



# Government Actuary's Department

## **Health Social Care Pension Scheme 2015**

### **Incoming non-Club transfers**

### **Factors and guidance**

Version 1.0

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## 1 Introduction

- 1.1 This Note is provided for the use of the HSC as administrator of the Health and Social Care Pension Scheme 2015 ('HSCPS 2015' or the 'Scheme') and sets out how to determine the appropriate earnings credit and apply the GMP test for incoming non-Club transfers into the HSCPS 2015 in accordance with Regulations 143 and 142(5)(b) of SR2015/120.
- 1.2 The factors provided in this Note have been prepared in light of our advice to the DHSSPS dated 27 March 2015 and its instructions following that advice. No advice or factors issued in the past for the Health and Social Care Pension Scheme ('HSCPS') should be used for incoming transfers to the HSCPS 2015.
- 1.3 The effective date for this guidance is 1 April 2015. The version number for this guidance is 1.0.

### Exclusions

- 1.4 This Note only covers non-Club incoming transfers to the HSCPS 2015. Different instructions and factors should be used to calculate (pension) credits for transfers made in accordance with the Public Sector Transfer Club.
- 1.5 Factors are provided up to members' PNPA (Prospective Normal Pension Age). For the purposes of this document, PNPA is as defined in the scheme's Regulations (minimum age 65). If a transfer in is being accepted after a member has reached NPA, please refer to GAD.
- 1.6 These factors are not appropriate for bulk transfer in cases.
- 1.7 This note does not apply for transfers from 'corresponding schemes'<sup>1</sup> in which case the member is treated as if pensionable earnings in the corresponding scheme were earnings in the HSCPS 2015.

### Implementation

- 1.8 The factors contained in this note should be used with effect from 1 April 2015.
- 1.9 The remainder of this Note covers the factor tables, guidance on their use and worked examples. A summary of the assumptions underlying the factors is listed in Appendix A.
- 1.10 Factors provided in this note are subject to review following any review of the SCAPE basis (due every 4 years). The factors should also be reconsidered following each actuarial valuation where mortality, and other recent experience, is reviewed. There may also be other reasons (such as changes in Government stated policy around SPAs) which will trigger a review of factors.

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<sup>1</sup> A corresponding health service scheme the provisions of which DHSSPS has determined correspond to the provisions of the HSCPS 2015 regulations.



- 1.11 In line with best practice, GAD should review a number of sample cases to ensure factors are used as intended



## 2 General information

- 2.1 The factors provided in this note are used to calculate the pensionable earnings to be credited to a member should they wish to bring a transfer value into the HSCPS 2015 from a scheme which does not participate in the Public Sector Transfer club. The credit awarded on transfer in is to be expressed as an earnings credit. The credit is generally applied in the year in which the member joins. However if the transfer is received more than 12 months after the date of joining the credit should be applied in the year of receipt (but subject to paragraph 3.5). This credit is then treated similarly to other earnings received in the year it is credited for the purposes of determining benefits due at a later date. The credit is subject to indexation in accordance with the in-service revaluation provisions (i.e. in line with CPI + 1.5% pa) whilst the member remains in active membership. After leaving the pension is indexed in line with other benefits i.e. in accordance with the PI (NI) Acts.
- 2.2 For the purposes of Annual Allowance calculations, it may be necessary to record the earnings credit provided due to an incoming transfer separately to other pensionable pay in any particular year.
- 2.3 Members are subject to certain restrictions on bringing a transfer value into the scheme. These conditions are covered in Regulations 140, 141 and 142(5).
- 2.4 In general, other than in certain special circumstances, members wishing to bring a transfer value into the Scheme must apply within 12 months of joining the Scheme and before the member reaches their Normal Pension Age (NPA).
- 2.5 This guidance refers to the calculation of earnings credits in accordance with Regulation 143 of SR2015/120.
- 2.6 Worked examples are provided in Section 4. The factors are set out in Appendix B.

### **Guaranteed Minimum Pension (GMP) coverage test**

- 2.7 If a transfer payment relates to any rights accrued in a contracted out scheme before 6 April 1997 a check must be carried out to ensure that any transfer value is adequate to cover the GMP being transferred.
- 2.8 The test to be applied is as set out below.

