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GOVERNMENT ACTUARY'S DEPARTMENT

**New Police Pension Scheme 2006
Calculation of service credits for statutory incoming
transfers**

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Date: 8 May 2012

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1 Introduction

1.1 Scope of this guidance note

- 1.1.1 This note describes the methodology and factors to be used when determining service credits to be awarded on receipt of statutory (non-Club) transfer values into the New Police Pension Scheme 2006. Guidance on service credits and the factors to use for incoming transfers from a member of the public sector transfer club are contained in our note entitled 'New Police Pension Scheme 2006: Transfer values and pension sharing', dated 23 February 2012.
- 1.1.2 Separate guidance has been issued in respect of the Police Pension Scheme 1987.
- 1.1.3 The tables and guidance in this note have been issued by the Scheme actuary in accordance with regulation 15 of The Police Pensions Regulations 2006 (UK SI 2006/3415).
- 1.1.4 This note supersedes statutory incoming transfer guidance issued by the Government Actuary's Department on 23 February 2009 (New Police Pension Scheme 2006: Transfer values and Pension sharing) and the amending guidance (New Police Pension Scheme 2006: Statutory Cash Equivalent Transfer Values and Pension Sharing) issued by the Government Actuary's Department to the Home Office and Scottish Public Pensions Agency on 6 December 2010 to the Department of Justice, Northern Ireland on 9 February 2011.
- 1.1.5 This note does not cover transfers in from the British Transport Police Force Superannuation Fund under any bilateral agreement.
- 1.1.6 References in this guidance to the Police Pensions Regulations 1987 and 2006 should also be taken to include their equivalents in Scotland and Northern Ireland.
- 1.1.7 In carrying out this work I have followed our normal quality processes for work conducted on public service pension matters.¹

1.2 Changes to previous factors

The format of the revised factors is substantively the same as the factors that were previously issued in the 6 December 2010 guidance. There are however, some changes as follows:

- HM Treasury (HMT) issued new guidance on the discount rates to be used for CETVs on 26 October 2011. The factors in this guidance are calculated consistently with the new HMT guidance, using a revised discount rate of 3.00% pa net of the Consumer Price Index (CPI).
- The demographic assumptions underlying the factors have also been updated, in particular to allow for assumed future mortality improvements in line with those incorporated in the 2010-based UK principal population projections, published by the Office for National Statistics.
- The new HMT guidance also removes the link to the index-linked gilt market. As a result, the application of AMC (Adjustment for Market Conditions) factors is no longer needed. AMCs have therefore have been excluded from the

¹ The GAD Statement of Understanding sets out the standards which the Department currently applies form any work carried out in this area.
http://www.gad.gov.uk/Document/Occupational%20Pensions/GAD_Statement_of_Understanding_v_1.1_Dec_2011.pdf

formulae and tables in this document and, as a result, the service credit formula for members aged under and over 55 is now the same.

- The proportion of the savings factor that is applied to GMP accrued from 6 April 1988 has changed from 30% (in the 6 December 2010 guidance) to 15% for all tables in this guidance.
- As noted in the 6 December 2010 guidance, factors for the survivor's pension do not depend on whether or not the member has a qualifying partner. Therefore, we now show only one set of factors as opposed to two sets of (identical) factors as presented in the 23 February 2009 guidance.

1.3 Questions about this guidance

- 1.3.1 If you have any questions about how to use this guidance, in the first instance administrators should consult published information or raise queries on the Police Pensions Administrators' Forum, at:

<http://pensions.police.homeoffice.gov.uk/>

- 1.3.2 If the Forum does not help, administrators may contact the Police Pensions Teams at the Home Office, the Scottish Public Pensions Agency or the Department of Justice, Northern Ireland, as applicable. These teams can be contacted in writing at the following addresses:

Police Pensions and Retirement Policy Section
Police Finance and Pensions Unit
6th Floor, Fry Building
Home Office
2 Marsham Street
London
SW1P 4DF

Scottish Public Pensions Agency
7 Tweedside Park
Tweedbank
Galashiels
TD1 3TE

Policing Policy and Strategy Division
Department of Justice, Northern Ireland
Block A, Castle Buildings
Stormont Estate
Belfast
BT4 3SG

- 1.3.3 The Home Office, the SPPA or the Department of Justice, Northern Ireland will seek input from the Scheme actuary if necessary.

