



Government
Actuary's
Department

Scottish Teachers' Pension Scheme 2015

Club transfers out

Factors and guidance

Date: 18 February 2021





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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 the CARE Club transfer out payment should be calculated for "inner Club" transfers. This note sets out the additional guidance required above that provided in the Club Memorandum to process Club transfers out of the 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 205 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 out calculations, which rely on input from the scheme actuary. In particular this guidance supersedes:
 - "Scottish Teachers' Pension Scheme 2015: Club Transfers out - Factors and guidance" dated 8 June 2015.
- 1.6 If a member has made a buy-out election, their accrued pension needs to be uplifted and the CARE Club transfer out payment is based on the uplifted pension.
- 1.7 Details on the requirements for Club transfers out of the STPS can be found in Section 2. An example calculation is set out in Section 3.

Club transfers into the STPS

- 1.8 A separate guidance document, *Scottish Teachers' Pension Scheme 2015: Club transfers in: Factors and guidance*, covers inner Club transfers into the STPS.

Implementation and Review

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

This guidance will apply with immediate effect.

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



- 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 the 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 the 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 Club transfers out of STPS

Members who have not made a buy-out election

- 2.1 For those members who have not made a buy-out election, the CARE Club transfer out payment should be calculated using the approach set out in the Club Memorandum.

Members above their NPA

- 2.2 For those members who are above their NPA at the guarantee date for the transfer, the CARE Club transfer out payment should be calculated in line with the approach set out in the Club Memorandum. This includes those members who have made a buy-out election, as any benefit from taking up this option is lost if the member does not claim their benefits before NPA.

Members below NPA who have made a buy-out election

- 2.3 If a member has made a buy-out election the transfer credit pension and the CARE Club transfer amount should include an allowance for this, in line with paragraph 7.4 of the Club Memorandum. The approach to adopt is set out below, as the Club Memorandum does not set out explicit details on the approach to use.
- 2.4 Some members may have revoked, or been taken to revoke, their buy-out election and as a result part of their pension may be subject to the buy-out election and part of their pension may not. For these members their pension which is subject to the buy-out election needs to be uplifted, whereas no adjustment should be applied to the part of their pension that is not subject to the buy-out election. The example in Section 3 sets out how the calculations should be performed in this instance.

Calculating the transfer credit pension

- 2.5 Paragraph 4.7a of the Club Memorandum sets out the information the STPS will need to send to the receiving scheme.
- 2.6 The receiving scheme will convert the value of the member's entitlement into additional pension payable from the receiving scheme's NPA, as the early retirement provisions are not carried across to the receiving scheme. The member's accrued STPS pension which is subject to the buy-out election needs to be uplifted to convert this into an amount payable from NPA.
- 2.7 Set out below is the method that should be used to calculate the uplifted pension amounts. The adjusted and the unadjusted figures should be quoted for the purposes of 4.7a (a), (b) and (c). The uplifted amounts will be taken into account for the purposes of determining the pension credit payable from the receiving scheme's NPA.



- (a) Pension in STPS including revaluation at in-service rate to date of calculation (before adjustment) = **£PENS pa**

Uplifted pension in STPS including revaluation at in-service rate to date of calculation = **£PENS ÷ ADJS = £PENS(adj) pa**

- (b) Pension in STPS including revaluation at in-deferment rate to date of calculation (before adjustment) = **£PEND pa**

Uplifted pension in STPS including revaluation at in-deferment rate to date of calculation = **£PEND ÷ ADJS = £PEND(adj) pa**

Where:

$$\mathbf{ADJS = 1 - 0.03 \times N}$$

and

N is the minimum of:

- The number of years for which the standard reduction has been bought out; and
- NPA – the member's age (in years and complete months) at the guarantee date

- 2.8 For the purposes of paragraph 4.7a (c) of the Club Memorandum, the adjusted spouse/partner's pension proportion should be calculated as:

$$\mathbf{37.5\% \times PENS \div PENS(adj)}$$



Calculating the CARE Club transfer amount

- 2.9 The CARE Club transfer amount should be calculated using $PEND(adj)$ as determined above. The formula to be used is as set out in paragraph 4.28 of the Club Memorandum, i.e.

$$(MP \times F_p + CWP \times F_{wid}) \times FCARE_{adj}$$

Where:

$$MP = PEND(adj)$$

CWP = Pension payable to a surviving dependant on the member's death (regardless of partnered status) including in-deferment revaluation to the date of calculation.

