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**The Local Government Pension Scheme (Scotland)  
Councillors  
Individual (Non Club) Incoming Transfers**

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## **1 Introduction**

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### **Background**

- 1.1 Under the Schedule of the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 ("the Benefits Regulations") (SSI 2008/230), councillors are eligible to join the LGPS on a career average pay basis.
- 1.2 Although not specifically mentioned in the Schedule, the Scottish Public Pensions Agency ("SPPA") have informed us that councillors will have the facility to transfer-in pension rights from previous arrangements in exchange for benefits in the LGPS Scheme. When a councillor ceases active membership they will also have the option to transfer their benefits out of the LGPS.
- 1.3 In accordance with regulation 78(8) of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 (SSI 2008/228), a councillor may only transfer in benefits if he or she has given notice of wishing to transfer within twelve months of becoming an active member (or such longer period as the person's employer may allow). The date of becoming an active member will normally be the date the councillor was first elected.
- 1.4 Career average schemes are excluded from the Public Sector Transfer Club so this guidance only considers transfers on a non-Club basis. A transfer may be accepted from a scheme that is a member of the 'Club', but it will be on a non-Club basis.
- 1.5 The purpose of this note is to provide the guidance requested by SPPA relating to incoming transfers for councillors.

### **Implementation and Review**

- 1.6 The factors and guidance in this note should be followed with immediate effect.
- 1.7 The factors should be reviewed periodically, depending on external circumstances, for example when changes in the actuarial assumptions adopted for other scheme factors take place, or following each triennial cycle of future valuations of the LGPS.
- 1.8 This note replaces the previous guidance dated 2 October 2007.
- 1.9 I have followed our normal quality processes for work conducted on public service pension matters<sup>1</sup>.

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<sup>1</sup> GAD seeks to achieve a high standard in all our work. Please go to our [website](#) for details of the standards we apply.

**UNCLASSIFIED****Limitations**

- 1.10 This guidance note should not be used for any purpose other than to determine the transfer credit to be given to councillors who bring a transfer value into the LGPS.
- 1.11 This note only covers the actuarial principles around the calculation of incoming transfer credits for councillors and should not be used for any other purpose. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 1.12 This note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- 1.13 Administrators should satisfy themselves that they comply with all legislative and regulatory requirements.
- 1.14 This note is based on the regulation in force at the time of writing. It is possible that future changes to the Regulations would create inconsistencies between this guidance note and the Regulations. In no circumstances should this note take precedence over Scheme Regulations. If users believe that there is any such inconsistency they should notify SPPA.

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**2 Benefits on inward transfers**

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- 2.1 If a councillor member elects to transfer-in the value of their pension benefits from a previous arrangement, they will be credited with benefits in the LGPS. These are in addition to other benefits purchased or accrued by the Councillor. Rather than taking the form of additional service, these benefits will take the following form.

**Retirement**

- 2.2 On attaining age 65, a pension will be payable for life.
- 2.3 The pension will be indexed in line with the Retail Prices Index ("RPI") from the relevant date of the calculation while the member is in service.
- 2.4 After the member leaves service the pension will be indexed in line with the Pensions (Increase) Act 1971, currently this provides for increases in line with the Consumer Prices Index ("CPI"). The pension payable at retirement may be commuted to provide a larger lump sum, subject to HMRC limits.
- 2.5 Once in payment, the pension is indexed in line with the Pensions (Increase) Act 1971.

**Death before retirement**

- 2.6 Should a councillor die before age retirement, the attaching spouse's or civil partner's pension payable will be 37.5% of the full rate of pension credited from a transfer in, indexed as in paragraph 2.4 up to the date of death. Any children's pensions payable will be calculated based on the member's pension including the pension credited from any transfers-in.
- 2.7 Once in payment, the spouse's or civil partner's pension is indexed in line with the Pensions (Increase) Act 1971.
- 2.8 The death grant payable on the death of a councillor member while in active service is unaffected by transfers in to the Scheme since it is based on a multiple of career average pay. However the death grant payable on the death of a deferred councillor member will reflect the transfer into the scheme as it is based on a multiple of the pension that would have been payable if the councillor had retired on the date of death.

**Ill health**

- 2.9 Should a councillor suffer incapacity before age 65, the pension paid on retirement will include the pension credited from any transfer-in. The pension will be indexed as set out in paragraph 2.4.

