



Government Actuary's Department

The Local Government Pension Scheme (England and Wales) Individual Incoming & Outgoing Transfers

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1 Introduction

- 1.1 The Secretary of State is required under the Local Government Pension Scheme (England and Wales) Regulations 2013 ('the 2013 Regulations') (SI 2013/2356), to issue actuarial guidance on the earned pension credited to a member's pension account where a transfer value has been accepted (regulations 100 and 101 of the 2013 Regulations).
- 1.2 Additionally, under Regulation 96 of the 2013 Regulations, a member may apply for a transfer payment out of the pension fund.
- 1.3 The remainder of this introduction contains:
 - > Details of the implementation and future review of this guidance
 - > Details about Club scheme transfers
 - > Statements about the use of this note and third party reliance
- 1.4 In the remainder of this note:
 - > Sections 2 to 5 describe the issues and set out the formulae for Club and non-Club transfers-out
 - > Section 6 describes the calculations for Taper service
 - > Sections 7 to 10 describe the issues and set out the formulae for Club and non-Club transfers-in
 - > Sections 11 to 14 contain examples
 - > Appendix A quotes the relevant statutory references
 - > Appendix B sets out some important limitations

Implementation and Review

- 1.5 The Secretary of State is required to consult GAD before issuing actuarial guidance under the 2013 Regulations [Regulation 2(3) of the 2013 Regulations].
- 1.6 As part of this consultation the Department for Communities and Local Government (DCLG) has asked GAD to recommend actuarial guidance in respect of the regulations detailed above. This document forms GAD's recommendation for the actuarial guidance required by these regulations.
- 1.7 DCLG has asked GAD to prepare guidance for administering authorities for the purpose of calculating transfer payments under Regulation 96 of the 2013 Regulations, including both:
 - > Transfer payments in respect of Club Transfers, calculated in accordance with the Club Memorandum, and
 - > CETV transfer payments, calculated in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996 and based on assumptions set by DCLG.



This document also sets out GAD's guidance for that purpose.

- 1.8 This note has effect only when this guidance is issued by the Secretary of State in accordance with Regulation 2(3) of the 2013 Regulations, and is subject to the implementation instructions provided at that time.
- 1.9 When issued, this guidance will replace the previous guidance dated 28 March 2014. It must be read together with the current factor suite 'Actuarial Factors for Individual Cash Equivalent and Club Transfers from 1 April 2015' dated 8 April 2016 ('the Factor Suite'). Together with the Factor Suite, this guidance document incorporates the following significant updates:
 - > Explicit factors have been included for members with a normal pension age over 65;
 - > Difference factors are used for Club and non-Club outwards transfers
 - > The career average revalued earnings ('CARE') element of Club transfers-in provide an added pension transfer credit using a formula specified in an updated version of the Club Memorandum, and the guidance and factors have been updated accordingly; and
 - > A number of other refinements have been made.
- 1.10 Non-Club transfer-in factors have been updated but the calculation methodology remains unchanged. Therefore examples in the previous guidance, updated for factors in this guidance can be used for illustrative purposes.
- 1.11 This note relates to individual transfers from and into the Local Government Pension Scheme (LGPS) in accordance with Regulations 96, 100 and 101 of the 2013 Regulations. It sets out the general method for assessing:
 - > Statutory (non-Club) Cash Equivalent Transfer Values (CETV);
 - > Club transfer values;
 - > The benefits to be provided in respect of incoming CETVs; and
 - > The benefits to be provided in respect of incoming Club transfer values representing either or both final salary pension rights and CARE benefits.
- 1.12 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Local Government Pension Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to DCLG.
- 1.13 Administrators need to ensure that they use the latest factors in circulation. The examples in this guidance document are based on the factors set out in the separate Factor Suite in force at the date this guidance document was issued.
- 1.14 The factors referred to in this guidance document will be reviewed periodically. This will depend on external circumstances, for example when changes in the actuarial assumptions adopted for other scheme factors take place; or following each triennial cycle of future valuations of the LGPS.



Further background on Club scheme transfers

- 1.15 Transfers within the public sector transfer Club are covered by the “Club Memorandum” published by the Cabinet Office. This guidance is based on the March 2015 revision to that Memorandum which is effective from 1 April 2015 and which will facilitate transfers of earned pension under the CARE element that many public service pension schemes are introducing from that date.
- 1.16 While the Scheme participates in the Club, administrators should comply with the Club Memorandum at all times, and in particular, consider the impacts on Club transfers-in and/or transfers-out of any changes that are made to the Club Memorandum, regardless of whether those changes have been incorporated into any updated version of this guidance or the associated Factor Suite.
- 1.17 Paragraph 8.4 of this guidance explains how incoming service credits are calculated for members whose pensionable pay in the LGPS exceeds the Club earnings cap, consistent with the requirements of the Club Memorandum.
- 1.18 Under Regulation 9(1) of The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (SI 2014 / 525) (“the 2014 Scheme Transitional Regulations”), a Club transfer payment representing final salary benefits should provide a service credit in the same way that it would have done under the 2008 Scheme, so long as the member has not had a continuous break in active membership of more than five years in any public service pension scheme. Regulation 1(6) of the 2014 Scheme Transitional Regulations states that “Public service pension scheme” is defined in section 1 of the Pension Schemes Act 1993.
- 1.19 DCLG has confirmed that the intention of regulation 84(2) of the Local Government Pension Scheme (Administration) Regulations 2008 (“the Administration Regulations”) (SI 2008/239) is that the credited period for a Club Transfer in should be calculated in accordance with the Club Memorandum. On DCLG’s instruction, we have prepared this guidance in line with that intention. GAD are not lawyers and our advice does not constitute legal advice, but we observe that Administration Regulation 84(2)(c) does not appear to reflect the policy intention to follow the Club Memorandum. Specifically, it requires that the service credit is the period which, if used to calculate a transfer value to be paid by the LGPS, would produce an amount equal to the transfer value received. However, we note that under the Club Memorandum this will only be the case if the member’s LGPS pensionable pay is equal to their pensionable pay in their previous Club scheme (indexed as necessary).
- 1.20 European Union scheme transfers under regulation 102 of the 2013 Regulations are not covered by this guidance. Funds should contact DCLG on an individual basis when dealing with a potential transfer under this regulation for onward transmission to GAD.

Use of this note

- 1.21 This note has been prepared for DCLG and can be relied upon by them. We are content for this note to be released to third parties, provided that:
- > it is released in full;
 - > the advice is not quoted selectively or partially; and
 - > GAD is identified as the source of the note.



1.22 Third parties may wish to seek their own actuarial advice where appropriate. GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this note.

Third party reliance

1.23 When issued by the Secretary of State in accordance with paragraph 1.8 above, this note should be used as the actuarial guidance required under the regulations cited. Other than for this purpose, no person or third party is entitled to place any reliance on the contents of this note or the separate Factor Suite, except to any extent explicitly stated herein.



2 Transfers-out (CETV and Club) – general issues

- 2.1 The transfer value calculations can be complex due to changes that have occurred in the LGPS, both in respect of the form of benefits accrued and in the ages at which members can take their pension benefits.

