



Government
Actuary's
Department

Scottish Teachers' Pension Scheme 2015

Club transfers in

Factors and guidance

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1 Introduction

- 1.1 This note is provided for the Scottish Public Pensions Agency (SPPA) as scheme manager of the Scottish Teachers' Pension Scheme (STPS).
- 1.2 *The Public Sector Transfer Club: Memorandum by the Cabinet Office*¹ issued in April 2019 ('the Club memorandum') sets out how pension credits should be calculated for "inner Club" transfers. Using this approach, an adjustment is made to the member's transferring pension if the pension is payable from a different age or if there is a different spouse's proportion in the sending scheme than in STPS. For inner Club transfers SPPA have decided that a further adjustment will be required to reflect the more generous early retirement terms that apply in STPS. This note sets out the additional adjustment to apply to determine the amount of club transfer earned pension in STPS.
- 1.3 This note should be used in combination with the approach set out in the Club memorandum.
- 1.4 This note relates to Regulation 208 of The Teachers' Pension Scheme (Scotland) (No. 2) Regulations 2014 (SSI 2014/292).
- 1.5 This guidance is intended to supersede any factors or advice previously issued, for the purposes of career average section club transfer calculations, which rely on input from the scheme actuary. In particular this guidance supersedes:
- "Scottish Teachers' Pension Scheme 2015: Club transfers in: Factors and guidance" dated 8 June 2015.
- 1.6 Details on how the adjustment factor should be applied can be found in Section 2. An example calculation is set out in Section 3. The relevant factors are set out in Appendix A.

Club transfers out of the STPS

- 1.7 A separate guidance document, *Scottish Teachers' Pension Scheme 2015: Club transfers out: Factors and guidance*, covers inner Club transfers out of the STPS.

Exclusions

- 1.8 SPPA have advised that this note does not apply to inner Club transfers in from the Teachers' Pension Scheme (England & Wales) or the Northern Ireland Teachers' Pension Scheme.

¹ <https://www.civilservicepensionscheme.org.uk/media/474506/club-memorandum-april-2019.pdf>



Implementation date

- 1.9 SPPA have advised the Government Actuary's Department that the factors contained in this guidance applied from 1 April 2019.

This guidance will apply with immediate effect upon receipt of the respective guidance.

- 1.10 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Scottish Teachers' Pension Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.
- 1.11 In line with best practice and in order to make sure that factors are being used as intended and the instructions are fit for purpose, we suggest that some example calculations are sent to GAD for review.
- 1.12 The factors contained in this guidance will be subject to review periodically. This will depend on external circumstances, for example whenever there is a change in the SCAPE basis; when changes in the actuarial assumptions adopted for other scheme factors take place; or following each future actuarial valuation where mortality and other relevant experience is reviewed or if other credible and material information comes to light.

Third party reliance

- 1.13 This guidance has been prepared for the use of SPPA as scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on SPPA's website but must not otherwise be reproduced, distributed or communicated in whole or in part to any other person without GAD's prior written permission.
- 1.14 Other than SPPA as scheme administrators, no person or third party is entitled to place any reliance on the contents of this guidance, except to any extent explicitly stated herein. GAD has no liability to any person or third party for any action taken or for any failure to act, either in whole or in part, on the basis of this guidance, whether or not GAD has agreed to the disclosure of its advice to the third party.



2 Calculation of the club transfer earned pension amount

Members above their normal pension age (NPA) at the guarantee date

- 2.1 For those members who are above their NPA at the guarantee date for the transfer, their club transfer earned pension should be the same as the club transfer credit calculated in line with the approach set out in the Club memorandum, i.e. no further adjustment is required.

Members below their NPA at the guarantee date

- 2.2 For those members who are below their NPA at the guarantee date for the transfer, the following process should be used to determine the amount of club transfer earned pension in STPS:

- Calculate the club transfer credit in line with the approach set out in the Club memorandum.
- Calculate the amount of club transfer earned pension in STPS using the formula in paragraph 2.3 below.

- 2.3 **Club transfer earned pension = $[1 - (\text{Factor CTC1} \times (\text{NPA} - M_{65,A}))] \times \text{club transfer credit}$**

where $M_{65,A}$ is the maximum of:

- 65; and
- the member's age (in complete years and months) at the guarantee date for the transfer.

- 2.4 Factor CTC1 can be found in Appendix A and factors should be selected with reference to the member's sex and age (last birthday).
- 2.5 The attaching contingent spouse's pension is 37.5% of the club transfer earned pension amount.
- 2.6 The example in Section 3 shows the calculation in practice.



