PSTC 7
April 2019

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 5 March 2015, and revised December 2015) and, for inner Club transfers, should be read in conjunction with HM Treasury's note on protections and Club transfers (attached at Annex 5).

'Inner Club' and 'outer Club' transfers

1.1a Throughout this Memorandum, reference is made to 'inner Club' and 'outer Club' transfers. **Inner Club** refers to transfers of CARE scheme benefit between schemes made under the Public Service Pensions Act 2013 and such other public service scheme schemes whose rules are similar to those of any of the schemes made under the 2013 Act. Other schemes may apply to the Club Secretariat to participate in the inner Club transfer arrangements if they wish.

1.1b **Outer Club** refers to transfers of final salary benefits between Club schemes that operate on a final salary basis – or that are able to accept final salary benefits (e.g. PCSPS **nuvos**).

1.1c It is assumed that <u>all</u> Club schemes will be able to operate the outer Club arrangements, but only a small number will be able to operate the inner Club arrangements.

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 participating schemes provide benefits on a final salary basis (i.e. outer Club transfers). Transferring employees who apply for an outer Club transfer 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 final salary 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.

1.2a From 1 April 2015, the Club has included a number of career average revalued earnings (CARE schemes). These operate the inner Club transfer arrangements in addition to the "outer Club" arrangement for benefits provided on a final salary basis.

1.3 When an employee exercises his or her right to a transfer under the outer Club arrangements, 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 final salary 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.

1.3a When an employee exercises his or her right to a transfer under the inner Club arrangements, the old scheme calculates a transfer payment which is made to the new scheme. The new scheme then calculates the transfer credit pension based on the CARE preserved pension that the member had in the old scheme, uprated in line with the old scheme's in service uprating methodology, and adjusted to take account of differences in scheme design. The calculations required of the schemes 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. The new scheme then undertakes to uprate the inner Club transfer credit pension whilst the individual remains an active member of their scheme in a manner that mirrors the in service uprating methodology of the old scheme.

NOTE: special arrangements apply where the inner Club transfer is to or from a public service scheme based in the Channel Islands (see paragraphs 6.6 – 6.8).

Club membership

1.4 The Cabinet Office maintains a list of schemes which are members of the Club. The list is available on www.civilservicepensionscheme.org.uk/members/public-sector-transfer-club 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 Club Secretariat (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.civilservicepensionscheme.org.uk/members/public-sector-transfer-club.

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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).

2.1a In addition, schemes that participate in the inner Club transfer arrangements must also undertake to uprate the inner Club transfer credit whilst the individual remains an active member of their scheme in a manner that mirrors the in service uprating methodology of the old scheme.

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.

2.7 (paragraph deleted)

2.8 (paragraph deleted)

2.9 (paragraph deleted)

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 (outer Club transfers)

3.1 An outer Club transfer payment is calculated using the same principles as a cash equivalent transfer value of the accrued final salary pension benefits. The calculations are made using the methods and standard Club factors set out in this Memorandum. After receiving an outer 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 an outer 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 an outer 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, including same-sex 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 member's pension, lump sum, spouse's or partner's pension.

3.4 The tables attached at Annex 1 consist of various sets of factors; the first applicable to schemes with a pension age of 60, and the subsequent ones for schemes with a pension age of 65, 66, 67 and 68. 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 Previous Club Memoranda included a table of adjustment (AMC) factors to allow for changes in market conditions. AMC factors no longer apply to Club transfers from 1 January 2012; however, some schemes may find it easier to retain an AMC table but based on factors of 1.00 for all yields and ages. Similarly, Club transfers that were calculated before 1 March 2017 were adjusted to take account of GMPs and National Insurance modification. The tables of factors effective from that date no longer include any factors for GMP or National Insurance modification adjustments. As with the AMC factors, some schemes may find it easier to retain GMP and National Insurance modification factors, in which case the factor will be 0.00 in all cases.

3.6 The tables have been produced by the Government Actuary's Department and may be revised from time to time (the tables were last revised in November 2016). 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 arrange for an election to proceed for a Club transfer to be received 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 election to proceed.) The election to proceed should be copied to the previous scheme. Elections to proceed 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;

(ii) an individual opts out of membership of the scheme and rejoins the same scheme, except during any period after rejoining which falls within 12 months of first becoming eligible to join the scheme; or

(iii) 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[1]. 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 election to proceed 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 can only be accepted if the length of the break between leaving the sending scheme and joining the receiving scheme is no more than 5 years[2].

[1] Where the member is transferring both final salary (outer Club) and CARE (inner Club) benefits, the NPA in question will be that which applies to each element of the Club transfer (i.e. the final salary scheme NPA will apply to the outer Club transfer and the CARE scheme NPA will apply to the inner Club transfer).

[2] However, where a member transfers from Scheme A to Scheme C with more than a 5 year break between the sending and receiving schemes (but has not had a continuous break of more than 5 years in active membership of a public service scheme, because he / she had been a member of Scheme B in between A and C) the transfer will be a non-Club transfer but would still entitle the member to a final salary link where the conditions in Schedule 7 of the Public Service Pensions Act 2013 are met.

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 the 3 month period (or exceptionally 6 month) beginning with the date of the member's application for a statement of entitlement. 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, subject to the election to proceed being received within 12 months of the member becoming eligible to join the receiving scheme (see paragraph 4.1). 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 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 (paragraph deleted)
m the transfer value payable;
n reckonable service between 6 April 1997 and 5 April 2016 which counts as section 9(2B) rights;
o the amount of the transfer value in respect of final salary section 9(2B) rights or protected rights; and

p reckonable service after 6 April 2016 (if the scheme was previously contracted-out).

4.7a In addition, for inner Club transfers the sending scheme will need to provide the receiving scheme with the following:

a. The value of the transferring member's pension, revalued in accordance with the sending scheme's in-service revaluation method, up to the guarantee date for the transfer;
b. The value of the transferring member's pension, revalued in accordance with the sending scheme's deferred revaluation method, up to the guarantee date for the transfer;
c. The spouse/partner's pension proportion, expressed as a proportion of the member's pension;
d. The automatic lump sum proportion (if any), expressed as a proportion of the member's pension;
e. The sending scheme's in-service revaluation method (e.g. CPI + 1.5, CPI + 1.6, average earnings, etc.);
f. Details of any element of the Club transfer for which the member has paid for an earlier pension age;
g. Details of any non-standard arrangements in relation to the Club transfer (e.g. advantageous actuarial reduction factors for members of TPS with a NPA above 65); and
h. The value of the transferring member's pension accrued between 6 April 1997 and 5 April 2016 which counts as section 9(2B) rights, revalued in accordance with the sending scheme's in-service revaluation method, up to the guarantee date for the transfer.

In most instances, receiving schemes will prefer to receive a copy of the sending scheme's calculation sheet so that reckonable service (for outer Club transfers) 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 to 4.13 (paragraphs deleted)

The calculation (outer Club transfers)

4.13a The calculations in paragraphs 4.14 relate to outer Club transfers of final salary benefits only. For non-final salary benefits (e.g. added pension) see paragraphs 7.22 to 7.24a and 7.26 to 7.28.

4.14 A Club transfer value is calculated as follows:

[(MP x Fp) + (LS x Fls) + (CWP x Fwid)

Benefits

MP	member's 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)*

* 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 member's pension
Fls	factor for lump sum
Fwid	factor for widow, widower's or partner's or civil partner's pension

The appropriate factors should be taken from the tables in force at the guarantee date, using the individual's age 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.) However, from 1 March 2017 the transfer value is not adjusted to reflect the GMP.

4.16 (paragraph deleted)

4.17 Until April 2016, the majority of Club schemes were contracted-out. If a receiving scheme was not contracted out, the sending scheme may not be able to transfer the GMP as part of the Club transfer and alternative arrangements would need to be made.

Widows'/widowers', same sex spouse's, civil partners' or unmarried partners' benefits

4.18 The receiving scheme will provide a widow's, widower's, same sex spouse'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, same sex spouse'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, civil partners or spouses of same sex marriages, or cohabiting 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 same sex spouse's, civil partners' or unmarried partner's) benefits are payable for life or until remarriage or cohabitation.

Unmarried partners' benefits (i.e. 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) if these benefits are not provided under the scheme rules. The tables of factors at Annex 1 provide for those schemes which offer survivor's benefits to committed unmarried partners of scheme members.

Other adult dependants' benefits

4.21 Club transfers do not include an allowance for adult dependants' benefits other than widows', widowers', same-sex spouse's, 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 the transfer takes place before 1 April 2017). 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 where the member has not qualified for a preserved pension in the sending scheme

4.22a Some Club schemes allow members to take a transfer out even, in certain circumstances, if they have not qualified for a preserved pension in that scheme. Where this is the case, the Club rules apply as normal.

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 2006 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;

(ii) the circumstances referred to in paragraph 7.24b; and

(iv) 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 where the rules of the receiving scheme so allow.

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 unless the sending scheme's rules require one to be.

The value of final salary Section 9(2B) rights and post-2016 rights

4.26 If a Club transfer value includes periods of final salary service between 6 April 1997 and 5 April 2016 which were contracted-out on a COSR basis, the sending scheme must also show the value of the final salary Section 9(2B) rights. The sending scheme should determine the benefits in respect of final salary Section 9(2B) rights, and calculate the Club transfer value in respect of those benefits, using the method in paragraph 4.14.

4.26a If a Club transfer value includes periods of final salary service after 5 April 2016 and also other rights contracted-out on a COSR basis, the sending scheme must also show the value of the post-2016 rights. The sending scheme should determine the benefits in respect of final salary post-2016 rights, and calculate the Club transfer value in respect of those benefits, using the method in paragraph 4.14.

The calculation (inner Club transfers)

4.27 The calculations in paragraphs 4.27 onwards relate to inner Club transfers of CARE benefits only.

4.28 A Club CARE transfer value is calculated as follows:

$[(MP \times Fp) + (LS \times Fls) + (CWP \times Fwid)] \times F_{CARE\ adj}$
Benefits MP member's pension* 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)* * These benefits should be revalued in accordance with the deferred revaluation of the sending scheme up to the guarantee date for the transfer. If a scheme provides a lump sum by commutation, rather than a separate lump sum, see paragraphs 7.6 and 7.7.
Factors (using the tables for the member's NPA in the sending scheme) Fp factor for member's pension Fls factor for lump sum Fwid factor for widow, widower's or partner's or civil partner's pension *$F_{CARE\ adj}$ factor CARE adjustment to take account of the in-service revaluation operated by the sending scheme 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. (*This factor increases the transfer value calculation by around half of the in-service CARE revaluation the employee is expected to benefit from by taking the Club transfer)

4.28a If a member has previously had an inner club transfer of CARE benefits into the current scheme, an amount of his CARE pension in the current scheme is subject to uprating at the previous sending scheme's in-service revaluation rate as described in paragraph 1.3a. If that in-service uprating is different to that applying in the current scheme, separate Club CARE transfer values should be calculated for each part of the pension with a different in-service uprating methodology. Each component will have a different CARE adjustment factor for revaluation. The details for these separate transfer values should be passed to the receiving scheme separately.