Changes to form of benefits

- 2.2 LGPS benefits changed from 1 April 2014. Benefits accrued from that date are on a career average revalued earnings basis, whereas benefits were accrued on a final salary basis before 1 April 2014.
- 2.3 Service between 1 April 2008 and 31 March 2014 was based on an accrual rate of 1/60th (“60ths”) with no retirement grant, whereas service before 1 April 2008 was based on an accrual rate of 1/80th (“80ths”) with a retirement grant of 3/80^{ths}.
- 2.4 Where relevant, benefits need to be split between those relating to membership in the following periods and each element valued separately:
- > before 1 April 2008;
 - > between 1 April 2008 and 31 March 2014;
 - > between 1 April 2014 and 31 March 2016;
 - > between 1 April 2016 and 31 March 2020; and
 - > after 1 April 2020.
- 2.5 Benefits from 1 April 2014 may be subject to a final salary underpin. See the current Early Payment of Pension guidance for further details on the application and calculation of this underpin. Where the underpin affects the member’s benefits, the case should be referred to DCLG for onward transmission to GAD.

Changes to pension ages

- 2.6 The pension ages at which members can take their benefits unreduced can differ for different periods of service. There are four possibilities in this regard, and some members may have accrued service with more than one element:
- > Critical Retirement Age (‘CRA’) (determined as the Rule of 85 age for each member, with a minimum of 60, and therefore an age between 60 and 65)
 - > Pension Age 65
 - > “Taper” service in which a generous early retirement factor is applied on retirement before normal retirement age, but not as generous as assuming unreduced retirement from the Critical Retirement Age
 - > Normal Pension Age (NPA, the higher of age 65 and the member’s State Pension Age)
- 2.7 For example, some members could have accrued service based on a Critical Retirement Age (less than 65), State pension age of 66, say, as well as Taper service.
- 2.8 DCLG has confirmed that State Pension Age for the purpose of calculating transfer value factors should be as set out in HM Treasury Directions (‘HMT Directions’) made



in exercise of the powers conferred on them by sections 11(2) and 12(3) of the Public Service Pensions Act 2013¹, and not legislation in force at the guarantee date.

- 2.9 The factors in the Factor Suite accommodate the NPA members will have in relation to service on and after 1 April 2014. However, in relation to benefits earned prior to 1 April 2014 which are payable by reference to a CRA below age 65, the approach is to value the benefits first using a central factor based on age 65 and then to apply a conversion factor so as to reflect the actual CRA. For each element of pre-2014 service to which a particular retirement age attaches, a separate calculation will be required using conversion factors for that specific retirement age.

Combinations of accrual rate and pension age

- 2.10 There will be many different combinations of accrual rate and pension age. Table 1 below summarises the different combinations that apply depending on which of four categories the member belongs to (see paragraph 2.14) and the period of membership being considered (see paragraph 2.15).
- 2.11 Separate calculations will be required for each period of service with a different combination of accrual rate and pension age.
- 2.12 It may be necessary to calculate up to six intermediate CETVs reflecting different combinations of pension age and service period.
- 2.13 If such a member has additional pension, or membership gained other than through active service, then those benefits may also have a different retirement age, in which case those elements will also require a separate calculation.
- 2.14 The four categories of members are defined below
- > Group 1: A member who was an active member prior to 1 October 2006, and born on 31 March 1956 or earlier;
 - > Group 2: A member who was an active member prior to 1 October 2006, and born between 1 April 1956 and 31 March 1960 inclusive and who would reach their Critical Retirement Age by 31 March 2020;
 - > Group 3: A member who was an active member prior to 1 October 2006 who is not a Group 1 or Group 2 member; and
 - > Group 4: A member who was not a member prior to 1 October 2006.

¹ A consolidated version of HM Treasury Directions dated 11 March 2014, including subsequent amendments up to and including 9 March 2015, is found in the following link; SPA assumptions are set out at direction 18.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/411287/HMT_Directions_9_Mar_2015.pdf



2.15 A member's total membership should be divided into the following Parts:

- > Part A: Membership up to and including 31 March 2008
- > Part B1: Membership from 1 April 2008 to 31 March 2014
- > Part B2: Membership from 1 April 2014 to 31 March 2016
- > Part C: Membership from 1 April 2016 to 31 March 2020
- > Part D1: Membership from 1 April 2020
- > Part D2 does not relate to accrual during periods of membership, but includes benefits acquired prior to 1 April 2020 which have an NPA of 65.

The various combinations required for taking into account during CETV calculations are as set out in Table 1.

Table 1: combinations of pension age and accrual rate for CETV calculations

	Group 1	Group 2	Group 3	Group 4
Part A	CRA/80ths	CRA/80ths	CRA/80ths	65/80ths
Part B1	CRA/60ths	Taper/60ths	65/60ths	65/60ths
Part B2	CRA/CARE	Taper/CARE	NPA/CARE	NPA/CARE
Part C	NPA/CARE	Taper/CARE	NPA/CARE	NPA/CARE
Part D1	NPA/CARE	NPA/CARE	NPA/CARE	NPA/CARE
Part D2	65/No accrual	65/No accrual	65/No accrual	65/No accrual

Where:

- > CRA is the member's 'Critical Retirement Age' as defined in paragraph 2.16 below
- > NPA is the member's State Pension Age or, if higher, age 65
- > Taper indicates tapered early retirement reduction factors apply, as described in paragraph 6.1.

Critical Retirement Age

2.16 The member's Critical Retirement Age is the earliest age at which they would have satisfied the 85 year rule for the purposes of Schedule 2 of the 2014 Scheme Transitional Regulations, subject to the limit set out in paragraph 2.17 below.

2.17 A member's Critical Retirement Age cannot be greater than age 65 and is taken as being subject to a minimum of age 60.

Guarantee Date

2.18 The relevant date for calculating a transfer value is the "guarantee date" as defined in The Occupational Pension Schemes (Transfer Values) Regulations 1996.

2.19 A transfer value should be guaranteed for three months from the guarantee date. 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 transfer value, provided the payment is made



within 6 months of the guarantee date. If the payment is not made within that time, the administering authority must:

- > For a Club transfer, recalculate the Club transfer amount as at the date of payment.
- > For a CETV, in accordance with the Occupational Pension Schemes (Transfer Values) Regulations 1996, pay the larger of:
 - a) the recalculated transfer amount as at the date of payment, and
 - b) the original amount, increased with interest for the period between the guarantee date and the date of payment, calculated on a daily basis at an annual rate of 1% above base rate.

Calculation of pension benefits

2.20 The benefits to be valued for a deferred member should include revaluation reflecting the most recent Treasury Order or Pensions Increase Order at the guarantee date. Details regarding adjustments for GMPs are described in the relevant section of this guidance document.

Spouse and Civil Partner benefits used in the calculations

2.21 The pension payable to a spouse or civil partner on the death of a member can depend on whether the marriage or civil partnership occurred before or after the member left the LGPS.

2.22 The survivor's benefits taken into account for the calculations should be as follows:

2.22.1 If the member is, at the guarantee date, either married, civil partnered, or cohabiting with a person who meets the definition of a cohabiting partner under the 2013 Regulations, the survivor's benefit should be the benefit that would be payable to the current spouse or civil partner or cohabiting partner.