Transfer Value is equal to or greater than Annual amount of GMP revalued up to the calculation date x appropriate factor
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Where the appropriate factor is specified in the table below:



<b>Member's age next birthday at calculation date (complete years)</b>	<b>Appropriate factor</b>
29 or under	18
30 – 39	18
40 – 49	18
50 or over	19

2.9 If this test is not satisfied, the transfer cannot be accepted by the HSCPS 2015.



### 3 Determination of earnings credits

3.1 Adjusted transfer value =

Transfer payment received from transferring scheme

+ Pre 88 GMP x Factor TVINB + Post 88 GMP x Factor TVINC (males)

Or + Pre 88 GMP x Factor TVIND + Post 88 GMP x Factor TVINE (females)

3.2 Pensionable earnings increase to be provided =

Adjusted transfer value x 54 ÷ (Factor TVINA)

3.3 Points to note in using factors:

- > Factor TVINA is unisex and should generally be selected based on age in complete years at the end of the scheme year of joining the scheme (i.e. as at the 31 March after date of joining). However (and subject to paragraphs 3.5 and 3.6 below) where a transfer value is received more than 12 months after the date of joining the scheme age in complete years as at the calculation date should be used.
- > Factors TVINB, C, D and E are sex and PNPA specific. They should be selected based on age in complete years as above (i.e. generally as at the 31 March after date of joining or as at the calculation date if the transfer is received more than 12 months after date of joining the Scheme) and from the table appropriate to the member's sex and PNPA. For members with non-integral PNPA the table for the nearest PNPA should be used (rounding up for 6 months or over).
- > GMP should be an annual amount and it should be revalued to the relevant date.

3.4 The pensionable earnings addition determined as above is credited in the year of joining unless (and subject to paragraph 3.5) the transfer is received more than 12 months after date of joining in which case it is credited in the year in which the calculation date falls.

3.5 If a transfer payment is received within 3 months of the date the written estimate of increase in pensionable earnings is provided to the member the earnings credit should be treated as if received in the scheme year in which the calculation date fell (assuming the transfer payment is unchanged from that used for the estimate).

3.6 The earnings credit should be recalculated and credited as at the later date of receipt if the transfer amount is received more than 3 months after the date of written estimate as above or if the amount received is different to that on which the quotation was based.



### Section 9(2B) rights

- 3.7 If the transfer value received includes benefits in respect of service on/after 6 April 1997 in a contracted out pension scheme, the HCSPS 2015 pensionable earnings addition in respect of benefits identified by the former scheme as post-97 contracted-out rights must be recorded as section 9(2B) rights.
- 3.8 Pensionable earnings addition that counts as section 9(2B) rights =

$\text{Post 97 Transfer Value} \times 54 \div (\text{Factor TVINA})$
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## 4 Examples

### A) Member with GMP

#### Individual Data

PNPA	67
Gender	Female
Date of birth	1 May 1965
Date of joining	31 October 2015
Date of calculation	5 January 2016
Age last birthday at 31 March following date of joining	50
Transfer value	£70,000
Pre 97 transfer value	£10,000
Pre 88 GMP revalued to transfer date	£45 pa
Post 88 GMP revalued to transfer date	£90 pa
Factor TVINA (Accrued TV factor)	14.12
Factor TVIND (Pre 88 GMP factor)	-2.97
Factor TVINE (Post 88 GMP factor)	-5.29
GMP Test factor	19

#### Check TV is sufficient to cover GMP liability

$$\text{GMP test } (£45 + £90) \times 19 = £2,565$$

Which is lower than transfer value of £70,000 so can accept transfer payment.

#### TV in pensionable earnings increase

$$\text{Adjusted transfer value} = £70,000 + (45 \times (-2.97)) + 90 \times (-5.29) = £69,390.25$$

$$\begin{aligned} \text{Pensionable earnings credit} &= £69,390.25 \times 54 / 14.12 \\ &= \underline{\underline{£265,373}} \end{aligned}$$

If the transfer is received by 5 April 2016 and the amount is as quoted (£70,000) the pensionable earnings credit is applied to 2015/16 scheme year.

If the transfer amount is received between 6 April 2016 and 31 October 2016 the calculation may need to be repeated if the transfer amount has changed but should still be determined based on age as at 31 March 2016 with the credit applied to 2015/16 scheme year.

If the transfer amount is received after 31 October 2016 the calculation should be reworked using age at date of receipt and the actual amount of transfer. The earnings credit should be applied in the scheme year in which the transfer is received.