F_p = As taken from Tables –2-8 of the Club Memorandum as applicable for the member's age, sex and NPA at date of calculation.

F_{wid} = As taken from Tables –2-8 of the Club Memorandum as above.

$FCARE_{adj}$ = As taken from Table 9 of the Club Memorandum for CARE revaluation
CPI + 1.6% pa

To identify the amount attributable to the early retirement option determine the above with

$$MP = PEND$$

And take the difference between the two amounts calculated. This is the amount to be provided in accordance with paragraph 4.7a (f) of the Club Memorandum.

- 2.10 The example in Section 3 shows the calculations in practice.



3 Example

Example A: Club transfer out with partial buyout of the standard reduction

Individual Data

Sex	Male
Date of birth	3 July 1979
Calculation date (DOC)	1 December 2021
NPA	3 July 2047 (age 68)
Age (last birthday at DOC)	42
Age (years and complete months at DOC)	42y 4m
Complete years to NPA	25
Total pension at date of leaving	£10,500

Number of years for which the standard reduction has been bought out	3
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Total pension at date of leaving	£10,500.00 pa
Survivor's pension at DoL (37.5%)	£ 3,937.50 pa
Pension earned when no buy-out election in force (at DoL)	£ 5,000.00 pa
Pension earned when buy-out election in force (at DoL)	£ 5,500.00 pa
Additional Pension at DoL	Nil
Pre 88 GMP at DoL	Nil
Post 88 GMP at DoL	Nil

Revaluation factor (RFS) (in-service rate)	1.046
Revaluation factor (RFD) (in-deferment rate)	1.03

Revalued pension (in-service revaluation)

Total pension at date of calculation (PENS)	£ 10,983.00 pa
Survivor's pension at DoC (37.5%)	£ 4,118.63 pa
Pension earned when no buy-out election in force (at DoC)	£ 5,230.00 pa
Pension earned when buy-out election in force (at DoC)	£ 5,753.00 pa

Revalued pension (in-deferment revaluation)

Total pension at date of calculation (PEND)	£ 10,815.00 pa
Survivor's pension at DoC (37.5%)	£ 4,055.63 pa (CWP)
Pension earned when no buy-out election in force (at DoC)	£ 5,150.00 pa
Pension earned when buy-out election in force (at DoC)	£ 5,665.00 pa



Calculation of the transfer credit pension

$$ADJS = 1 - 0.03 \times N$$

where N is the minimum of:

- The number of years for which the standard reduction has been bought out (= 3); and
- NPA – the member's age (in years and complete months) at the guarantee date
(=68 – 42⁴/₁₂ = 25⁸/₁₂)

$$ADJS = 1 - 0.03 \times \min(3, 25^{8/12})$$

$$ADJS = 1 - 0.03 \times 3 = 0.91$$

- (a) Determine unadjusted pension in STPS (in-service revaluation) at DOC
= **£10,983.00 pa (PENS)**

Determine uplifted pension in STPS (in-service revaluation) at DOC

= Pension earned when no buy-out election in force (at DoC)

+ Pension earned when buy-out election in force (at DoC) ÷ ADJS

$$= (£5,230.00) + (£5,753.00 \div 0.91) = \textbf{£ 11,551.98 pa (PENS(adj))}$$

- (b) Determine unadjusted pension in STPS (in-deferment revaluation) at DOC
= **£10,815.00 pa (PEND)**

Determine uplifted pension in STPS (in-deferment revaluation) at DOC

= Pension earned when no buyout election in force (at DoC)

+ Pension earned when buy-out election in force (at DoC) ÷ ADJS

$$= (£5,150.00) + (£5,665.00 \div 0.91) = \textbf{£ 11,375.27 pa (PEND(adj)=MP)}$$

Adjusted spouse's proportion to quote for paragraph 4.7a (c)

$$= 37.5\% \times \text{PENS} \div \text{PENS(adj)}$$

$$= 37.5\% \times £10,983.00 \div £11,551.98$$

$$= 35.7\%^2$$

² This is not a typo. The adjusted spouse's proportion is 35.7% for this example member.