2.22.2 If the member is not married, civil partnered or cohabiting with a person who meets the definition of a cohabiting partner under the 2013 Regulations at the guarantee date but the member had previously been in a civil partnership or same-sex marriage, the survivor's benefit should be the benefit that would be payable to the survivor were the member to enter a civil partnership or same-sex marriage after leaving the Scheme.

2.22.3 In all other cases, the survivor's benefit should be the benefit that would be payable to a spouse were the member to marry after leaving the Scheme.

2.23 For transfer value quotations requested for the purposes of divorce proceedings, the survivor's benefit is determined on the assumption that the member is no longer currently married or civil partnered, and the survivor's benefit is decided in accordance with 2.22.2 or 2.22.3 as appropriate.

Miscellaneous issues

2.24 A member may be receiving pension benefits whilst still accruing further benefits, for example after "flexible retirement". If such a member leaves service and requests a Club transfer or CETV (for the purposes of transferring a pension, not for divorce



- purposes) then the Club transfer or CETV should allow only for the deferred benefits but not the benefits in payment. The benefits in payment may not be transferred, and would only be considered when calculating a CETV for divorce purposes.
- 2.25 The Early Retirement guidance provides instructions on how to allocate periods of membership not gained through active service to the Part A, B1, B2, C, D1, or D2 membership.
- 2.26 Additional Pension benefits under regulations 16 (Additional pension contributions) or 31 (Award of additional pension) of the 2013 Regulations do not require an accrual rate to calculate and their value should be calculated using NPA factors. The factors should be applied to the accrued additional pension in the same way as they would be applied to other accrued pension for service from April 2014. Additional pension benefits purchased prior to 1 April 2014 should be valued using PA65 factors.
- 2.27 However, special CETV factors will be required where the election to purchase additional pension was made before 1 April 2012. This is because the additional pension for those elections increases in deferment and in payment by RPI, rather than CPI under the Pensions Increase Acts. Requests for the special factors should be made to GAD via DCLG.
- 2.28 Special CETV factors relating to GMPs will also be required for the calculation of transfer values for a member whose GMP exceeds the part of their pension payable at or before age 65. This may occur for example where for a member whose normal pension age exceeds age 65 and who has brought a transfer value into the Scheme after 1 April 2014 that included a GMP. Requests for the special GMP factors should also be made to GAD via DCLG.
- 2.29 All Club and outgoing non-Club CETV calculations in relation to 60ths or CARE benefits should be undertaken using only the pension factors and ignoring the lump sum factors.
- 2.30 Where a member is over the age by reference to which an element of the transfer value is calculated (eg where a member is aged 61 and the CRA applicable to an element of the transfer value is age 60), the transfer value for that element should be based on immediate pension factors as set out in Club tables for Club cases (provided in the Factors Suite) and GAD pensioner on divorce tables for non-Club cases.
- 2.31 Formulae and factors to value Protected Rights benefits have not been included in this version of the Guidance or the Factor Suite. Such calculations are not expected to be routinely needed for CETV calculations following the abolition of contracting-out on a Money Purchase basis from 6 April 2012. Funds should contact DCLG in respect of any cases in which Protected Rights calculations are required, for onward transmission to GAD.
- 2.32 Inter-fund transfers should be treated according to the separate and specific guidance issued on the subject by the Secretary of State.



3 Transfers-out (CETV-specific issues)

- 3.1 Under Chapters 1 and 2 of Part 4ZA of the Pension Schemes Act 1993, certain members are entitled to a statement of entitlement in relation to a cash equivalent, or to notification of right to a cash transfer sum. Under Chapter 1 of Part IV of the Welfare Reform and Pensions Act 1999, certain members are entitled to a statement of the cash equivalent of their benefits for the purpose of divorce or dissolution of a civil partnership.
- 3.2 If the fund has previously received a non-Club transfer-in in respect of the member, then an underpin applies in the case of a non-Club transfer value calculation. The underpin is equal to the amount of the transfer value received plus member contributions paid to the LGPS.

Pension debit members

- 3.3 For members with a pension debit resulting from divorce, the transfer value calculation is calculated in two stages as described in paragraph 3.4.
- 3.4 First, a gross transfer value should be calculated ignoring the pension debit. Second, the value of the pension debit should be calculated (ie the transfer value of a deferred pension of the same amount as the pension debit applicable at PA65 or NPA as appropriate). The transfer value quoted and paid is the net amount: the gross transfer value less the value of the pension debit.

Pension offset members

- 3.5 For members with a pension offset resulting from a "Scheme Pays" election, the non-Club CETVs is calculated in two stages as described in paragraph 3.6.
- 3.6 First, a gross transfer value should be calculated ignoring the pension offset. Second, the value of the pension offset should be calculated (ie the transfer value of a deferred pension of the same amount as the pension offset payable from PA65 or NPA as appropriate). The transfer value quoted and paid is the net amount: the gross transfer value less the value of the pension offset.



4 Transfers-out (Club-specific issues)

- 4.1 The conditions for transferring benefits on Club terms are covered in detail in the Club Memorandum.
- 4.2 The Club Memorandum has been subject to revision to accommodate the different style of benefits being provided under many other public service pension schemes from 1 April 2015. This guidance is provided on the basis of the revised Club Memorandum, dated March 2015. That revised Club Memorandum deals separately with salary-linked benefits that typically relate to pre-April 2015 service, and CARE benefits that typically relate to post-April 2015 service.
- 4.3 Where a member has additional pension, that element of the transfer value is calculated on non-Club terms. In this case the elements of the transfer value representing the added pension and the pension derived from service should be shown separately in the information provided to the receiving scheme.
- 4.4 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. Advice on Club transfer for any such members should be referred to GAD via DCLG.

Members with a pension debit or offset

- 4.5 For members with a pension debit or offset, the transfer value should be calculated in two stages.
- 4.6 First, a gross transfer value should be calculated ignoring the pension debit/offset. Second, the value of the pension debit/offset should be calculated (ie the transfer value of a deferred pension of the same amount as the debit/offset).
- 4.7 The results of both calculations in 4.6 should be passed to the receiving scheme. The transfer value paid is the net amount: the gross transfer value less the value of the pension debit/offset.



5 Transfer-out formulae (CETV and Club)

Club transfer value calculation

5.1 The total transfer value is the sum of $TV^{PRE-2008}$, $TV^{2008-2014}$ and $TV^{POST-2014}$, the transfer values in respect of service before 1 April 2008; from 1 April 2008 to 31 March 2014; and from 1 April 2014 respectively, calculated as below. The formulae below use accrued benefits as data items, with all pensions (including GMPs) based on annual amounts and with the benefits split between the various service periods as follows:

Data items needed to calculate Club transfer value

	Service before 1 April 2008	Service from 1 April 2008 to 31 March 2014		
		PA65 service*	CRA service*	Taper service*
Accrued Pension	A	B ⁰⁸	C ⁰⁸	D ⁰⁸
Retirement Grant	I	-	-	-
Surviving Partner's Pension	K	L ⁰⁸	M ⁰⁸	N ⁰⁸
NI Modification	V			
Pre 88 GMP	X			
Post 88 GMP	Y			
		Service from 1 April 2014		
		NPA service*	CRA service*	Taper service*
Accrued Pension	B ¹⁴	C ¹⁴	D ¹⁴	
Retirement Grant	-	-	-	
Surviving Partner's Pension	L ¹⁴	M ¹⁴	N ¹⁴	

* Currently, members will only have accrued benefits in one of these three elements, although they could have more than one of the elements due to transfers-in or added pension.