**Death after retirement**

- 2.10 On the death of a member after retirement, the pension payable to a spouse, civil partner or child are calculated with reference to the member's pension payable before the member's death including the pension credited from any transfers-in as is the death grant that may be payable.

**Retirement at ages other than 65**

- 2.11 If the member retires at an age other than 65 then their pension should be increased or reduced in line with the factors contained in the relevant GAD guidance. At the time of writing the current GAD guidance relating to Early Retirement Factors is dated 28 March 2012 and the current GAD guidance relating to Late Retirement Factors is dated 1 February 2012.

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**3 Transfer-in formulae**

- 3.1 All transfer-in service credits should be based on Pension Age 65, and the “60ths” benefit structure.
- 3.2 The following data items are needed:

Data item	Reference in formulae below
Date of Birth	N/A
Gender	N/A
Relevant date	N/A and see note (a) below
Non-club transfer value offered	CETV
Pre88 GMP transferred (£ pa)	Q
Post88 GMP transferred (£ pa)	R

(a) The relevant date will be the date the councillor joined the LGPS if the transfer value is received within the first year of service or the date the transfer value is received if the transfer value is received after the first year of service.

- 3.3 Formulae required in order to calculate the additional pension to be provided to a member:

**Additional pension provided = Adjusted transfer value ÷ Cost of £1 of pension**

Where:

**Adjusted transfer value = CETV + [(Q + (0.15 x R)) x FACTOR<sup>GMP-IN</sup>]**

**Cost of £1 of pension = FACTOR<sup>P-IN</sup> + (FACTOR<sup>S-IN</sup> x 0.375)**

The factors in the formulae above are taken from the following Tables (in Appendix 1):

Factor in formulae above (and elsewhere in this guidance)	Relevant column heading in table A or B above	Table to be used
FACTOR <sup>P-IN</sup>	“Gross pension”	Table A (for males) or B (for females) in this Guidance
FACTOR <sup>S-IN</sup>	“Surviving partner’s pension”	Table A (for males) or B (for females) in this Guidance
FACTOR <sup>GMP-IN</sup>	“Adjustment for GMP”	Table A (for males) or B (for females) in this Guidance

Please see Appendix 1 for Tables A and B and Appendix 2 for detailed examples of how to apply the formulae.

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Appendix 1

**Table A - cost of providing additional pension for non-club incoming transfers - males**

The following table shows the transfer value required to provide an additional annual pension of £1 pa to a male member, as a result of an incoming non-club transfer in to the LGPS. These tables should be used in conjunction with the formulae and examples provided in this Guidance.

Cost of providing the additional pension (male aged 16-40)				Cost of providing the additional pension (male aged 41-64)			
Relevant date <sup>1</sup>	Gross pension	Surviving partner's pension	Adjustment for GMP <sup>2</sup>	Relevant date <sup>1</sup>	Gross pension	Surviving partner's pension	Adjustment for GMP <sup>2</sup>
16	7.69	2.12	3.08	41	11.41	3.29	3.32
17	7.81	2.16	3.09	42	11.59	3.34	3.33
18	7.94	2.21	3.10	43	11.77	3.39	3.35
19	8.06	2.25	3.11	44	11.96	3.43	3.36
20	8.19	2.29	3.11	45	12.14	3.48	3.37
21	8.32	2.33	3.12	46	12.34	3.53	3.38
22	8.46	2.38	3.13	47	12.53	3.58	3.39
23	8.59	2.42	3.14	48	12.73	3.62	3.41
24	8.73	2.47	3.15	49	12.93	3.67	3.42
25	8.87	2.51	3.16	50	13.14	3.71	3.43
26	9.01	2.56	3.17	51	13.35	3.75	3.44
27	9.15	2.60	3.18	52	13.56	3.79	3.46
28	9.30	2.65	3.19	53	13.78	3.82	3.47
29	9.45	2.70	3.20	54	14.00	3.86	3.49
30	9.60	2.74	3.21	55	14.24	3.89	3.50
31	9.75	2.79	3.22	56	14.47	3.92	3.52
32	9.90	2.84	3.23	57	14.72	3.94	3.54
33	10.06	2.89	3.24	58	14.97	3.96	3.56
34	10.22	2.94	3.25	59	15.24	3.97	3.58
35	10.38	2.99	3.26	60	15.52	3.98	3.60
36	10.55	3.04	3.27	61	15.81	3.98	3.63
37	10.71	3.09	3.28	62	16.12	3.97	3.65
38	10.88	3.14	3.29	63	16.45	3.95	3.68
39	11.06	3.19	3.30	64	16.81	3.92	3.79
40	11.23	3.24	3.31				