### Pensionable earnings increase that counts as section 9(2B) rights

Section 9(2B) rights	=	Post 97 transfer value ÷ (Accrued TV factor)
	=	£60,000 x 54 / 14.12
	=	£229,462

### B) Member – no GMP

#### Individual Data

PNPA	68
Gender	Male
Date of birth	1 May 1978
Date of joining	10 May 2015
Date of calculation	1 January 2016
Age last birthday at 31 March following date of joining	37
Transfer value (all post 97)	£30,000
Pre 88 GMP revalued to transfer date	Nil
Post 88 GMP revalued to transfer date	Nil
Factor TVINA (Accrued TV factor)	11.76

#### TV in pensionable earnings increase

Pensionable earnings credit	= £30,000 x 54 / 11.76
	= <b><u>£137,755</u></b>

If the transfer is received by the later of 10 May 2016 (12 months after date of joining) or 1 April 2016 (3 months after date of quotation) and the amount is as quoted (£30,000) the pensionable earnings credit is applied to 2015/16 scheme year.

If the transfer amount is received between 1 April 2016 and 10 May 2016 and the amount is different to that used for the quotation (£30,000) the calculation should be repeated but should still be determined based on age as at 31 March 2016 with the credit applied to 2015/16 scheme year.

If the transfer amount is received after 10 May 2016 the calculation should be reworked using age at date of receipt and the actual amount of transfer. The earnings credit should be applied in the scheme year in which the transfer is received.

All credit is section 9(2B) rights if the transfer is from a contracted out scheme.



### C) Member – credit on transfer receipt

#### Individual Data

PNPA	68
Gender	Male
Date of birth	1 May 1977
Date of joining	18 April 2015
Date of calculation	1 March 2016
Date transfer received (amount unchanged)	1 May 2016
Age last birthday at 31 March following date of joining	38
Transfer value	£30,000
Pre 88 GMP revalued to transfer date	Nil
Post 88 GMP revalued to transfer date	Nil
Factor TVINA (Accrued TV factor)	11.99

#### TV in pensionable earnings increase

$$\begin{aligned} \text{Pensionable earnings credit} &= \text{£}30,000 \times 54 / 11.99 \\ &= \underline{\underline{\text{£}135,113}} \end{aligned}$$

As the transfer was received by the later of 18 April 2016 (12 months after date of joining) and 1 May 2016 (3 months after date of quotation) and the amount is as quoted (£30,000) the pensionable earnings credit is applied to 2015/16 scheme year.

If the transfer amount had been received on 2 June 2016 the calculation would need to be repeated based on age as at calculation date (i.e. at 2 June 2016) and with the credit applied to 2016/17 scheme year i.e.

Age at date of receipt	39
Factor TV1NA (Accrued TV factor)	12.23

$$\begin{aligned} \text{TV in pensionable earnings increase (credited for 2016/17 scheme year)} & \\ &= \text{£}30,000 \times 54 / 12.23 \\ &= \underline{\underline{\text{£}132,461}} \end{aligned}$$

All credit is section 9(2B) rights if the transfer is from a contracted out scheme.



## Appendix A: Assumptions

### Financial assumptions

Nominal discount rate	5.06%
Real discount rate (in excess of CPI)	3.00%
Real In service revaluation (in excess of CPI)	1.50%

### Mortality assumptions

Base mortality tables	S1NMA and S1NFA
Base table adjustment	Adjustments applied so that 20% fewer deaths at each age are assumed for male members and 15% fewer deaths at each age are assumed for female members than implied by the standard tables. (As per 2012 valuation.)
Future mortality improvement	Based on ONS principal population projections 2012
Year of use	2016

### In-service decrement rates

Withdrawal	Nil
Death in service	Rates used for 2012 valuation
Retirements in Ill health	Rates used for 2012 valuation
Age retirement	Nil before NPA, 100% at NPA

### Other assumptions

Proportion of male members for unisex factors	33.3%
Allowance for commutation	Nil
Age difference between member and partner	Males assumed to be 3 years older than females
Proportions partnered	As assumed for the 2012 valuation

Sample rates:

Age	Males	Females
50	0.76	0.54
60	0.76	0.54
70	0.74	0.46
80	0.61	0.23
90	0.34	0.07