Service before 1 April 2008

	Formula	Result
Pension	$A \times \text{FACTOR}^P \times \text{ADJ}^P$	E
Retirement Grant	$I \times \text{FACTOR}^{\text{RG}} \times \text{ADJ}^{\text{LS}}$	J
Surviving Partner's Pension	$K \times \text{FACTOR}^S$	O
NI Modification	$V \times \text{FACTOR}^{\text{NI}}$	W
GMP adjustment	$(X \times \text{FACTOR}^{\text{GMP-PRE88}}) + (Y \times \text{FACTOR}^{\text{GMP-POST88}})$	Z
Transfer value (for service pre April 2008)	$E+J+O-W-Z$	$\text{TV}^{\text{PRE-2008}}$

Service from 1 April 2008 to 31 March 2014

	Formula	Result
Pension (PA65)	$B^{08} \times \text{FACTOR}^P$	F^{08}
Pension (CRA)	$C^{08} \times \text{FACTOR}^P \times \text{ADJ}^P$	G^{08}
Pension (Taper)	$D^{08} \times (1-\text{TERF}) \times \text{FACTOR}^P \times \text{ADJ}^P$	H^{08}
Surviving Partner's Pension	$(L^{08}+M^{08}+N^{08}) \times \text{FACTOR}^S$	P^{08}
Transfer value (for service April 2008 to April 2014)	$F^{08}+G^{08}+H^{08}+P^{08}$	$\text{TV}^{2008-2014}$

Service from 1 April 2014

	Formula	Result
Pension (NPA)	$B^{14} \times \text{FACTOR}_{\text{NPA}}^P$	F^{14}
Pension (CRA)	$C^{14} \times \text{FACTOR}^P \times \text{ADJ}^P$	G^{14}
Pension (Taper)	$D^{14} \times (1-\text{TERF}) \times \text{FACTOR}^P \times \text{ADJ}^P$	H^{14}
Surviving Partner's Pension	$(L^{14}+M^{14}+N^{14}) \times \text{FACTOR}^S$	P^{14}
Transfer value (for service post April 2014)	$F^{14}+G^{14}+H^{14}+P^{14}$	$\text{TV}^{\text{POST-2014}}$



Factor in formulae above (and elsewhere in this guidance)	Factor in table	Table / derivation (the tables referred to above are those set out in the Factor Suite)
FACTOR ^P	"Gross Pension"	From Tables 1 to 8 as appropriate for the member's NPA and gender. Where NPA is not a whole number, factors should be interpolated based on the tables relating to the two nearest NPAs (eg for NPA between 67 and 68, interpolate between the tables for NPA 67 and NPA 68).
FACTOR ^{RG}	"Lump Sum"	
FACTOR ^S	"Surviving Partner's Pension"	
FACTOR ^{NI}	"Deduction for NI Modification"	
FACTOR ^{GMP-PRE88}	"Adjustment for GMP Pre-88"	
FACTOR ^{GMP-POST88}	"Adjustment for GMP Post-88"	
FACTOR _{NPA} ^P	"Gross Pension"	
ADJ ^P	"Personal Pension"	Table 17 as appropriate for the member's gender
ADJ ^{LS}	"Lump Sum"	Table 17
TERF	Tapered Early Retirement Factor	Derived from Early Retirement Factors depending on the date at which the member would reach their Critical Retirement Age during the period 1/4/2016-31/3/2020 – see the current Early Retirement Guidance for details. The Early Retirement Factors used in this guidance have been taken from the Early Retirement Guidance dated March 2014. Administrators should use the table of ERFs in force at the relevant date.

Non-Club transfer value calculation (CETV)

- 5.2 The CETV calculation is calculated in the same way as the Club transfer value calculated as in 5.1 above using the same benefits, but using the non-Club CETV factors (tables 9 to 16) rather than Club factors (tables 1 to 8).



6 Calculations for Taper Service

- 6.1 For the purposes of calculating transfer values (whether CETVs or Club transfers), benefits subject to the “Taper” are valued using the following method:
- > Deferred benefits are calculated in respect of “Taper” service, payable from age 65, but with preferential early retirement (these deferred benefits are shown as D^{08} and D^{14} in section 5 above).
 - > The deferred “Taper” benefits are then adjusted to the amounts that would be payable from the member’s CRA by applying a “Tapered Early Retirement factor”, and
 - > The adjusted “Taper” benefits are then valued in line with other benefits payable from CRA – ie the Pension Age 65 factors are used, with a further adjustment which reflects payment from CRA rather than age 65.
- 6.2 Example 2 (in section 12) relates to a sample member with Taper benefits.



7 Transfers-in (non-Club and Club) – general issues

- 7.1 A member may request his Fund to accept a transfer value if the request is made within 12 months of joining, or such longer period as his employer and administering authority may allow for incoming non-Club transfers.
- 7.2 Benefits for incoming transfers take two distinct forms: one form relates to salary-related benefits (in other public service pension schemes typically earned before 1 April 2015), and the other relates to CARE benefits (typically earned on and after 1 April 2015).
- 7.3 Incoming Club transfers are provided with a service credit (by reference to a normal retirement age of 65) in respect of the salary-related element of the transfer, and an earned pension credit (by reference to their normal pension age) in respect of the CARE element of the transfer. This earned pension credit is then subject to the in-service revaluation rate of the transferring scheme. If the member subsequently retires before attaining 65 (for salary-related transfer credits) or normal pension age (for earned pension transfer credits), their transferred-in benefits will be subject to the normal early retirement reductions applicable to the respective benefits, as described in the Early Retirement guidance document applicable at the time the benefits are drawn. If the member subsequently retires after attaining 65 (for salary-related transfer credits) or normal pension age (for earned pension transfer credits), their transferred-in benefits will be subject to the normal late retirement increase applicable to the respective benefits, as described in the Late Retirement guidance applicable at the time the benefits are drawn.
- 7.4 Subject to the exception noted at paragraph 7.5, incoming non-Club transfers are provided with an earned pension credit only (by reference to their normal pension age) in respect of the entire transfer payment, and revaluation is in line with the Scheme's provisions.
- 7.5 The exception to the position described in paragraph 7.4 arises where a transfer takes place in the circumstances set out in paragraph 4.4 of the Club Memorandum (ie a member transfers from Scheme A to Scheme C with more than a 5-year break between those schemes, but without having had a continuous break of more than 5 years in active membership of a public service pension scheme because the member was a member of Scheme B in-between). In this situation the transfer is on a non-Club basis but would entitle the member to a final salary link where the conditions in Schedule 7 to the Public Service Pensions Act 2013 are met. In these circumstances the case should be referred to DCLG for onward transmission to GAD.
- 7.6 The factors used in the formulae in this guidance are determined for each member dependent upon their age and sex, with age determined at the relevant date (for non-Club transfers-in) or at the Guarantee Date used by the transferring scheme (for Club transfers-in). The relevant date (for non-Club transfers-in) will be the date the member joined the LGPS if the transfer value is received within the first year of service, or the date the transfer is received if the transfer value is received after the first year of service.
- 7.7 For incoming Club transfers, the salary-related element of the transfer credit should be calculated by reference to PA65 and should be expressed as a service credit in "60ths" form; while the CARE element should be earned pension calculated by reference to NPA. If the member subsequently retires before attaining age 65, their



salary-related transferred-in benefits will then be subject to the normal early retirement reductions applicable to PA65 benefits, and the CARE transferred-in benefits will be subject to the normal early retirement reductions applicable to NPA benefits, as described in the Early Payment of Pension guidance document applicable at the time the benefits are drawn.