<sup>1</sup> Age is based on the member's last birthday (see Appendix 2 for examples)

<sup>2</sup> When calculating the deduction for GMP, the relevant factor in the table above should be applied to the sum of:

a) the member's GMP amount in respect of service up to 5 April 1988;

b) the member's GMP amount in respect of service after 5 April 1988, multiplied by 0.15

Please see section 3 for detailed formulae and Appendix 2 for an example

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**Table B - cost of providing additional pension for non-club incoming transfers - females**

The following table shows the transfer value required to provide an additional annual pension of £1 pa to a female member, as a result of an incoming non-club transfer in to the LGPS. These tables should be used in conjunction with the formulae and examples provided in this Guidance.

Cost of providing the additional pension (female aged 16-40)				Cost of providing the additional pension (female aged 41-64)			
Relevant date <sup>1</sup>	Gross pension	Surviving partner's pension	Adjustment for GMP <sup>2</sup>	Relevant date <sup>1</sup>	Gross pension	Surviving partner's pension	Adjustment for GMP <sup>2</sup>
16	8.19	1.08	2.58	41	12.24	1.57	2.78
17	8.32	1.10	2.59	42	12.44	1.59	2.79
18	8.46	1.11	2.60	43	12.64	1.60	2.79
19	8.59	1.13	2.61	44	12.84	1.62	2.80
20	8.73	1.15	2.61	45	13.05	1.64	2.81
21	8.88	1.17	2.62	46	13.26	1.66	2.82
22	9.02	1.19	2.63	47	13.47	1.67	2.83
23	9.17	1.21	2.64	48	13.68	1.69	2.84
24	9.32	1.23	2.64	49	13.90	1.70	2.85
25	9.47	1.25	2.65	50	14.13	1.71	2.86
26	9.62	1.27	2.66	51	14.35	1.72	2.87
27	9.78	1.29	2.67	52	14.59	1.73	2.88
28	9.94	1.31	2.67	53	14.82	1.74	2.90
29	10.10	1.33	2.68	54	15.06	1.75	2.91
30	10.26	1.35	2.69	55	15.31	1.76	2.92
31	10.43	1.37	2.70	56	15.56	1.76	2.94
32	10.60	1.39	2.70	57	15.82	1.77	2.95
33	10.77	1.41	2.71	58	16.08	1.77	2.97
34	10.94	1.43	2.72	59	16.35	1.76	3.05
35	11.12	1.45	2.73	60	16.64	1.76	3.16
36	11.30	1.47	2.74	61	16.93	1.75	3.25
37	11.48	1.49	2.74	62	17.23	1.74	3.35
38	11.67	1.51	2.75	63	17.55	1.72	3.44
39	11.86	1.53	2.76	64	17.88	1.69	3.54
40	12.05	1.55	2.77				

<sup>1</sup> Age is based on the member's last birthday (see Appendix 2 for examples)

<sup>2</sup> When calculating the deduction for GMP, the relevant factor in the table above should be applied to the sum of:

- a) the member's GMP amount in respect of service up to 5 April 1988;
- b) the member's GMP amount in respect of service after 5 April 1988, multiplied by 0.15

Please see section 3 for detailed formulae and Appendix 2 for an example

Local Government Pension Scheme (Scotland)  
Councillors - Non Club Incoming Transfers

UNCLASSIFIED

## Appendix 2

### Example 1 – Additional pension granted on a transfer-in by a male councillor

#### Data

A married male councillor born on 1 February 1963.

Transfer value = £100,000 (this member does not have any GMP benefits).

The date of calculation is 1 June 2013. He is aged 50 years, 4 months at this date.