## Appendix B: Factors to calculate credits for non-Club incoming transfers

Table TVINA

Age last birthday <sup>1</sup>	TVINA	Age last birthday <sup>1</sup>	TVINA
17	9.21	43	13.03
18	9.33	44	13.17
19	9.45	45	13.33
20	9.56	46	13.48
21	9.69	47	13.64
22	9.81	48	13.79
23	9.93	49	13.97
24	10.05	50	14.12
25	10.17	51	14.28
26	10.30	52	14.45
27	10.43	53	14.61
28	10.56	54	14.77
29	10.68	55	15.07
30	10.81	56	15.38
31	10.95	57	15.69
32	11.08	58	16.02
33	11.21	59	16.21
34	11.36	60	16.41
35	11.48	61	16.78
36	11.63	62	17.16
37	11.76	63	17.58
38	11.99	64	18.00
39	12.23	65	n/a
40	12.47	66	n/a
41	12.73	67	n/a
42	12.87		

Notes:

1) Factors to be selected based on age last birthday at 31 March following date of joining or at calculation date if the payment is received more than 12 months after the date of joining (subject to paragraph 3.5)



**Table TVINB and TVINC  
Male GMP Factors**

Age last birthday <sup>1</sup>	PNPA 65		PNPA 66		PNPA 67		PNPA 68	
	TVINB Pre 88 GMP factor	TVINC Post 88 GMP factor	TVINB Pre 88 GMP factor	TVINC Post 88 GMP factor	TVINB Pre 88 GMP factor	TVINC Post 88 GMP factor	TVINB Pre 88 GMP factor	TVINC Post 88 GMP factor
Factor:	A	B	C	D	E	F	G	H
34	3.78	0.55	2.72	-0.31	1.70	-1.14	0.72	-1.94
35	3.78	0.55	2.72	-0.31	1.69	-1.14	0.71	-1.95
36	3.77	0.55	2.71	-0.31	1.68	-1.15	0.69	-1.95
37	3.77	0.55	2.70	-0.32	1.67	-1.15	0.68	-1.96
38	3.76	0.55	2.69	-0.32	1.66	-1.16	0.67	-1.97
39	3.76	0.55	2.69	-0.32	1.65	-1.17	0.65	-1.98
40	3.76	0.55	2.68	-0.33	1.64	-1.17	0.64	-1.99
41	3.75	0.55	2.67	-0.33	1.63	-1.18	0.63	-2.00
42	3.75	0.55	2.66	-0.33	1.62	-1.19	0.62	-2.01
43	3.74	0.54	2.66	-0.34	1.61	-1.19	0.60	-2.02
44	3.74	0.54	2.65	-0.34	1.60	-1.20	0.59	-2.02
45	3.74	0.54	2.64	-0.35	1.59	-1.20	0.58	-2.03
46	3.73	0.54	2.64	-0.35	1.58	-1.21	0.56	-2.04
47	3.73	0.54	2.63	-0.35	1.57	-1.22	0.55	-2.05
48	3.72	0.54	2.62	-0.36	1.56	-1.22	0.54	-2.06
49	3.72	0.54	2.61	-0.36	1.55	-1.23	0.52	-2.07
50	3.72	0.54	2.61	-0.37	1.54	-1.24	0.51	-2.08
51	3.71	0.54	2.60	-0.37	1.53	-1.25	0.50	-2.09
52	3.71	0.54	2.59	-0.37	1.52	-1.25	0.48	-2.10
53	3.71	0.54	2.59	-0.38	1.51	-1.26	0.47	-2.11
54	3.71	0.54	2.58	-0.38	1.50	-1.27	0.46	-2.12
55	3.70	0.54	2.58	-0.39	1.49	-1.28	0.44	-2.13
56	3.70	0.54	2.57	-0.39	1.48	-1.28	0.43	-2.15
57	3.70	0.54	2.57	-0.39	1.47	-1.29	0.42	-2.16
58	3.71	0.54	2.56	-0.40	1.46	-1.30	0.40	-2.17
59	3.71	0.54	2.56	-0.40	1.45	-1.31	0.39	-2.19
60	3.71	0.54	2.56	-0.41	1.44	-1.32	0.37	-2.20
61	3.72	0.54	2.55	-0.42	1.44	-1.33	0.36	-2.22
62	3.72	0.54	2.55	-0.42	1.43	-1.34	0.35	-2.24
63	3.73	0.54	2.55	-0.43	1.42	-1.36	0.33	-2.25
64	3.83	0.55	2.62	-0.44	1.45	-1.40	0.33	-2.33
65			n/a	n/a	n/a	n/a	n/a	n/a
66					n/a	n/a	n/a	n/a
67							n/a	n/a