- 7.8 DCLG has confirmed that State Pension Age, where required for the purpose of calculating transfer credits, should be as set out in HMT Directions. If the member subsequently retires before attaining NPA, their transferred-in benefits will then be subject to the normal early retirement reductions applicable to NPA benefits, as described in the Early Retirement guidance document applicable at the time the benefits are drawn.
- 7.9 Tables 1 and 2 from the Factor Suite (for males and females respectively) should be used for the salary-related element of incoming Club transfers, and tables NM65, NF65, NM66, NF66, NM67, NF67, NM68 and NF68, as appropriate, for incoming non-Club transfers (the names of the tables refer to the member's sex and NPA).
- 7.10 For the avoidance of doubt, no lump sum factor is required for transfer credits in 60ths or CARE form. The partner's accrual rate remains at 160ths, which represents 60/160ths (37.5%) of the member's 60ths pension for incoming salary-related elements of Club transfers, but 49/160ths (30.625%) of the member's pension for incoming non-Club transfers and for the CARE element of incoming Club transfers to the 2014 Scheme.
- 7.11 Sections 13 and 14 provide examples of the calculation for a member joining on or after 1 April 2015 on a non-Club and a Club basis respectively.



8 Transfers-in (Club-specific issues)

The Club Earnings Cap in relation to the salary-related element

- 8.1 The benefits offered in respect of Club transfers-in are uncapped in the LGPS. The Club Memorandum however requires consistency in the benefits provided before and after the Club transfer in terms of the application of earnings caps. This therefore affects the salary-related element of a Club transfer where the benefits in the transferring scheme were subject to an earnings cap.
- 8.2 DCLG has agreed that the following approach be taken for incoming Club transfers in respect of salary-related benefits subject to, or potentially subject to, an earnings cap in the transferring scheme.
- 8.3 In respect of a member whose pay in the LGPS is less than the Club Earnings Cap, no adjustment is needed to allow for any earnings cap that applied in the transferring scheme.
- 8.4 In respect of a member whose pay in the LGPS is equal to or exceeds the Club earnings cap, the service credit to be offered in respect of the salary-related element of a Club transfer that was subject to (or potentially subject to) an earnings cap in the transferring scheme is calculated as follows:
- > The salary-related element of the transfer value from the transferring scheme will be calculated using the member's pensionable pay in that scheme, subject to a maximum of the Club earnings cap at the date of exit, and indexed as necessary.
 - > The service credit awarded should first be calculated using the same pay as used to calculate the transfer value.
 - > The credit should then be reduced by multiplying by the ratio of the Club Earnings Cap to the member's pay in the LGPS.
- 8.5 The Club Earnings cap will be notified annually to Club schemes and will reflect the updated Inland Revenue earnings cap if it had not been disapplied by HMRC. In 2015/16 the Club earnings cap is £149,400 a year.

Members with a pension debit

- 8.6 The transferring scheme should pass details of the gross transfer value (calculated ignoring the pension debit) and the value of the pension debit, separately for the salary-related and CARE elements. The gross transfer amount in relation each respective element should be used in the normal Club transfer-in calculation, as per paragraphs 10.3 and 10.4, to determine the service and/or earned pension credit. See paragraphs 10.5 and 10.6 for the treatment of the pension debit.

Members with a pension offset from Scheme Pays

- 8.7 In the same way as for a pension debit, the transferring scheme should pass details of the gross transfer value (calculated ignoring the pension offset) and the value of the pension offset, separately for the salary-related and CARE elements. The gross transfer amount in relation to each respective element should be used in the normal Club transfer-in calculation, as per paragraphs 10.3 and 10.4, to determine the service



and/or earned pension credit. See paragraph 10.7 and 10.8 for the treatment of the pension debit.



9 Transfer-in formulae (non-Club)

9.1 All transfer-in credits should be based on State Pension age or, if higher, age 65, and the CARE benefit structure.

9.2 The following data items are needed:

Data item	Reference in formulae below
Relevant date	
Non-Club transfer value offered	CETV
Pre88 GMP transferred (£ pa)	Q
Post88 GMP transferred (£ pa)	R

Service credit calculations

	Calculation	Result
Adjusted Transfer Value	$CETV + (Q \times \text{FACTOR}^{\text{PRE88GMP-IN}}) + (R \times \text{FACTOR}^{\text{POST88GMP-IN}})$	£T
Additional earned pension transfer credit offered	$\text{£T} / [(\text{FACTOR}^{\text{P-IN}}) + (49/160 \times \text{FACTOR}^{\text{S-IN}})]$	Non-Club earned pension transfer Credit (£)

The factors in the formulae above are taken from the following Tables:

Factor in formulae above (and elsewhere in this guidance)	Factor in table	Table / derivation (the tables referred to are those set out in the Factor Suite)
$\text{FACTOR}^{\text{P-IN}}$	"Gross Pension"	The relevant NM or NF table*
$\text{FACTOR}^{\text{S-IN}}$	"Surviving Partner's Pension"	The relevant NM or NF table*
$\text{FACTOR}^{\text{PRE88GMP-IN}}$	"Adjustment for pre-88 GMP"	The relevant NM or NF table*
$\text{FACTOR}^{\text{POST88GMP-IN}}$	"Adjustment for post-88 GMP"	The relevant NM or NF table*

*Note: The relevant NM or NF table is whichever of the tables NM65, NF65, NM66, NF66, NM67, NF67, NM68 and NF68 is relevant to the member's sex and NPA. Where the member's NPA is not a whole number, the factors should be interpolated from the two tables for the member's sex with the nearest NPAs (eg for a female with NPA 67.2, the factors should be interpolated from NF67 and NF68).



10 Transfer-in formulae (Club)

10.1 All transfer-in service credits (typically for pre-2015 service) should be based on Pension Age 65 and the “60ths” benefit structure, while earned pension service credits (typically for post-2015 benefits) should be based on NPA.

10.2 The following data items are needed:

Data item	Salary-related benefits Reference in formulae below	CARE benefits Reference in formulae below
Guarantee date (as used by the transferring scheme)		
Club transfer value *	$CLUB_{FSAL}$	$CLUB_{CARE}^{**}$
Member's earned pension in transferring scheme, revalued by in-service revaluation up to the guarantee date		MP_{CARE}
Value of any pension debit in transferring scheme	$DEBIT_{FSAL}$	$DEBIT_{CARE}$
Value of any pension offset from Scheme Pays in transferring scheme	$OFFSET_{FSAL}$	$OFFSET_{CARE}$
Pensionable Pay figure used in calculation of Club transfer value ***	$PAY-PREV$	
Pre88 GMP transferred (£ pa at guarantee date)	Q	
Post88 GMP transferred (£ pa at guarantee date)	R	

* This should be the Club transfer value before deduction in respect of any pension debit or offset.

