

**The Local Government Pension Scheme  
(Scotland)  
Individual Incoming & Outgoing Transfers**

**Members in service on or after 1 April 2009**

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Local Government Pension Scheme (Scotland)  
Individual incoming and outgoing transfers – members in service on or after 1 April 2009

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## **1 Legislative background**

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- 1.1 Under Regulation 78 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (“the Administration Regulations”) (SSI 2008/228), a member may elect to transfer benefits from another scheme to the LGPS to be credited with additional membership. Under regulation 74 of the Administration Regulations, a member may elect to transfer benefits from the LGPS to another scheme.
- 1.2 Historically, our understanding is that the Government Actuary's Department (GAD) guidance and correspondence in relation to individual transfers has been taken - except where there was specific provision for any difference - to apply equally to England & Wales and Scotland.
- 1.3 Existing guidance on these topics is provided in the note issued by the Government Actuary's Department (GAD) in September 1995, entitled “New Factors for Individual Transfers from 1 October 1995” (and an extension plus some minor revisions were made later that year).
- 1.4 In 1999 a change was made to the yield definition for the purposes of adjustment for market conditions. A further note was issued in August 2004 providing additional clarification of how the 1995 guidance should be applied. From October 2008 new transfer and adjustment factors were promulgated. The latest version of these new factors was issued on 24 March 2009 and is entitled “Actuarial Factors for Individual Cash Equivalent and Club Transfers from 1 October 2008 – version 1.2” (referred to as v1.2 of the Transfer Factor Suite). This guidance note should be read in conjunction with the latest version of the Transfer Factor Suite.
- 1.5 Transfers within the public-sector transfer club are covered by the “Club Memorandum” published by the Cabinet Office. The latest edition of the club memorandum is PSTC3 that was issued in January 2009; it incorporates the new club transfer and adjustment for market conditions factors that have applied since October 2008.
- 1.6 This note has been prepared by GAD at the request of the Scottish Public Pensions Agency (SPPA), and issued to them for onward transmission to administering authorities and employing authorities. Its purpose is to provide some guidance on the impact of the changes to the LGPS which came into force on 1 April 2009 insofar as they are relevant to the treatment of incoming and outgoing individual transfers. The Government Actuary has approved the release of this guidance.
- 1.7 This guidance also makes allowance for the provisions of the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 (SSI 2008/229) (“The Transitional Regulations”).
- 1.8 Community Scheme Transfers under regulation 80 of the Administration Regulations are not covered by this guidance. Funds should contact Local Government Employers (LGE) on an individual basis when dealing with a potential transfer under this regulation.

## 2 Transfers out

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- 2.1 Cash equivalents and Club transfers for members with no service after 31 March 2009 can be calculated using the guidance in force at that date but using the new transfer factors where applicable. Members with some or all of their service after 31 March 2009 will require different treatment as described below.
- 2.2 The main effect upon the calculation of outgoing transfer values of the changes coming into force on 1 April 2009 will arise because LGPS benefits accruing from that date will take the form of a pension based on a one-sixtieths accrual rate, rather than a one-eightieths pension plus a separate three-eightieths lump sum. Benefits accrued from 1 April 2009 will (prior to the exercise of any cash commutation) consist only of member pension and associated contingent survivor benefits. Therefore, the lump sum factor for retirement grants will not be required in respect of this element of benefits.
- 2.3 Account also needs to be taken of the different pension ages applicable to different cohorts of members and in some cases to different periods of their service. For a member who only has service accrued on or after 1 April 2009, pension age 65 (“PA65”) applies to the whole of their service, so that the “conversion factor” (as shown in the Transfer Factor Suite) appropriate for a person with pension age of 65 should be used when calculating the transfer value.
- 2.4 Calculations will also potentially be further complicated by the need to recognise periods of service and cohorts of members with different combinations of accrual rate and pension age. For example, members in service both before and after 1 April 2009 will have benefits based on mixed accrual rates.
- 2.5 Similarly, many members in service both before 1 December 2006 and after 1 April 2008 will have service with mixed retirement ages. Separate calculations using factors specific to the applicable pension age in each case will need to be used in respect of periods with different pension ages (although, once again, no retirement grant will be included in respect of post-2009 service). Appropriate Adjustments for Market conditions (AMCs – as shown in the Transfer Factor Suite) should be applied; a “mixed” (pension and lump sum) AMC to the transfer values for Part A and B membership (see below) and all Club transfers, and a “pension-only” AMC to non-Club transfer values for Parts C and D membership. If such a member has additional pension, or membership gained other than through active service, then those benefits may also have a different retirement age, in which case it will also require a separate calculation.
- 2.6 At most, a member may have some CRA membership and some PA65 membership; some elements of such membership may be based on eightieths accruals and other elements on sixtieths, but in no case should it be necessary to calculate more than three intermediate CETVs.
- 2.7 If three categories of members and four of service are defined as set out below, the various combinations required for taking into CETV calculations are as set out in Table 1.
- Group 1: A member who was a member before 1 December 2006, and born on 31 March 1960 or earlier;
  - Group 2: A member who was a member before 1 December 2006, and born on or after 1 April 1960;
  - Group 3: A member who was not a member before 1 December 2006.