Non exact age NPAs

4.29 Some members will have NPAs that are not exact ages (e.g. have an SPA of 66 years and 2 months). The agreed approach is to interpolate between the factors. For example, those born from 6 May to 5 June 1960 have an SPA of 66 years and 2 months then these members' pension factor would be:

$$Fp(NPA66,2months) = Fp(NPA66) + \{2/12 \times [Fp(NPA67) - Fp(NPA66)]\}$$

Those born from 6 April 1977 to 5 April 1978 have an SPA falling on a specified date. For example someone born on 31 December 1977 will attain State Pension Age on 6 September 2045. On this date they will be aged 67 years and 249 days so the member's pension factor would be:

$$Fp(NPA67,249\ days) = Fp(NPA67) + \{249/365 \times [Fp(NPA68) - Fp(NPA67)]\}$$

5 Outer Club transfer service credits in the receiving scheme (and transfer credit pension for inner Club transfers)

5.1 For an outer Club transfer, the receiving scheme calculates the service credit by applying the Club transfer value tables in reverse. The age 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.

5.1a This chapter only deals with outer Club transfers in respect of final salary benefits, and inner Club transfers in respect of CARE benefits. For any other non-final salary benefits see paragraphs 7.22 to 7.24b, 7.26 to 7.28.

5.2 (paragraph deleted)

Calculate the total service credit (outer Club transfers)

5.3 The formula to be used is:

TV ÷ 1 yr

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:

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

where:

PP	pensionable pay
Fp	appropriate incoming valuation factor for pension
Fls	appropriate incoming valuation factor for lump sum
Fcwp	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.

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 and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

5.6 (paragraph deleted)

5.7 (paragraph deleted)

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.

Final salary transfer values which include contracted-out rights

5.11 The pensionable service credits arising from the elements of the final salary transfer value in respect of service in contracted-out pension schemes 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 final salary transfer value** into that part which the sending scheme has identified as relating to benefits pre-6 April 1997, from 6 April 1997 to 5 April 2016 (Section 9(2B) rights) and post-6 April 2016 benefits.

(i) Sum available to buy pre-6 April 1997 benefits (see paragraph 4.15):

TV - S9(2B) – Post-16

(ii) Sum available to buy benefits between 6 April 1997 and 5 April 2016 (Section 9(2B) rights):

S9(2B)

(iii) Sum available to buy benefits from 6 April 2016:

Post-16

where:

TV	total final salary transfer value payment
S9(2B)	Final salary Section 9(2B) rights (ie portion of final salary transfer value payment received relating to benefits between 6 April 1997 and 5 April 2016)
Post-16	Portion of final salary transfer value payment received relating to benefits from 6 April 2016

(c) **Derive the pensionable service credits as**:

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

(ii) service credit between 6 April 1997 and 5 April 2016

$$= \frac{\text{(b)(ii)}}{1\text{ yr}}$$

(iii) service credit from 6 April 2016

$$= \frac{\text{(b)(iii)}}{1\text{ yr}}$$

(d) **Total pensionable service credit**

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

Calculate the transfer credit pension (inner Club transfers)

5.12 For an inner Club transfer, the approach to calculating the pension pot to be credited in the receiving scheme, is analogous to the process for final salary benefits. So an adjustment is made if the pension is payable from a different age, different attached lump sum or different spouse's proportion. (Note that the difference in accrual rate does not need to be considered because the receiving scheme records a pension pot rather than a service credit for CARE benefit transfers.)

5.13 The formula used to calculate the inner Club transfer credit is as follows:

MP x [Fp-send + (sp-p-send x Fwid-send) + (ls-p-send x Fls-send)] / [Fp-rec + (sp-p-rec x Fwid-rec) + (ls-p-rec x Fls-rec)]

Benefits

MP	member's pension*
sp-p-send	spouses pension proportion in the sending scheme
sp-p-rec	spouses pension proportion in the receiving scheme
ls-p-send	lump sum proportion in the sending scheme (if applicable)
ls-p-rec	lump sum proportion in the receiving scheme (if applicable)

* Revalued in accordance with the in-service revaluation of the sending scheme up to the guarantee date for the transfer (this figure is provided by the sending scheme).

Factors

Fp-send	factor for member's pension in the sending scheme
Fwid-send	factor for widow, widower's or partner's or civil partner's pension in the sending scheme
Fp-rec	factor for member's pension in the receiving scheme
Fwid-rec	factor for widow, widower's or partner's or civil partner's pension in the receiving scheme
Fls-send	factor for the lump sum in the sending scheme (if applicable)
Fls-rec	factor for the lump sum in the receiving scheme (if applicable)

The appropriate factors should be taken from the tables in force at the guarantee date, using the individual's age at the guarantee date.

As outlined in paragraph 7.4 and 7.4a, where the transferring scheme has converted benefits to be payable at a certain age (e.g. 65), the converted member pension and corresponding retirement age should be used for determining the benefits and sending scheme factors in this paragraph

NOTE: For inner Club transfers to schemes based in the Channel Islands, see also paragraphs 6.6 – 6.8.

5.13a When the member's pension in the sending scheme includes one or more previous inner Club transfer CARE credit subject to a different in-service uprating methodology from the sending scheme, separate inner Club transfer credits must be calculated for each different uprating methodology applying.

If the in-service uprating methodology for these transfer credits is different to the in-service uprating methodology applying in the current scheme, then as described in paragraph 1.3a the receiving scheme must uprate each credit in a manner that mirrors the in service methodology of the original scheme.

CARE Section 9(2B) credits

5.13b If a Club transfer value includes periods of CARE service between 6 April 1997 and 5 April 2016 which were contracted-out on a COSR basis, the inner club Transfer credit in respect of service between 6 April 1997 and 5 April 2016 must be calculated separately so that the requirements of the Pension Act 1995 can be met. The credit is calculated using the method in paragraph 5.13, but using the member's CARE section 9(2B) pension (provided in accordance with paragraph 4.7a (h).

Non exact age NPAs

5.14 As outlined in the section 4, some members will not have exact age NPAs. The approach is to interpolate to calculate the 'CARE benefit adjustment factor' (in the same way as for the transfer payment – see paragraph 4.29).

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, in the same way as a normal Club transfer.

Inner Club transfers to or from a scheme based in the Channel Islands (or between any schemes with different annual uprating dates)

6.6 Inner Club transfers to and from schemes based in the Channel Islands require the sending scheme to make a further adjustment to reflect the fact that they apply their annual uprating in January (as opposed to April for schemes based in the UK).

NOTE: The receiving scheme should check the adjustment calculation to ensure it is in line with their expectations.

6.7 When calculating an inner Club transfer to or from a Channel Islands scheme, the sending scheme should first adjust the member's pension as follows:

MP x (1+r)^(trs-tss)

Where:

MP = the member's CARE pension account in the sending scheme (as defined in paragraph 5.13)

r = the revaluation rate (the last revaluation rate provided in the sending scheme)

trs = the time in years (to the nearest whole month) until the next revaluation in the receiving scheme

tss= the time in years (to the nearest whole month) until the next revaluation in the sending scheme

6.8 **Examples** - In all the following examples Scheme A uprates their pension pot on the 1 April and Scheme B uprates their pension pot on 1 January and they both have identical benefit structures. It is also assumed that the MP, as defined in paragraph 5.13, is £2,118.38 (to match Examples 4 and 5 in Annex 3). Also it is assumed that r = 3.5% (which is based on inflation of 2% and a in-service revaluation rate of 'inflation + 1.5%'). The calculations show rounded figures, however, the results are based on the unrounded figures.

Example 1

Transfer from Scheme A to Scheme B on 1 February 2016.

MP = £2,118.38

r = 3.5%

x = 11/12 = 0.917 (1 January 2017 – 1 February 2016; in years rounded to the nearest month)

y = 2/12 = 0.167 (1 April 2016 – 1 February 2016; in years rounded to the nearest month)

revised MP = 2,118.38 x 1.035^(0.917 – 0.167) = £2,173.75

Example 2

Transfer from Scheme B to Scheme A on 1 March 2016.

MP = £2,118.38

r = 3.5%

x = 1/12 = 0.083 (1 April 2016 – 1 March 2016; in years rounded to the nearest month)

y = 10/12 = 0.833 (1 January 2017 – 1 March 2016; in years rounded to the nearest month)

revised MP = 2,118.38 x 1.035^(0.083 – 0.833) = £2,064.42

Example 3

Transfer from Scheme B to Scheme A on 1 June 2016.

MP = £2,118.38
r = 3.5%
x = 10/12 = 0.833 (1 April 2017 – 1 June 2016; in years rounded to the nearest month)
y = 7/12 = 0.583 (1 January 2017 – 1 June 2016; in years rounded to the nearest month)

revised MP = 2,118.38 x 1.035^(0.833 – 0.583) = £2,136.68

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 actuarial advice.

> NOTE: This memorandum includes, at Annex 1, tables for scheme with Normal Pension Ages of 60 and 65 - 68. Tables of factors for schemes with other NPAs are available on request from the Cabinet Office (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 on how to adjust their transfer credit pension accordingly. Where a member has bought out an early retirement option the transferring scheme may wish to convert the value of the buyout into scheme benefits at NPA (then the transfer would take place under standard Club terms). Alternative approaches would be acceptable under the Club rules, however any such approach would need to be agreed with the receiving scheme and the Club Secretariat.

7.4a An approach has been agreed for the Local Government Pension Scheme. Benefits (both final salary and CARE) can attract a Critical Retirement Age (where benefits are payable unreduced) prior to age 65 (subject to a minimum of age 60). Where this is the case, the sending LGPS Administering Authority will use conversion factors to convert the benefits (from that payable at CRA to an amount payable at age 65) and apply the Club factors for NPA of 65. The conversion factors are supplied by GAD to the LGPS within its extant Secretary of State guidance.

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. However, the 5 year limit (see paragraph 4.4) will apply to the earlier service by reference to the period between the end of that period of service and the date they join the receiving scheme.

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 dis-applied by the HMRC (e.g. £149,400 for 2015/16).

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 Outer Club transfers – 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.

7.16a Inner Club transfers – When a member has a **pension debit** following a pension sharing order the sending scheme again 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 transfer credit pension. 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 transfer pension debit in the new scheme. Unlike the member's transfer pension credit, the preserved transfer pension debit is uprated annually in the same way as a preserved pension (i.e. in line with Orders made under the Pensions (Increase) Act 1971). 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.

"Scheme pays" debits

7.17a Where the member has opted for "Scheme pays" in the sending Scheme to meet the cost of an annual allowance tax charge, the "scheme pays" debit is treated in the same way as a pension debit following a pension share.