** The total Club transfer value should be split into final salary and CARE elements, but $CLUB_{CARE}$ is not required to calculate the earned pension credit in 10.4 below

*** This should be indexed with any increases that have been applied in deferment by the transferring scheme. This can be complicated, and the Club Memorandum should be consulted if in doubt.

10.3 The factors to be used in the following calculations are set out at paragraph 10.10.



10.4 The salary-related service credit should be determined using the formulae below:

	Calculation	Result
Adjusted Transfer Value	$CLUB_{FSAL} + (Q \times FACTOR^{GMP-PRE88}) + (R \times FACTOR^{GMP-POST88})$	£T
Cost of 1 year's service	$PAY-PREV \times 1/60 \times [FACTOR^P + (FACTOR^S \times 60/160)]$	£U
Service credit offered	£T / £U	Club Service Credit (salary-related) in years and days

10.5 The CARE earned pension credit should be determined using the formulae below:

$$SF = FACTOR^P_{SEND} + (SPROP_{SEND} \times FACTOR^S_{SEND}) + (LSPROP_{SEND} \times FACTOR^L_{SEND})$$

$$RF = FACTOR^{NPA^P} + (49 / 160 \times FACTOR^S)$$

$$\text{Club earned pension credit} = MP_{CARE} \times SF / RF$$

Where:

$$\begin{array}{l} SPROP_{SEND} = \text{survivor proportion in transferring scheme} \\ \frac{2}{\text{scheme}} \quad LSPROP_{SEND} = \text{lump sum proportion in transferring scheme} \end{array}$$

Members with a pension debit

10.6 A pension debit which relates to final salary service applies from age 65 in the LGPS and should be determined using the following calculation. The result is subject to revaluation before 65 and indexation after 65 in line with Pensions Increase Act provisions. The pension debit applies to the member's pension and also affects the survivor's pension, but does not affect any child's pension.

Annual pension debit applying from age 65 under LGPS $DEBIT_{FSAL} / [FACTOR^P + (FACTOR^S \times 60/160)]$
where 'DEBIT_{FSAL}' is the transfer value reduction for the pension debit arising from salary-related service as advised by the transferring scheme.

10.7 A pension debit which relates to CARE benefits applies from NPA in the LGPS and should be determined using the following calculation. The result is subject to revaluation before NPA and indexation after NPA in line with Pensions Increase Act provisions. The pension debit applies to the member's pension and also affects the survivor's pension, but does not affect any child's pension.

Annual pension debit applying from NPA under LGPS $DEBIT_{CARE} / [FACTOR^{NPA^P} + (FACTOR^S \times 49/160)]$
where 'DEBIT_{CARE}' is the transfer value reduction for the pension debit arising from CARE benefits as advised by the transferring scheme.



Members with a pension offset from Scheme Pays

10.8 An offset which relates to final salary service applies from age 65 in the LGPS and should be determined using the following calculation. The result is subject to revaluation before 65 and indexation after 65 in line with Pensions Increase Act provisions. The pension offset applies only to the member's pension and does not affect the pension benefits to the member's dependants.

Annual offset applying from age 65 under LGPS

$$\text{OFFSET}_{\text{FSAL}} / \text{FACTOR}^{\text{P}}$$

where 'OFFSE_{TFSAL}' is the transfer value reduction for the Scheme pays offset arising from salary-related service as advised by the transferring scheme.

10.9 An offset which relates to CARE benefits applies from NPA in the LGPS and should be determined using the following calculation. The result is subject to revaluation before NPA and indexation after NPA in line with Pensions Increase Act provisions. The pension offset applies only to the member's pension and does not affect the pension benefits to the member's dependants.

Annual offset applying from NPA under LGPS

$$\text{OFFSET}_{\text{CARE}} / \text{FACTOR}_{\text{NPA}}^{\text{P}}$$

where 'OFFSE_{T_CARE}' is the transfer value reduction for the Scheme pays offset arising from CARE benefits as advised by the transferring scheme.



Factors

10.10 The factors used should be for the same age as that used by the transferring scheme to calculate the Club transfer value. The factors used in the calculations above are listed below.

Factor in formulae above (and elsewhere in this guidance)	Factor in table	Table / derivation (The tables referred to are those set out in the Factor Suite)
$FACTOR_{SEND}^P$	See note below	
$FACTOR_{SEND}^S$	See note below	
$FACTOR_{SEND}^L$	See note below	
$FACTOR^P$	“Gross pension”	Table 1 (males) or 2 (females)
$FACTOR_{NPA}^P$	“Gross pension”	From Tables 1 to 8 as appropriate for the member's NPA and gender. Where NPA is not a whole number, factors should be interpolated based on the tables relating to the two nearest NPAs (eg for NPA between 67 and 68, interpolate between the tables for NPA 67 and NPA 68).
$FACTOR^S$	“Surviving Partner's Pension”	Table 1 (males) or 2 (females)
$FACTOR^{GMP-PRE88}$	‘Adjustment for GMP pre-88’	Table 1 (males) or 2 (females)
$FACTOR^{GMP-POST88}$	‘Adjustment for GMP post-88’	Table 1 (males) or 2 (females)

Note: the factors $FACTOR_{SEND}^P$, $FACTOR_{SEND}^S$ and $FACTOR_{SEND}^L$ should be obtained from the transferring scheme. For a scheme providing CARE benefits by reference to State pension age (or age 65 if higher), $FACTOR_{SEND}^P$ and $FACTOR_{SEND}^S$ should be equal to $FACTOR^P$ and $FACTOR^S$ respectively.



11 Non-Club GMP adjustments

- 11.1 HM Treasury announced² on 1 March 2016 that public service pensions will be fully indexed for those reaching State Pension Age between 6 April 2016 and 5 December 2018 inclusive.
- 11.2 Calculations that are affected by this guidance are:
- > Non-Club cash equivalent transfer values
 - > Cash equivalent transfer values for the purpose of divorce, including pensioner CETVs
 - > Non-Club transfers-in
- 11.3 If a member has no entitlement to a Guaranteed Minimum Pension (GMP) then no change to the calculation is required.
- 11.4 If a member with a GMP falls into any of the following categories then the GMP should be set equal to zero in the calculation of a non-Club transfer value or the calculation of a non-Club transfer credit:
- > Men with dates of birth between 1 April 1951 and 5 December 1953 inclusive
 - > Women with dates of birth between 6 April 1953 and 5 December 1953 inclusive who have already passed their critical retirement date and/ or normal retirement age at the relevant date
- 11.5 The following transfer calculations should be referred to DCLG on an individual basis for onward transmission to GAD if the member has a GMP:
- > Women with dates of birth between 6 April 1953 and 5 December 1953 inclusive whose Critical Retirement Date is after their 60th birthday and who have not reached either their Critical Retirement Date or normal retirement age at the relevant date.