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- Part A: Membership up to and including 31 March 2008
- Part B: Membership from 1 April 2008 to 31 March 2009
- Part C: Membership from 1 April 2009 to 31 March 2020
- Part D: Membership from 1 April 2020

**Table 1: combinations of pension age and accrual rate for CETV calculations**

Membership type	Member category		
	Group 1	Group 2	Group 3
Part A	CRA/80ths	CRA/80ths	65/80ths
Part B	CRA/80ths	65/80ths	65/80ths
Part C	CRA/60ths	65/60ths	65/60ths
Part D	65/60ths	65/60ths	65/60ths

- 2.8 The Early Retirement Guidance provides instructions on how to allocate periods of membership not gained through active service. Additional Pension benefits under regulations 13 or 14 of the Benefits Regulations do not require an accrual rate to calculate and their value should be calculated using PA65 factors. The factors should be applied to the accrued additional pension in the same way as they would be applied to other accrued pension for service from April 2009.
- 2.9 Example calculations of a Group 1 and a Group 2 member are shown in Section 4.
- 2.10 If the fund has previously received a non-club transfer in respect of the member, then an underpin applies in the case of a non-club transfer value calculation. The underpin is equal to the amount of the transfer received plus member contributions paid to the LGPS.
- 2.11 The protected-rights element of a non-club transfer value is equal to the value of the GMP calculated using the protected rights factors plus the value of benefits accrued after 6 April 1997, excluding added years or additional pension.
- 2.12 Members may flexibly retire, receiving a pension while remaining in service. If such a member leaves service and requests a CETV for the purposes of transferring a pension then the CETV should include allowance for the deferred benefits but not the benefits in payment. If such a member requests a CETV for the purposes of divorce, the following approach should be adopted. A CETV can be calculated for the pension in payment as it would be calculated for a full pensioner and in addition a separate CETV can be calculated for the benefits that have not yet come into payment as would be calculated for an active or deferred member. The sum of these two elements would then be the total CETV that should be quoted.
- 2.13 LGPS Club calculations should be based on the approach described above for CETV calculations, except that the Club earnings cap should not form part of these calculations.
- 2.14 All Club and outgoing non-Club CETV calculations in relation to 60ths benefits should be undertaken using only the pension factors and ignoring the lump sum factors. However, in the case of Club calculations, the mixed pension-and-lump sum AMCs should be applied, whereas in the case of outgoing non-Club CETV calculations, the pension-only AMCs should be applied.

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- 2.15 A member is entitled to a CETV quotation for the purposes of transferring their pension, but any transfer request should be made while under age 64. A CETV quotation for divorce purposes must be provided at any age.
- 2.16 A transfer-out by a Councillor is always a non-Club transfer, whether the receiving scheme is a Club or non-Club scheme since Councillor benefits are not final salary benefits.

