This figure is added to the GMP in respect of service before that date, and the sum is multiplied by the appropriate transfer value factor in the tables. The resulting figure is deducted from the transfer value.

4.12 The transfer value is adjusted to allow for market conditions by multiplying by the **Adjustment for Market Conditions (AMC)**. This factor depends on the member's age at the guarantee date, and since October 2008, the average yield on the FTSE UK Gilt Index of British Government Index Linked Stocks of duration greater than 15 years, using 0% and 5% inflation assumptions. The yield on the first working day of the calendar month in which the guarantee date falls should be used; this is normally published on the following working day in the Financial Times. The monthly yield can be obtained from the Cabinet Office and is posted on their website (www.civilservice.gov.uk/my-civil-service/pensions/Public-Sector-Transfer-Club.aspx).

NOTE – Before 1 October 2008, if the yield for the month in which the guarantee date fell was below 2%, the yield was taken as 2.00%.

4.13 The AMC factors are shown in Table 5 of Annex 1. Where the appropriate yield is not a whole number, the factor should be obtained by interpolating between the closest two factors to 4 decimal places, as described in the examples in Annex 3, to produce the transfer value payable.

The calculation

4.14 Other than women age 60 or over in a scheme with a Normal Pension Age greater than 60 (see paragraph 4.14a.), a Club transfer value is calculated as follows:

$$\frac{[(PP \times Fp) + (LS \times Fls) + (CWP \times Fwid) - (NI \times Fni) - ((PRE \text{ GMP} + (Fpost88gmp \times POST \text{ GMP})) \times Fgmp)]}{x \text{ AMC}}$$

Benefits

PP	personal pension, before National Insurance modification*
LS	lump sum as defined under the scheme rules*
CWP	pension payable on the death of the member to a surviving spouse (even if the member is single or in a civil partnership)*
NI	National Insurance modification - * see paragraph 4.9
PRE GMP	GMP accrued before 6 April 1988, including revaluation to the guarantee date
POST GMP	GMP accrued from 6 April 1988, including revaluation to the guarantee date

* These benefits should be revalued in accordance with paragraph 4.8.

If a scheme provides a lump sum by commutation, rather than a separate lump sum, see paragraphs 7.6 and 7.7.

Factors

Fp	factor for personal pension
Fls	factor for lump sum
Fwid	factor for widow, widower's or partner's or civil partner's pension
Fni	factor for National Insurance modification
Fpost88gmp	-0.3 for women with NPA61 -15 for women with NPA62 2.6 for women with NPA63 1.8 for women with NPA64 1.5 for women with NPA65 0.3 in <u>all other cases</u>
Fgmp	factor for GMP

The appropriate factors should be taken from the tables in force at the guarantee date, using the individual's age and either marital or partnership status at the guarantee date. Examples of transfer value calculations are attached at Annex 3.

4.14a For women age 60 or over in a scheme with a Normal Pension Age greater than 60, a Club transfer value is calculated as follows:

$$\frac{[(PP \times F_p) + (LS \times F_{ls}) + (CWP \times F_{wid}) - (NI \times F_{ni}) - (PRE \text{ GMP} \times F_{preGMP}) - (POST \text{ GMP} \times F_{postGMP})]}{x \text{ AMC}}$$

Benefits

PP	personal pension, before National Insurance modification*
LS	lump sum as defined under the scheme rules*
CWP	pension payable on the death of the member to a surviving spouse (even if the member is single or in a civil partnership)*
NI	National Insurance modification - * see paragraph 4.9
PRE GMP	GMP accrued before 6 April 1988, including revaluation to the guarantee date and deferred payment increment
POST GMP	GMP accrued from 6 April 1988, including revaluation to the guarantee date and deferred payment increment

* These benefits should be revalued in accordance with paragraph 4.8.

If a scheme provides a lump sum by commutation, rather than a separate lump sum, see paragraphs 7.6 and 7.7.

Factors

F _p	factor for personal pension
F _{ls}	factor for lump sum
F _{wid}	factor for widow, widower's or partner's or civil partner's pension
F _{ni}	factor for National Insurance modification
F _{preGMP}	factor for GMP accrued before 6 April 1988
F _{postGMP}	factor for GMP accrued from 6 April 1988

The appropriate factors should be taken from the tables in force at the guarantee date, using the individual's age and either marital or partnership status at the guarantee date. Examples of transfer value calculations are attached at Annex 3.

Guaranteed Minimum Pension

4.15 Where the accrued pension benefits include a liability to pay a GMP, that liability will normally be transferred to the new Club scheme. (If a Contributions Equivalent Premium (CEP) has already been paid, it should be recovered if a transfer value is subsequently paid.)

4.16 If the sending scheme revalues GMPs at the limited rate (for individuals who left before 6 April 1997 for whom a Limited Rate Revaluation (LRP) has been paid), the transfer value quoted to the receiving scheme should use full section 148 revaluations. The sending scheme should normally arrange to recover the LRP from NICO if a transfer value is to be paid, and add the LRP to the transfer value when calculating the service credit.

4.17 The majority of Club schemes are contracted-out. Where that is not the case the sending scheme will have to make separate arrangements to secure the contracted-out rights. These include paying a CEP, retaining the GMP and post-1997 section 9(2B) rights within the scheme or buying them out with an insurance company. The sending scheme should in all cases make a deduction from the transfer value of either the cost incurred or the actuarial value of the rights retained. (The service credit in the new scheme will then usually be lower than that relating to previous employment.)

Widows'/widowers', civil partners' or unmarried partners' benefits

4.18 The receiving scheme will provide a widow's, widower's, civil partner's or (in some cases) unmarried partner's pension based on the same period of service as used to determine the member's own pension. Where the widow(er)'s, civil partner's or unmarried partner's pension is based on a shorter period of service than the member's pension in the sending scheme, this may result in the person concerned being credited in the receiving scheme with less than year-for-year credit. This commonly affects females with service before April 1988, males with service before the early 1970s, or civil partners, though the details vary between each scheme.

4.19 As a simplification, see paragraph 3.2; the same factors are used whether widow(er)'s (or civil partners' or unmarried partner's) benefits are payable for life or until remarriage or cohabitation.

Unmarried partners' benefits (ie neither married nor in a civil partnership)

4.20 There is no requirement for Club schemes to provide benefits on the death of a scheme member to the member's unmarried partner (other than a civil partner). The tables of factors at Annex 1 provide for those schemes which offer survivor's benefits to committed unmarried partners of scheme members. If a Club transfer is made between schemes, one of which has unmarried partner's benefits and the other not, the service credits offered in the receiving scheme will reflect the value of this benefit difference. For example, if the schemes are identical apart from the unmarried partner's benefit provided under the sending scheme then the receiving scheme will offer credits greater than year-for-year.

Other adult dependants' benefits

4.21 Club transfers do not include an allowance for adult dependants' benefits other than widows', widowers', civil partners' or unmarried partners' benefits, i.e. pensions for other unmarried adult or invalid dependants are excluded. An exception may be made for transfers between schemes with identical facilities, such as the English and Scottish Teachers' schemes. Where these benefits were provided by a separate contribution, either contributions will be refunded on transfer or a preserved award will be made for those benefits in the sending scheme, unless the new scheme will give full back-service credit for a similar benefit.

Late payment of a transfer value

4.22 A Club transfer value should be paid within 6 months of the Guarantee Date; otherwise it must be recalculated as at the date of payment. Interest should not be added to the original transfer value even if this would result in a higher transfer value.