Calculating the CARE Club transfer amount

Factors

Fp (age 42, male, NPA 68)	9.20
Fwid (age 42, male, NPA 68)	1.51
FCAREadj (25 years to NPA, CPI + 1.6%)	1.225

$$\begin{aligned}\text{Total club transfer amount} &= (\text{MP} \times \text{Fp} + \text{CWP} \times \text{Fwid}) \times \text{FCAREadj} \\ &= (\text{PEND}(\text{adj}) \times \text{Fp} + \text{CWP} \times \text{Fwid}) \times \text{FCAREadj} \\ &= (£11,375.27 \times 9.20 + £4,055.63 \times 1.51) \times 1.225 \\ &= \mathbf{£135,701.19}\end{aligned}$$

$$\begin{aligned}\text{Unadjusted club transfer} &= (\text{MP} \times \text{Fp} + \text{CWP} \times \text{Fwid}) \times \text{FCAREadj} \\ &= (\text{PEND} \times \text{Fp} + \text{CWP} \times \text{Fwid}) \times \text{FCAREadj} \\ &= (£10,815.00 \times 9.20 + £4,055.63 \times 1.51) \times 1.225 \\ &= \mathbf{£129,386.95}\end{aligned}$$

$$\begin{aligned}\text{Amount of club transfer attributable to buy-out election (for 4.7a (f))} &= £135,701.19 - £129,386.95 \\ &= \mathbf{£6,314.24}\end{aligned}$$

The credit provided in the receiving scheme will be based on PENS(adj). This is the amount as at the date of calculation. It is subject to adjustment by the receiving scheme for benefit design differences and payable from the receiving scheme's NPA.



Extra details to be sent to receiving scheme (as per 4.7a of the Club Memorandum)

a	The value of the transferring member's pension, revalued in accordance with the sending scheme's in-service revaluation method, up to the guarantee date for the transfer	£11,551.98 (PENS(adj)) [£10,983.00 (PENS)]
b	The value of the transferring member's pension, revalued in accordance with the sending scheme's deferred revaluation method, up to the guarantee date for the transfer	£11,375.27 (PEND(adj)) [£10,815.00 (PEND)]
c	The spouse/partner's pension proportion, expressed as a proportion of the member's pension	35.7% [37.5%]
d	The automatic lump sum proportion (if any), expressed as a proportion of the member's pension	N/A
e	The sending scheme's in-service revaluation method (e.g. CPI + 1.5, CPI + 1.6, average earnings, etc.)	CPI + 1.6%
f	Details of any element of the Club transfer for which the member has paid for an earlier pension age.	£6,314.24
g	Details of any non-standard arrangements in relation to the Club transfer (e.g. advantageous actuarial reduction factors for members of STPS with a NPA above 65)	Enter in any relevant details
h	The value of the transferring member's pension accrued between 6 April 1997 and 5 April 2016 which counts as section 9(2b) rights, revalued in accordance with the sending scheme's in-service revaluation method, up to the guarantee date for the transfer.	£11,551.98 (PENS(adj)) [£10,983.00 (PENS)]



Appendix A: Limitations

- A.1 This guidance should not be used for any purpose other than those set out in this guidance.
- A.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.
- A.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.
- A.4 This guidance only covers the actuarial principles around the calculation and application of club transfer out adjustment factors. Any legal advice in this area should be sought from an appropriately qualified person or source.
- A.5 Scheme managers and administrators should satisfy themselves that club transfer out calculations and benefit awards comply with all legislative requirements including, but not limited to, tax and contracting-out requirements.
- A.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.