



Government  
Actuary's  
Department

## **Police pension schemes (Scotland)**

2006 Scheme

Non-Club incoming transfers

Factors and guidance

Date: 10 December 2020





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## 1 Introduction

- 1.1 This note is provided for the Scottish Public Pension Agency (SPPA) as the scheme manager of the police pension schemes. It sets out how to determine the appropriate service credit for incoming non-Club transfers in to the 2006 scheme.
- 1.2 A service credit in respect of a non-Club transfer value may be awarded in the 2006 scheme in accordance with regulation 15 of The Police Pensions (Scotland) Regulations 2007 (as amended) (SSI 2007/201).
- 1.3 The factors provided in this note have been prepared in light of our advice to SPPA date 30 October 2018 and its instructions following that advice.
- 1.4 This guidance is intended to supersede any factors and guidance previously issued by GAD for the purposes of calculating non-club incoming transfers, carried out from 30 October 2018. No advice or factors issued in the past should be used for CETV cases after this date. In particular, this guidance supersedes:
- “Police Pension Schemes (Scotland) 2006 Scheme: Non-Club incoming transfers” dated 15 April 2015.
- 1.5 The formulae and factors for calculating the service credit to be awarded are set out in the following sections:
- Section 2 covers the details on how transfers in to the 2006 scheme should be processed.
  - Section 3 covers the calculation of the service credit to be awarded to 2006 scheme members.
  - Section 4 sets out an example calculation.
  - Appendix A contains the factors required to determine the appropriate service credit for incoming non-Club transfers into the 2006 scheme.
  - Appendix B sets out the principal assumptions underlying the factors contained in this guidance note
  - Appendix C contains some important limitations

### Exclusions and Scope

- 1.6 This note only covers non-Club incoming transfers into the 2006 scheme. Guidance on pension credits and the factors to use for incoming transfers from a member of the Public Sector Transfer Club are contained within the Club Memorandum, issued by the Club Secretariat.
- 1.7 Separate guidance and factors cover the calculation of service credits and pension credits for incoming non-Club transfers into the 1987 and 2015 schemes respectively.
- 1.8 This note does not cover transfers in from the British Transport Police Force Superannuation Fund under any bilateral agreement.



### **Implementation and Review**

- 1.9 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 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.
- 1.10 Our understanding of the usual transitional arrangements for transfer in calculations is that quotes are made using factors effective at that time. Therefore, we suggest the following transitional arrangements could be reasonable for transfer in calculations:
- Where the transfer in has been completed before the effective date of the new approach, this original credit should be honoured. Furthermore, transfer in quotations provided before the effective date of the new approach could remain valid where monies are received within one year of a member’s starting date. As noted previously, this is pending any decision to subsequently take retrospective action on completed cases.
  - For any other quotations in progress after the effective date of the new approach, this new approach would be used for the calculation.
- 1.11 We are recommending that the new approach in respect of GMP entitlements is implemented from the date of receipt of each of our updated guidance notes.
- 1.12 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the Police Pension Schemes. Any questions concerning the application of the guidance should, in the first instance, be referred to SPPA.
- 1.13 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.
- 1.14 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**

- 1.15 This guidance has been prepared for the use of SPPA 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.



- 1.16 Other than SPPA, 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 Processing transfers in

### The relevant date

2.1 The age and pensionable pay used in the calculation should be determined as at the relevant date for the calculation. The relevant date is the date on which the transfer payment is received, except where:

- The transfer payment is received within 12 months of the member joining or rejoining a police force, in which case the relevant date is the date of joining or rejoining.
- An officer requests a quotation of the service credit in advance of the transfer value being paid. If the transfer payment is subsequently received within 3 months of the calculation date for the quotation, and if the amount of the transfer value is unchanged from the amount used in the quotation, the relevant date is the same date as used for the quotation (i.e. the quoted service credit is honoured).

### Receiving a transfer that includes a GMP

2.2 Before a statutory CETV is accepted a check must be conducted to ensure that the transfer value is sufficient to ensure that the GMP liability will be covered. Such part of the transfer value as relates to pension benefit accrual before 6 April 1997 must be at least as great as the product of:

- the annual amount of the GMP revalued up to the calculation date, and
- the factor specified below:

Age	Factor <sup>1</sup>
29 or under	8
30 to 39	9
40 to 49	10
50 or over	12

If this test is not satisfied, the transfer cannot be accepted by the 2006 scheme.

2.3 In a case where a transfer cannot be accepted because the GMP test in paragraph 2.2 is not satisfied, the 2006 scheme would nevertheless be able to accept a transfer value in respect of the benefits in excess of the GMP, with the GMP liability remaining with the former scheme.

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<sup>1</sup> The factors are set out in Regulation 15 of The Police Pensions (Scotland) Regulations 2007 (SSI 2007/201) and these are the current factors at the date of issue. Any changes in the regulations override this guidance.