### **3 Transfers in**

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- 3.1 A member may request his Fund to accept a transfer value if the request is made within 12 months of joining or such longer period as his employer may allow. SPPA policy is that transfer credits should not be granted after age 64½.
- 3.2 Incoming transfer credits awarded prior to 1 April 2009 will have been calculated using existing guidance and factors. From 1 April 2009, all incoming transfer credits should be calculated by reference to PA65. If the member subsequently retires before attaining age 65, their transferred-in benefits will then be subject to the normal early retirement reductions applicable to PA65 benefits, as described in the GAD guidance on early retirement.
- 3.3 Where members joined prior to 1 April 2009, transfer credits should be calculated so as to produce a service credit expressed in “80ths” form. For Club transfers-in, this will require a calculation involving both the pension and lump sum factors set out in the standard tables of Club transfer factors, and the application of a mixed pension-and-lump sum AMC. For non-Club transfers-in, this will require a calculation using both the pension and lump sum factors set out in the tables of non-Club transfer-in PA65/80ths factors, and the application of a mixed pension-and-lump sum AMC.
- 3.4 Where members joined on or after 1 April 2009, transfer credits should be calculated so as to produce a service credit expressed in “60ths” form. For Club transfers-in, this will require a calculation involving only the pension factors set out in the standard tables of Club transfer factors, but the methodology agreed within the Club requires nevertheless that a mixed pension-and-lump sum AMC should be applied. For non-Club transfers-in, this will require a calculation using the pension factors set out in the tables of non-Club transfer-in PA65/60ths factors; nevertheless, a mixed pension-and-lump sum AMC should be applied, because the pension factors have been developed allowing for some commutation for lump sum.
- 3.5 For the avoidance of doubt, no lump sum factor is required for service credits in 60ths form. The partner’s accrual rate remains at 160ths (which now represents 37.5% of the member’s 60ths pension).
- 3.6 Transfer credits awarded under protected regulation 65(5) of the 1998 Regulations should be calculated according to the GAD guidance under protected regulation 65(8). These credits will count as PA65 membership for the purposes of early retirement and will have an 80ths accrual rate for member’s pension and 160ths rate for partner’s pension but will have no attaching Retirement Grant.
- 3.7 If a member whose pay in the LGPS is above the Club earnings cap transfers in service that was subject to (or potentially subject to) an earnings cap in the sending scheme using a Club Transfer, then a further adjustment is required as agreed by SPPA. The service credit awarded should first be calculated with regard to the Club earnings cap. The credit should then be multiplied by the ratio of the Club earnings cap to the member’s pay in the LGPS. The Club earnings cap will be notified annually to Club schemes and will reflect the uprated Inland Revenue earnings cap if it had not been disapplied by HMRC. In 2009/10 the Club earnings cap is £123,600 a year. Since April 2006, the LGPS has not applied an earnings cap and thus the earnings cap does not need to be considered for any non-Club transfers in and for Club transfers-in from schemes which do not apply an earnings cap.

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- 3.8 Members who were members immediately before 1 April 1998 could count the actual service relating to transferred-in benefits when calculating their rule of 85 age if that service was greater than the service credit. However, this is not possible for credits awarded on or after 1 April 2008.
- 3.9 Section 4 has an example of the calculation for a member joining on or after 1 April 2009.



