

**The Local Government Pension Scheme  
(England and Wales)  
Individual Incoming & Outgoing Transfers**

**Members in service on or after 1 April 2008**

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Local Government Pension Scheme (England and Wales)  
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## **1 Legislative background**

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- 1.1 Under Regulation 83 of the Local Government Pension Scheme (Administration) Regulations 2008 (“the Administration Regulations”) (SI 2008/239), a member may elect to transfer benefits from another scheme to the LGPS to be credited with additional membership. Under regulation 79 of the Administration Regulations, a member may elect to transfer benefits from the LGPS to another scheme.
- 1.2 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).
- 1.3 In 1999 a change was made to the yield definition for the purposes of adjustment for market conditions, a further note was issued in March 2004 providing additional clarification of how the 1995 guidance should be applied, and a letter from Andrew Johnston to Terry Crossley dated 18 October 2006 had the effect of revising the 1995 guidance to allow for the introduction of new early retirement factors from 1 October 2006. A note dated 27 April 2005 was issued to allow for the changes that were to be made by the Local Government Pension Scheme (Amendment) (No 2) Regulations 2004. However, since most of these amendments were later made ineffective, that guidance is not needed.
- 1.4 Transfers within the public-sector transfer club are covered by the “Club Memorandum” published by Cabinet Office. The latest edition of the memorandum at the time of writing is dated April 2007.
- 1.5 The purpose of this note prepared by the Government Actuary's Department for Communities and Local Government (CLG), and issued to them for onward transmission to administering authorities and employing authorities, is to provide guidance reflecting the changes to the LGPS coming into force on 1 April 2008 insofar as they are relevant to the treatment of incoming and outgoing individual transfers.
- 1.6 This guidance also makes allowance for the provisions of the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI 2008/238) (“The Transitional Regulations”).
- 1.7 Community Scheme Transfers under regulation 85 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 for members with no service after 31 March 2008 can be calculated using the guidance in force at that date. Members with some or all of their service after 31 March 2008 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 2008 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. Thus, before the exercise of any commutation option, benefits accrued from 1 April 2008 will consist only of member pension and associated contingent survivor benefits and children's pensions and the relevant factors should be applied to these benefits. Thus 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 2008, a pension age of 65 applies to the whole of their service, so that the "conversion factor" appropriate for a person with pension age of 65 should be used when calculating the transfer value, and there will be no need to utilise the lump sum factors in the calculation.
- 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.
- 2.5 Members in service both before and after 1 April 2008 will have benefits based on mixed accrual rates. When calculating a CETV with mixed accrual rates, the lump sum factors will be needed only in relation to the pre-2008 retirement grant element. If a member has the same retirement age for pre and post-2008 service then the pre- and post-2008 elements of pensions may be added together before applying the CETV factors.
- 2.6 However, many members in service both before 1 October 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-2008 service). In such cases, these "intermediate" CETVs should then be added together to give the total CETV. The AMC can be applied either separately to each element before adding or to the total after adding together the CETVs. 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 it will also require a separate calculation.
- 2.7 At most, a member may have some CRA membership, some taper membership and some NRA65 membership or additional benefits, so that, bearing in mind that only one accrual rate can attach to any of these three types of membership, a maximum of three intermediate CETVs would need to be calculated in any single case.
- 2.8 If four categories of members and two of service are defined as set out below, the various combinations required for taking into CETV calculations are as set out in Table 1.

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- Group 1: A member who was a member before 1st October 2006, and born on 31 March 1956 or earlier;
  - Group 2: A member who was a member before 1st October 2006, and born between 1 April 1956 and 31 March 1960 inclusive and who would reach their Critical Retirement Age by 31st March 2020;
  - Group 3: A member who was a member before 1st October 2006 who is not a Group 1 or Group 2 member;
  - Group 4: A member who was not a member before 1st October 2006.
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- Part A membership up to and including 31st March 2008
  - Part B membership from 1st April 2008 to 31 March 2016
  - Part C membership from 1st April 2016 to 31 March 2020
  - Part D membership from 1st March 2020

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

Membership type	Member category			
	Group 1	Group 2	Group 3	Group 4
Part A	CRA/80ths	CRA/80ths	CRA/80ths	65/80ths
Part B	CRA/60ths	Taper/60ths	65/60ths	65/60ths
Part C	65/60ths	Taper/60ths	65/60ths	65/60ths
Part D	65/60ths	65/60ths	65/60ths	65/60ths

2.9 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 NRA65 factors. The factors should be applied to the accrued additional pension in the same way as they would be applied to other accrued pension.

