



Teachers' Pension Scheme

Career average section

Club transfers (supplement to the Club Memorandum)

Factors and guidance

Date: 25 October 2019





Contents

1	Introduction	1
2	Club transfers into TPS	3
3	Club transfers out of TPS	4
4	Examples	7
	Appendix A: Club transfer credit adjustment factors	12
	Appendix B: Assumptions underlying factors	13
	Appendix C: Limitations	14



1 Introduction

- 1.1 This note is provided for the Department for Education (DfE) as scheme manager of the Teachers' Pension Scheme (TPS).
- 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 and the CARE Club transfer out payment should be calculated for "inner Club" transfers. This note sets out the additional guidance required above that set out in the Club Memorandum to process Club transfers into and out of the TPS.
- 1.3 This note should be used in combination with the approach set out in the Club Memorandum.
- 1.4 This note relates to paragraphs 208 and 214 of *The Teachers' Pension Scheme Regulations 2014* (SI 2014/512).
- 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:
- Teachers' Pension Scheme: Career average Section: Club Transfers (Supplement to the Club memorandum) - Factors and guidance" dated 5 May 2015.

CARE Club transfers into TPS

- 1.6 For inner Club transfers DfE have decided that an adjustment is required to the approach set out in the Club Memorandum to reflect the more generous early retirement terms that apply in TPS.
- 1.7 Details on how the adjustment factor should be applied can be found in Section 2. An example calculation is set out in Section 4.
- 1.8 The relevant factors are set out in Appendix A, details of the principal assumptions underlying the factors contained in this guidance note can be found in Appendix B and some important limitations can be found in Appendix C.

CARE Club transfers out of TPS

- 1.9 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.
- 1.10 Details on the requirements for Club transfers out of the TPS can be found in Section 3. An example calculation is set out in Section 4.

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



Exclusions

- 1.11 DfE have advised that Section 2 of this note does not apply to inner Club transfers from the Scottish Teachers' Pension Scheme or the Northern Ireland Teachers' Pension Scheme.

Implementation and Review

- 1.12 The factors contained in this guidance will apply from 1 April 2019. This guidance will apply with immediate effect.
- 1.13 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Teachers' Pension Scheme. Any questions concerning the application of the guidance should, in the first instance, be referred to DfE.
- 1.14 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.
- 1.15 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

- 1.16 This guidance has been prepared for the use of DfE and the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on DfE and the scheme administrator'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.
- 1.17 Other than DfE and 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 into TPS

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

- 2.1 For those members who are above their normal pension age (NPA) at the guarantee date for the transfer, the 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 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 TPS:

- 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 TPS using the formula in paragraph 2.3 below.

- 2.3 **Club transfer earned pension = $[1 - (\text{Factor CTC1} \times (\text{NPA} - M_{65,A}))]$ x 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 age (last birthday).
- 2.5 The attaching contingent spouse's pension is 37.5% of the club transfer earned pension amount.
- 2.6 Example A in Section 4 shows the calculations in practice.



3 Club transfers out of TPS

Members who have not made a buy-out election

- 3.1 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 normal pension age (NPA)

- 3.2 For those members who are above their normal pension age (NPA) at the guarantee date for the transfer, the 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

- 3.3 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.
- 3.4 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. Example B in Section 4 sets out how the calculations should be performed in this instance.

Calculating the transfer credit pension

- 3.5 Paragraph 4.7a of the Club Memorandum sets out the information the TPS will need to send to the receiving scheme.
- 3.6 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 TPS pension needs to be uplifted to convert this into an amount payable from NPA.
- 3.7 Set out below is the method that should be used to calculate the uplifted pension amounts. The adjusted figures should be quoted for the purposes of 4.7a (a) and (b), as the uplifted amounts will be taken into account for the purposes of determining the pension credit payable from the receiving scheme's NPA. The unadjusted figures may be quoted for the purposes of 4.7a (g), to explain how the member's pension has been uplifted to allow for their buy-out election.



- (1) Pension in TPS (career average section) including revaluation at in-service rate to date of calculation (before adjustment) = **£PENS pa**
- Uplifted pension in TPS (career average section) including revaluation at in-service rate to date of calculation = **£PENS ÷ ADJS = £PENS(adj) pa**
- (2) Pension in TPS (career average section) including revaluation at in-deferment rate to date of calculation (before adjustment) = **£PEND pa**
- Uplifted pension in career average section of the TPS (career average section) 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 minus the member's age (in years and complete months) at the guarantee date

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

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



Calculating the CARE Club transfer amount

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

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

Where:

$$MP = PENDING(adj)$$

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 3 to 8 of the Club Memorandum as applicable for the member's age and NPA at date of calculation.