Transfers following a refund of contributions

4.23 Employees who do not have preservable benefits are commonly given a refund of contributions. Some schemes may allow the individual to change his/her mind and to take a Club transfer payment instead. The sending scheme should make arrangements to recover the refund. The Club transfer value should then be calculated in the usual way. From 6 April 2006, the provisions of The Occupational Pension Schemes (Early Leavers – Cash Transfer Sums and Contribution Refunds) Regulations 2005 will apply.

Split transfer values

4.24 The Club arrangements should only apply where a scheme member transfers all his/her benefits in the sending scheme to the receiving scheme, with the exception of:

- (i) those benefits described in paragraphs 4.21;
- (ii) the circumstances referred to in paragraph 4.17; and
- (iii) additional voluntary contributions other than those which purchase added years of reckonable service within a Club scheme. However, although money purchase AVCs cannot be transferred on Club terms they can still be transferred to the receiving scheme's in-house AVC provider.

Minimum transfer values

4.25 Where the sending scheme has received a transfer value from a non-Club scheme, the Club transfer value should be calculated in the normal way and no special adjustment made for any previous incoming transfer value; i.e. a minimum transfer value will not be paid.

The value of Section 9(2B) rights

4.26 If a Club transfer value includes periods of service after 6 April 1997 which were contracted-out on a COSR basis, the sending scheme must also show the value of the Section 9(2B) rights. The sending scheme should determine the benefits in respect of Section 9(2B) rights, and calculate the Club transfer value in respect of those benefits, using the method in paragraph 4.14.

5 Service credits in the receiving scheme

5.1 The receiving scheme calculates the service credit by applying the Club transfer value tables in reverse. The age, GMP and adjustment for market conditions should normally be the same as the sending scheme. The pensionable pay to be used in the calculation is discussed below in paragraph 5.8.

5.2 (paragraph deleted)

Calculate the total service credit

5.3 Other than women age 60 or over in a scheme with a Normal Pension Age greater than 60, the formula to be used is:

$$[(TV \div AMC) + ((PRE\ GMP + (F_{post88gmp} \times POST\ GMP)) \times F_{gmp})] \div 1\ yr$$

For women age 60 or over in a scheme with a Normal Pension Age greater than 60, the formula to be used is:

$$[(TV \div AMC) + (PRE\ GMP \times F_{preGMP}) + (POST\ GMP \times F_{postGMP})] \div 1\ yr$$

where:

TV transfer value to be paid by sending scheme
1 yr cost of 1 year's pensionable service in receiving scheme, using factors with the pension age appropriate to the receiving scheme.

For example, with a scheme providing a pension of 1/80th of pay per year of service, a fixed lump sum of 3 times the pension and a contingent spouse's pension of half the member's pension, the formula is:

$$\frac{PP}{80} \times (F_p + 3 \times F_{ls} + \frac{F_{cwp}}{2})$$

where:

PP pensionable pay
F_p appropriate incoming valuation factor for pension
F_{ls} appropriate incoming valuation factor for lump sum
F_{cwp} appropriate incoming valuation factor for contingent widow(er)'s, civil partner's or unmarried partner's pension

Other symbols are defined in paragraphs 4.14 and 4.14a.

An example is shown in Annex 3.

5.4 The tables to be used are those in force at the guarantee date, applicable to the receiving scheme. Where both the sending and receiving schemes have the same pension age, the factors used for the service credit will be the same as used for the

transfer value calculation, but different factors will be used if there is a difference in the pension age.

Time limits

5.5 Club schemes should note that a service credit must be provided within two months of the receipt of a request from the member, to comply with the Occupational Pension Schemes (Disclosure of Information) Regulations 1996.

Simplified approach

5.6 Where part of the transfer payment is withheld to pay a CEP or to buy out contracted-out rights, the full calculation will have to be carried out to determine the service credit. In all other cases, a simplified approach can be adopted provided that the full information is available from the sending scheme.

5.7 Under the simplified approach the Adjustment for Market Conditions and the deduction for pensions increases on GMPs should be excluded from both the service credit calculation and the transfer amount taken into account in that calculation. (The transfer payment actually made would, of course, reflect the GMP deduction and the market adjustment.) An illustration of the simplified method is shown in example 2 in Annex 3. The simplified approach avoids the need for AMC and GMP adjustments but, if this method is used, it is important that these adjustments are excluded from both the service credit calculation and the transfer amount used in that calculation.

Pensionable pay

5.8 The pensionable pay (sometime referred to as ‘pensionable earnings’) figure should be the same as that used by the sending scheme. Where, at the guarantee date, the sending scheme has increased the preserved benefits at leaving to allow for pensions increases (see paragraph 4.8) or GMP revaluations, the pensionable pay figure used in the service credit calculations will also have to be increased. The pensionable pay used should be the pensionable pay at leaving increased by the same rate that the sending scheme used to increase the accrued pension benefits but where:

- (i) GMPs and pensions in excess of GMP are revalued separately, the pensionable pay used should increase in line with the increase which has been applied to the combined total of the GMP and the excess pension; or,
- (ii) the sending scheme has increased preserved benefits by more than its normal increase factor, the receiving scheme should only increase pensionable pay in line with the sending scheme’s normal increase factor. This will ensure that where deferred pensioners have received benefit improvements in the form of additional increases in deferment, this is reflected by a higher service credit than would otherwise apply.

Salary disregard

5.9 Where the sending scheme is partially integrated with the state pension scheme, it may use an abated pensionable pay figure in the calculation of the transfer value. A receiving scheme which does not abate pensionable pay should use the gross, unabated, pensionable pay figure to calculate the credit of appropriate benefits. Where the receiving scheme makes a deduction from pensionable salary this deduction should be applied to the pensionable salary to be used in the service credit calculation.

Qualifying service

5.10 If the qualifying service for preservation purposes in the previous scheme is longer than the service being credited in the receiving scheme, it will continue as the qualifying service for preservation in the receiving scheme. Qualifying conditions for other scheme benefits will depend on the receiving scheme's rules.

Transfer values which include contracted-out rights in respect of service after 6 April 1997

5.11 The pensionable service credits arising from the elements of the transfer value in respect of service in contracted-out pension schemes before and from 6 April 1997 must be calculated separately so that the requirement of the Pensions Act 1995 can be met.

(a) **Calculate the cost of 1 year's pensionable service credit in the receiving scheme** (using the member's pensionable pay figure supplied by the sending scheme):

(b) **Split the transfer value** into that part which the sending scheme has identified as relating to benefits from 6 April 1997 (Section 9(2B) rights) with the remainder buying pre-6 April 1997 benefits. Divide by the Adjustment for Market Conditions factor. The majority of schemes do not provide CPI linked increases on the GMP element in payment. They should allow for the value of the lower pension increases on the GMP element by adding to the non-Section 9(2B) rights portion of the transfer value.