#### Factors

We now need to read off the relevant factors for this member from the tables above. We use table A, since he is a male, and use an age of 50 as his last birthday was his 50<sup>th</sup>. Assuming an NRA of 65 we obtain the following factors:

FACTOR <sup>P-IN</sup>	=	13.14
FACTOR <sup>S-IN</sup>	=	3.71
FACTOR <sup>GMP-IN</sup>	=	3.43 (although this member does not have any GMP benefits and so this factor is not used)

#### Calculation – additional pension

Carrying out the calculation as per the formulae in section 3 gives:

$$\begin{aligned} \text{Adjusted transfer value} &= \text{CETV} + [(Q + (0.15 \times R)) \times \text{FACTOR}^{\text{GMP-IN}}] \\ &= £100,000 + [ (£0 + (0.15 \times £0)) \times 0 ] \\ &= £100,000 \end{aligned}$$

$$\begin{aligned} \text{Cost of £1 of pension} &= \text{FACTOR}^{\text{P-IN}} + (\text{FACTOR}^{\text{S-IN}} \times 0.375) \\ &= 13.14 + (3.71 \times 0.375) \\ &= 14.53 \end{aligned}$$

$$\begin{aligned} \text{Additional pension provided} &= \text{Adjusted transfer value} \div \text{Cost of £1 of pension} \\ &= £100,000 \div 14.53125 \\ &= £6,882 \text{ pa} \end{aligned}$$



Local Government Pension Scheme (Scotland)  
Councillors - Non Club Incoming Transfers

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**Other benefits provided to the member**

The additional pension calculated above includes other benefits such as an immediate pension upon early retirement due to ill health, and a dependant's pension (equal to 37.5% of the member's pension) payable to a surviving partner on the death of the member.

**Results**

Based on the above calculations, the councillor would be credited with a pension of £6,882 pa payable from age 65. This amount will be increased from the transfer date until the councillor leaves the scheme with reference to the Retail Prices Index, with increases after the date on which the councillor leaves the scheme in line with the Pensions (Increase) Act 1971 (which currently reflects increases in line with the Consumer Prices Index).

Local Government Pension Scheme (Scotland)  
Councillors - Non Club Incoming Transfers

**UNCLASSIFIED**

**Example 2 – Additional pension granted on a transfer-in by a female councillor**

**Data**

An unmarried female councillor born on 1 March 1966.

Transfer value = £100,000 (including revalued post 88 GMP of £450 pa).

Let's suppose the date of calculation is 1 June 2013. She is aged 47 years, 3 months.

**Factors**

We now need to read off the relevant factors for this member from the tables above. We use table B, since she is a female, and use an age of 47 as her last birthday was her 47<sup>th</sup>. Assuming an NRA of 65 we therefore obtain the following factors:

FACTOR <sup>P-IN</sup>	=	13.47
FACTOR <sup>S-IN</sup>	=	1.67 (see note below)
FACTOR <sup>GMP-IN</sup>	=	2.83

NB – we still use a factor for the spouse's proportion because, even though this member is unmarried, should they marry in the future their spouse will be entitled to a benefit upon the member's death.

**Calculation – additional pension**

Carrying out the calculation as per the formulae in section 3 gives:

$$\begin{aligned} \text{Adjusted transfer value} &= \text{CETV} + [(Q + (0.15 \times R)) \times \text{FACTOR}^{\text{GMP-IN}}] \\ &= £100,000 + [ (£0 + (0.15 \times £450)) \times 2.83 ] \\ &= £100,191 \end{aligned}$$

$$\begin{aligned} \text{Cost of £1 of pension} &= \text{FACTOR}^{\text{P-IN}} + (\text{FACTOR}^{\text{S-IN}} \times 0.375) \\ &= 13.47 + (1.67 \times 0.375) \\ &= 14.10 \end{aligned}$$

$$\begin{aligned} \text{Additional pension provided} &= \text{Adjusted transfer value} \div \text{Cost of £1 of pension} \\ &= £100,191 \div 14.09625 \\ &= £7,108 \text{ pa} \end{aligned}$$

Local Government Pension Scheme (Scotland)  
Councillors - Non Club Incoming Transfers

## UNCLASSIFIED

### **Other benefits provided to the member**

The additional pension calculated above includes other benefits such as an immediate pension upon early retirement due to ill health, and a dependant's pension (equal to 37.5% of the member's pension) payable to a surviving partner on the death of the member.

### **Results**

Based on the above calculations, the councillor would be credited with a pension of £7,108 pa payable from age 65. This amount will be increased from the transfer date until the councillor leaves the scheme with reference to the Retail Prices Index, with increases after the date on which the councillor leaves the scheme in line with the Pensions (Increase) Act 1971 (which currently reflects increases in line with the Consumer Prices Index).