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. Where the member has final salary benefits in the sending scheme, 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 final salary 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 chapter 9.

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 and age 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 (other than between schemes that participate in the inner Club arrangements)

7.22 Other than those schemes that participate in the inner Club transfer arrangements, schemes that provide benefits on a 'career average revalued earnings' (CARE) basis cannot belong to the Club. This is because the primary 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 similar rules to it) are willing to provide final salary benefits for service transferred in on outer Club terms, notwithstanding the fact that ongoing benefits in the scheme will accrue on a career average basis.

7.22a Paragraphs 7.23 to 7.24b do not apply to inner Club transfers.

7.23 Club transfers to CARE schemes are calculated in exactly the same way as any other outer 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 – this includes transfers from CARE schemes that participate in the inner Club to final salary schemes that only participate in the outer Club. 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 outer Club terms.

7.24a Most CARE schemes that participate in the inner Club will have members who have linked service in their employer's previous final salary scheme. Any such linked service will be transferred on outer Club terms.

7.24b Some schemes that participate in the Club do not accept non-Club transfers in. If a member with mixed CARE (or Added Pension – see paragraphs 7.26 – 7.28) and final salary benefits wishes to take an outer Club transfer to such a scheme and that scheme will not accept the non-Club element, the member will have to either preserve the CARE/Added Pension benefits in the sending scheme (if it allows this), or transfer them to a separate pension arrangement (e.g. a personal pension).

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 of 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.

Transfers which include Added Pension

7.26 Some schemes which participate in the Club allow members to buy Added Pension. Unlike 'added years' arrangements, where the member buys extra reckonable service, with Added Pension the member buys a specific amount of additional pension, which increases each year (typically in line with prices) both before they retire and also when in payment.

7.27 When a member with Added Pension purchased under the final salary scheme takes an outer Club transfer to another scheme, the transfer value must be calculated by the sending scheme in two parts:

- the final salary element is calculated on outer Club terms; and
- the Added Pension element is calculated on non-Club terms.

(NOTE: See also paragraph 7.24a)

7.28 The receiving scheme will convert the Club element of the transfer value into a reckonable service credit on a Club basis. If the receiving scheme has an Added Pension provision itself, it may choose to convert the Added Pension element of the transfer value into Added Pension in the receiving scheme*. Alternatively, the Added Pension will be converted into a reckonable service credit on a non-Club basis.

(* The Club does not provide actuarial factors for this purpose.)

8 Annual Allowance tax charges following a Club transfer

8.1 It has been agreed with HMRC that, in itself a Club transfer is not to be deemed as a benefit enhancement for annual allowance purposes (therefore the annual allowance calculation should be adjusted to remove the effects of the transfer). However if the individual has changed salary then the difference in the value of the pension benefits between the old salary and the new salary should be allowed for in the annual allowance calculation.

8.2 Similarly if the individual has benefited from enhanced CARE revaluation as a result of the transfer then this should also be allowed for in the annual allowance calculation (e.g. they were a deferred member of the transferring scheme and on the Club transfer they have benefitted from re-linking the accrued pension to in-service revaluation for the years they were a deferred member.

9 Contacts

9.1 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
Secretary to the Public Sector Transfer Club
Cabinet Office
Priestley House
Priestley Road
Basingstoke
Hampshire
RG24 9NW

tel: 01256 846131 (Mobile: 07542 227688)

e-mail: Colin.Hennem@cabinetoffice.gov.uk

(b) Stephen Humphrey – for actuarial aspects
James Pepler – for actuarial aspects and technical guidance

Government Actuary's Department
Finlaison House
15-17 Furnival Street
London
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tel: 020 7211 2646
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Annex 1

A1.1 This Annex contains Club factors for schemes with Normal Pension Ages of 55, 60 and 65 - 70.

Table 1 - Club factors for Males/Females with a Normal Pension Age of **55**

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

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

Table 4 – Club factors for Males/Females with a Normal Pension Age of **66**

Table 5 – Club factors for Males/Females with a Normal Pension Age of **67**

Table 6 – Club factors for Males/Females with a Normal Pension Age of **68**

Table 7 – Club factors for Males/Females with a Normal Pension Age of **69**

Table 8 – Club factors for Males/Females with a Normal Pension Age of **70**

Table 9 – CARE adjustment factors

Table 1 – Club factors (*on or after 1 April 2019)* for Males/Females with a Normal Pension Age of 55

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
16	9.720	0.450	0.820
17	9.940	0.460	0.840
18	10.160	0.470	0.860
19	10.380	0.480	0.890
20	10.610	0.490	0.910
21	10.850	0.500	0.930
22	11.090	0.510	0.950
23	11.330	0.520	0.980
24	11.580	0.530	1.000
25	11.840	0.540	1.020
26	12.100	0.550	1.050
27	12.370	0.570	1.070
28	12.650	0.580	1.100
29	12.930	0.590	1.120
30	13.210	0.600	1.150
31	13.510	0.610	1.170
32	13.810	0.630	1.200
33	14.110	0.640	1.220
34	14.430	0.650	1.250
35	14.750	0.660	1.270
36	15.080	0.680	1.300
37	15.420	0.690	1.320
38	15.770	0.710	1.350
39	16.120	0.720	1.370
40	16.490	0.740	1.400
41	16.860	0.750	1.420
42	17.240	0.770	1.450
43	17.640	0.780	1.470
44	18.040	0.800	1.500
45	18.450	0.820	1.520
46	18.880	0.830	1.540
47	19.310	0.850	1.570
48	19.760	0.870	1.590
49	20.220	0.890	1.610
50	20.690	0.910	1.630
51	21.180	0.930	1.660
52	21.680	0.950	1.680
53	22.190	0.970	1.690
54	22.720	0.990	1.710
55	22.760	1.000	1.730
56	22.290	1.000	1.750
57	21.810	1.000	1.770
58	21.330	1.000	1.790
59	20.840	1.000	1.800

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
60	20.380	1.000	1.820
61	19.870	1.000	1.840
62	19.340	1.000	1.850
63	18.810	1.000	1.860
64	18.280	1.000	1.870
65	17.740	1.000	1.880
66	17.190	1.000	1.890
67	16.640	1.000	1.890
68	16.080	1.000	1.900
69	15.520	1.000	1.900
70	14.940	1.000	1.890
71	14.370	1.000	1.890
72	13.790	1.000	1.880
73	13.210	1.000	1.860
74	12.620	1.000	1.850

Table 2 – Club factors (*on or after 1 April 2019)* for Males/Females with a Normal Pension Age of 60

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
16	7.880	0.400	0.830
17	8.050	0.410	0.850
18	8.220	0.420	0.870
19	8.400	0.430	0.890
20	8.580	0.440	0.920
21	8.770	0.450	0.940
22	8.960	0.460	0.960
23	9.150	0.470	0.980
24	9.350	0.480	1.010
25	9.550	0.490	1.030
26	9.760	0.500	1.060
27	9.970	0.510	1.080
28	10.190	0.520	1.110
29	10.410	0.530	1.130
30	10.640	0.540	1.160
31	10.870	0.550	1.180
32	11.110	0.560	1.210
33	11.350	0.570	1.240
34	11.600	0.580	1.260
35	11.850	0.590	1.290
36	12.110	0.610	1.310
37	12.380	0.620	1.340
38	12.650	0.630	1.370
39	12.930	0.650	1.390
40	13.220	0.660	1.420
41	13.510	0.670	1.440
42	13.810	0.690	1.470
43	14.120	0.700	1.490
44	14.440	0.720	1.520
45	14.760	0.730	1.540
46	15.090	0.750	1.560
47	15.440	0.760	1.590
48	15.790	0.780	1.610
49	16.150	0.790	1.630
50	16.510	0.810	1.660
51	16.890	0.830	1.680
52	17.280	0.850	1.700
53	17.690	0.870	1.720
54	18.100	0.880	1.740
55	18.530	0.900	1.760
56	18.970	0.920	1.770
57	19.430	0.940	1.790
58	19.900	0.970	1.800
59	20.390	0.990	1.810

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
60	20.380	1.000	1.820
61	19.870	1.000	1.840
62	19.340	1.000	1.850
63	18.810	1.000	1.860
64	18.280	1.000	1.870
65	17.740	1.000	1.880
66	17.190	1.000	1.890
67	16.640	1.000	1.890
68	16.080	1.000	1.900
69	15.520	1.000	1.900
70	14.940	1.000	1.890
71	14.370	1.000	1.890
72	13.790	1.000	1.880
73	13.210	1.000	1.860
74	12.620	1.000	1.850

Table 3 – Club factors (*on or after 1 April 2019)* for Males/Females with a Normal Pension Age of 65

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
16	6.250	0.360	0.840
17	6.380	0.370	0.860
18	6.520	0.370	0.880
19	6.660	0.380	0.910
20	6.800	0.390	0.930
21	6.940	0.400	0.950
22	7.090	0.410	0.980
23	7.240	0.410	1.000
24	7.390	0.420	1.020
25	7.550	0.430	1.050
26	7.710	0.440	1.070
27	7.870	0.450	1.100
28	8.040	0.460	1.120
29	8.210	0.470	1.150
30	8.380	0.480	1.180
31	8.560	0.490	1.200
32	8.740	0.500	1.230
33	8.930	0.510	1.260
34	9.120	0.520	1.280
35	9.310	0.530	1.310
36	9.510	0.540	1.340
37	9.720	0.550	1.360
38	9.920	0.560	1.390
39	10.140	0.570	1.420
40	10.360	0.580	1.440
41	10.580	0.600	1.470
42	10.810	0.610	1.490
43	11.040	0.620	1.520
44	11.280	0.640	1.540
45	11.530	0.650	1.570
46	11.780	0.660	1.590
47	12.040	0.680	1.620
48	12.310	0.690	1.640
49	12.580	0.710	1.670
50	12.860	0.720	1.690
51	13.150	0.740	1.710
52	13.440	0.750	1.730
53	13.750	0.770	1.750
54	14.060	0.790	1.770
55	14.390	0.800	1.790
56	14.720	0.820	1.810
57	15.060	0.840	1.820
58	15.420	0.860	1.840
59	15.790	0.880	1.850

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
60	16.170	0.900	1.860
61	16.570	0.920	1.870
62	16.980	0.940	1.870
63	17.400	0.960	1.870
64	17.850	0.990	1.880
65	17.740	1.000	1.880
66	17.190	1.000	1.890
67	16.640	1.000	1.890
68	16.080	1.000	1.900
69	15.520	1.000	1.900
70	14.940	1.000	1.890
71	14.370	1.000	1.890
72	13.790	1.000	1.880
73	13.210	1.000	1.860
74	12.620	1.000	1.850

Table 4 – Club factors (*on or after 1 April 2019)* for Males/Females with a Normal Pension Age of 66