(i) Sum available to buy pre-6 April 1997 benefits:

$$\frac{(\text{TV} - \text{S9(2B)})}{\text{AMC}} + \text{GMPPISAV (if appropriate)}$$

(ii) Sum available to buy benefits from 6 April 1997 (Section 9(2B) rights):

$$\frac{\text{S9(2B)}}{\text{AMC}}$$

where:

TV	total transfer value payment
S9(2B)	Section 9(2B) rights (ie portion of transfer value payment received relating to benefits from 6 April 1997)
GMPPISAV	value of any GMP savings on pension increases in the receiving scheme, calculated as normal as (PRE GMP + (Fpost88gmp x POST GMP)) x Fgmp
AMC	adjustment for investment market conditions
Fpost88gmp	-0.3 for women with NPA61 -15 for women with NPA62 2.6 for women with NPA63 1.8 for women with NPA64 1.5 for women with NPA65 0.3 in <u>all other cases</u>
Fgmp	appropriate incoming valuation factor for deduction for GMP of £1 per annum

(c) Derive the pensionable service credits as:

(i) service credit before 6 April 1997 = $\frac{(b)(i)}{1 \text{ yr}}$

(ii) service credit from 6 April 1997 = $\frac{(b)(ii)}{1 \text{ yr}}$

(d) Total pensionable service credit

This is calculated as (c)(i) + (c)(ii). It should be identical to that calculated in paragraph 5.3.

6 Transfers to Club schemes in the Channel Islands

6.1 Membership of the Club includes several schemes which are based in the Channel Islands and so are not contracted out of the State Earnings Related Pension Scheme or State Second Pension.

6.2 The Contracting Out (Transfer & Transfer Payment) Regulations 1996 provide for the transfer of occupational pension rights to overseas schemes. Club transfers from UK- based schemes to Channel Islands schemes which are members of the Club will be covered by these requirements which in summary are:

- a the member consents;
- b the transferring scheme has taken reasonable steps to satisfy itself that the individual has entered employment to which the receiving scheme relates;
- c the member acknowledges that the receiving scheme is not subject to UK law and so is not obliged to provide benefits required under UK law;
- d that the sending scheme has satisfied itself that the individual has received a statement from the receiving scheme showing the benefits to be awarded in respect of the transfer payment, and conditions in which they could be forfeited or withheld; and
- e that the transfer value is at least equal to the cash equivalent value of the GMP.

6.3 Sending schemes should follow their normal administrative procedures for transfers to overseas schemes, in line with the requirements of the legislation, including informing NISPI of the transfer of contracted-out rights as appropriate.

6.4 Sending schemes may wish to ensure the member is aware that, though the liability for the contracted out rights will be transferred to the Channel Island scheme, that part of their benefits will no longer attract the protection which would have applied if the member's rights had remained in a UK scheme. The contracted out rights will no longer be separately identified so the protection on the GMP and Section 9(2B) element of the benefits will not be regained on a subsequent transfer back to a UK contracted out scheme.

6.5 The transfer value from the sending scheme should be calculated in accordance with section 4 of this memorandum, including adjustment for the GMP, in the same way as a normal Club transfer.

- a treat all service consistently by replacing the formula in paragraph 5.3 with:

$$[TV \div AMC] \div 1 \text{ yr}$$

The total pension arising from the transferred in service would be increased in payment with the full level of pension increases in the scheme; or,

b determine a notional GMP and apply the formula in paragraph 5.3. The scheme may wish to calculate a 'notional GMP' and treat this in the same way as if the scheme was contracted out in the UK.

It is up to the receiving scheme which approach they adopt, provided the impact on benefits is explained to the member.

7 Other special provisions

Use of standard tables ~ exceptions

7.1 Club schemes must use the standard Club tables appropriate to their scheme's Normal Pension Age (see note below). Only in exceptional circumstances will the use of special tables be permitted and these must be authorised by the Cabinet Office having taken advice from the Government Actuary's Department.

NOTE: This memorandum includes, at Annex 1, tables for scheme with Normal Pension Ages of 60 and 65. Tables of factors for schemes with other NPAs are available on request from Civil Service Pension (see contact details in paragraph 8.1).

7.2 Special tables will **not** be issued to schemes which do not revalue benefits in line with the Pensions Increase Acts (i.e. fully in line with the Consumer Prices Index (CPI), both in deferment and in payment). For example, a Club scheme which revalues benefits using Limited Price Indexation must use the standard tables, **but** the deferred benefits used in the outgoing transfer value calculation should be increased in line with the scheme's normal increase provisions between the date pensionable service ceases and the guarantee date (see paragraph 4.8).

7.3 (paragraph deleted)

Benefits payable before Normal Pension Age without full actuarial reduction

7.4 Club schemes may incorporate a provision for early retirement (other than ill health retirement) at the member's option on terms which are more generous than actuarially equivalent to the benefits otherwise paid at normal pension age. A scheme with such a rule should contact the Government Actuary's Department for advice.

Transfer values where the GMP exceeds the scheme pension on service before 6 April 1997

7.5 Advice on these cases is set out in Annex 4.

Commutation option

7.6 In schemes where lump sums are only available following commutation of part of the member's pension, Club transfer values and service credits should normally be calculated with the commutation option ignored, i.e. value total pension before commutation, and no lump sum.

7.7 However, if a scheme is prepared to pay the greater of:

- (i) the transfer value calculated with the commutation ignored; and
- (ii) the transfer value calculated based on maximum permitted commutation;

then this is acceptable. Such schemes should deal with incoming transfers on a consistent basis. They would normally be expected to confirm to the member that, if the service credit is dependent on the commutation terms, the commutation terms in respect of transferred in service cannot be reduced.

Members with more than one period of service

7.8 Where an individual has had more than one period of service with a Club scheme, and for whatever reason has not aggregated his/her benefits, separate Club transfers should be calculated for each period of non-aggregated service.

Transfer from Club schemes with a supplementary scheme

7.9 Some Club schemes have a supplementary scheme which provides benefits additional to those in the main pension scheme. The receiving scheme should calculate the service credit using the combined amount of the transfer values paid from the main and supplementary schemes (but see paragraph 7.15 in respect of unregistered schemes).

7.10 A few Club schemes have a supplementary scheme with a wider definition of salary than is used in the main scheme. The sending scheme should convert the value of the supplementary pension scheme benefits into extra 'main scheme' benefits. It should calculate the salary which the member would have required under the main scheme to produce the same total transfer value on the reckonable service in the main scheme. The sending scheme will provide this 'notional' salary to the receiving scheme which will use this figure in calculating the service credits.

ECJ Rulings on equalisation of benefits

7.11 Section 63(6) of the Pensions Act 1995 requires all UK Occupational Pension Schemes to provide equal benefits for service from 17 May 1990. Those Club schemes which have confirmed to the Cabinet Office that their scheme benefits are equal for men and women for service from 17 May 1990, with the exception of GMPs, are indicated on the list of Club members (see 1.4). Such schemes are not expected to provide equalisation undertakings with individual Club transfers but receiving schemes may require other schemes to provide undertakings.

Schemes with different pension ages after equalisation

7.12 Some Club schemes may have different pension ages for service before and after their equalisation date. In such cases, the accrued benefits and the Club transfer value should be calculated separately in respect of each period of service, using the appropriate factors according to the pension age for each period. Service credits on receipt of a Club transfer should be calculated using the equalised pension age in the new scheme.

Impact of the earnings cap

7.13 The HM Revenue & Customs restrictions on pensionable earnings (the ‘earnings cap’) ceased from 6 April 2006. However, some schemes chose to retain a scheme specific limit on pensionable earnings. In order to maintain a consistent approach for Club transfers, any service which was (or potentially would have been) subject to a cap in the sending scheme should continue to be subject to the cap in the receiving scheme. Similarly, any service which would not have been subject to the cap in the sending scheme should remain uncapped in the receiving scheme.

7.13a Where the sending scheme continues to apply an earnings cap, the Club transfer value and service credit should be calculated where appropriate with regard to the Club Earnings Cap at the date of exit, rather than a scheme specific cap which might be marginally different. The Club Earnings Cap is notified annually to Club schemes and reflects the uprated earnings cap if it had not been disapplied by the HMRC (e.g. £123,600 for 2010/11).