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## 4 Examples

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### 1 Non-Club CETV calculation for a Group 2 member with CRA pre-2008 service and PA65 post-2008 service

#### Member data:

Date of birth: 1 September 1965  
Sex: Male  
Marital status: Married  
Date of joining: 1 July 1985  
Guarantee date: 1 July 2009  
Yield on guarantee date: 2%  
(NB this is assumed and will not necessarily be the actual yield on that date)

Total service: 24 years 0 days  
Service before 1 April 2008: 22 years 274 days  
Service between 1 April 2008 and 31 March 2009: 1 year 0 days  
Service from 1 April 2009: 0 years 91 days  
Final pensionable salary: £20,000  
Date of leaving: 30 June 2009

Pre-88 GMP £100 pa  
Post-88 GMP £500 pa

#### Initial Calculations

##### Service before 1 April 2008

Critical retirement age = 60

##### Mixed pension and lump sum benefits

Pension	= $(22+274/365) \times £20,000 / 80$	= £5,687.67 pa
Retirement grant	= $3 \times £5,687.67$	= £ 17,063.01
Dependants' pension	= $£5,687.67 / 2$	= £2,843.84 pa

##### Service from 1 April 2008

Normal retirement age = 65

##### Mixed pension and lump sum benefits

Pension	= $1 \times £20,000 / 80$	= £ 250.00 pa
Retirement grant	= $3 \times £20,000 / 80$	= £ 750.00
Dependants' pension	= $1 \times £20,000 / 160$	= £ 125.00 pa

##### Pension only benefits

Pension	= $91/365 \times £20,000 / 60$	= £ 83.11 pa
Dependants' pension	= $91/365 \times £20,000 / 160$	= £ 31.16 pa

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<b>Factors (Male, Aged 43 last birthday at Guarantee date)</b>	
Pension Factor (CRA 60)	9.99
Retirement Grant Factor (CRA 60)	0.57
Partner's Factor (Married)	1.78
GMP Factor	2.54
Pension Conversion Factor (PA60 to PA65)	0.76
Retirement Grant Conversion Factor (PA60 to PA65)	0.88
Post-88 GMP Adjustment Factor	0.25
AMC (mixed pension and lump sum)	1.12
AMC (pension only)	1.12

**Individual transfer (mixed pension and lump sum)**

$[5,687.67 + (250.00 \times 0.76)]$	$\times 9.99$	= £58,717.92
$[17,063.01 + (750 \times 0.88)]$	$\times 0.57$	= £10,102.12
$(2,843.84 + 125.00)$	$\times 1.78$	= £ 5,284.54
Total		= £74,104.58

Less GMP  $(£100 + 0.25 \times £500) \times 2.54$  = (£571.50)

Amount before AMC = £73,533.08

Amount after AMC  $(73,533.08 \times 1.12)$  = £82,357.05

**Individual transfer (pension only)**

83.11	$\times 0.76$	$\times 9.99$	= £ 631.00
31.16		$\times 1.78$	= £ 55.46
Total			= £ 686.46

Amount before AMC = £ 686.46

Amount after AMC  $(686.46 \times 1.12)$  = £ 768.84

**Total individual Transfer Value = £83,125.89**

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## 2 Non-Club CETV calculation for a Group 1 member with CRA pre-2008 service and CRA post-2008 service

### Member data:

Date of birth: 1 September 1954

Sex: Male

Marital status: Married

Date of joining: 1 July 1985

Guarantee date: 1 July 2009

Yield on guarantee date: 2%

(NB this is assumed and will not necessarily be the actual yield on that date)

