



Teachers' Pension Scheme

Final salary sections and career average section

Cash equivalent transfer values (CETVs) for ages above normal pension age

Factors and guidance

Date: 27 October 2019





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1 Introduction

- 1.1 This note is provided for the Department for Education (DfE) as scheme manager of the Teachers' Pension Scheme (TPS). These tables should be used to calculate the cash equivalent transfer value of a member's benefit on leaving service from the TPS at ages above normal pension age (NPA).
- 1.2 These tables cannot be used to calculate the amount of a Club transfer value.
- 1.3 A cash equivalent may be paid by the scheme to another pension scheme in accordance with regulation 31 of The Teachers' Pensions Regulations 2010 (SI 2010/990) and regulation 203 of The Teachers' Pension Scheme Regulations 2014 (SI 2014/512).
- 1.4 Transfer value payments in respect of members over NPA are not normally permitted in the TPS. This guidance is intended to only be used for:
- any cases involving final salary section members where the transfer value application was made before their NPA but the cash equivalent transfer value is calculated with an effective date after their NPA; or
 - any exceptional cases where the scheme manager has exercised discretion to permit a post NPA transfer value payment.
- 1.5 The factors provided in this note have been prepared in light of our advice to DfE dated 30 October 2018 and its instructions following that advice.
- 1.6 This guidance is intended to supersede any previously issued by GAD for the purposes of calculating CETVs, carried out from 29 October 2018. No advice or factors issued in the past should be used for CETV cases after this date. In particular, this guidance supersedes:
- “Teachers' Pension Scheme – Final salary sections and career average section: Cash Equivalent Transfer Values (CETVs) for ages above normal pension age – Factors and guidance” dated 14 May 2015.
- 1.7 Section 2 covers the calculation of a CETV at ages above a member's NPA.
- 1.8 The relevant factors are set out in Appendix A. A summary of the assumptions underlying the CETV factors is given in Appendix B. Some important limitations are set out in Appendix C.



- 1.9 A member may have benefits in both the final salary sections and the career average section. The CETV for the member's final salary and career average benefits should be calculated separately. If the member is below their NPA in the career average section, then the main CETV guidance¹ should be used to calculate the CETV in respect of the member's career average section benefits.

Exclusions and Scope

- 1.10 The tables only cover members at ages above their NPA.
- 1.11 In previous factors and guidance, an adjustment was applied to GMP to reflect the inflationary increases on the GMP, which were the responsibility of the State Scheme after GMP Payment Age. Following the requirement to equalise GMPs as set out in our letter "GMP Equalisation: Calculations involving actuarial factors" dated 12 August 2019 the GMP adjustment factor has been removed from the calculation methodology for all members reaching State Pension age after 6 April 2016 with effect from the date of receipt of this guidance note.
- 1.12 Our understanding of the usual transitional arrangements is that quotes are made using factors effective at that time. Therefore, where calculations are carried out before the date of receipt of this guidance note we would expect the following to apply:
- If the member replies within the guarantee period and before the implementation date, the original quote is honoured including the adjustment applied to GMP.
 - If the member replies within the guarantee period but after implementation date, the approach most beneficial to member are used.
 - If the member replies outside of the guarantee period, the CETV is recalculated. No adjustment is made in respect of GMP.
- 1.13 Any current cases where a CETV is required for a member with GMP reaching State Pension age before 6 April 2016 should be referred to GAD.

Implementation and Review

- 1.14 The factors contained in this guidance will apply from 29 October 2018. This guidance will apply from the date this note is issued.
- 1.15 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 The relevant guidance at the time of issuing this note is *Teachers' Pension Scheme: Final salary sections and career average section: Cash equivalent transfer values (CETVs): Factors and guidance* dated 20 February 2015.