7.14 Where a member is subject to an earnings cap on part of the accrued benefits in the sending scheme, then separate transfer values and service credits should be calculated in respect of the capped and uncapped service.

7.15 Club arrangements do not apply to transfers from unregistered schemes e.g. ‘over the cap’ schemes.

Pension sharing and divorce

7.16 When a member has a **pension debit** following a pension sharing order the sending scheme should initially calculate a ‘gross’ Club transfer value that ignores the pension debit. The receiving scheme should use this gross transfer value to calculate the service credit thereby ensuring that the normal Club principles for transferring service are observed. A separate transfer value calculation is then made in respect of the pension debit. This pension debit calculation is used to convert the debit into a preserved pension debit in the new scheme. Where the two schemes are identical the preserved pension debit will be unchanged, but in other cases the debit should reflect the new scheme’s benefit structure and normal pension age. The transfer payment paid between the schemes is the gross transfer value less the pension debit transfer value.

7.17 Where a scheme permits the transfer of pension credit benefits for a former spouse, the transfer should be calculated on a non-Club basis; these transfers do not form part of the normal Club arrangements.

Part-time employees

7.18 *Outward Transfers.* The benefits of a scheme member who has been employed, wholly or partially, on a part-time basis should be calculated in accordance with the scheme's own rules. The normal Club factors should then be applied to the member's benefits (including any increase due since leaving the scheme) in order to calculate the Club transfer value. The sending scheme should make available to the receiving scheme the member's full-time equivalent rate of pensionable pay (after revaluation, if applicable) so the receiving scheme can calculate the service credit.

7.19 *Inward Transfers.* The receiving scheme should calculate the full-time equivalent service credit using the member's full-time pensionable pay in the sending scheme (or the equivalent where the member worked part time) after revaluation, if applicable. This transferred-in service would be applied to the member's full-time equivalent final pensionable pay when calculating benefits under the receiving scheme, then added to the benefits accrued by the individual whilst a member of the receiving scheme.

7.20 *Irregular or unusual hours.* Care needs to be taken to prevent windfall gains or losses in cases where an individual will work, or has been working, on an occasional basis e.g. a Local Government Returning Officer, or where the hours for a full-time post fall below a normal working week e.g. a position requiring only five hours attendance a week. Further advice on these cases can be obtained from the contacts in paragraph 8.

7.21 *'Preston' cases.* In cases where a previously deferred member of a Club scheme has been granted additional service credit following a successful 'Preston' claim and applies for a transfer of those benefits to another Club scheme, the sending scheme should calculate the additional transfer value using current factors, relevant date, age and AMC and allowing for pensions increase. Given the background to these cases, it may not be possible for the member to comply with the time limits set out in paragraph 4.1 but it is hoped that receiving Club schemes would take a sympathetic approach to such cases.

Transfers to or from career average revalued earnings (CARE) schemes

7.22 As a general rule, schemes that provide benefits on a 'career average revalued earnings' (CARE) basis cannot belong to the Club. This is because the main purpose of the Club is to retain the final salary linkage of transferred benefits, which does not apply in a CARE scheme. However, some such schemes (for example PCSPS **nuvos** and those schemes that operate by analogy to it) are willing to provide final salary benefits for service transferred in on Club terms, notwithstanding the fact that ongoing benefits in the scheme will accrue on a career average basis.

7.23 Club transfers to CARE schemes are calculated in exactly the same way as any other Club transfer out. The receiving CARE scheme converts the transfer value using Club factors into a reckonable service credit, which is used to provide final salary benefits when the member leaves the receiving scheme.

7.24 Career average benefits transferred in from CARE schemes that participate in the Club are transferred on non-Club terms. However, if the member also has final salary benefits in that scheme (for example, from a previous Club transfer in), those will be transferred on Club terms.

Concurrent employment with separate Club schemes

7.25 A situation may arise where an individual has concurrent employment covered by different Club schemes, and one of those employments comes to an end. As a general rule, they will not then be able to take a Club transfer the benefits earned in respect of that employment into the Club scheme in which they continued to be an active member, unless they were still within their first 12 months since joining that scheme. The only exception would be if the individual were taking up an entirely separate job in the second Club scheme (i.e. one unrelated to their current job in that scheme) at the same time as they were leaving the job covered by the first Club scheme – e.g. an individual works Monday to Wednesday in a job covered by scheme A, and Thursday to Friday in a job covered by scheme B. If they resign from both jobs in order to take up an entirely new full-time job covered by scheme B, they may transfer their benefits from scheme A to scheme B, even if they have been in scheme B for more than 12 months.

8 Contacts

8.1 The arrangements described in this memorandum should deal with most transfers which take place under the Club arrangements. Schemes requiring additional advice concerning the Club arrangements should contact:

(a) For general advice:

Colin Hennem
Cabinet Office
Room 8.07
Grosvenor House
Basing View, Basingstoke
Hants RG21 4HG

tel: 01256 846131 (GTN 1439 6131)

e-mail: Colin.Hennem@cabinet-office.x.gsi.gov.uk

(b) Andrew Hunt – for technical guidance
Steve Humphrey – for actuarial aspects
Chris Morley – for actuarial aspects

Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
EC4A 1AB

tel: 020 7211 2647 (GTN 211 2647)

e-mail: Andrew.Hunt@gad.gov.uk

tel: 020 7211 2646 (GTN 211 2646)

e-mail: Stephen.Humphrey@gad.gov.uk

tel: 020 7211 2668 (GTN 211 2668)

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Annex 1

This Annex contains Club factors for schemes with Normal Pension Ages of 60 and 65. Factors for schemes with Normal Pension Ages other than 60 or 65 are available on request from Civil Service Pensions (see contact details in paragraph 8.1 of the main body of the Memorandum).