² <https://www.gov.uk/government/news/government-one-step-closer-to-introducing-new-state-pension-this-year>



12 Example 1: Club transfer value (pre-1.10.06 member born after 31.3.60)

Member data:

Date of birth: 1 July 1961
Sex: Male
Date of joining: 1 July 1991
Guarantee date: 1 July 2016
("Group 3" member – see paragraph 2.14)

Pre-2008 service:	16 years	275 days
2008-2014 service:	6 year	0 days
2014-2016 service:	2 years	0 days
Post-2016 service:	0 years	91 days
Total service:	25 years	0 days

Final pensionable salary: £20,000
Date of leaving: 30 June 2016

Pre-88 GMP (at guarantee date): £0 pa
Post-88 GMP (at guarantee date): £500.00 pa

Accrued Benefit Calculations

(these may already be stored as data items in which case they would not need to be re-calculated.)

Service before 1 April 2008

Critical retirement age = 60

Mixed pension and lump sum benefits

Pension	= $(16+275/365) \times £20,000 / 80$	= £4,188.36 pa
Retirement grant	= $3 \times £4,188.36$	= £12,565.08
Dependant's pension	= $£4,188.36 / 2$	= £2,094.18 pa

Service from 1 April 2008 to 31 March 2014

Pension age = 65

Mixed pension and lump sum benefits

Pension	= $6 \times £20,000 / 60$	= £2,000.00 pa
Dependant's pension	= $60/160 \times £2,000.00$	= £750.00 pa

Service from 1 April 2014

Note: there is no need in this case to separate the periods of service from 1 April 2014 to 31 March 2016, and from 1 April 2016 onwards.



Normal pension age = 67 years (for illustration only, being based on HMT Directions at the guarantee date)

Pension only benefits

Assumed CARE Pension = £920.00 pa
Dependants' pension = £281.75 pa

Factors (male, aged 55 last birthday at Guarantee date)	
FACTOR ^P	12.48
FACTOR ^{RG}	0.76
FACTOR ^S	3.47
FACTOR ^{GMP-PRE88}	3.50
FACTOR ^{GMP-POST88}	0.53
FACTOR ^{NPA} ^P	11.08
ADJ ^P	1.31
ADJ ^{LS}	1.15

Transfer value calculations

Service before 1 April 2008

	Calculation	Result
Pension	$4,188.36 \times 12.48 \times 1.31$	£68,474.66
Retirement grant	$12,565.08 \times 0.76 \times 1.15$	£10,981.88
Dependant's Pension	$2,094.18 \times 3.47$	£7,266.80
Less NI Modification	0	0
Less GMP adjustment	$(0 \times 3.50) + (500.00 \times 0.53)$	(£265.00)
Total Amount		£86,458.34

Service between 1 April 2008 and 31 March 2014

	Calculation	Result
Pension	$2,000.00 \times 12.48$	£24,960.00
Dependant's Pension	750.00×3.47	£2,602.50
Total Amount		£27,562.50

Service from 1 April 2014

	Calculation	Result
Pension	920.00×11.08	£10,193.60



Dependant's Pension	281.75 x 3.47	£977.67
Total Amount		£11,171.27

Total transfer value on Club basis

	Transfer value
Service before 1 April 2008	£86,458.34
Service from 1 April 2008 to 31 March 2014	£27,562.50
Service after 1 April 2014	£11,171.27
Total club transfer value	£125,192.11



13 Example 2: Club transfer value (pre-1.10.06 member born between 1.4.56 and 31.3.60)

Member data:

Date of birth: 1 July 1959
Sex: Male
Date of joining: 1 July 1991
Guarantee date: 1 July 2016
("Group 2" member – see paragraph 2.14)

Pre-2008 service:	16 years	275 days
2008-2014 service:	6 year	0 days
2014-2016 service:	2 years	0 days
Post-2016 service:	0 years	91 days
Total service:	25 years	0 days

Final pensionable salary: £20,000
Date of leaving: 30 June 2016

Pre-88 GMP (at guarantee date): £0 pa
Post-88 GMP (at guarantee date): £500 pa

Accrued Benefit Calculations

(these may already be stored as data items in which case they would not need to be re-calculated.)

Service before 1 April 2008

Critical retirement age = 60

Mixed pension and lump sum benefits

Pension	= $(16+275/365) \times £20,000 / 80$	= £4,188.36 pa
Retirement grant	= $3 \times £4,188.36$	= £12,565.08
Dependants' pension	= $£4,188.36 / 2$	= £2,094.18 pa

Service from 1 April 2008 to 31 March 2014

Pension age = Taper 65

Mixed pension and lump sum benefits

Pension	= $6 \times £20,000 / 60$	= £2,000.00 pa
Dependant's pension	= $60/160 \times £2,000.00$	= £750.00 pa



Service from 1 April 2014

Pension age = Taper 65

Note: there is no need in this case to separate the periods of service from 1 April 2014 to 31 March 2016, and from 1 April 2016 onwards, as all the benefits are based on Taper 65.

Pension only benefits

Assumed CARE Pension = £920.00 pa
Dependants' pension = £281.75 pa

Step 1 – calculate transfer value on Club basis

Factors (male, aged 57 last birthday at Guarantee date)	
FACTOR ^P	13.22
FACTOR ^{RG}	0.80
FACTOR ^S	3.60
FACTOR ^{GMP-PRE88}	3.54
FACTOR ^{GMP-POST88}	0.53
ADJ ^P (CRA to NRA 65)	1.31
ADJ ^{LS} (CRA to NRA 65)	1.15
ERF (CRA to NRA 65)	0.25
ERF (CRA to CRA)	0.00

Early retirement factor (ERF)

The Early Retirement Factors above are used in the calculation of the “Taper Early Retirement Factor” below and have been taken from the guidance document “Early Payment of Pension” dated March 2014. Administrators should use the ERFs in force at the relevant date.

Taper early retirement factor (TERF)

The appropriate Taper early retirement factor is determined in accordance with the guidance document “Early Payment of Pension” dated March 2014. The calculation of the Taper early retirement factor is as follows (see the Early Payment of Pension guidance for further details, including the definition of the interpolation factor F_1):

Taper period = 01/04/2016 – 30/06/2019 = 3 years 91 days

Interpolation factor (F_1) = $(3+91/365) / 4 = 0.8123$

TERF = $F_1 \times \text{ERF (CRA to NRA 65)} + (1 - F_1) \times \text{ERF (CRA to CRA)}$
 $= 0.8123 \times 0.25 + (1 - 0.8123) \times 0.00 = 0.2031$



Transfer value calculations:

Service before 1 April 2008

	Calculation	Result
Pension	$4,188.36 \times 13.22 \times 1.31$	£72,534.86
Retirement grant	$12,565.08 \times 0.80 \times 1.15$	£11,559.87
Dependant's Pension	$2,094.18 \times 3.60$	£7,539.05
Less NI Modification	0	0
Less GMP adjustment	$(0 \times 3.54) + (500.00 \times 0.53)$	(£265.00)
Total Amount		£91,368.78

Service between 1 April 2008 and 31 March 2014

	Calculation	Result
Pension	$2,000.00 \times (1 - 0.2031) \times 13.22 \times 1.31$	£27,601.75
Dependant's Pension	750.00×3.60	£2,700.00
Total Amount		£30,301.75

Service after 1 April 2014

	Calculation	Result
Pension	$920.00 \times (1 - 0.2031) \times 13.22 \times 1.31$	£12,696.80
Dependant's Pension	281.75×3.60	£1,014.30
Total Amount		£13,711.10

Total transfer value

	Transfer value
Service before 1 April 2008	£91,368.78
Service from 1 April 2008 to 31 March 2014	£30,301.75
Service after 1 April 2014	£13,711.10
Total club transfer value	£135,381.63





14 Example 3: non-Club transfer-in

The calculation methodology is unchanged from the previous guidance and therefore the non-Club transfer-in example in the previous guidance, updated for factors in the current factors suite can be used for illustrative purposes.