3 Examples

Example A - inner Club transfer from NHS

Sex	Male
Age (last birthday)	35
Age (complete years and months)	35 years 2 months
NPA	68
Club transfer credit*	£2,000 pa
Factor CTC1 – male, age 35	0.014
$M_{65,A}$	= maximum of $(65, 35 \frac{2}{12}) = 65$

* Calculated using the guidance in the Club memorandum

$$\begin{aligned}\text{Club transfer earned pension} &= [1 - (\text{Factor CTC1} \times (\text{NPA} - M_{65,A}))] \times \text{club transfer credit} \\ &= [1 - (0.014 \times (68 - 65))] \times £2,000.00 \\ &= [1 - 0.042] \times £2,000.00 \\ &= 0.958 \times £2,000.00 = £1,916.00 \text{ pa}\end{aligned}$$



Appendix A: Club transfer credit adjustment factors

Table CTC1 (Table 101 in consolidated factors spreadsheet) – Club transfer credit adjustment factors, STPS

Age (last birthday)	Males	Females
20	0.010	0.010
21	0.010	0.010
22	0.010	0.010
23	0.011	0.011
24	0.011	0.011
25	0.012	0.012
26	0.012	0.012
27	0.013	0.013
28	0.013	0.013
29	0.013	0.013
30	0.013	0.013
31	0.013	0.013
32	0.014	0.014
33	0.014	0.014
34	0.014	0.014
35	0.014	0.014
36	0.014	0.014
37	0.015	0.015
38	0.015	0.015
39	0.015	0.015
40	0.015	0.015
41	0.015	0.015
42	0.016	0.016
43	0.016	0.016
44	0.017	0.017
45	0.017	0.017
46	0.017	0.017
47	0.018	0.018
48	0.018	0.018
49	0.018	0.018
50	0.018	0.018
51	0.019	0.019
52	0.019	0.019
53	0.019	0.019
54	0.020	0.020
55	0.020	0.020
56	0.020	0.020
57	0.021	0.021
58	0.021	0.021
59	0.022	0.022
60	0.023	0.023
61	0.024	0.024
62	0.025	0.025
63	0.025	0.025
64	0.026	0.026
65	0.026	0.026
66	Refer to GAD	Refer to GAD
67	Refer to GAD	Refer to GAD



Appendix B: Assumptions underlying factors

Financial assumptions

Nominal discount rate	4.448% pa
CPI	2.00% pa
RPI	3.15% pa
Real discount rate (in excess of CPI)	2.40% pa
Real discount rate (in excess of RPI)	1.25% pa
Real discount rate (in excess of general earnings growth)	0.24% pa

Mortality assumptions

Members in normal health	119% S2NMA_L (males) and age-dependent adjustments to S1NFA_L (females)
Members in ill-health	Current, up to age 75: 79% S2IMA (males) and 96% S2IFA (females) Current, above age 75: 134% S2NMA (males) and 128% S2NFA (females) Future: 100% S2IMA (males) and 100% S2IFA (females)
Dependants	135% S2NMA (males) and 107% S2DFA (females)
Future mortality improvements	Based on ONS principal UK population projections 2016
Year of Use	2020

Other assumptions

Proportion of male members for unisex factors	30%
Age difference between member and partner	As per 2016 valuation: Male members 3 years older than partner Female members 2 years younger than partner
Family statistics	Generally as per 2016 valuation: 77% (male) and 58% (female) assumed married or partnered at retirement. 100% for AP contributions with attaching spouses' pensions.
Allowance for commutation	Nil
Expense loading	Nil
Allowance for short-term spouses' pensions in at-retirement capitalisation factors	Nil



Salary scale for transfers-in	As per 2016 valuation
In-service decrements (where applicable)	As per 2016 valuation



Appendix C: Limitations

- C.1 This guidance should not be used for any purpose other than those set out in this guidance.
- C.2 The factors contained in this guidance are subject to regular review. Scheme managers and administrators need to ensure that they are using the latest factors, as relevant, when processing cases.
- C.3 Advice provided by GAD must be taken in context and is intended to be considered in its entirety. Individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect. GAD does not accept responsibility for advice that is altered or used selectively. Clarification should be sought if there is any doubt about the intention or scope of advice provided by GAD.
- C.4 This guidance only covers the actuarial principles around the calculation and application of club transfer in adjustment factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- C.5 Scheme managers and administrators should satisfy themselves that club transfer in calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- C.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 SPPA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.