Table 1 - Club factors for Males with a Normal Pension Age of **60**

Table 2 – Club factors for Females with a Normal Pension Age of **60**

Table 3 – Club factors for Males with a Normal Pension Age of **65**

Table 4 – Club factors for Females with a Normal Pension Age of **65**

Table 5 – Adjustment for Market Conditions

Table 1 – Club factors for Males with a Normal Pension Age of 60

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Survivor's Pension of £1 per annum	Deduction for GMP of £1 pa	Deduction for NI Modification of £1 pa
16	2.73	0.16	0.42	0.96	1.98
17	2.84	0.17	0.43	0.98	2.06
18	2.96	0.18	0.45	1.00	2.15
19	3.09	0.19	0.47	1.02	2.24
20	3.22	0.20	0.49	1.04	2.33
21	3.35	0.21	0.52	1.06	2.43
22	3.49	0.21	0.54	1.08	2.53
23	3.63	0.22	0.56	1.10	2.63
24	3.78	0.23	0.59	1.13	2.74
25	3.94	0.24	0.62	1.15	2.85
26	4.10	0.25	0.65	1.17	2.97
27	4.27	0.26	0.68	1.19	3.09
28	4.45	0.27	0.71	1.22	3.22
29	4.63	0.29	0.74	1.24	3.36
30	4.82	0.30	0.77	1.26	3.49
31	5.02	0.31	0.80	1.29	3.64
32	5.23	0.32	0.84	1.31	3.79
33	5.45	0.34	0.87	1.34	3.95
34	5.67	0.35	0.91	1.37	4.11
35	5.91	0.37	0.95	1.39	4.28
36	6.15	0.38	0.99	1.42	4.46
37	6.41	0.40	1.03	1.45	4.64
38	6.68	0.41	1.07	1.48	4.84
39	6.95	0.43	1.11	1.51	5.04
40	7.24	0.45	1.16	1.54	5.25
41	7.54	0.47	1.20	1.57	5.46
42	7.86	0.49	1.25	1.60	5.69
43	8.18	0.51	1.30	1.63	5.93
44	8.52	0.53	1.35	1.66	6.18
45	8.88	0.55	1.40	1.69	6.43
46	9.25	0.57	1.45	1.73	6.70
47	9.63	0.60	1.51	1.76	6.98
48	10.04	0.62	1.56	1.80	7.27
49	10.46	0.65	1.62	1.83	7.58
50	10.90	0.68	1.68	1.87	7.89
51	11.36	0.70	1.73	1.91	8.23
52	11.84	0.73	1.79	1.95	8.57
53	12.34	0.76	1.85	1.99	8.94
54	12.86	0.80	1.91	2.03	9.32
55	13.41	0.83	1.97	2.07	9.72
56	13.99	0.86	2.03	2.11	10.14
57	14.59	0.90	2.09	2.16	10.57
58	15.22	0.94	2.15	2.21	11.03
59	15.90	0.98	2.21	2.25	11.51

Notes:

When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and 30% of the GMP amount in respect of service after that date. The GMP figures used should be the annual amounts, including revaluation.

Table 1 – Club factors for Males with a Normal Pension Age of 60 (continued)

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Survivor's Pension of £1 per annum	Deduction for GMP of £1 pa	Deduction for NI Modification of £1 pa
60	15.97	1.00	2.26	2.31	12.03
61	15.68	1.00	2.31	2.36	12.58
62	15.39	1.00	2.35	2.42	13.16
63	15.09	1.00	2.39	2.48	13.78
64	14.78	1.00	2.43	2.59	14.44

Notes:

When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and **30%** of the GMP amount in respect of service after that date. The GMP figures used should be the annual amounts, including revaluation.

Table 2 – Club factors for Females with a Normal Pension Age of 60

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Survivor's Pension of £1 per annum	Deduction for GMP of £1 pa	Deduction for NI Modification of £1 pa
16	2.83	0.16	0.20	0.83	2.08
17	2.95	0.17	0.21	0.85	2.17
18	3.08	0.18	0.22	0.87	2.26
19	3.21	0.19	0.23	0.89	2.36
20	3.35	0.20	0.24	0.91	2.45
21	3.48	0.20	0.25	0.92	2.56
22	3.63	0.21	0.26	0.94	2.66
23	3.78	0.22	0.27	0.96	2.77
24	3.93	0.23	0.28	0.98	2.89
25	4.10	0.24	0.29	1.00	3.01
26	4.27	0.25	0.31	1.01	3.13
27	4.44	0.26	0.32	1.03	3.26
28	4.63	0.27	0.33	1.05	3.39
29	4.82	0.28	0.35	1.07	3.53
30	5.02	0.30	0.36	1.09	3.68
31	5.22	0.31	0.37	1.11	3.83
32	5.44	0.32	0.39	1.13	3.99
33	5.67	0.34	0.40	1.16	4.16
34	5.90	0.35	0.42	1.18	4.33
35	6.15	0.36	0.43	1.20	4.51
36	6.40	0.38	0.45	1.22	4.70
37	6.67	0.40	0.46	1.25	4.89
38	6.95	0.41	0.48	1.27	5.10
39	7.23	0.43	0.49	1.29	5.31
40	7.54	0.45	0.51	1.32	5.53
41	7.85	0.47	0.52	1.34	5.76
42	8.17	0.49	0.54	1.37	6.00
43	8.51	0.51	0.56	1.40	6.25
44	8.87	0.53	0.58	1.42	6.50
45	9.24	0.55	0.60	1.45	6.78
46	9.62	0.57	0.61	1.48	7.06
47	10.02	0.60	0.63	1.51	7.35
48	10.44	0.62	0.65	1.54	7.66
49	10.88	0.65	0.67	1.56	7.98
50	11.33	0.68	0.68	1.60	8.31
51	11.81	0.70	0.70	1.63	8.66
52	12.31	0.73	0.71	1.66	9.03
53	12.83	0.76	0.73	1.69	9.41
54	13.37	0.80	0.74	1.73	9.81
55	13.94	0.83	0.75	1.76	10.23
56	14.53	0.86	0.77	1.80	10.66
57	15.16	0.90	0.78	1.83	11.12
58	15.81	0.94	0.79	1.87	11.60
59	16.50	0.98	0.80	1.95	12.10

Notes:

When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and **30%** of the GMP amount in respect of service after that date. The GMP figures used should be the annual amounts, including revaluation.

Table 2 – Club factors for Females with a Normal Pension Age of 60 (continued)

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Survivor's Pension of £1 per annum	Deduction for GMP of £1 pa	Deduction for NI Modification of £1 pa
60	16.60	1.00	0.81	2.05	12.63
61	16.32	1.00	0.81	2.14	13.20
62	16.04	1.00	0.82	2.24	13.79
63	15.75	1.00	0.82	2.34	14.42
64	15.45	1.00	0.82	2.44	15.08

Notes:

When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and **30%** of the GMP amount in respect of service after that date. The GMP figures used should be the annual amounts, including revaluation and deferred payment increment.

Table 3 – Club factors for Males with a Normal Pension Age of 65

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Survivor's Pension of £1 per annum	Deduction for GMP of £1 pa	Deduction for NI Modification of £1 pa
16	1.98	0.14	0.42	0.96	1.98
17	2.06	0.14	0.43	0.98	2.06
18	2.15	0.15	0.45	1.00	2.15
19	2.24	0.16	0.47	1.02	2.24
20	2.33	0.16	0.49	1.04	2.33
21	2.43	0.17	0.52	1.06	2.43
22	2.53	0.18	0.54	1.08	2.53
23	2.63	0.18	0.56	1.10	2.63
24	2.74	0.19	0.59	1.13	2.74
25	2.85	0.20	0.62	1.15	2.85
26	2.97	0.21	0.65	1.17	2.97
27	3.09	0.22	0.68	1.19	3.09
28	3.22	0.22	0.71	1.22	3.22
29	3.36	0.23	0.74	1.24	3.36
30	3.49	0.24	0.77	1.26	3.49
31	3.64	0.25	0.80	1.29	3.64
32	3.79	0.26	0.84	1.31	3.79
33	3.95	0.28	0.87	1.34	3.95
34	4.11	0.29	0.91	1.37	4.11
35	4.28	0.30	0.95	1.39	4.28
36	4.46	0.31	0.99	1.42	4.46
37	4.64	0.32	1.03	1.45	4.64
38	4.84	0.34	1.07	1.48	4.84
39	5.04	0.35	1.11	1.51	5.04
40	5.25	0.37	1.16	1.54	5.25
41	5.46	0.38	1.20	1.57	5.46
42	5.69	0.40	1.25	1.60	5.69
43	5.93	0.41	1.30	1.63	5.93
44	6.18	0.43	1.35	1.66	6.18
45	6.43	0.45	1.40	1.69	6.43
46	6.70	0.47	1.45	1.73	6.70
47	6.98	0.49	1.51	1.76	6.98
48	7.27	0.51	1.56	1.80	7.27
49	7.58	0.53	1.62	1.83	7.58
50	7.89	0.55	1.68	1.87	7.89
51	8.23	0.57	1.73	1.91	8.23
52	8.57	0.60	1.79	1.95	8.57
53	8.94	0.62	1.85	1.99	8.94
54	9.32	0.65	1.91	2.03	9.32
55	9.72	0.67	1.97	2.07	9.72
56	10.14	0.70	2.03	2.11	10.14
57	10.57	0.73	2.09	2.16	10.57
58	11.03	0.76	2.15	2.21	11.03
59	11.51	0.79	2.21	2.25	11.51

Notes:

When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and **30%** of the GMP amount in respect of service after that date. The GMP figures used should be the annual amounts, including revaluation.