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
16	5.950	0.350	0.840
17	6.080	0.360	0.870
18	6.200	0.360	0.890
19	6.330	0.370	0.910
20	6.470	0.380	0.930
21	6.600	0.390	0.960
22	6.740	0.400	0.980
23	6.880	0.400	1.000
24	7.030	0.410	1.030
25	7.180	0.420	1.050
26	7.330	0.430	1.080
27	7.480	0.440	1.100
28	7.640	0.450	1.130
29	7.800	0.460	1.150
30	7.970	0.460	1.180
31	8.130	0.470	1.210
32	8.310	0.480	1.230
33	8.480	0.490	1.260
34	8.660	0.500	1.290
35	8.840	0.510	1.310
36	9.030	0.530	1.340
37	9.220	0.540	1.370
38	9.420	0.550	1.390
39	9.620	0.560	1.420
40	9.830	0.570	1.450
41	10.040	0.580	1.470
42	10.260	0.590	1.500
43	10.480	0.610	1.520
44	10.700	0.620	1.550
45	10.940	0.630	1.580
46	11.170	0.650	1.600
47	11.420	0.660	1.620
48	11.670	0.670	1.650
49	11.930	0.690	1.670
50	12.190	0.700	1.700
51	12.460	0.720	1.720
52	12.740	0.730	1.740
53	13.030	0.750	1.760
54	13.320	0.770	1.780
55	13.620	0.780	1.800
56	13.940	0.800	1.820
57	14.260	0.820	1.830
58	14.600	0.840	1.850
59	14.940	0.860	1.860

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
60	15.300	0.880	1.870
61	15.680	0.900	1.880
62	16.060	0.920	1.880
63	16.460	0.940	1.890
64	16.880	0.960	1.890
65	17.320	0.990	1.890
66	17.190	1.000	1.890
67	16.640	1.000	1.890
68	16.080	1.000	1.900
69	15.520	1.000	1.900
70	14.940	1.000	1.890
71	14.370	1.000	1.890
72	13.790	1.000	1.880
73	13.210	1.000	1.860
74	12.620	1.000	1.850

Table 5 – Club Factors (*on or after 1 April 2019)* for Males/Females with a Normal Pension Age of 67

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
16	5.660	0.340	0.850
17	5.780	0.350	0.870
18	5.900	0.360	0.890
19	6.020	0.360	0.910
20	6.150	0.370	0.940
21	6.270	0.380	0.960
22	6.410	0.390	0.980
23	6.540	0.390	1.010
24	6.680	0.400	1.030
25	6.820	0.410	1.060
26	6.960	0.420	1.080
27	7.100	0.430	1.110
28	7.250	0.440	1.130
29	7.410	0.440	1.160
30	7.560	0.450	1.190
31	7.720	0.460	1.210
32	7.880	0.470	1.240
33	8.050	0.480	1.270
34	8.220	0.490	1.290
35	8.390	0.500	1.320
36	8.570	0.510	1.350
37	8.750	0.520	1.370
38	8.930	0.530	1.400
39	9.120	0.540	1.430
40	9.320	0.560	1.450
41	9.520	0.570	1.480
42	9.720	0.580	1.510
43	9.930	0.590	1.530
44	10.140	0.600	1.560
45	10.360	0.620	1.580
46	10.580	0.630	1.610
47	10.810	0.640	1.630
48	11.050	0.660	1.660
49	11.290	0.670	1.680
50	11.540	0.680	1.710
51	11.790	0.700	1.730
52	12.050	0.710	1.750
53	12.320	0.730	1.770
54	12.600	0.750	1.790
55	12.890	0.760	1.810
56	13.180	0.780	1.830
57	13.480	0.800	1.840
58	13.800	0.820	1.860
59	14.120	0.830	1.870

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
60	14.460	0.850	1.880
61	14.810	0.870	1.890
62	15.170	0.890	1.890
63	15.550	0.920	1.900
64	15.940	0.940	1.900
65	16.350	0.960	1.900
66	16.780	0.990	1.890
67	16.640	1.000	1.890
68	16.080	1.000	1.900
69	15.520	1.000	1.900
70	14.940	1.000	1.890
71	14.370	1.000	1.890
72	13.790	1.000	1.880
73	13.210	1.000	1.860
74	12.620	1.000	1.850

Table 6 – Club Factors (*on or after 1 April 2019)* for Males/Females with a Normal Pension Age of 68

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
16	5.370	0.330	0.850
17	5.490	0.340	0.870
18	5.600	0.350	0.890
19	5.720	0.350	0.920
20	5.830	0.360	0.940
21	5.960	0.370	0.960
22	6.080	0.380	0.990
23	6.210	0.380	1.010
24	6.330	0.390	1.040
25	6.470	0.400	1.060
26	6.600	0.410	1.090
27	6.740	0.420	1.110
28	6.880	0.420	1.140
29	7.020	0.430	1.160
30	7.170	0.440	1.190
31	7.320	0.450	1.220
32	7.470	0.460	1.240
33	7.620	0.470	1.270
34	7.780	0.480	1.300
35	7.950	0.490	1.330
36	8.110	0.500	1.350
37	8.280	0.510	1.380
38	8.460	0.520	1.410
39	8.640	0.530	1.430
40	8.820	0.540	1.460
41	9.010	0.550	1.490
42	9.200	0.560	1.510
43	9.390	0.580	1.540
44	9.590	0.590	1.570
45	9.800	0.600	1.590
46	10.010	0.610	1.620
47	10.220	0.630	1.640
48	10.440	0.640	1.670
49	10.670	0.650	1.690
50	10.900	0.670	1.720
51	11.140	0.680	1.740
52	11.390	0.700	1.760
53	11.640	0.710	1.780
54	11.900	0.730	1.800
55	12.170	0.740	1.820
56	12.440	0.760	1.840
57	12.730	0.780	1.850
58	13.020	0.790	1.870

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
59	13.330	0.810	1.880
60	13.640	0.830	1.890
61	13.970	0.850	1.900
62	14.310	0.870	1.910
63	14.660	0.890	1.910
64	15.030	0.910	1.910
65	15.410	0.940	1.910
66	15.810	0.960	1.910
67	16.240	0.990	1.900
68	16.080	1.000	1.900
69	15.520	1.000	1.900
70	14.940	1.000	1.890
71	14.370	1.000	1.890
72	13.790	1.000	1.880
73	13.210	1.000	1.860
74	12.620	1.000	1.850

Table 7 – Club Factors (*on or after 1 April 2019)* for Males/Females with a Normal Pension Age of 69

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
16	5.100	0.320	0.850
17	5.200	0.330	0.880
18	5.310	0.340	0.900
19	5.420	0.340	0.920
20	5.530	0.350	0.940
21	5.650	0.360	0.970
22	5.760	0.370	0.990
23	5.880	0.370	1.020
24	6.000	0.380	1.040
25	6.130	0.390	1.070
26	6.250	0.400	1.090
27	6.380	0.400	1.120
28	6.510	0.410	1.140
29	6.650	0.420	1.170
30	6.780	0.430	1.200
31	6.920	0.440	1.220
32	7.070	0.450	1.250
33	7.210	0.460	1.280
34	7.360	0.470	1.310
35	7.520	0.480	1.330
36	7.670	0.490	1.360
37	7.830	0.500	1.390
38	8.000	0.510	1.420
39	8.160	0.520	1.440
40	8.330	0.530	1.470
41	8.510	0.540	1.500
42	8.690	0.550	1.520
43	8.870	0.560	1.550
44	9.060	0.570	1.580
45	9.250	0.580	1.600
46	9.450	0.600	1.630
47	9.650	0.610	1.650
48	9.860	0.620	1.680
49	10.070	0.640	1.700
50	10.290	0.650	1.730
51	10.510	0.660	1.750
52	10.740	0.680	1.770
53	10.980	0.690	1.790
54	11.220	0.710	1.810
55	11.470	0.720	1.830
56	11.730	0.740	1.850
57	12.000	0.760	1.870
58	12.270	0.770	1.880
59	12.560	0.790	1.890

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
60	12.850	0.810	1.900
61	13.160	0.830	1.910
62	13.470	0.850	1.920
63	13.800	0.870	1.920
64	14.150	0.890	1.920
65	14.500	0.910	1.920
66	14.880	0.940	1.920
67	15.270	0.960	1.910
68	15.690	0.990	1.900
69	15.520	1.000	1.900
70	14.940	1.000	1.890
71	14.370	1.000	1.890
72	13.790	1.000	1.880
73	13.210	1.000	1.860
74	12.620	1.000	1.850

Table 8 – Club Factors (*on or after 1 April 2019)* for Males/Females with a Normal Pension Age of 70

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
16	4.830	0.310	0.860
17	4.930	0.320	0.880
18	5.030	0.330	0.900
19	5.130	0.330	0.920
20	5.240	0.340	0.950
21	5.340	0.350	0.970
22	5.450	0.360	1.000
23	5.560	0.360	1.020
24	5.680	0.370	1.050
25	5.790	0.380	1.070
26	5.910	0.390	1.100
27	6.030	0.390	1.120
28	6.160	0.400	1.150
29	6.280	0.410	1.180
30	6.410	0.420	1.200
31	6.540	0.430	1.230
32	6.680	0.440	1.260
33	6.810	0.440	1.290
34	6.950	0.450	1.310
35	7.100	0.460	1.340
36	7.240	0.470	1.370
37	7.390	0.480	1.400
38	7.550	0.490	1.420
39	7.700	0.500	1.450
40	7.860	0.510	1.480
41	8.030	0.520	1.510
42	8.200	0.530	1.530
43	8.370	0.550	1.560
44	8.540	0.560	1.590
45	8.720	0.570	1.610
46	8.910	0.580	1.640
47	9.100	0.590	1.660
48	9.290	0.610	1.690
49	9.490	0.620	1.710
50	9.690	0.630	1.740
51	9.900	0.650	1.760
52	10.110	0.660	1.780
53	10.330	0.670	1.810
54	10.560	0.690	1.830
55	10.790	0.700	1.850
56	11.040	0.720	1.860
57	11.280	0.740	1.880
58	11.540	0.750	1.900
59	11.810	0.770	1.910

Age last birthday at relevant date	Gross Pension of £1 per annum	Lump Sum of £1	Surviving Partner's Pension of £1 pa
60	12.080	0.790	1.920
61	12.370	0.810	1.930
62	12.660	0.830	1.930
63	12.970	0.850	1.940
64	13.290	0.870	1.940
65	13.620	0.890	1.940
66	13.970	0.910	1.940
67	14.340	0.930	1.930
68	14.720	0.960	1.920
69	15.130	0.990	1.900
70	14.940	1.000	1.890
71	14.370	1.000	1.890
72	13.790	1.000	1.880
73	13.210	1.000	1.860
74	12.620	1.000	1.850
60	12.080	0.790	1.920