2.10 In order to calculate the part of a CETV in respect of taper membership, special factors are required for the adjustment that converts from NRA60 to other retirement ages for pension and lump sum factors. The tapered conversion factors for Part B and C membership of Group 2 members are calculated according to the taper period which is the number of years between 31 March 2016 and the date on which the member would first satisfy the rule of 85 and would also be aged 60 or over. Part-years should be taken into account in this calculation the result of which should be between 0 and 4 years. The interpolation factor ( $F_I$ ) is then equal to the taper period divided by 4 years. Then the tapered conversion factors are interpolated from the CRA and age 65 factors as follows:

$$P_{Taper} = F_I \times P_{65} + (1 - F_I) \times P_{CRA}$$

$P_{CRA}$ ,  $P_{65}$ , and  $P_{Taper}$  are the pension conversion factors for critical retirement age, NRA 65 and taper service, respectively. Conversion factors are not used for spouse's pension or GMPs and no lump sums are accrued subject to tapered protection.

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- 2.11 Example calculations of a group 2 and group 3 member are shown in section 4.
- 2.12 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.
- 2.13 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.
- 2.14 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.
- 2.15 An LGPS Club transfer value should not be calculated with regard to the Club earnings cap.
- 2.16 A member is entitled to a CETV quotation for the purposes of transferring their pension provided that they make a request while under age 64. A CETV quotation for divorce purposes must be provided at any age.
- 2.17 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.
- 2.18 Finally, we understand that DWP are reviewing CETV legislation with a planned implementation date of 1 October 2008. Further revisions to the calculation of LGPS CETVs may be required from that point.

### **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. CLG policy is that transfer credits should not be granted after age 64½.
- 3.2 If the member was an active member on 31 March 2008, the service credit on transfer-in can be calculated using the guidance in force before 1 April 2008 except that if the member was also a member immediately before 1 April 1998 the case should be referred to GAD. The credit will count as Part A membership for the purposes of early retirement and will have an 80ths accrual rate with a retirement grant attached.
- 3.3 Service credits for other members on transfer-in should be calculated as described below using factors appropriate for retirement age 65 and will count as Part D membership for the purposes of early retirement.
- 3.4 Members who were not in service before 1 October 2006 will receive all benefits based on NRA 65 and their transfer-ins are based on NRA 65. Those who joined before 1 April 2008 will have a transfer-in based on 80ths accrual and those that joined on or after 1 April 2008 will have a transfer-in based on 60ths accrual. However members who join the LGPS on or after 1 April 2008 who were not a member on 31 March 2008 but who have transitional protection by virtue of previously being in service before 1 October 2006 will receive a transfer-in based on NRA65 and a 60ths accrual rate although some or all of their other benefits will be based on their critical retirement age and some will have an 80ths accrual rate.
- 3.5 CLG have instructed us that a member who was a deferred member on 31 March 2008 who subsequently rejoins the LGPS and makes an election under regulation 4(2) of the Transitional Regulations should be treated under paragraph 3.3 of this guidance. The transferred-in membership for these members will therefore be based on NRA65 even if their other membership is subject to transitional Rule of 85 protection.
- 3.6 Transfer credits awarded under protected regulation 66(5) of the 1997 Regulations should be calculated according to the GAD guidance under Protected regulation 66(8) issued on 6 June 2007 and the GAD guidance on transfer credits in force before 1 April 2008. These credits will count as Part A membership for the purposes of early retirement and will have an 80ths accrual rate.
- 3.7 The calculation of the value of one year's service that is carried out as an intermediate step for those falling under paragraph 3.3 should be based on a 60ths accrual rate. The spouse's accrual rate remains at 160ths (which now represents 37.5% of the member's 60ths pension). The calculation does not need to allow for a retirement grant.
- 3.8 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 CLG. 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 2007/08 the Club earnings cap is £112,800 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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- 3.9 A transfer credit counts as membership for the purposes of calculating a member's protected rule of 85 retirement age whether the transfer takes place before or after 1 April 2008.
- 3.10 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.
- 3.11 Section 4 has an example of the calculation for a member joining on or after 1 April 2008.



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## 4 Examples

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### 1 CETV calculation for a member with CRA pre-2008 service and NRA65 post-2008 service

#### Member data:

Date of birth 1 July 1965  
Sex male  
Marital status married  
Date of joining 1 July 1985  
Guarantee date 1 July 2008  
Yield on guarantee date 2%  
(NB this is assumed and will not necessarily be the actual yield on that date)

Total service 23 years 0 days  
Pre-2008 service 22 years 274 days  
Post-2008 service 91 days  
Final pensionable salary £20,000  
Date of leaving 30 June 2008

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

#### Initial Calculations

Critical retirement age = 60  
Pre-2008 benefits  
Pension =  $(22+274/365) \times £20,000 / 80 = £5,687.68$  pa  
Retirement grant =  $3 \times £5,687.68 = £ 17,063.04$   
Dependants' pension =  $£5,687.68 / 2 = £2,843.84$  pa

Post-2008 benefits  
Pension =  $91/365 \times £20,000 / 60 = £83.10$  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	6.21
Retirement Grant Factor	0.52
Partner's Factor (Married)	2.68
GMP Factor	2.32
Pension Adjustment Factor (NRA60 to NRA65)	0.76
AMC	1.39