Table 3 – Club factors for Males with a Normal Pension Age of 65 (continued)

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Survivor's Pension of £1 per annum	Deduction for GMP of £1 pa	Deduction for NI Modification of £1 pa
60	12.03	0.83	2.26	2.31	12.03
61	12.58	0.86	2.31	2.36	12.58
62	13.16	0.90	2.35	2.42	13.16
63	13.78	0.94	2.39	2.48	13.78
64	14.44	0.98	2.43	2.59	14.44

Notes:

When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and **30%** of the GMP amount in respect of service after that date. The GMP figures used should be the annual amounts, including revaluation.

Table 4 – Club factors for Females with a Normal Pension Age of 65

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Survivor's Pension of £1 per annum	Deduction for GMP of £1 pa	Deduction for NI Modification of £1 pa
16	2.08	0.13	0.20	-1.04	2.08
17	2.17	0.14	0.21	-1.06	2.17
18	2.26	0.15	0.22	-1.08	2.26
19	2.36	0.15	0.23	-1.11	2.36
20	2.45	0.16	0.24	-1.13	2.45
21	2.56	0.17	0.25	-1.15	2.56
22	2.66	0.17	0.26	-1.17	2.66
23	2.77	0.18	0.27	-1.19	2.77
24	2.89	0.19	0.28	-1.22	2.89
25	3.01	0.20	0.29	-1.24	3.01
26	3.13	0.21	0.31	-1.26	3.13
27	3.26	0.21	0.32	-1.29	3.26
28	3.39	0.22	0.33	-1.31	3.39
29	3.53	0.23	0.35	-1.34	3.53
30	3.68	0.24	0.36	-1.36	3.68
31	3.83	0.25	0.37	-1.39	3.83
32	3.99	0.26	0.39	-1.41	3.99
33	4.16	0.27	0.40	-1.44	4.16
34	4.33	0.29	0.42	-1.47	4.33
35	4.51	0.30	0.43	-1.49	4.51
36	4.70	0.31	0.45	-1.52	4.70
37	4.89	0.32	0.46	-1.55	4.89
38	5.10	0.34	0.48	-1.58	5.10
39	5.31	0.35	0.49	-1.61	5.31
40	5.53	0.36	0.51	-1.64	5.53
41	5.76	0.38	0.52	-1.67	5.76
42	6.00	0.40	0.54	-1.71	6.00
43	6.25	0.41	0.56	-1.74	6.25
44	6.50	0.43	0.58	-1.77	6.50
45	6.78	0.45	0.60	-1.81	6.78
46	7.06	0.47	0.61	-1.84	7.06
47	7.35	0.49	0.63	-1.88	7.35
48	7.66	0.51	0.65	-1.91	7.66
49	7.98	0.53	0.67	-1.95	7.98
50	8.31	0.55	0.68	-1.99	8.31
51	8.66	0.57	0.70	-2.03	8.66
52	9.03	0.60	0.71	-2.07	9.03
53	9.41	0.62	0.73	-2.11	9.41
54	9.81	0.65	0.74	-2.15	9.81
55	10.23	0.67	0.75	-2.19	10.23
56	10.66	0.70	0.77	-2.24	10.66
57	11.12	0.73	0.78	-2.28	11.12
58	11.60	0.76	0.79	-2.33	11.60
59	12.10	0.79	0.80	-2.42	12.10

Notes:

When calculating the deduction for GMP for females below age 60, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and **150%** of the GMP amount in respect of service after that date. The GMP figures used should be the annual amounts, including revaluation.

Table 4 – Club factors for Females with a Normal Pension Age of 65 (continued)

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Survivor's Pension of £1 per annum	Deduction for GMP of £1 pa		Deduction for NI Modification of £1 pa
				Pre-88	Post-88	
60	12.63	0.83	0.81	-2.04	-3.41	12.63
61	13.20	0.86	0.81	-1.10	-2.54	13.20
62	13.79	0.90	0.82	-0.13	-1.63	13.79
63	14.42	0.94	0.82	0.89	-0.67	14.42
64	15.08	0.98	0.82	1.96	0.32	15.08

Notes:

When calculating the deduction for GMP for females age 60 and above, the 'Pre-88' GMP factor should be applied to the GMP amount in respect of service up to 5 April 1988, and the 'Post-88' GMP factor applied to the GMP amount in respect of service after that date. The GMP figures used should be the annual amounts, including revaluation and deferred payment increment.

Table 5 – Adjustment for Market Conditions

Age Last Birthday at Relevant Date	Yield on Index Linked Stocks at Relevant Date				
	0.0%	1.0%	2.0%	3.0%	4.0%
16-25	1.31	1.22	1.12	1.04	0.96
26-28	1.31	1.22	1.12	1.04	0.96
29-31	1.31	1.22	1.12	1.04	0.96
32-33	1.31	1.22	1.12	1.04	0.96
34-35	1.31	1.22	1.12	1.04	0.96
36-37	1.31	1.22	1.12	1.04	0.96
38	1.31	1.22	1.12	1.04	0.96
39	1.31	1.22	1.12	1.04	0.96
40	1.31	1.22	1.12	1.04	0.96
41	1.31	1.22	1.12	1.04	0.96
42	1.31	1.22	1.12	1.04	0.96
43	1.31	1.22	1.12	1.04	0.96
44	1.31	1.22	1.12	1.04	0.96
45	1.31	1.22	1.12	1.04	0.96
46	1.31	1.21	1.12	1.04	0.96
47	1.31	1.21	1.12	1.04	0.96
48	1.31	1.21	1.12	1.04	0.96
49	1.31	1.21	1.12	1.04	0.96
50	1.31	1.21	1.12	1.04	0.96
51	1.30	1.21	1.12	1.04	0.96
52	1.30	1.20	1.12	1.04	0.96
53	1.29	1.20	1.12	1.04	0.96
54	1.29	1.20	1.11	1.04	0.97
55	1.28	1.19	1.11	1.04	0.97
56	1.27	1.18	1.11	1.03	0.97
57	1.26	1.18	1.10	1.03	0.97
58	1.25	1.17	1.10	1.03	0.97
59	1.23	1.16	1.09	1.03	0.97
60	1.22	1.15	1.09	1.03	0.97
61	1.22	1.15	1.09	1.03	0.97
62	1.21	1.14	1.08	1.03	0.97
63	1.20	1.14	1.08	1.03	0.98
64	1.19	1.13	1.08	1.02	0.98

Table 5, Examples**Incoming Transfer Values**

An individual is joining the Scheme at the age of 40 with a transfer value of £10,000.