Notes:

1) Factors to be selected based on age last birthday at 31 March following date of joining or at calculation date if the payment is received more than 12 months after the date of joining (subject to paragraph 3.5)



**Table TVIND and TVINE  
Female GMP Factors**

Age last birthday <sup>1</sup>	PNPA 65		PNPA 66		PNPA 67		PNPA 68	
	TVIND Pre 88 GMP factor	TVINE Post 88 GMP factor						
Factor:	A	B	C	D	E	F	G	H
34	-0.76	-3.50	-1.70	-4.25	-2.60	-4.98	-3.47	-5.68
35	-0.78	-3.51	-1.71	-4.27	-2.62	-5.00	-3.49	-5.70
36	-0.79	-3.52	-1.73	-4.28	-2.64	-5.01	-3.52	-5.72
37	-0.81	-3.54	-1.75	-4.30	-2.66	-5.03	-3.54	-5.74
38	-0.83	-3.55	-1.77	-4.31	-2.68	-5.05	-3.56	-5.76
39	-0.84	-3.56	-1.79	-4.33	-2.71	-5.07	-3.59	-5.78
40	-0.86	-3.58	-1.81	-4.34	-2.73	-5.09	-3.61	-5.80
41	-0.88	-3.59	-1.83	-4.36	-2.75	-5.10	-3.64	-5.82
42	-0.90	-3.61	-1.85	-4.38	-2.77	-5.12	-3.66	-5.85
43	-0.91	-3.62	-1.87	-4.39	-2.80	-5.14	-3.69	-5.87
44	-0.93	-3.63	-1.89	-4.41	-2.82	-5.16	-3.71	-5.89
45	-0.95	-3.65	-1.91	-4.43	-2.84	-5.18	-3.74	-5.91
46	-0.97	-3.67	-1.93	-4.45	-2.87	-5.20	-3.77	-5.93
47	-0.98	-3.68	-1.96	-4.47	-2.89	-5.22	-3.79	-5.96
48	-1.00	-3.70	-1.98	-4.48	-2.92	-5.25	-3.82	-5.98
49	-1.02	-3.71	-2.00	-4.50	-2.94	-5.27	-3.85	-6.01
50	-1.04	-3.73	-2.02	-4.52	-2.97	-5.29	-3.88	-6.03
51	-1.06	-3.75	-2.04	-4.55	-2.99	-5.32	-3.91	-6.06
52	-1.08	-3.77	-2.07	-4.57	-3.02	-5.34	-3.94	-6.09
53	-1.10	-3.79	-2.09	-4.59	-3.05	-5.37	-3.97	-6.12
54	-1.12	-3.81	-2.12	-4.61	-3.08	-5.39	-4.00	-6.15
55	-1.14	-3.83	-2.14	-4.64	-3.10	-5.42	-4.03	-6.18
56	-1.16	-3.85	-2.17	-4.67	-3.13	-5.45	-4.07	-6.21
57	-1.18	-3.87	-2.19	-4.69	-3.17	-5.48	-4.10	-6.25
58	-1.21	-3.90	-2.22	-4.72	-3.20	-5.52	-4.14	-6.28
59	-1.26	-4.02	-2.30	-4.86	-3.31	-5.68	-4.28	-6.47
60	-0.82	-3.68	-1.91	-4.57	-2.96	-5.42	-3.97	-6.24
61	0.15	-2.79	-0.97	-3.70	-2.05	-4.59	-3.10	-5.44
62	1.15	-1.87	-0.01	-2.81	-1.12	-3.73	-2.20	-4.60
63	2.19	-0.92	0.99	-1.90	-0.16	-2.84	-1.27	-3.75
64	3.27	0.06	2.03	-0.95	0.83	-1.92	-0.31	-2.86
65			n/a	n/a	n/a	n/a	n/a	n/a
66					n/a	n/a	n/a	n/a
67							n/a	n/a

Notes:

1) Factors to be selected based on age last birthday at 31 March following date of joining or at calculation date if the payment is received more than 12 months after the date of joining (subject to paragraph 3.5)