Table 9 – CARE adjustment factors (*on or after 1 April 2019)*

Complete years to NPA	Adjustment factor – Inflation + 1% pa	Adjustment factor – Inflation + 1.25% pa	Adjustment factor – Inflation + 1.5% pa	Adjustment factor – Inflation + 1.6% pa	Adjustment factor – Earnings
0	1.010	1.013	1.015	1.016	1.022
1	1.014	1.017	1.021	1.022	1.031
2	1.018	1.023	1.027	1.029	1.040
3	1.023	1.028	1.034	1.036	1.050
4	1.027	1.034	1.041	1.044	1.060
5	1.032	1.040	1.048	1.051	1.071
6	1.036	1.046	1.055	1.059	1.082
7	1.041	1.052	1.062	1.067	1.092
8	1.046	1.058	1.070	1.074	1.104
9	1.051	1.064	1.077	1.083	1.115
10	1.056	1.070	1.085	1.091	1.127
11	1.061	1.077	1.093	1.099	1.139
12	1.066	1.083	1.101	1.108	1.151
13	1.071	1.090	1.109	1.116	1.163
14	1.076	1.096	1.117	1.125	1.175
15	1.082	1.103	1.125	1.134	1.188
16	1.087	1.110	1.133	1.142	1.201
17	1.092	1.116	1.141	1.151	1.213
18	1.097	1.123	1.150	1.160	1.226
19	1.103	1.130	1.158	1.169	1.239
20	1.108	1.137	1.166	1.178	1.253
21	1.114	1.144	1.175	1.187	1.266
22	1.119	1.151	1.183	1.197	1.279
23	1.124	1.158	1.192	1.206	1.293
24	1.130	1.165	1.201	1.215	1.307
25	1.135	1.172	1.209	1.225	1.321
26	1.141	1.179	1.218	1.234	1.335
27	1.146	1.186	1.227	1.244	1.349
28	1.152	1.193	1.236	1.253	1.364
29	1.157	1.200	1.245	1.263	1.378
30	1.163	1.208	1.254	1.273	1.393
31	1.169	1.215	1.263	1.283	1.407
32	1.174	1.222	1.272	1.292	1.422
33	1.180	1.229	1.281	1.302	1.437
34	1.185	1.237	1.290	1.312	1.452
35	1.191	1.244	1.300	1.322	1.468
36	1.197	1.252	1.309	1.332	1.483
37	1.202	1.259	1.318	1.343	1.498
38	1.208	1.267	1.328	1.353	1.514
39	1.214	1.274	1.337	1.363	1.530
40	1.220	1.282	1.347	1.373	1.546
41	1.225	1.289	1.356	1.384	1.562

Complete years to NPA	Adjustment factor – Inflation + 1% pa	Adjustment factor – Inflation + 1.25% pa	Adjustment factor – Inflation + 1.5% pa	Adjustment factor – Inflation + 1.6% pa	Adjustment factor – Earnings
42	1.231	1.297	1.366	1.394	1.578
43	1.237	1.304	1.375	1.405	1.594
44	1.243	1.312	1.385	1.415	1.611
45	1.248	1.319	1.394	1.425	1.627
46	1.254	1.327	1.404	1.436	1.643
47	1.260	1.334	1.413	1.446	1.659
48	1.265	1.341	1.422	1.456	1.675
49	1.271	1.349	1.431	1.466	1.691
50	1.276	1.356	1.441	1.476	1.707
51	1.282	1.363	1.450	1.486	1.723
52	1.287	1.371	1.460	1.497	1.740
53	1.293	1.378	1.469	1.507	1.756
54	1.298	1.386	1.479	1.518	1.773
55	1.304	1.393	1.488	1.528	1.790

Annex 2

Actuarial assumptions

A2.1 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 are as follows:

a. Financial Assumptions

i) The financial assumptions are taken from Her Majesty's Treasury (HMT) guidance note issued in November 2018 regarding the discount rates to be used for Cash Equivalent Transfer Values (CETVs) from public sector pension schemes.

ii) This updated the previous HMT guidance note issued in March 2016 following the change in the SCAPE discount rate.

iii) The Cabinet Office in its role as Club Secretary has agreed that the same discount rate assumption (the rate in respect of benefit which will be increased under the Pensions (Increase) Act 1971) should be used for transfers within the Public Sector Transfer Club.

iv) All benefits, pre and post retirement, are assumed to be fully linked to the change in the Consumer Prices Index (CPI).

v) The discount rate used is 2.4% p.a. This can be considered to be the real (i.e. net of prices) discount rate.

vi) There are no allowances for Guaranteed Minimum Pension benefits increasing at a different rate to fully linked to the change in CPI. Whilst this is not in accordance with HMT's note, Cabinet Office have agreed to this approach to simplify the Club factors.

b. Demographic Assumptions

i) The demographic assumptions used are not stipulated by HMT in guidance 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 the S2 "Normal Amounts" tables released by the Continuous Mortality Investigation Bureau of the Institute and Faculty of Actuaries. These are based on data provided by Self-Administered Pension Schemes (SAPS) between 2004 and 2011. Male and female members are assumed to have mortality rates 95% of the standard table. Female and male dependants are assumed to have mortality rates of 105% and 115%, respectively, of the standard table.

iii) Historic mortality improvement until 2016 has been allowed for in line with improvement experienced in the general population until 2016. Future mortality improvement is assumed to be in line with ONS central projections based on 2016 data.

iv) The assumptions for the proportion of pensioner deaths leading to spouse/partner's pensions have been based on studies of public sector scheme data, with allowance for benefits payable to spouses, civil partners and unmarried partners. 75% of male members and 60% of female members at retirement are assumed to have a spouse or partner eligible for a contingent spouse/partner's pension.

v) Dependants of male members are assumed to be three years younger than them and dependants of female members are assumed to be two years older.

vi) 40% of members are assumed to be male and 60% female.

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 or National Insurance modification.

iv) For the Earnings CARE Adjustment Factors the gap between CPI and Earnings is assumed to be 2.2% p.a.

Government Actuary's Department
March 2019

Annex 3

Example 1

Example of a cash equivalent transfer value payable by an outer Club scheme (i.e. final salary) with a normal pension age of 60.

Officer's name: Mr A

a **General information**

i	Gender	male
ii	Date of birth	1 January 1968
iii	Officer's normal pension age	60
iv	Reckonable service (1/5/93 - 30/4/19)	26 years
v	Qualifying service (1/5/93 - 30/4/19)	26 years
vi	Pensionable pay	£30,000
vii	Guarantee date	1 October 2019
viii	Age last birthday at the guarantee date	51
ix	Pensions increase	n/a

b **Preserved benefits**

	Total	
Pension	£9,750.00 p.a.	
Lump sum	£29,250.00	
Spouse's pension	£4,875.00 p.a.	.

c Calculation of the total transfer value

	Benefits	Factor*	
Gross member's pension	= £9,750.00	x 16.89	= £164,677.50
Net lump sum	= £29,250.00	x 0.83	= £24,277.50
Spouse's pension	= £4,875.00	x 1.68	= £8,190.00

= £197,145.00= A

Add pensions increase (if applicable)

= % x A = 0.00

100

(alternatively P.I. multiplier x A) = £197,145.00

= Transfer value payable

* Factors for age 51 from the pension age 60 table

Annex 3

Example 2

Example of a service credit for an outer Club scheme (i.e. final salary) 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 1968
3	Guarantee date	1 October 2019 (age 51)
4	Pensionable pay at guarantee date (para 5.8)	£30,000
5	Club transfer value	£197,145.00

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

b 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:

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

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 (16.89 + (3 x 0.83) + (1.68/2))

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

= £375.00 x 20.22

= £7,582.50

c Calculation of the total reckonable service credit

$$= \frac{£197{,}145.00}{£7{,}582.50} = 26.0000 \text{ years (to 4 decimal places)}$$

= **26 years 0 days**

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

Annex 3

Example 3
The application of pensions increase (outer Club transfer)

Where a transfer value is to be uprated 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 member's pension	= £9,750.00	x 16.89	= £164,677.50
Net lump sum	= £29,250.00	x 0.83	= £24,277.50
Spouse's pension	= £4,875.00	x 1.68	= £8,190.00
			= £197,145.00= A

Add pensions increase (if applicable)

$= \frac{\%}{100} \times A = \frac{4.3}{100} \times £197,145.00$ = £8,477.24

(alternatively, 1.0430 x £197,145.00=£205,622.24) = £205,622.24

= 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 x 1.0430 = £31,290 in its calculation of the service credit.

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

Annex 3

Example 4
Inner Club (i.e. CARE) transfer value calculation:

Officer's name: Mr B

a **General information**

i	Gender	male
ii	Date of birth	14 March 1972
iii	State pension age	67
iv	Guarantee date	11/10/2019
v.	Age at guarantee date	47

b **Preserved benefits**

i Pension (revalued in accordance with the deferred revaluation of the sending scheme up to the guarantee date for the transfer) £2,098.27
ii Pension (revalued in accordance with the in-service revaluation of the sending scheme up to the guarantee date for the transfer) £2,118.38

c **Sending Scheme details**

i	Automatic lump sum	None
ii	Spouses proportion	37.5%
iii	Normal pension age	SPA
iv	In-service revaluation rate	Inflation + 1.5%
v	Deferred revaluation	Inflation

d **Receiving scheme details**

i	Automatic lump sum	None
ii	Spouses proportion	37.5%
iii	Normal pension age	SPA
iv	In-service revaluation rate	Inflation + 1.5%

Member's Pension (MP) = £2,098.27

Lump Sum (LS) = 2,098.27 x 0 = £0

Contingent spouse's pension (CWP) = 2,098.27 x 0.375 = £786.85

Fp = 10.81

Fwid = 1.63

Club transfer value (before adjustment) = (£2,098.27 x 10.81) + (£786.85 x1.63) = £22,682.30+ £1,282.57= £23,964.87

Complete years to sending scheme's NPA* = 19
*from the guarantee date

CARE adjustment factor = 1.158

Club transfer value = £23,964.87x 1.158 = **£27,751.32**

Annex 3

Example 4 (b)
Inner Club (i.e. CARE) transfer value calculation:

Officer's name: Mr B
a **General information**
i Gender male
ii Date of birth 14 March 1972
iii State pension age 67
iv Guarantee date 11/10/2019
v. Age at guarantee date 47

b **Preserved benefits**
i Pension (revalued in accordance with the deferred revaluation of the sending scheme up to the guarantee date for the transfer) £2,098.27
ii Total Pension (revalued in accordance with the in-service revaluation of the sending scheme up to the guarantee date for the transfer) £2,118.38,

c **Preserved benefits previously transferred in to the sending scheme:**
i Pension (revalued in accordance with the deferred revaluation of the sending scheme up to the guarantee date for the transfer) £1,209.71
ii Pension (revalued in accordance with the in-service revaluation of the previous scheme up to the guarantee date for the transfer) £1,350.24

c **Sending Scheme details**
i Automatic lump sum None
ii Spouses proportion 37.5%
iii Normal pension age SPA
iv In-service revaluation rate Inflation + 1.5%
v Previous transfer in-service revaluation rate Inflation +1.6%
vi Deferred revaluation Inflation

d **Receiving scheme details**
i Automatic lump sum None
ii Spouses proportion 30.625%
iii Normal pension age SPA
iv In-service revaluation rate Inflation + 0%