Total service: 24 years 0 days

Service before 1 April 2008: 22 years 274 days

Service between 1 April 2008 and 31 March 2009: 1 year 0 days

Service after 1 April 2009: 0 years 91 days

Final pensionable salary: £20,000

Date of leaving: 30 June 2009

Pre-88 GMP £100 pa

Post-88 GMP £500 pa

### Initial Calculations

#### Service before 1 April 2008

Critical retirement age = 60

#### Mixed pension and lump sum benefits

Pension =  $(22+274/365) \times £20,000 / 80$  = £ 5,687.67 pa

Retirement grant =  $3 \times £5,687.67$  = £ 17,063.01

Dependants' pension =  $£5,687.67 / 2$  = £ 2,843.84 pa

#### Service from 1 April 2008

Critical retirement age = 60

#### Mixed pension and lump sum benefits

Pension =  $1 \times £20,000 / 80$  = £ 250.00 pa

Retirement grant =  $3 \times £20,000 / 80$  = £ 750.00

Dependants' pension =  $1 \times £20,000 / 160$  = £ 125.00 pa

#### Pension only Benefits

Pension =  $91/365 \times £20,000 / 60$  = £ 83.11 pa

Dependants' pension =  $91/365 \times £20,000 / 160$  = £ 31.16 pa

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<b>Factors (Male, Aged 54 last birthday at Guarantee date)</b>	
Pension Factor (CRA60)	14.50
Retirement Grant Factor (CRA60)	0.83
Partner's Factor (Married)	2.42
GMP Factor	3.12
Post-88 GMP Adjustment Factor	0.25
AMC (mixed pension and lump sum)	1.11
AMC (pension only)	1.12

**Individual transfer (mixed pension and lump sum)**

$(5,687.67 + 250.00) \times 14.50$	= £ 86,096.22
$(17,063.01 + 750.00) \times 0.83$	= £ 14,784.80
$(2,843.84 + 125.00) \times 2.42$	= £ 7,184.59
Total	= £108,065.61
Less GMP $(£100 + 0.25 \times £500) \times 3.12$	= (£ 702.00)
Amount before AMC	= £107,363.61
Amount after AMC $(107,363.61 \times 1.11)$	= £119,173.61

**Individual transfer (pension only)**

83.11	$\times 14.50$	= £ 1,205.10
31.16	$\times 2.42$	= £ 75.41
Total		= £ 1,280.51
Amount before AMC		= £ 1,280.51
Amount after AMC $(1,280.51 \times 1.12)$		= £ 1,434.17
<b>Total individual Transfer Value</b>		<b>= £120,607.78</b>

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### 3 Transfer-in for a post-2009 joiner

#### Member data:

Date of birth: 1 September 1975  
Sex: Female  
Marital status: Single  
Date of joining: 1 July 2009  
Salary: £20,000  
Transfer date: 1 July 2009  
Yield on transfer date: 2%  
(NB this is assumed and will not necessarily be the actual yield on that date)

Transfer value: £20,000  
Pre-88 GMP: nil  
Post-88 GMP: £100 pa

<b>Factors (Female, aged 33 last birthday at Transfer date)</b>	<b>Club</b>	<b>Non-club</b>
Pension Factor (CRA60)	7.48	14.01
Partner's Factor (Single)	0.57	1.16
GMP Factor	1.79	1.79
Pension Conversion Factor (PA60 to PA65)	0.77	0.77
Post-88 GMP Adjustment Factor	n/a	0.25
Post-88 GMP Conversion Factor (PA60 to PA65)	-1.20	n/a
AMC (mixed pension and lump sum)	1.12	1.12

**Club calculation** (assuming pensionable pay was also £20,000 in the previous club scheme)

Cost of 1 years service  
 $\text{£}20,000 / 60 \times [ 7.48 \times 0.77 + 0.57 \times 60 / 160 ] = \text{£}1,991.12$

Adjusted Transfer Value  
 $\text{£}20,000 / 1.12 + (-1.20) \times \text{£}100 \times 1.79 = \text{£}17,642.34$

Service credit  
 $\text{£}17,642.34 / \text{£}1,991.12 = 8 \text{ years } 314 \text{ days}$

#### Non-club calculation

Cost of 1 years service  
 $\text{£}20,000 / 60 \times [ 14.01 \times 0.77 + 1.16 \times 60 / 160 ] = \text{£}3,740.90$

Adjusted Transfer Value  
 $\text{£}20,000 / 1.12 + 0.25 \times \text{£}100 \times 1.79 = \text{£}17,901.89$

Service credit  
 $\text{£}17,901.89 / \text{£}3,740.90 = 4 \text{ years } 287 \text{ days}$

Note: this member has PA 65 for all benefits. However since the 'core' transfer table is based on PA 60, the pension factor must be adjusted to be appropriate for PPA 65. More guidance on this point is provided in the original CETV instructions.