### 3 Calculation of the service credit

- 3.1 The age and pensionable pay used in the calculation should be determined as at the relevant date.
- 3.2 The figure for the member's pay should be their pensionable pay in the 2006 scheme expressed as an annual rate (i.e. as would be used in the calculation of lump sum death grant) as at the relevant date.
- 3.3 If the member is working part-time as a police officer in the 2006 scheme, the service credit awarded shall nevertheless count as full-time service. It shall be calculated using member's full-time equivalent pensionable pay.
- 3.4 Factors for the survivor's pension do not depend on whether or not the member has a qualifying partner, hence, only one set of factors is shown.
- 3.5 The service credit to be awarded is calculated using the following formula.

$$TV \div 1yr$$

Where:

TV	the transfer value
1yr	the cost of one year's accrual, as calculated in section 3.6

- 3.6 The cost of one year's accrual is calculated as

$$[F_p + (4 \times F_{ls}) + (0.5 \times F_{sur})] \times PAY \div 70$$

Where:

$F_p$	factor for member's pension – <b>Table TVIN_06M or Table TVIN_06F</b>
$F_{ls}$	factor for member's lump sum – <b>Table TVIN_06M or Table TVIN_06F</b>
$F_{sur}$	factor for survivor's pension – <b>Table TVIN_06M or Table TVIN_06F</b>
PAY	member's pensionable pay in the 2006 scheme as at the relevant date, see paragraphs 3.1 to 3.3



### Section 9(2B) rights

- 3.7 If the transfer value received includes benefits in respect of service after 6 April 1997 in a contracted out pension scheme, the 2006 scheme service credit in respect of benefits identified by the former scheme as post-97 contracted-out rights must be recorded as Section 9(2B) rights. The length of the service credit that counts as Section 9(2B) rights is determined as follows:

$$TV_{\text{post97}} \div 1\text{yr}$$

Where:

$TV_{\text{post 97}}$	the portion of the transfer value identified as post-1997 contracted-out rights
1yr	the cost of one year's accrual, as calculated in section 3.6

### Members' records

- 3.8 As well as service credit details, a record should be kept of:
- amount of the transfer value received
  - the portion of that transfer value identified as section 9(2B) rights
  - length of service credit that is section 9(2B) rights
  - if the actual length of 2006 scheme membership is less than two years, the length of qualifying service transferred from the former scheme



## 4 Example calculation

- 4.1 This section provides an example of the calculations described in this note.
- 4.2 Figures in this example calculation are rounded to a suitable level of accuracy. Where a figure is shown as an intermediate step in the calculation, subsequent steps will use this rounded figure as written on the page. It is also acceptable to perform these calculations on a computer spreadsheet, such as MS Excel, or using other suitable software. In that case the figures calculated in the intermediate steps may not be rounded, so the final answer may be slightly different to that shown in these examples. The difference will not be significant and both methods are valid. Whichever calculation method is used, the figures calculated as intermediate steps should not be rounded to a lower level of accuracy than used in this example.

### Statutory CETV transfer in

- 4.3 The following information is needed for this calculation:

A. Member date of birth	23 June 1966
B. Relevant date	9 August 2020
C. Member age	54 years
D. Gender	Male
E. Annual rate of Pensionable Pay in 2006 scheme	£44,600
F. Transfer Value from previous scheme	£155,460.25
G. TV in respect of section 9(2B) rights	£57,890.55

### Cost of 1 year's accrual

- 4.4 First, we must calculate the cost of one year's accrual (of benefits) (see 3.6):

$$1\text{yr} = [F_p + (4 \times F_{ls}) + (0.5 \times F_{sur})] \times \text{PAY} \div 70$$

$F_p = 21.46$  (from **Table TVIN\_06M** 'Gross Pension of £1 pa' column)

$F_{ls} = 0.98$  (from **Table TVIN\_06M** 'Lump sum of £1' column)

$F_{sur} = 2.76$  (from **Table TVIN\_06M** 'Survivor's Pension of £1 pa' column)

$\text{PAY} = £44,600$  (see 3.1 to 3.3 and **E.**)

(This is the member's pensionable pay in the 2006 scheme expressed as an annual rate, i.e. as would be used in the calculation of a lump sum death grant.)