2 Service credits on transfers in to the NPPS

2.1 Statutory CETV transfers in

2.1.1 On receipt of a statutory CETV (i.e. non-Club transfer value), the service credit awarded to the transferring member shall be calculated as follows.

2.1.2 The relevant date

The age, pensionable pay and GMP 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).

2.1.3 Receiving a transfer that includes a GMP

The NPPS is able to receive statutory CETV (i.e. non-Club) transfers from former schemes that include GMPs. The GMP amount must be revalued to the relevant date. In cases where:

- > the last day of service in the former scheme is in the same tax year as the relevant date; or
- > the former scheme revalues GMP by Section 148 orders and the GMP has been revalued to the tax year in which the relevant date falls;

the GMP given by the former scheme may be used.

2.1.4 Otherwise, administrators should apply (using the appropriate form) to the National Insurance Contributions Office of HMRC for the GMP appropriate to the relevant date, revalued by reference to Section 148 orders. This GMP amount must be used in the check described at 2.1.5 and in the service credit calculation at section 2.1.11.

2.1.5 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 ²
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 NPPS.

2.1.6 In a case where a transfer cannot be accepted because the GMP test in section 2.1.5 is not satisfied, the NPPS 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.

2.1.7 Calculation of the service credit

The age, pensionable pay and GMP used in the calculation should be determined as at the relevant date.

2.1.8 The figure for the member's pay should be their pensionable pay in NPPS expressed as an annual rate (ie as would be used in the calculation of lump sum death grant) as at the relevant date.

2.1.9 If the member is working part time as a police officer in NPPS, the service credit awarded shall nevertheless count as full-time service. It shall be calculated using member's full-time equivalent pensionable pay.

2.1.10 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.

² The factors are set out in Regulation 15 of The Police Pensions Regulations 2006 (UK SI 2006/3415) and these are the current factors at the date of issue. Any changes in the regulations override this guidance.

2.1.11 The service credit to be awarded is calculated using the following formula.

$$[TV + \{(PRE\ GMP + (G_{post88} \times POST\ GMP)) \times F_{Pre\ GMP}\}] \div 1yr$$

TV	the transfer value
PRE GMP	annual GMP accrued before 6 April 1988 revalued up to the relevant date
POST GMP	annual GMP accrued after 6 April 1988 revalued up to the relevant date
F _{Pre GMP}	factor for GMP saving accrued before 6 April 1988 – Table A1 or A2
G _{post88}	conversion factor applied to GMP deduction, for GMP amount in respect of service from 6 April 1988. Please see Note 1 in Table A1 or A2
1yr	the cost of one year's accrual, as calculated in section 2.1.12

2.1.12 The cost of one year's accrual is calculated as

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

F _p	factor for member's pension – Table A1 or A2
F _{Is}	factor for member's lump sum – Table A1 or A2
F _{sur}	factor for survivor's pension – Table A1 or A2
PAY	member's pensionable pay in NPPS, see sections 2.1.8 and 2.1.9

2.1.13 Section 9(2B) rights

If the transfer value received includes benefits in respect of service after 6 April 1997 in a contracted out pension scheme, the NPPS 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:

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

TV _{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 2.1.12

2.1.14 Members' records

As well as service credit and GMP 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 NPPS membership is less than two years, the length of qualifying service transferred from the former scheme

2.1.15 Transfers from overseas schemes

Transfer payments can be received from recognised overseas pension schemes (ie schemes which are regulated and approved for tax purposes by the tax authorities in the country in which they are established). The transfer payment does not necessarily have to come from a Qualifying Recognised Overseas Pension Scheme listed on HMRC's website. Note that pension schemes established in the Isle of Man or the Channel Islands are classed as overseas schemes.

2.1.16 The service credit should be calculated in the same way as for other non-Club transfers.

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3 Example calculation

This section provides an example of the calculations described in this note.