- 1.16 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.
- 1.17 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

- 1.18 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.
- 1.19 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 Calculating CETVs for members above their NPA

- 2.1 The following formula should be used to calculate CETVs for members above their NPA:

$$CETV = P \times F_x^P + S \times F_x^S - NI \times F_x^{NI} + LS$$

where:

P	=	member's pension if they were to leave service on the relevant date
S	=	survivor's pension if they were to leave service on the relevant date
LS	=	member's lump sum ² if they were to leave service on the relevant date
NI	=	member's NI modification at the relevant date
F_x^P	=	relevant pension factor for a member aged x
F_x^S	=	relevant survivor's pension factor for a member aged x
F_x^{NI}	=	relevant NI modification factor for a member aged x

- 2.2 To calculate the value of the benefits, the pension, lump sum and survivor's pension should be calculated as if the member were to leave service on the relevant date. (No allowance should be made for commutation of pension for lump sum.)
- 2.3 Allowance should be made for the NI modification.
- 2.4 The factors should be selected according to the member's age and sex.

² Zero for NPA 65 and career average section members.



2.5 The relevant factors, set out in Appendix A, are as follows:

Table 503 CETV factors for men above their NPA (Table 224 in consolidated factor table spreadsheet)

This table covers men with:

- a normal pension age of 60, aged 60 – 74
- a normal pension age of 65, aged 65 – 74
- a normal pension age of 66, aged 66 – 74
- a normal pension age of 67, aged 67 – 74
- a normal pension age of 68, aged 68 – 74

Table 513 CETV factors for women above their NPA (Table 225 in consolidated factor table spreadsheet)

This table covers women with:

- a normal pension age of 60, aged 60 – 74
- a normal pension age of 65, aged 65 – 74
- a normal pension age of 66, aged 66 – 74
- a normal pension age of 67, aged 67 – 74
- a normal pension age of 68, aged 68 – 74



Appendix A: Factor tables

**Table 503 CETV factors for men above their
NPA (Table 224 in consolidated factor table
spreadsheet)**

Age last birthday at relevant date	Gross pension of £1 per annum	Survivor's pension of £1 per annum	Deduction for NI modification of £1 per annum
60	20.78	1.46	14.74
61	20.27	1.47	15.19
62	19.74	1.48	15.66
63	19.21	1.50	16.16
64	18.68	1.50	16.67
65	18.13	1.49	16.63
66	17.58	1.49	16.15
67	17.03	1.50	15.66
68	16.46	1.51	15.16
69	15.89	1.49	14.64
70	15.30	1.45	14.12
71	14.72	1.43	13.58
72	14.12	1.43	13.04
73	13.52	1.42	12.50
74	12.91	1.38	11.95



Table 513 CETV factors for women above their NPA (Table 225 in consolidated factor table spreadsheet)

Age last birthday at relevant date	Gross pension of £1 per annum	Survivor's pension of £1 per annum	Deduction for NI modification of £1 per annum
60	20.78	1.46	15.85
61	20.27	1.47	16.33
62	19.74	1.48	16.82
63	19.21	1.50	17.34
64	18.68	1.50	17.87
65	18.13	1.49	17.87
66	17.58	1.49	17.41
67	17.03	1.50	16.94
68	16.46	1.51	16.46
69	15.89	1.49	15.98
70	15.30	1.45	15.48
71	14.72	1.43	14.97
72	14.12	1.43	14.45
73	13.52	1.42	13.92
74	12.91	1.38	13.38



Appendix B: Assumptions underlying factors

Financial assumptions

Nominal discount rate	4.448% pa
Real discount rate (in excess of CPI)	2.40% pa

Mortality assumptions

Base mortality tables and adjustments	Male members: 106% of S2NMA_L Females members: 75% of S1NFA_L up to age 79, 86% at ages 80 to 84, 100% at ages 85 to 89, 108% from age 90
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%
Age difference between member and partner	Males assumed 3 years older than female partner and females assumed to be 2 years younger than partner
Proportions partnered	77% (male) and 58% (Female) assumed married or partnered at retirement
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 cash equivalent transfer value 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 cash equivalent transfer value 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.