Accrued in sending scheme
Member's Pension (MP) = £2,098.27
Lump Sum (LS) = 2,098.27 x 0 = £0
Contingent spouse's pension (CWP) = 2,098.27 x 0.375 = £786.85

Previously transferred in to the sending scheme
Member's Pension (MP) = £1,209.71
Lump Sum (LS) = 1,209.71 x 0 = £0
Contingent spouse's pension (CWP) = 1,209.71 x 0.375 = £453.64

Fp = 10.81 Fwid = 1.63

Club transfer value of pension accrued in sending scheme
(before adjustment)
= (£2,098.27 x 10.81) + (£786.85 x 1.63)
= £22,682.30 + £1,282.57
= £23,964.87

Club transfer value of previous transfer-in
(before adjustment)
= (£1,209.71 x 10.81) + (£453.64 x 1.63)
= £13,076.97 + £739.43
= £13,816.40

Complete years to sending scheme's NPA* = 19
*from the guarantee date

CARE adjustment factor for revaluation rate CPI + 1.5% = 1.158
CARE adjustment factor for revaluation rate CPI + 1.6% = 1.169

Total Club transfer value
= £23,964.87 x 1.158 + £13,816.40 x 1.169
= £27,751.32 + £16,151.37
= £43,902.69

Annex 3

Example 5
Inner Club (i.e. CARE) transfer credit using the details from example 4 (above):

£2,118.38 x [10.81 + (0.375 x 1.63) + (0)] / [10.81 + (0.375 x 1.63) + (0)]
= £2,118.38 x [10.81 + 0.6113 + 0] / [10.81 + 0.6113 + 0]
= £2,118.38 x 11.4213/11.4213 = **£2,118.38**

Example 5 (b)
Inner Club (i.e. CARE) transfer credit using the details from example 4(b) (above):

Club transfer credit (accrued pension) =
£2,118.38 x [10.81 + (0.375 x 1.63) + (0)] / [10.81 + (0.30625 x 1.63) + (0)]
= £2,118.38 x [10.81 + 0.6113+ 0] / [10.81 + 0.4992 + 0]
= £2,118.38 x 11.4213/11.3092 = **£2,139.38**

Club transfer credit (previous transfer in)
= £1,350.24 x [10.81 + (0.375 x1.63) + (0)] / [10.81 + (0.30625 x 1.63) + (0)]
= £1,350.24 x [10.81 + 0.6113+ 0] / [10.81 + 0.4992 + 0]
= £1,350.24 x 11.4213/11.3092 = **£1,363.62**

Annex 4

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

A4.1 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.

A4.2 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.

Annex 5

HM Treasury's note on protections and Club transfers

Introduction

A5.1 This note is intended to clarify the complex area of the treatment of full and tapered protection members and the final salary link for transitional members in respect of those who make voluntary moves between public service schemes, whether through Club Transfers or through other moves made by those with past service in public service schemes. The note defines the key concepts that determine treatment of those moving into schemes, the principles of how these should be applied, the information that will be needed to assess this; and, at Appendix A provides examples of how this will work in practice in a variety of scenarios.

A5.2 (paragraph deleted)

Full and tapered protection, the Final Salary link and five year rejoiners – key concepts and definitions

A5.3 One of the key areas of complexity in Club and other transfers, as well as situations where those with previous service in public service schemes who do not transfer benefits, is the interaction with the rules on full and tapered protection; the final salary link and rejoiners policy. This section, therefore, aims to provide clarity on these concepts.

Full Protection

A5.4 In line with the Government's commitments on protecting those closest to retirement at the time of the reforms, the Public Service Pensions Act 2013 (PSPA) allows full protection to apply to those who were:

- active members of a pension scheme immediately before 1 April 2012 (i.e. as at 23.59 on 31 March 2012); and
- eligible to be members of a scheme immediately before 1 April 2012. This can apply to those who were:
  - deferred members of a scheme who re-join without a break of more than 5 years ending on or after 1 April 2012. (see re-joiners below); and
  - those eligible for a scheme immediately before 1 April 2012 who had opted out before that date, but subsequently join the scheme .

A5.5 For the public service pension schemes this generally means that members who meet these conditions will remain in their existing scheme and will not transition into a new 2015 scheme. The exception to this is the Local Government Pension scheme in E&W and Scotland. Here, the qualifying criteria are the same, but all members of the LGPS have already transitioned into the new reformed pension arrangements from 1 April 2014. Those LGPS members with full or tapered protection, who meet the above criteria, are

instead provided with a 'statutory underpin' which, on retirement, ensures that the member receives at least equal to that which they would have got in the old scheme. A member who falls in the full protection period (e.g. is within 10 years of normal pension age on 1 April 2012) is a full protection member, and will remain so, provided that there is no break in in pensionable service of more than 5 years or, in accordance with scheme regulations, a member for example takes full retirement benefits on or after 1 April 2012. In these circumstances, a member would become members of the Career Average scheme.

Tapered protection members

A5.6 In addition to full protection, most schemes offer tapered protection for members that are just outside the full protection group. The PSPA allows this to apply to scheme members that are up to 14 years from their NPA as of 1 April 2012. Different schemes may have different tapering dates:

A5.7 In the Teachers, Civil Service, NHS and Judges schemes tapered protection applies to those between 10 and 13.5 years of the normal pension age that applies in their current scheme. So members of an NPA60 scheme that are aged between 46½ and 50 on 1 April 2012 and members of an NPA65 scheme that are aged between 51½ and 55 on 1 April 2012 will retain membership of their old scheme until their tapered protection expires.

A5.8 Members gain two months of protection for every month that they are older than 46½ or 51½ meaning they remain in their existing scheme until their transition date (which will fall between 1 June 2015 and 1 February 2022 depending on age). At this point they will move into the reformed career average scheme and become a 'transition member'.

A5.9 In the Firefighters scheme tapered protection applies to those between 10 and 14 years of NPA, so those between the ages of 41 and 45 as of 1 April 12 in the NPA55 scheme and those between the ages of 46 and 50 in the NPA60 scheme. Members gain approx. 53 days of protection for every month they are older than the 41 or 46 and once that protection expires (between 25/05/2015 and 1 April 2022) they will move into the reformed career average scheme as a transitional member.

A5.10 In the Police scheme the tapered applies to those between within 4 years of qualifying for full protection and again gain approx. 53 days of protection for every month they are older than the lower age limit that applies in their case. The age limits are more complex reflecting the rules/regulations on service counting towards taking a maximum unreduced pension in the 1987 scheme.

A5.11 There is no tapered protection in the Local Government Pension Scheme and Armed Forces Pension scheme.

Transition members

A5.12 Transition members are those members with service in both the pre and post- 2015 pension schemes. This will generally mean service in both a Final Salary and Career Average scheme, the exception being members whose old scheme service was in the Civil Service nuvos scheme, which is career average. The term also includes members who were tapered members, but have subsequently moved over into a post-2015 scheme once that protection expired.

The Final Salary link

A5.13 Transition members who have "continuity of service" between the old and the new schemes will retain a Final Salary Link. As set out in Schedule 7 of the Public Service Pension Act, where a member has continuity of service within a particular scheme, the final salary link means that, for the purposes of determining the member's final salary in the old scheme:

• The member's service in the old final salary scheme is to be regarded as ending when the service in the new scheme ends; and the member's salary in the new scheme is to be regarded as being derived from old scheme service.

A5.14 In other words, the member's contributable final salary at the point at which they leave the new scheme is the member's final salary for their old scheme service.

A5.15 This principle also follows where the member transfers their benefits into another public service scheme through a Club or CETV transfer. Here, where there has been continuity of service, the member's final contributable salary in their new career average scheme is regarded as their final salary for their old scheme service.

A5.16 Note however, that the final salary link is subject to rules allowing a transfer in accordance with Club rules to take place. Under the new Club rules, as well as the transfer having to be undertaken within 12 months of taking up pensionable service in the new scheme, there must also be no gap in service between the transferring scheme and the receiving scheme of more than 5 years. In addition some schemes, e.g. the civil service scheme do not allow members to take either a Club or CETV transfer if they do not apply for this within 12 months of joining the scheme. In circumstances where a member is not able to transfer their benefits into another scheme, there will be no final salary link.

Continuity of service and the Final Salary link

A5.17 For the purposes of the final salary link, service is continuous provided that there is no break in pensionable service at the closing date in the old scheme and in taking up pensionable service immediately in the new scheme. In addition, the following are disregarded in assessing whether a person has continuity of service:

- any gap in service during which a person was in "pensionable public service" in another scheme;
- any single gap in service that does not exceed five years during which a person was not in pensionable public service; and
- any two or more gaps in service during which the member was not in pensionable public service, provided none of the gaps exceed five years.

A5.18 "Pensionable public service" includes pensionable service with any other public service scheme, as well as the original scheme. Hence, a non-protected member who joins another public service scheme and does not undertake a transfer to a new scheme will retain a Final Salary link, even if they move back to the original scheme after a break of more than 5 years. This is because there has been no break in "pensionable public service" of more than 5 years, even though there has been a break in "pensionable service" in the original scheme of more than 5 years. On return to the original scheme, the career average salary will be used in calculating benefits relating to the original Final Salary service.

A5.19 A tapered protected member will establish a final salary link back to their old scheme service at the point at which their tapered protection expires and they transition into a new scheme.

A5.20 Where a person moves to another public service scheme but does not transfer their benefits, no final salary link between the two schemes is established. It may be possible for that person to re-establish the final salary link on returning to their original scheme, subject to the continuity of service rules above.

Five year rejoiners and protection.

A5.21 A further important principle is the 'five year rejoiners' policy. This is that members who leave and rejoin a scheme without a break of more than 5 years are able to link their new service with their old scheme service, as if they had always been an active member. In this scenario, the 'both schemes test' is not applicable as the person is returning to their original scheme. Unlike the continuity of service rules for the final salary link, this operates on the basis of there being no break of more than five years from the point of first leaving the scheme and rejoining that scheme. For the purposes of the five year rejoiners policy, any other pensionable service in another public service scheme undertaken in the interim is ignored.

A5.22 Consistent with this, a member with full or tapered protection who leaves a scheme will retain protection on return to that scheme if member returns without a break of more than five years of leaving, but will lose protection if they return after more than five years, unless they have been in pensionable public service elsewhere and the member passes the 'both schemes test'.