15 Example 4: Club transfer-in

Member data:

Date of birth: 1 June 1976

Sex: Female

NPA: 67 (illustrative)

Date of joining: 1 July 2016

Pensionable pay in previous Club scheme (indexed as necessary): £20,000

Current rate of pensionable pay in LGPS: £18,000

Transfer date: 1 July 2016

Transfer value: £20,000 (no debit or offset) in respect of salary-related benefits

Pre-88 GMP: nil

Post-88 GMP: £100.00 pa

Earned pension in transferring scheme (revalued to 30 June 2016): £500.00 p.a. (MP_{CARE})
(no debit or offset in respect of CARE benefits)

Factors (Female, aged 40 last birthday at Transfer date)	Club
FACTOR ^P	8.79
FACTOR ^S	1.24
FACTOR ^{GMP-PRE88}	-0.94
FACTOR ^{GMP-POST88}	-3.29

Note: We have assumed that no comparison is to be made against the transfer-in benefits on a non-Club basis.

a) Club calculation – salary related element

Cost of 1 year's service

$$£20,000 \times 1/60 \times [8.79 + 1.24 \times 60/160] = £3,085.00$$

Adjusted Transfer Value

$$£20,000 + [0 \times (-0.94)] + [£100.00 \times (-3.29)] = £19,671.00$$

Service credit

$$£19,671.00 / £3,085.00 = 6 \text{ years } 137 \text{ days}$$

This service credit is treated as if it had arisen in the 2008 Scheme.



b) Club calculation – CARE element

Factors (Female, aged 40 last birthday at Transfer date)	Club
SPROP _{SEND} (illustrative)	0.5
LSPROP _{SEND} (illustrative)	0
FACTOR ^P _{SEND} (illustrative)	7.90
FACTOR ^S _{SEND} (illustrative)	1.24
FACTOR ^L _{SEND} (illustrative)	0.47
FACTOR _{NPA} ^P	7.90
FACTOR ^S	1.24

$$SF = 7.90 + (0.5 \times 1.24) + (0 \times 0.47) = 8.52$$

$$RF = 7.90 + (49 / 160 \times 1.24) = 8.27975$$

$$\begin{aligned} \text{Earned pension credit in the Scheme} &= 500.00 \times 8.52 / 8.27975 \\ &= \text{£}514.51 \text{ p.a.} \end{aligned}$$



Appendix A – Cited regulations

A.1 Excerpts from the 2013 Regulations

Award of additional pension

31.—

- (1) A Scheme employer may resolve to award—
 - (a) an active member, or
 - (b) a member who was an active member who was dismissed by reason of redundancy, or business efficiency, or whose employment was terminated by mutual consent on grounds of business efficiency,

additional annual pension of, in total (including any additional pension purchased by the Scheme employer under regulation 16), not more than the additional pension limit payable from the same date as any pension payable under other provisions of these Regulations from the pension account to which the additional pension is attached, provided that, in the case of a member falling within sub-paragraph (b), the resolution to award additional pension is made within 6 months of the date the member's employment ended.

...

Rights to payment out of pension fund

96. —

- (1) A member may apply for a transfer under Chapter 4 or 5 of Part 4 of the Pension Schemes Act 1993 and where the member does so the amount of any transfer payment due in respect of the member under the relevant transfer may only be paid by the administering authority from its pension fund if the transfer payment is a recognised transfer (within the meaning of section 169 of the Finance Act 2004).
- (2) Where such a transfer payment is to be or has been paid from a fund, no other payment or transfer of assets may be made from the fund as respects the accrued rights covered by the transfer payment.
- (3) Paragraph (2) overrides anything to the contrary in these Regulations.

Inward transfers of pension rights

100. —

- (1) An active member with relevant pension rights may request the appropriate administering authority to accept a transfer value for some or all of those rights from the relevant transferor.
- (2) Relevant pension rights are-
 - (a) accrued rights under a registered pension scheme other than rights to benefits under the scheme which are attributable (directly or indirectly) to a pension credit; and



- (b) accrued rights under a European pensions institution.
- (3) Accrued rights under a registered pension scheme include rights to preserved benefits and rights appropriately secured under section 19 of the Pension Schemes Act 1993.
- (4) The relevant transferor is the trustees or managers of the scheme under which the transferring person's relevant pension rights arise.
- (5) But the relevant transferor for the rights specified in paragraph (3) is the trustees and managers of the scheme, or the insurance company, to which a payment in respect of the person's accrued rights has been made.
- (6) A request from a transferring person under paragraph (1) must be made by notice in writing given to the appropriate administering authority and the Scheme employer before the expiry of the period of 12 months beginning with the date on which the person first became an active member in an employment (or such longer period as the Scheme employer and administering authority may allow).
- (7) Where a request under paragraph (1) is duly made, the administering authority may accept the transfer value and credit it to its pension fund.

Effect of acceptance of transfer value

101. —

- (1) Where a transfer value has been accepted under regulation 100 (inward transfer of pension rights), the administering authority must credit the active member's pension account with the appropriate amount of earned pension.
- (2) The calculation of the appropriate amount of earned pension for the purposes of paragraph (1) is to be in accordance with actuarial guidance issued by the Secretary of State.

A.2 Excerpts from the 2014 Scheme Transitional Regulations

Transfers

9. —

- (1) Where a transfer payment is received into the 2014 Scheme in respect of a person from a different public service pension scheme which includes a payment in respect of service before 1st April 2015 which would have entitled the person to final salary benefits in that scheme, such payment shall entitle that person to benefits under the 2014 Scheme as if they were payable as final salary benefits under the 2008 Scheme so long as the person in respect of whom the transfer payment is received has had no continuous break in active membership of any public service pension scheme of more than five years.

...



Appendix B – Limitations

- B.1 This note and the associated Factor Suite should not be used for any purpose other than for guidance in the calculation of outgoing transfer values and earned pension or service credits for an incoming transfer.
- B.2 The factors contained in this note are subject to regular review. Administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- B.3 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- B.4 This note only covers the actuarial principles around the calculation of outgoing transfer values and earned pension or service credits for an incoming transfer. Any legal advice in this area should be sought from an appropriately qualified person or source.
- B.5 Administrators should satisfy themselves that outgoing transfer values and earned pension or service credits for incoming transfers comply with all legislative requirements including, but not limited to, tax and contracting out requirements.
- B.6 This guidance is based on the Regulations in force at the time of writing. It is possible that future changes to the Regulations might create inconsistencies between this guidance and the Regulations. If users of this guidance believe there to be any such inconsistencies, they should bring this to the attention of DCLG. In no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.