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.

3.1 Statutory CETV transfer in

The following information is needed for this calculation:

A. Member date of birth	23 June 1970
B. Relevant date	9 August 2014
C. Member age	44 years
D. Gender	Male
E. Annual rate of Pensionable Pay in NPPS	£44,600
F. Transfer Value from previous scheme	£155,460.25
G. TV in respect of section 9(2B) rights	£57,890.55
H. Pre 6/4/88 GMP	£420 pa
I. Post 6/4/88 GMP	£780 pa
J. Have the figures in H & I been revalued?	Yes

Cost of 1 year's accrual

First we must calculate the cost of one year's accrual (of benefits) (see 2.1.12):

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

$F_p = 26.82$ (from **Table A1** 'Gross Pension of £1 pa' column)

$F_{is} = 1.26$ (from **Table A1** 'Lump sum of £1' column)

$F_{sur} = 4.69$ (from **Table A1** 'Survivor's Pension of £1 pa' column)

$\text{PAY} = £44,600$ (see 2.1.8 and 2.1.9 and **E.**)

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

Substituting these values into the formula above we get:

$$\begin{aligned} 1\text{yr} &= [26.82 + (4 \times 1.26) + (0.5 \times 4.69)] \times 44,600 \div 70 \\ &= 34.205 \times 44,600 \div 70 \\ &= 21,793.47 \end{aligned}$$

Therefore the cost of one year's accrual is **£21,793.47**

Service credit

From 2.1.11, the formula used to calculate service credit is:

$$[TV + \{ (PRE\ GMP + (G_{post88} \times POST\ GMP)) \times F_{PreGMP} \}] \div 1yr$$

We have:

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

$$\text{Pre GMP} = \text{£}420 \text{ pa (see H.)}$$

$$\text{Post GMP} = \text{£}780 \text{ pa (see I.)}$$

$$G_{post88} = 0.15 \text{ (see note 1 from Table A1)}$$

$$F_{Pre\ GMP} = 3.36 \text{ (from Table A1 'Deduction for GMP of £1 pa' column)}$$

$$1yr = \text{£}21,793.47 \text{ (as calculated earlier)}$$

Substituting these values into the formula above we get:

$$\begin{aligned} \text{Service Credit} &= [155,460.25 + \{ (420 + (0.15 \times 780)) \} \times 3.36] \div 21,793.47 \\ &= [155,460.25 + 1,804.32] \div 21,793.47 \\ &= 157,264.57 \div 21,793.47 \\ &= 7.216 \text{ years} \\ &= 7 \text{ years } 0.216 \times 365 \text{ days} \\ &= 7 \text{ years } 79 \text{ days (rounding up to nearest day)} \end{aligned}$$

Therefore the total service credit is **7 years 79 days**.

Service credit in respect of section 9(2B) rights (see 2.1.13)

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

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

$$1yr = \text{£}21,793.47 \text{ (from above)}$$

Substituting these values into the formula above we get:

$$\begin{aligned} TV_{post97} &= 57,890.55 \div 21,793.47 \\ &= 2.656 \text{ years} \end{aligned}$$

Therefore the service credit in respect of section 9(2B) rights is **2 years 240 days**.

4 Tables of factors

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Table A1: Statutory CETV incoming transfer service credit factors (Males)