a If the yield on index-linked stocks at the guarantee date is 1.75%, the market adjustment will be obtained from the table by interpolation between the 1% and 2% columns. The amount to be applied for the purpose of calculating reckonable service (before any adjustment for GMP savings on Pensions Increase) will be:

$$\begin{aligned} & \text{£10,000} \div (0.25 \times 1.22) + (0.75 \times 1.12) \\ & = \text{£10,000} \div 1.1450 \\ & = \text{£8,733.62} \end{aligned}$$

b If the yield is 1.37%, the amount to be applied will be:

$$\begin{aligned} & \text{£10,000} \div (0.63 \times 1.22) + (0.37 \times 1.12) \\ & = \text{£10,000} \div 1.1830 \\ & = \text{£8,453.09} \end{aligned}$$

c If the yield is 0.80%, the amount to be applied will be:

$$\begin{aligned} & \text{£10,000} \div (0.20 \times 1.31) + (0.80 \times 1.22) \\ & = \text{£10,000} \div 1.2380 \\ & = \text{£8,077.54} \end{aligned}$$

Outgoing Transfer Values

An individual is leaving the Scheme at the age of 50, with a transfer value of £10,000.

a If the yield on index-linked stocks at the guarantee date is 1.65%, the market adjustment will be obtained from the table by interpolation between the 1% and 2% columns. The transfer value payable would be:

$$\begin{aligned} & \text{£10,000} \times (0.35 \times 1.21) + (0.65 \times 1.12) \\ & = \text{£10,000} \times 1.1515 \\ & = \text{£11,515.00} \end{aligned}$$

b If the yield is 1.27%, the transfer value would be:

$$\begin{aligned} & \text{£10,000} \times (0.73 \times 1.21) + (0.27 \times 1.12) \\ & = \text{£10,000} \times 1.1857 = \text{£11,857.00} \end{aligned}$$

c If the yield is 0.82%, the transfer value would be:

$$\begin{aligned} & \text{£10,000} \times (0.22 \times 1.31) + (0.78 \times 1.21) \\ & = \text{£10,000} \times 1.2320 = \text{£12,320.00} \end{aligned}$$

Annex 2

Actuarial assumptions

The principal assumptions underlying the calculation of the actuarial factors for individual transfers between occupational pension schemes which participate in the Public Sector Transfer Club network are as follows:

a Financial Assumptions

- i) The financial assumptions are taken from Her Majesty's Treasury (HMT) note dated 6 August 2010 regarding the discount rates to be used for Cash Equivalent Transfer Values (CETVs) from public sector pension schemes.
- ii) This updated the previous HMT note dated 11 September 2008 following the change to index benefits in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).
- iii) The Cabinet Office in role as Club Secretary have agreed that the same discount rate assumptions should be used for transfers within the Public Sector Transfer Club.
- iv) Prior to retirement age, pensions and lump sums are assumed to be fully linked to the change in the CPI.
- v) Guaranteed Minimum Pension benefits are assumed to increase at 2.25% a year greater than changes in the CPI prior to payment age.
- vi) The long term discount rate used for benefits linked to CPI is 4.25% p.a. This can be considered to be the real (i.e. net of CPI) long term discount rate.
- vii) The long term discount rate used for benefits which do not increase after retirement (such as GMP accrued before 6 April 1988) is 6.0% p.a.
- viii) The long term discount rate used for benefits which are increased in line with the change in CPI but limited to 3.0% p.a. in any single year (such as GMP accrued after 6 April 1988) is 4.75% p.a.
- ix) Current investment conditions are allowed for in that the real discount rate used at the calculation date is taken from the current yield (in excess of RPI) on the FTSE index of index linked government bonds with duration of 15 years or more averaged between 0 per cent and 5 per cent inflation values.
- x) The long term discount rate in excess of the change in the RPI is 3.5% p.a.

xi) This current real discount rate is then assumed to taper linearly to the long term rate of 3.5% (in excess of RPI) linearly over a period of approximately 15 years.

xii) The base factors are based on the long term real discount rate of 4.25% pa in excess of CPI. The allowance for current investment conditions is made in the “Adjustment for Market Conditions” factors.

b Demographic Assumptions

i) The demographic assumptions used are not stipulated by HMT but have been considered to be appropriate by the Cabinet Office having taken the advice of GAD.

ii) The post retirement mortality table used is based on the “PNA00” tables released by the Continuous Mortality Investigation Bureau of the Faculty and Institute of Actuaries. These are based on data between 1998 and 2002.

iii) Historic mortality improvement until 2008 has been allowed for in line with experienced improvement experienced in the general population until 2008. Future mortality improvement is assumed to be in line with ONS central projections based on 2008 data.

iv) The assumptions for the proportion of pensioner deaths leading to survivor’s pensions have been based on studies of public sector scheme data, with allowance for benefits payable to spouses, civil partners and unmarried partners.

v) The age difference between a husband and wife is assumed to be 3 years.

c Other

i) No allowance has been made for commutation of pension for cash where permitted.

ii) No explicit allowance is made for expenses.

iii) No allowance has been made for any discretionary benefits.

Annex 3

Example 1

Example of a cash equivalent transfer value payable by a Club scheme with a normal pension age of 60.

Officer's name: Mr A

a General information

i	Gender	male
ii	Date of birth	1 January 1959
iii	Officer's normal pension age	60
iv	Reckonable service (1/5/84 - 30/4/10)	26 years
v	Qualifying service (1/5/84 - 30/4/10)	26 years
vi	Pensionable pay	£30,000
vii	Guarantee date	1 October 2010
viii	Age last birthday at the guarantee date	51
ix	Pensions increase	n/a
x	a Yield on index-linked stocks (para. 4.12)	0.58%
	b AMC figure to be used in the calculation	
	= (0.42 x 1.30) + (0.58 x 1.21) =	1.2478

b Preserved benefits

	Total	Section 9(2B) Element
Pension	£9,750.00 p.a.	£4,900.69 p.a.
Lump sum	£29,250.00	£14,702.06
Spouse's pension	£4,875.00 p.a.	£2,450.34 p.a.
N.I. modification	£0.00 p.a.	£0.00
Pre '88 GMP	£1,300 p.a. (£25 p.w.)	£0.00
Post '88 GMP	£1,040 p.a. (£20 p.w.)	£0.00

c Calculation of the total transfer value

	Benefits	Factor*	
Gross personal pension	= £9,750.00	x 11.36	= £110,760.00
Net lump sum	= £29,250.00	x 0.70	= £20,475.00
Spouse's pension	= £4,875.00	x 1.73	= <u>£8,433.75</u>
			= £139,668.75
Less NI modification	= £0.00	x 8.23	= 0.00
			= £139,668.75 = A
Add pensions increase (if applicable)			
	= $\frac{\%}{100} \times A$		= 0.00

(alternatively P.I. multiplier x A) =			£139,668.75
Less adjustment for PI on GMP payable by DWP = [1,300 + (0.30 x 1,040)]		x 1.91	= <u>-£3,078.92</u>
			= £136,589.83 = B
Adjustment for market conditions (see 1(x))	= 1.2478	x B	= £170,436.79 = C
			= Transfer value payable

* Factors for age 51 from the male pension age 60 table

d Calculation of the Section 9(2B) Rights element of the transfer value

	Benefits	Factor*	
Gross personal pension	= £4,900.69	x 11.36	= £55,671.84
Net lump sum	= £14,702.06	x 0.70	= £10,291.44
Spouse's pension	= £2,450.34	x 1.73	= <u>£4,239.09</u>
			= £70,202.37
Less NI modification	= £0.00	x 8.73	= £0.00
			= £70,202.37 = A
Add pensions increase (if applicable)			
	= <u>%</u> x A		= £0.00
	100		_____
(alternatively P.I. multiplier x A) =			£70,202.37
Less adjustment for PI on GMP payable by DWP = [£0.00 + (0.30 x £0.00)]		x 1.91	= <u>- £0.00</u>
			= £70,202.37 = B
Adjustment for market conditions (see 1(x))	= 1.2478	x B	= £87,598.52 = C
			= The Section 9(2B) element of the total transfer value

* Factors for age 51 from the male Normal Pension Age 60 table.