F_{wid} = As taken from Tables 3 to 8 of the Club Memorandum as above.

F_{CAREadj} = 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

$$MP = PENDING$$

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.

- 3.10 Example B in Section 4 shows the calculations in practice.



4 Examples

Example A – inner Club transfer from NHS

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	0.007
$M_{65,A}$	= maximum of (65 , $35^{2/12}$) = 65

* Calculated using the guidance in the Club Memorandum

$$\begin{aligned}\text{Club transfer earned pension} &= [1 - (\text{Factor CTC1} \times (\text{NPA} - M_{65,A}))] \times \text{club transfer credit} \\ &= [1 - (0.007 \times (68 - 65))] \times £2,000.00 \\ &= [1 - 0.021] \times £2,000.00 \\ &= 0.979 \times £2,000.00 = £1,958.00 \text{ pa}\end{aligned}$$



Example B – Club transfer out with partial buyout of standard reduction

Individual Data

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

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

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
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 TPS (in-service revaluation) at DOC
= **£10,983.00 pa (PENS)**

Determine uplifted pension in TPS (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)

$$= (5,230.00) + (5,753.00 \div 0.91) = \mathbf{\pounds 11,551.98 \text{ pa (PENS(adj))}}$$

- (b) Determine unadjusted pension in TPS (in-deferment revaluation) at DOC
= **£10,815 pa (PEND)**

Determine uplifted pension in TPS (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)

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

$$\begin{aligned} \text{Spouse's proportion to quote for paragraph 4.7a (c)} &= 37.5\% \times \text{PENS} \div \text{PENS(adj)} \\ &= 37.5\% \times 10,983.00 \div 11,551.98 \\ &= 35.7\% \end{aligned}$$



Calculating the CARE Club transfer amount

Factors

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

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

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

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

The credit provided in the receiving scheme will be based on PENS(adj). This is the amount as at the date of calculation.



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))
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))
c	The spouse/partner's pension proportion, expressed as a proportion of the member's pension	35.7%
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 TPS with a NPA above 65)	You may wish to provide details of the unadjusted pension amounts, PENS and PEND, in this area.
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.	n/a



Appendix A: Club transfer credit adjustment factors

Table CTC1– Club transfer credit adjustment factors (Table x-101 in consolidated factors spreadsheet)

Age (last birthday)	Males	Females
20	0.004	0.004
21	0.004	0.004
22	0.004	0.004
23	0.005	0.005
24	0.005	0.005
25	0.005	0.005
26	0.005	0.005
27	0.006	0.006
28	0.006	0.006
29	0.006	0.006
30	0.006	0.006
31	0.006	0.006
32	0.007	0.007
33	0.007	0.007
34	0.007	0.007
35	0.007	0.007
36	0.008	0.008
37	0.008	0.008
38	0.008	0.008
39	0.008	0.008
40	0.008	0.008
41	0.009	0.009
42	0.009	0.009
43	0.010	0.010
44	0.010	0.010
45	0.011	0.011
46	0.011	0.011
47	0.011	0.011
48	0.012	0.012
49	0.012	0.012
50	0.013	0.013
51	0.013	0.013
52	0.013	0.013
53	0.014	0.014
54	0.015	0.015
55	0.015	0.015
56	0.016	0.016
57	0.016	0.016
58	0.017	0.017
59	0.018	0.018
60	0.019	0.019
61	0.021	0.021
62	0.022	0.022
63	0.023	0.023
64	0.024	0.024
65	0.025	0.025
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
Real discount rate (in excess of CPI)	2.40% pa
Real discount rate (in excess of general earnings growth)	0.24% pa

Mortality assumptions

Base mortality tables and adjustments	Male member: 106% of S2NMA_L Female member: 75% of S1NFA_L up to age 79, 86% at ages 80 to 84, 100% at ages 85 to 89, 108% from age 90 (as per 2016 valuation)
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

Other assumptions

Proportion of male members for the purpose of unisexing factors	30%
Allowance for commutation	Nil



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 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 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 DfE and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.