Substituting these values into the formula above we get:

$$\begin{aligned} 1\text{yr} &= [21.46 + (4 \times 0.98) + (0.5 \times 2.76)] \times £44,600 \div 70 \\ &= 26.76 \times £44,600 \div 70 \\ &= £17,049.94 \end{aligned}$$

Therefore, the cost of one year's accrual is **£17,049.94**



### Service credit

4.5 From 3.5, the formula used to calculate service credit is:

$$TV \div 1\text{yr}$$

We have:

$$TV = \text{£}155,460.25 \text{ (see F.)}$$

$$1\text{yr} = \text{£}17,049.94 \text{ (as calculated earlier)}$$

Substituting these values into the formula above we get:

$$\begin{aligned} \text{Service Credit} &= \text{£}155,460.25 \div \text{£}17,049.94 \\ &= 155,460.25 \div 17,049.94 \\ &= 9.118 \text{ years} \\ &= 9 \text{ years } 0.118 \times 365 \text{ days} \\ &= 9 \text{ years } 44 \text{ days (rounding up to nearest day)} \end{aligned}$$

Therefore, the total service credit is **9 years 44 days**.

### Service credit in respect of section 9(2B) rights (see 3.7)

$$\text{Service credit}_{\text{post97}} = TV_{\text{post97}} \div 1\text{yr}$$

$$TV_{\text{post97}} = \text{£}57,890.55 \text{ (see G.)}$$

$$1\text{yr} = \text{£}17,049.94 \text{ (from above)}$$

Substituting these values into the formula above we get:

$$\begin{aligned} TV_{\text{post97}} &= 57,890.55 \div 17,049.94 \\ &= 3.395 \text{ years} \end{aligned}$$

Therefore, the service credit in respect of section 9(2B) rights is **3 years 145 days**.



## Appendix A: Factors

**Table TVIN\_06M (Table 224 in consolidated factors spreadsheet): Factors for non-Club incoming transfer – 2006 Scheme, male**

Age last birthday at relevant date	Gross Pension of £1 pa	Lump sum of £1	Survivor's Pension of £1 pa
40	31.47	1.39	4.11
41	31.13	1.38	4.08
42	30.67	1.36	4.03
43	30.12	1.34	3.97
44	29.49	1.32	3.89
45	28.81	1.29	3.81
46	28.08	1.26	3.71
47	27.30	1.23	3.61
48	26.48	1.19	3.50
49	25.64	1.16	3.38
50	24.78	1.12	3.26
51	23.92	1.08	3.14
52	23.08	1.05	3.02
53	22.30	1.02	2.89
54	21.46	0.98	2.76
55	20.76	0.96	2.70
56	20.30	0.96	2.73
57	19.84	0.96	2.77
58	19.36	0.96	2.80
59	18.88	0.96	2.83
60	18.38	0.96	2.85
61	17.89	0.96	2.88
62	17.38	0.96	2.90
63	16.87	0.96	2.93
64	16.35	0.96	2.86

**Notes:**

As noted in paragraph 1.9, the GMP adjustment factor has been removed from the calculation methodology



**Table TVIN\_06F (Table 225 in consolidated factors spreadsheet): Factors for non-Club incoming transfer – 2006 Scheme, female**

Age last birthday at relevant date	Gross Pension of £1 pa	Lump sum of £1	Survivor's Pension of £1 pa
40	31.47	1.39	4.11
41	31.13	1.38	4.08
42	30.67	1.36	4.03
43	30.12	1.34	3.97
44	29.49	1.32	3.89
45	28.81	1.29	3.81
46	28.08	1.26	3.71
47	27.30	1.23	3.61
48	26.48	1.19	3.50
49	25.64	1.16	3.38
50	24.78	1.12	3.26
51	23.92	1.08	3.14
52	23.08	1.05	3.02
53	22.30	1.02	2.89
54	21.46	0.98	2.76
55	20.76	0.96	2.70
56	20.30	0.96	2.73
57	19.84	0.96	2.77
58	19.36	0.96	2.80
59	18.88	0.96	2.83
60	18.38	0.96	2.85
61	17.89	0.96	2.88
62	17.38	0.96	2.90
63	16.87	0.96	2.93
64	16.35	0.96	2.86

**Notes:**

As noted in paragraph 1.9, the GMP adjustment factor has been removed from the calculation methodology



## Appendix B: Assumptions underlying factors

### Financial assumptions

Nominal discount rate	4.448% pa
CPI	2.00% pa
RPI	3.15% pa
Long term earnings growth	4.20% 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 long term earnings growth)	0.24% pa

### Mortality assumptions

#### Base mortality tables and adjustments

Members in normal health	117% of S2NMA (males) and 117% of S2NFA (females)
Dependants	116% of S2NMA (males) and 116% S2NFA (females)
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of Use	2020

### Other assumptions

Proportion of male members for unisex factors	70% for members and 30% for dependants
Age difference between member and partner	Males assumed 3 years older than female partners and females assumed to be 3 years younger than partner
Family statistics	80% (male), 75% (female) of members assumed married at retirement (85% (male), 80% (female) assumed partnered)
Allowance for commutation	Nil
Expense loading	Nil
Salary scale for transfers-in	In line with long term assumptions proposed for the 2016 valuation
In-service decrements (where applicable)	In line with 2016 valuation proposals



## 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 non-club incoming transfer 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 non-club incoming 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 SPPA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.