Annex 3

Example 2

Example of a service credit for a Club scheme with a normal pension age of 60.

Officer's name: Mr A

a Information required for the calculation (from the sending scheme)

1	Gender	male
2	Date of birth	1 January 1959
3	Guarantee date	1 October 2010 (age 51)
4	Pensionable pay at guarantee date (para 5.8)	£30,000
5	Club transfer value	£170,436.79
6	Pre '88 GMP	£1,300 p.a. (£25 p.w.)
7	Post '88 GMP	£1,040 p.a. (£20 p.w.)
8	a Yield on index-linked stocks (para. 4.12)	0.58%
	b AMC figure to be used in the calculation	
	= (0.42 x 1.30) + (0.58 x 1.21) =	1.2478
9	Section 9(2B) Rights (included in total transfer value)	£87,598.52

b Amount to be used when calculating the total reckonable service credit

$$\begin{aligned}
 &= [\text{TV} \div \text{AMC} + (\text{Pre GMP} + (0.30 \times \text{Post GMP})) \times \text{GMP factor}^*] \\
 &= [£170,436.79 \div 1.2478 + (£1,300 + (0.30 \times £1,040) \times 1.91)] \\
 &= £136,589.83 + £3,078.92 \\
 &= \underline{£139,668.75}
 \end{aligned}$$

* Factors for age 51 from the male Normal Pension Age 60 table

c Calculation of sum required to purchase one year's reckonable service

Note. This example assumes that the receiving scheme has a pension age of 60 and provides a pension of 1/80th of pay per year of service, a fixed lump sum of 3 times the pension and a contingent spouse's pension of half the member's pension.

The formula for such a scheme is:

$$\frac{PP}{80} \times (Fp + 3 \times Fls + \frac{Fcwp}{2})$$

where:

PP = Pensionable pay in the sending scheme

Fp = Appropriate factor for pension

Fls = Appropriate factor for lump sum

Fcwp = Appropriate factor for contingent spouse's pension

So cost of one year's credit = £30,000/80 x (11.36 + (3 x 0.70) + (1.73/2))

(using factors for age 51 from the male Normal Pension Age 60 table)

$$= £375.00 \times 14.325$$

$$= £5,371.88$$

d Calculation of the total reckonable service credit

$$= \frac{£139,668.75}{£5,371.88} = 26.0000 \text{ years (to 4 decimal places)}$$

$$= \mathbf{26 \text{ years } 0 \text{ days}}$$

(This is the same as his reckonable service in his previous scheme because both schemes have the same benefit design and retirement age.)

e Calculation of the Section 9(2B) Rights element of the service credit

Cost of 1 year's service credit in the receiving scheme = £5,371.88 as above

$$\begin{aligned} &\text{Sum available for post 6/4/97} \\ &\text{Section 9(2B) Rights} \quad = \frac{\text{S9(2B)}}{\text{AMC}} \end{aligned}$$

where:

S9(2B) = Section 9(2B) Rights
(i.e. portion of transfer value relating to benefits from 6/4/97)

AMC = Adjustment for market conditions

$$\begin{aligned} &\text{Sum available for post 6/4/97} \\ &\text{Section 9(2B) Rights} \quad = \frac{\underline{\underline{\pounds 87,598.52}}}{1.2478} \\ & \quad \quad \quad = \pounds 70,202.37 \end{aligned}$$

$$\begin{aligned} &\text{Service credit for post 6/4/97} \\ &\text{Section 9(2B) Rights} \quad = \frac{\underline{\underline{\pounds 70,202.37}}}{\pounds 5,371.88} \\ & \quad \quad \quad = 13.0685 \\ & \quad \quad \quad = \mathbf{13 \text{ years } 25 \text{ days}} \end{aligned}$$

Summary

Total service credit 26 years 0 days

Section 9(2B) element of the total credit 13 years 25 days

Annex 3

Example 3 The application of pensions increase

Where a transfer value is to be updated by the addition of pensions increase, the calculation will normally be carried out as follows. This example assumes pensions increases of 4.3% (equivalent to a P.I. multiplier factor of 1.0430) between leaving service and the guarantee date.

	Benefits	Factor*	
Gross personal pension	= £9,750.00	x 11.36	= £110,760.00
Net lump sum	= £29,250.00	x 0.70	= £20,475.00
Spouse's pension	= £4,875.00	x 1.73	= <u>£8,433.75</u>
			= £139,668.75
Less NI modification	= £0.00	x 8.23	= 0.00
			= £139,668.75 = A
Add pensions increase (if applicable)			
	= $\frac{\%}{100} \times A = \frac{4.3}{100} \times £139,668.75$		= <u>£6,005.76</u>
(alternatively, $1.0430 \times 139,668.75 = £145,674.51$)			
			= £145,674.51
Less adjustment for PI on GMP payable by DWP = [$£1,300 + (0.30 \times £1,040)$]			
		x 1.91	= <u>-£3,078.92</u>
			= £142,595.59 = B
Adjustment for market conditions	= 1.2478	x B	= £177,930.78 = C
			= Transfer value payable

When calculating the reckonable service credit, the new scheme will apply the same PI factor to the pensionable pay figure used by sending scheme to calculate the transfer.

If the sending scheme used a basic pensionable pay figure of £30,000, the new scheme will use a figure of:

$$£30,000 \times 1.0430 = £31,290 \text{ in its calculation of the service credit.}$$

* Factors for age 51 from the male Normal Pension Age 60 table.

Annex 4

Transfer values where the GMP exceeds the scheme pension on service before 6 April 1997

In some cases the individual's GMP will exceed the scheme pension. If, in such cases, the GMP is used as the basis for the transfer value under the Club arrangements instead of the scheme pension, the calculation of the service credit in the receiving Club scheme could result in a windfall gain for the individual of a service credit in the new scheme that is unexpectedly higher than in the sending scheme, for example, where the two schemes are identical.

It will be up to each Club scheme to decide whether or not to calculate the amount of Club transfer value it is to actually pay using the GMP as the basis instead of the scheme pension where the former is greater than the latter at the relevant date for calculation. However, receiving Club schemes will probably wish to use Club transfer value calculations based on the preserved pension to calculate the service credit in order to prevent the individual from receiving excessive service credit in their new scheme. Therefore, the following arrangements will apply:

The sending scheme

Where a sending scheme's Club transfer value calculation is based on the GMP instead of the scheme pension, the sending scheme must also provide the receiving scheme with a Club transfer value calculation (as at the relevant date) using the scheme pension instead of the GMP so that the receiving scheme can use it in calculating the service credit to be given.

The receiving scheme

Where the two Club transfer value calculations (one based on the GMP, one based on the scheme pension) are received from a sending scheme, the receiving Club scheme should calculate the service credit using the sending scheme's Club transfer value calculation based on the scheme pension so as to avoid giving the individual a windfall gain of extra service credit. If, for some reason, the receiving Club scheme wanted to provide the individual with the larger amount of service credit from using the GMP-based Club transfer value calculation, they may do so because it would be the receiving scheme that would meet the additional cost of doing so.