A5.23 This five year rule applies equally where the gap in service began before or after 1/4/12 or 1/4/15. So, for example, a member that would otherwise qualify for full protection left a scheme before 1 April 2012 and returned after 1 April 2012, with a gap in service of more than five years, they would not be fully protected in that scheme. However, where a gap in service ended before 1 April 2012, it does not result in a loss of protection, even if it was for more than five years.

A5.24 Individual scheme rules/regulations determine exactly what is meant by retaining full or tapered protection where there has been a break of no more than five years – this may not necessarily mean going back into the same old scheme the member was formally a member of, if this is set out in existing scheme rules. i.e. scheme regulations may determine whether an NPA 60 member returns to the NPA 60 scheme or joins the last open scheme with an NPA of 65.

How these concepts apply when people move between public service schemes

A5.25 This section sets out the principles of the Government's policy on protection and the final salary link for individuals who chose to move between public service schemes.

A5.26 The overarching principle for members who voluntarily move to a new scheme is that protection is intended to mean the member will be in the same position as they would have been had they made the same move between schemes before 1 April 2015. In general, this will mean that the individual who is protected in their current scheme will receive protection in the scheme they move to, provided they meet the relevant qualifying criteria.

A5.27 However, this policy does not mean that an individual will always retain protection on taking such a move, remain in the same position as if they had never moved schemes, or be in the same position as a member of the same age who had been in the scheme they are moving to as at 1 April 2012.

A5.28 It is important to note that it is not necessary for a member to transfer their benefits (through a Club or other transfer) in order to qualify for Full or Tapered protection in the scheme into which they move. These principles apply equally to members that transfer benefits as to those who move into a new scheme leaving behind deferred benefits in their previous scheme. As above, it is however necessary for a member to transfer benefits in order for a final salary link to attach between their new scheme benefits and those accrued in a previous public service scheme.

Assessing whether a member qualifies for full or tapered protection on moving

A5.29 For the purposes of assessing whether an individual with protection moving into a different scheme qualifies for protection in the receiving scheme the principle test to apply is the 'both schemes test'.

A5.30 This is that, in order to qualify for full or tapered protection in a new scheme, an individual must have been eligible for full or tapered protection as at 1/4/12 in both their current scheme and the scheme they are moving to.

A5.31 If they meet this test, the individual will move into the same scheme or section into which they would currently be entitled to move – the "last open scheme". For example, a person moving into the civil service scheme will be put into nuvos (rather than Classic or Premium), in the same way that they would now; or a person moving into the NHS scheme will be put into the 2008 NHS scheme (rather than the 1995 scheme) as they would now.

A5.32 This can mean that a member who qualifies for full protection in their current scheme can lose full protection, or lose their current NPA on moving schemes. To illustrate, for transfers of protected members of the 1995 NHS scheme, which has an NPA of 60, to the Civil Service scheme, where the last open scheme is nuvos, with an NPA of 65:

• Those aged below 52.5 as of 1 April 12 would not qualify for full or tapered protection, as they would not have qualified for full or tapered protection in nuvos and so fail the 'both schemes test'.

• Those aged above 55 as of 1 April 12 will qualify for full protection in nuvos (as they would have qualified had they been a member of nuvos on 1/4/12 and so pass the 'both schemes test'). However, they will not retain an NPA of 60 and will instead have an NPA of 65 within nuvos.

A5.33 Equally a person that qualifies for tapered protection in both schemes will move into the taper of the scheme into which they transfer and will transition into the 2015 scheme when that tapering expires. This may mean that a member moving between schemes may transfer into the 2015 scheme on a different date than would have been the case had they remained in their existing scheme.

A5.34 A member who qualifies for full protection in their current scheme who does not qualify for full protection in the scheme they are moving to may qualify for tapered protection in that scheme. For example, a full protection member aged 54 in an NPA 60 scheme would become a tapered protection member of a new scheme if the last open scheme had an NPA of 65 and will be subject to the tapering rules/regulations of that scheme.

A5.35 It is not possible for an individual to gain full or tapered protection by moving from a scheme in which they did not qualify as of 1/4/12 into a scheme in which they would have had full or tapered protection.

Interaction between 'two schemes test' and five year rejoiners.

A5.36 In certain circumstances, the two schemes test can interact with the five year rejoiner rules. For example a member may have lost tapered protection on joining another scheme, and so would fail the 'two scheme test' on returning to their original scheme, meaning they would not regain protection on returning to the old scheme.

A5.37 In looking at this interaction, we apply the principle that the 'both schemes test' applies, unless it conflicts with the five year rejoiner rule for those returning to their original scheme. Therefore:

• Those with protection in a scheme who leave and rejoin that scheme without a break of more than 5 years will retain protection and can return to the original section of the old scheme (e.g. NPA 60), subject to the scheme rules/regulations.
• Those with protection in a scheme who leave and return to that scheme after a break of more than 5 years (without moving into other pensionable public service) lose protection and go into the new scheme.
• Those with protection who join another public service scheme in which they are protected (without having had a break of more than 5 years) will retain protection on moving back to their original scheme. They may enter the original section of the old scheme subject to scheme rules/regulations. It would not matter here whether the break was for more or less than 5 years, as the 'both schemes test' would apply in terms of movements between all public service schemes in any case.
• Those with protection in their current scheme who move to another scheme in which they are not protected would not regain protection if they moved back to their original scheme without a break of more than 5 years, unless this was allowed in the existing scheme rules/regulations on those who leave and return. If they moved back to their original scheme after a break of more than 5 years they could not regain full or tapered protection in that scheme (because they would fail both the two schemes and five year tests).

A5.38 Those who lost protection by moving to another scheme would not regain it if they moved to a third scheme in which they were eligible for protection. This is because they would fail the 'both schemes' test. However, if they moved back to their first scheme within 5 years of first leaving it, then they may regain protection if this was allowed in scheme rules/regulations.

A5.39 For completeness, a transition member who leaves a scheme and rejoins after 1 April 15 will go into the new 2015 scheme (2014 scheme for LGPS) whatever the length of break.

A5.40 As above, these principles apply in the same way irrespective of whether someone moves to another scheme, leaving behind deferred benefits in their original scheme, or whether they move and transfer their benefits subject to existing scheme rules governing those scenarios.

A5.41 Appendix A sets out examples of how these rules will apply in a variety of scenarios.

Effect of taking pension benefits

A5.42 Once benefits have been taken as pension then they can no longer be reopened, even if somebody moves back to the same scheme. In such cases the 5 year rejoiners position for full and taper protection applies as above, except that the member will have to start as a new joiner in either the old scheme that they have previously drawn benefits from, or in the new career average scheme, depending on individual scheme rules. This is also subject to individual scheme rules/regulations on e.g. the treatment of phased retirement.

Effect of options exercises

A5.43 The NHS and civil service schemes are operating options exercises for protected members. In the NHS scheme all members of the 2008 scheme that qualify for Full or tapered protection are being given a one off choice to opt out of protection and join the new scheme on 1 April 2015. In the Civil Service scheme, members that qualify for tapered protection have the one off option to give up that protection and join the new alpha scheme on 1 April 2015.

A5.44 Where a person has taken the option to give up protection, they cannot regain protection if they move to another public service scheme, or if they leave and rejoin the NHS or Civil Service scheme.

HM Treasury
11 December 2014

Annex 5 - Appendix A

1.	Scenario	Transitional Protection	Final Salary Link
	Member who qualifies for full protection in Scheme A and meets age criterion for full protection in (public service) Scheme B. Moves without a break in service of more than five years of leaving Scheme A:		
1(a)	Moves to scheme B and transfers benefits.	Retains protection in Scheme B and enters B's last open scheme.	FS link not applicable as the member has retained full protection and enters last open Scheme B. Member's scheme A service calculated by reference to final Scheme B salary under normal rules. [**NB** The exception to this is the PCSPS. A link to Final Salary continues to exist in the last open Civil Service scheme (NUVOS with NPA 65).
1(b)	Moves to scheme B and does not transfer benefits.	Retains protection in Scheme B and enters B's last open scheme.	FS link not applicable as the member has retained full protection in Scheme B. Member enters last open scheme B Scheme A service calculated by reference to final salary at point of deferring in Scheme A.
1(c)	Moves to scheme B and transfers benefitsReturns to scheme A (transferring benefits) without a break of more than 5 years of leaving Scheme B.	Retains protection and enters B's last open Scheme. May retain protection on return to Scheme A, but not necessarily the same one they left. – subject to scheme rules / regulations (i.e. might go back to original scheme/section or might go to the last open scheme. May also depend on qualifying for protection in the last open scheme, which might have a later NPA)	FS link not applicable as the member has retained full protection in Scheme B and on return to scheme A, subject to scheme rules. All service calculated on basis of final salary in Scheme A.

1(d)	Moves to scheme B and transfers benefits. Returns to scheme A (but <u>does not</u> transfer benefits) without a break of more than 5 years of leaving Scheme B	Retains protection in Scheme B and enters the last open scheme. Retains protection on return to Scheme A for future accrual – subject to scheme rules as described in 1(c) above. (Past service rights retained in scheme B.)	FS link not applicable as the member has retained full protection in Scheme B and on return to scheme A, subject to scheme rules. First period of Scheme A and Scheme B service calculated on salary at point of deferring Scheme B service. Second period of Scheme A service calculated on basis of final Scheme A salary.
1(e)	Moves to scheme B and <u>does not</u> transfer benefits. Returns to scheme A within 5 years of leaving Scheme B.	Retains protection in Scheme B and enters B's last open scheme. Retains protection on return to Scheme A and enters A's last open scheme – subject to scheme rules as described in 1(c) above.	FS link not applicable as the member has retained full protection in Scheme B and on return to scheme A, subject to scheme rules.Both periods of Scheme A service calculated on basis of Scheme A final salary. Scheme B service calculated on salary at point of deferring scheme B service.
1(f)	Moves to scheme B and transfers benefits. Returns to scheme A **with** a break of more than 5 years after leaving Scheme B and has not been in any other pensionable public service elsewhere in the interim.	Retains protection in Scheme B and enters B's last open scheme. Would lose protection on returning to Scheme A because of the break of more than five years (unless scheme rules specify otherwise).	FS link not applicable between scheme A and scheme B, as the member retained full protection in Scheme B. On return to scheme A, there would be no FS link as there has been a break of more than 5 years.

2	**Scenario**	**Transitional Protection**	**Final Salary Link**
	Member qualifies for full protection in scheme A but <u>not</u> in (public service) Scheme B. (e.g. because member was 51 at 1/4/12 and receiving scheme NPA is 65). Moves within five years of leaving scheme A.		
2(a)	Moves to scheme B and transfers benefits.	Not protected in Scheme B and moves to the reformed Career Average arrangement in Scheme B.	FS link established between Scheme B and previous Scheme A service transferred in on Club terms.