Age last birthday at relevant date	Gross Pension of £1 pa	Lump sum of £1	Survivor's Pension of £1 pa	Deduction for GMP ¹ of £1 pa
18	26.12	1.17	4.33	3.10
19	26.41	1.19	4.39	3.11
20	26.70	1.20	4.45	3.11
21	26.97	1.22	4.51	3.12
22	27.23	1.23	4.57	3.13
23	27.48	1.25	4.62	3.14
24	27.70	1.26	4.67	3.15
25	27.91	1.27	4.72	3.16
26	28.08	1.28	4.76	3.17
27	28.23	1.29	4.80	3.18
28	28.35	1.30	4.83	3.19
29	28.43	1.30	4.86	3.20
30	28.48	1.31	4.88	3.21
31	28.50	1.31	4.90	3.22
32	28.49	1.31	4.90	3.23
33	28.45	1.31	4.91	3.24
34	28.38	1.31	4.90	3.25
35	28.28	1.31	4.89	3.26
36	28.14	1.31	4.88	3.27
37	27.98	1.30	4.86	3.28
38	27.79	1.29	4.83	3.29
39	27.56	1.29	4.80	3.30
40	27.49	1.29	4.79	3.31
41	27.38	1.28	4.77	3.32
42	27.23	1.28	4.75	3.33
43	27.04	1.27	4.72	3.35
44	26.82	1.26	4.69	3.36
45	26.55	1.25	4.64	3.37
46	26.24	1.24	4.59	3.38
47	25.90	1.23	4.53	3.39
48	25.51	1.21	4.46	3.41
49	25.08	1.20	4.39	3.42
50	24.61	1.18	4.30	3.43
51	24.09	1.15	4.20	3.44
52	23.54	1.13	4.08	3.46
53	22.93	1.10	3.96	3.47
54	22.30	1.07	3.82	3.49
55	22.01	1.07	3.71	3.50
56	21.59	1.07	3.78	3.52
57	21.18	1.07	3.85	3.54
58	20.74	1.07	3.91	3.56
59	20.30	1.07	3.97	3.58
60	19.86	1.07	4.02	3.60
61	19.41	1.07	4.08	3.63
62	18.95	1.07	4.12	3.65
63	18.48	1.07	4.16	3.68
64	18.01	1.07	4.19	3.79

¹ When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and 15% of the GMP amount in respect of service after that date.

Table A2: Statutory CETV incoming transfer service credit factors (Females)

Age last birthday at relevant date	Gross Pension of £1 pa	Lump sum of £1	Survivor's Pension of £1 pa	Deduction for GMP ¹ of £1 pa
18	26.68	1.16	2.05	2.60
19	27.02	1.18	2.09	2.61
20	27.35	1.19	2.12	2.61
21	27.67	1.21	2.14	2.62
22	27.97	1.22	2.17	2.63
23	28.25	1.24	2.20	2.64
24	28.52	1.25	2.22	2.64
25	28.77	1.26	2.25	2.65
26	28.99	1.27	2.27	2.66
27	29.17	1.28	2.29	2.67
28	29.32	1.29	2.30	2.67
29	29.44	1.30	2.31	2.68
30	29.51	1.30	2.32	2.69
31	29.56	1.31	2.33	2.70
32	29.57	1.31	2.33	2.70
33	29.55	1.31	2.33	2.71
34	29.49	1.31	2.33	2.72
35	29.41	1.31	2.33	2.73
36	29.28	1.31	2.32	2.74
37	29.13	1.30	2.31	2.74
38	28.94	1.30	2.29	2.75
39	28.72	1.29	2.28	2.76
40	28.66	1.29	2.27	2.77
41	28.55	1.28	2.26	2.78
42	28.40	1.28	2.25	2.79
43	28.22	1.27	2.23	2.79
44	27.99	1.27	2.21	2.80
45	27.71	1.26	2.19	2.81
46	27.40	1.24	2.16	2.82
47	27.04	1.23	2.13	2.83
48	26.64	1.21	2.09	2.84
49	26.20	1.20	2.05	2.85
50	25.71	1.18	2.00	2.86
51	25.17	1.15	1.95	2.87
52	24.59	1.13	1.89	2.88
53	23.96	1.10	1.83	2.90
54	23.29	1.07	1.76	2.91
55	23.01	1.07	1.67	2.92
56	22.62	1.07	1.68	2.94
57	22.23	1.07	1.69	2.95
58	21.84	1.07	1.69	2.97
59	21.43	1.07	1.69	3.05
60	21.01	1.07	1.69	3.16
61	20.59	1.07	1.69	3.25
62	20.15	1.07	1.69	3.35
63	19.70	1.07	1.69	3.44
64	19.24	1.07	1.68	3.54

¹ When calculating the deduction for GMP, the factor given should be applied to the sum of the GMP amount in respect of service up to 5 April 1988 and 15% of the GMP amount in respect of service after that date.