**Pre-2008 CETV**

$$£5,687.68 \times (6.21 + 3 \times 0.52 + 2.68 / 2) \times 1.39 = £72,022.52$$

**Post-2008 CETV**

$$£83.10 \times (6.21 \times 0.76 + 2.68 \times 60 / 160) \times 1.39 = £661.24$$

$$\text{Total CETV (before GMP adjustment)} = £72,683.76$$

$$\text{Less GMP } (£100 + 0.45 \times £500) \times 2.32 \times 1.39 = (£1,048.06)$$

$$\text{Total CETV (after GMP adjustment)} = £71,635.70$$

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## 2 CETV calculation for a member with CRA pre-2008 service and taper post-2008 service

### Member data:

Date of birth 1 July 1958  
Sex male  
Marital status married  
Date of joining 1 July 1985  
Guarantee date 1 July 2008  
Yield on guarantee date 2%  
(NB this is assumed and will not necessarily be the actual yield on that date)

Total service 23 years 0 days  
Pre-2008 service 22 years 274 days  
Post-2008 service 91 days  
Final pensionable salary £20,000  
Date of leaving 30 June 2008

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

### Initial Calculations

Critical retirement age = 60  
Date the member would first satisfy the rule of 85 and be over age 60 = 1 July 2018  
Pre-2008 benefits  
Pension =  $(22+274/365) \times £20,000 / 80 = £5,687.68$  pa  
Retirement grant =  $3 \times £5,687.68 = £ 17,063.04$   
Dependants' pension =  $£5,687.68 / 2 = £2,843.84$  pa

Post-2008 benefits  
Pension =  $91/365 \times £20,000 / 60 = £83.10$  pa  
Dependants' pension =  $91/365 \times £20,000 / 160 = £31.16$  pa

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<b>Factors (Male, Aged 50 last birthday at Guarantee date)</b>	
Pension Factor	8.23
Retirement Grant Factor	0.68
Partner's Factor (Married)	3.28
GMP Factor	2.72
Pension Adjustment Factor (NRA60 to NRA65)	0.76
Pension Adjustment Factor (NRA60 to CRA)	1.00
AMC	1.31

### **Taper adjustment factor**

Taper period = 31/03/2016 – 01/07/2018 = 2 years 93 days

Interpolation factor =  $(2+93/365) / 4 = 0.5637$

Tapered pension adjustment factor =  $0.5637 \times 0.76 + (1 - 0.5637) \times 1.00 = 0.8647$

### **Pre-2008 CETV**

$£5,687.68 \times (8.23 + 3 \times 0.68 + 3.28 / 2) \times 1.31 = £88,739.75$

### **Post-2008 CETV**

$£83.10 \times (8.23 \times 0.8647 + 3.28 \times 60 / 160) \times 1.31 = £908.61$

Total CETV (before GMP adjustment) = £89,648.36

Less GMP  $(£100 + 0.45 \times £500) \times 2.72 \times 1.31 = (£1,158.04)$

**Total CETV (after GMP adjustment) = £88,490.32**

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### 3 Transfer-in for a post-2008 joiner

#### Member data:

Date of birth 1 July 1975  
 Sex female  
 Marital status single  
 Date of joining 1 July 2008  
 Salary £20,000  
 Transfer date 1 July 2008  
 Age 33 last birthday at Transfer Date  
 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	4.85	8.36
Partner's Factor (Single)	0.76	1.14
GMP Factor	2.32	2.32
Pension Adjustment Factor (NRA60 to NRA65)	0.77	0.77
AMC	1.51	1.51

#### Club calculation

Cost of 1 years service  
 $\text{£}20,000 / 60 \times [ 4.85 \times 0.77 + 0.76 \times 60 / 160 ] = \text{£}1,339.83$

Adjusted Transfer Value  
 $\text{£}20,000 / 1.51 + 0.45 \times \text{£}100 \times 2.32 = \text{£}13,349.43$

Service credit  
 $\text{£}13,349.43 / \text{£}1,339.83 = 9 \text{ years } 352 \text{ days}$

#### Non-club calculation

Cost of 1 years service  
 $\text{£}20,000 / 60 \times [ 8.36 \times 0.77 + 1.14 \times 60 / 160 ] = \text{£}2,288.23$

Adjusted Transfer Value  
 $\text{£}20,000 / 1.51 + 0.45 \times \text{£}100 \times 2.32 = \text{£}13,349.43$

Service credit  
 $\text{£}13,349.43 / \text{£}2,288.23 = 5 \text{ years } 304 \text{ days}$

Note: this member has NRA 65 for all benefits. However since the 'core' transfer table is based on NRA 60, the pension factor must be adjusted to be appropriate for NRA 65. More guidance on this point is provided in the original CETV instructions of 1995.