2	Scenario	Transitional Protection	Final Salary Link
2(b)	Moves to scheme B and does not transfer benefits	Not protected in scheme B. Moves to reformed Career Average arrangement in Scheme B.	No FS link established between Scheme B and Scheme A service. (FS link with Scheme A dormant, may be re-established if member moves back to Scheme A without a disqualifying break in pensionable public service of more than 5 years.)
2(c)	Moves to scheme B and transfers benefits. Returns to scheme A within 5 years	Not protected in scheme B. Moves to reformed Career Average arrangement in Scheme B. Does not regain protection on return to Scheme A, unless Scheme A rules specify this. If scheme A rules allow for this, and all scheme B benefits transfer, there would be an amount of reformed Career Average pension to include in the transfer.	FS link established between Scheme B and the previous Scheme A service. FS link retained on rejoining Scheme A, provided benefits are transferred back to scheme Scheme A.
2(d)	Moves to scheme B and transfers benefits. Returns to scheme A after more than 5 years.	Not protected in Scheme B. Moves to reformed Career Average arrangement in Scheme B. Cannot regain protection on return to Scheme A (because fails on both 'two scheme' and five year rejoiners test).	FS link established between Scheme B and former Scheme A service. FS link retained on rejoining Scheme A, provided benefits are transfered and there has not been a break in pensionable public service of more than 5 years.
2(e)	Moves to scheme B and transfers benefits after more than 5 years including a break of more than 5 years in pensionable public service.	Not protected in Scheme B. Moves to reformed Career Average arrangement in Scheme B. Does not regain protection on return to Scheme A, because fails on both 'two scheme' and five year rejoiners test.	FS link established between Scheme B and Scheme A service. FS link lost on return to Scheme A on account of the break of more than 5 years in pensionable public service.

3	Scenario	Transitional Protection	Final Salary Link
	Member who qualifies for full protection in Scheme A and would otherwise qualify for full protection in (public service) scheme B. Moves after break of more than five years in pensionable public service.		
3(a)	Moves to scheme B and transfers benefits on Non-Club terms (would lose right to Club transfer in respect of the break of more than 5 years).	Not protected in Scheme B (fails five year rejoiner test). Moves to reformed Career Average arrangement in Scheme B.	No FS link established between Scheme B and former Scheme A service (because out of pensionable public service for more than five years).
3(b)	Moves to scheme B and does not transfer benefits	Not protected in Scheme B. Moves to reformed Career Average arrangement in Scheme B.	No FS link established between Scheme B and Scheme A service
3(c)	Moves to scheme B and transfers benefits on Non Club terms. Returns to scheme A.	Not protected in Scheme B. Moves to reformed Career Average arrangement in Scheme B. On return to Scheme A does not regain protection (fails five year rejoiner test). Moves to reformed Career Average arrangement in Scheme A.	No FS link established between Scheme B and former Scheme A service. Link cannot be regained on return to Scheme A.
3(d)	Moves to scheme B and does not transfer benefits. Returns to scheme A.	Not protected in Scheme B. Moves to reformed Career Average arrangement in Scheme B. On return to Scheme A does not regain protection (fails five year rejoiner test). Moves to reformed Career Average arrangement in Scheme A.	No FS link established between Scheme B and Scheme A service. Link cannot be regained on return to Scheme A.

4	Scenario	Transitional Protection	Final Salary Link
	Member qualifies for full protection in scheme A, scheme B and Scheme C (all public service).		
4(a)	Moves to scheme B and transfers benefits. Moves to scheme C and transfers benefits. (No breaks of more than 5 years.)	Protected in scheme B and joins B's last open scheme. Protected in scheme C and joins C's last open scheme.	FS link not applicable as the member has retained full protection in Scheme B and scheme C.
4(b)	Moves to scheme B. Does not transfer benefits. Moves to scheme C does not transfer benefits. (all breaks not more than 5 years.)	Protected in scheme B and joins B's last open scheme. Protected in scheme C and joins C's last open scheme.	FS link not applicable as the member has retained full protection in Scheme B and on return to scheme A, subject to scheme rules. No FS link established between Scheme B and Scheme A service, or Scheme C service. NB FS link could be regained on rejoining Scheme A, provided there has not been a break in pensionable public service of more than 5 years.
4(c)	Moves to scheme B after break of more than 5 years. Moves to scheme C. (the outcome is the same whether or not they transfer benefits.)	Not protected in Scheme B and joins B's reformed Career Average scheme. Not protected in Scheme C and joins C's reformed Career Average scheme. .	No FS link established with Scheme B or C. FS link cannot be regained if returns to scheme A (because of disqualifying break in pensionable public service).

5	Scenario	Transitional Protection	Final Salary Link
	Member qualifies for full protection in scheme A and Scheme C. But does not qualify in scheme B. All schemes arrangements are public service and there is no break in pensionable public service of more than 5 years.		
5(a)	Moves to scheme B and transfers benefits. Moves to scheme C and transfers benefits.	Not protected in scheme B and enters B's reformed Career Average scheme. Does not regain full protection in scheme C.	FS link established between Scheme B and Scheme A. FS link continues in Scheme C.
5(b)	Moves to scheme B. Does not transfer benefits. Moves to scheme C does not transfer benefits.	Not protected in scheme B and enters scheme B's reformed Career Average arrangement. Does not regain protection in scheme C and enters C's reformed Career Average scheme.	No FS link established with Scheme B or C. (FS link may be regained on return to Scheme A or Scheme B or on joining another public service scheme, provided benefits are transferred and there has been no break in pensionable public service of more than 5 years.)

5	Scenario	Transitional Protection	Final Salary Link
5(c)	Moves to scheme B and transfers benefits. Moves to scheme C and transfers benefits. Returns to scheme A without a break of more than 5 years of leaving scheme A.	Not protected in scheme B and enters scheme B's reformed Career Average scheme. Does not regain protection in scheme C. Would not regain protection in Scheme A unless allowed in scheme rules.	FS link established between Scheme B and former Scheme A benefits transferred in. FS link continues in Scheme C and on return to Scheme A in respect of benefits transferred into Scheme C.
5(d)	Moves to Scheme B and does not transfer benefits. Moves to Scheme C and does transfer benefits on.	Not protected in scheme B and enters scheme B's reformed Career Average arrangement. Does not regain protection in Scheme C, unless there is no break in service of more than 5 years and this is allowed in scheme rules.	No FS link established in Scheme B as the benefits from Scheme A are not transferred. **Scenario 1 -** Transfer without a break of more than 5 years between Scheme A and Scheme C FS link with Scheme C service is established, if transfer between scheme A and scheme C occurs without a break of more than 5 years. **Scenario 2** – Transfer with a break of more than 5 years between scheme A and scheme C and the transfer is paid on Non-Club terms to the existing Final Salary scheme of Scheme C. The FS link is re-established, as there has been no break in pensionable public service of more than 5 years and the transfer is made in accordance with paragraph 2(1)(c) of SCHEDULE 7. **Scenario 3** - Transfer with a break of more than 5 years and the transfer is paid on Non-Club terms to the Career Average scheme of Scheme C. No Final Salary link, as the benefits have been transferred to the Career Average scheme. Hence paragraph 2(1)(c) of SCHEDULE 7 does not apply.

5	Scenario	Transitional Protection	Final Salary Link
5(e)	Moves to scheme B. Does not transfer benefits. Moves to scheme C and does not transfer benefits. Returns to scheme A.	Not protected in scheme B and enters scheme B's reformed Career Average scheme. Does not regain protection in scheme C. Would not regain protection in Scheme A, unless allowed in scheme rules.	No FS link established with Scheme B or C as benefits not transferred. FS link re-established on return to Scheme A (providing there is no break in pensionable public service of more than 5 years).
5(f)	Moves to scheme B. Does not transfer benefits. Moves to scheme C does not transfer benefits. Returns to scheme A more than five years after leaving scheme A.	Not protected in scheme B and enters B's reformed Career Average scheme. Does not regain protection in scheme C and enters C's reformed Career Average scheme. Does not regain protection in scheme A and enters A's reformed Career Average scheme.	No FS link established with Scheme B or C service. FS link re-established on return to Scheme A (providing there is no break in pensionable public service of more than 5 years.)

SECTION 2: MOVES AND TRANSFERS BETWEEN PUBLIC SERVICE SCHEMES – MEMBERS WITH TAPERED PROTECTION

6	Scenario	Tapered protection
Note: protection applies below equally whether or not transferring benefits. **NB Final Salary link rules will be as above, i.e. will depend on whether or not member has transferred benefits.**		
	Member qualifies for tapered protection in Scheme A and Scheme B.	
6(a)	Moves to scheme B	Tapered protection in Scheme B – subject to Scheme B tapering rules (i.e. tapering that would apply in scheme B to member of the relevant age at 1 April 2012.)
6(b)	Moves to scheme B. Returns to scheme A.	Tapered protection in Scheme B – subject to Scheme B tapering rules. May return to scheme A on a tapered basis – subject to tapering clock.
	Member qualifies for full transitional protection in scheme A and tapered protection in scheme B	
6(c)	Moves to scheme B (whether transferring benefits or not)	Tapered protection in scheme B subject to Scheme B tapering rules (i.e. tapering that would apply in scheme B to member of the relevant age at 1 April 2012.)
6(d)	Moves to Scheme B. Returns to Scheme A before Scheme B tapering clock runs out.	Tapered protection in scheme B subject to Scheme B tapering rules. May regain either full transitional protection in Scheme A or tapered protection in Scheme A before the Scheme B tapering clock runs out (subject to scheme rules).
6(e)	Moves to Scheme B. Returns to Scheme A after Scheme B tapering clock runs out but without a break of more than 5 years of leaving Scheme A.	Tapered protection in Scheme B subject to Scheme B tapering rules. Could regain full protection in Scheme A subject to scheme rules.
6(f)	Moves to Scheme B. Returns to Scheme A after Scheme B tapering clock runs out and more than 5 years after leaving Scheme A.	Tapered protection in Scheme B subject to Scheme B tapering rules. Would not be protected in Scheme A as there has been a break in pensionable service of more than 5 years. Member enters the scheme A reformed Career Average scheme.
	Member qualifies for tapered protection in Scheme A and would otherwise be a full protection in Scheme B.	
6(g)	Moves to scheme B (whether transferring benefits or not)	Does not qualify for full protection in Scheme B (i.e. cannot move up from tapered to full protection). Qualifies for tapered protection in Scheme B subject to Scheme B tapering rules, if tapering is applicable.
6(h)	Moves to Scheme B. Returns to Scheme A without a break of more than 5 years of leaving scheme A.	Does not qualify for full protection in Scheme B (i.e. cannot move up from tapered to full protection). Qualifies for tapered protection in Scheme B subject to Scheme B tapering rules. [This is because it is not possible to improve the level of protection by transferring to a scheme with a lower NPA.] May regain tapered protection on return to scheme A (subject to tapering clock).