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1 Introduction

- 1.1 This Note is provided for the use of the NHSBSA as administrator of the National Health Service Pension Scheme 2015 ('NHSPS 2015' or the 'Scheme') and sets out how to determine the appropriate earnings credit and apply the GMP test for incoming non-Club transfers into the NHSPS 2015 in accordance with Regulations 144 and 143(5)(b) of SI2015/94.
- 1.2 The factors provided in this Note have been prepared in light of our advice to the Department of Health and Social Care dated 30 October 2018 and its instructions following that advice.
- 1.3 This guidance is intended to supersede any factors or advice previously issued for the purposes of calculating earnings credits for incoming non-Club transfers into NHSPS 2015, carried out from 29 October 2018. In particular, this guidance supersedes:

"National Health Service Pension Scheme: Incoming non-club transfer - Factors and guidance" dated 6 March 2015.
- 1.4 No advice or factors issued in the past for the National Health Service Pension Scheme should be used for incoming transfers to the NHSPS 2015
- 1.5 A summary of the assumptions underlying the factors is listed in Appendix A. The factor tables are provided in Appendix B. Some important limitations are set out in Appendix C.

Exclusions

- 1.6 This Note only covers non-Club incoming transfers to the NHSPS 2015. Different instructions and factors should be used to calculate (pension) credits for transfers made in accordance with the Public Sector Transfer Club.
- 1.7 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 2 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.
- 1.8 Our understanding of the usual transitional arrangements for transfer in calculations is that quotes are made using factors effective at that time. Therefore, where calculations are carried out before the date of receipt of this guidance note we would expect the following to apply:
 - Where the transfer in has been completed before the implementation date, this original credit should be honoured including the adjustment applied to GMP. Furthermore, transfer earnings credit quotations provided before the implementation date could remain valid where monies are received within one year of a member's starting date.



- For any other quotations in progress after the implementation date, this new approach would be used for the calculation. No adjustment is made in respect of GMP.

1.9 Factors are provided up to age 68, the highest age for members' PNPA (Prospective Normal Pension Age). For the purposes of this document, PNPA is as defined in the scheme's Regulations (minimum age 65).

1.10 These factors are not appropriate for bulk transfer in cases. Where any member who is entitled to a bulk transfer in in relation to a transfer of employment after 30 September 2017 requests an individual transfer in under Regulations 144 and 143(5)(b) of SI2015/94 the additional steps set out in paragraph 3.6 should be followed.

1.11 This note does not apply for transfers from 'corresponding schemes'¹ in which case the member is treated as if pensionable earnings in the corresponding scheme were earnings in the NHSPS 2015.

1.12 The factors in this note have been updated but the calculation methodology remains unchanged, other than the removal of the GMP adjustment noted in paragraph 1.7.

Implementation

1.13 The factors contained in this note should be used with effect from 29 October 2018. This guidance will apply with immediate effect.

1.14 This guidance has been written for pension administrators and assumes some knowledge of general pension terminology, and some familiarity with retirement calculations for the NHS Pension Scheme 2015. Any questions concerning the application of the guidance should, in the first instance, be referred to the NHSBSA.

1.15 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.

1.16 The remainder of this Note covers the factor tables, guidance on their use and worked examples.

1.17 In the interests of best practice, GAD should review sample cases of calculations using each factor table to ensure the calculations are consistent with the guidance in this note.

¹ A corresponding health service scheme the provisions of which the Secretary of State has determined correspond to the provisions of the NHSPS 2015 regulations.



Third party reliance

- 1.18 This guidance has been prepared for the use of DHSC and NHSBSA as the scheme administrators for the purposes of demonstrating the application of the factors covered by this guidance only. This guidance may be published on DHSC and NHSBSA as the scheme administrator'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.
- 1.19 Other than DHSC and NHSBSA as the scheme administrators, 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 General information

- 2.1 The factors provided in this note are used to calculate the pensionable earnings to be credited to a member should they wish to bring a transfer value into the NHSPS 2015 from a scheme which does not participate in the Public Sector Transfer club.
- 2.2 The credit awarded on transfer in is to be expressed as an earnings credit. The credit is generally applied in the year in which the member joins. However if the transfer is received more than 12 months after the date of joining scheme, the credit should be applied in the year of receipt (but subject to paragraph 3.5). This credit is then treated similarly to other earnings received in the year it is credited for the purposes of determining benefits due at a later date.
- 2.3 The credit is subject to indexation in accordance with the in-service revaluation provisions (i.e. in line with CPI + 1.5% pa) whilst the member remains in active membership. After leaving the pension is indexed in line with other benefits i.e. in accordance with the PI Acts.
- 2.4 For the purposes of Annual Allowance calculations, it may be necessary to record the earnings credit provided due to an incoming transfer separately to other pensionable pay in any particular year.
- 2.5 Members are subject to certain restrictions on bringing a transfer value into the scheme. These conditions are covered in Regulations 141, 142 and 143(5).
- 2.6 In general, other than in certain special circumstances, members wishing to bring a transfer value into the Scheme must apply within 12 months of joining the Scheme and before the member reaches their Normal Pension Age (NPA).
- 2.7 This guidance refers to the calculation of earnings credits in accordance with Regulation 144 of SI2015/94.
- 2.8 Worked examples are provided in Section 4. The factors are set out in Appendix B.

Guaranteed Minimum Pension (GMP) coverage test

- 2.9 If a transfer payment relates to any rights accrued in a contracted out scheme before 6 April 1997 a check must be carried out to ensure that any transfer value is adequate to cover the GMP being transferred.
- 2.10 As noted in paragraph 1.7, no adjustment to the earnings credit is required for GMP for members reaching State Pension Age after 6 April 2016. However, the adequacy check must still be carried out where members are transferring in GMP.



2.11 The test to be applied is as set out below.

Transfer Value is equal to or greater than: Annual amount of GMP revalued up to the calculation date x appropriate factor
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Where the appropriate factor is specified in the table below:

Member's age next birthday at calculation date (complete years)	Appropriate factor
29 or under	18
30 – 39	18
40 – 49	18
50 or over	19

2.12 If this test is not satisfied, the transfer cannot be accepted by the NHSPS 2015.



3 Determination of earnings credits

3.1 Pensionable earnings increase to be provided =

Transfer payment received from transferring scheme x 54 ÷ (Factor TVINA)

3.2 Points to note in using factors:

- Factor TVINA is unisex and should generally be selected based on age in complete years at the end of the scheme year of joining the scheme (i.e. as at the 31 March after date of joining). However (and subject to paragraphs 3.4 and 3.5 below) where a transfer value payment is received more than 12 months after the date of joining the scheme age in complete years as at the date transfer value payment is received should be used.
- For members with non-integral PNPA the table for the nearest PNPA should be used (rounding up for 6 months or over).

3.3 The pensionable earnings addition determined as above is credited in the year of joining unless (and subject to paragraph 3.4) the transfer is received more than 12 months after date of joining in which case it is credited in the year in which the transfer value payment is received.

3.4 If a transfer payment is received within 3 months of the date the written estimate of increase in pensionable earnings is provided to the member the earnings credit should be treated as if received in the scheme year in which the date of written estimate fell (assuming the transfer payment is unchanged from that used for the estimate).

3.5 The earnings credit should be recalculated and credited as at the later date of receipt if the transfer amount is received more than 3 months after the date of written estimate as above (3.4).

3.6 In any case where the quotation relates to a transfer from a scheme in which a member has accrued rights relating to prior membership of the NHSPS and/or as a result of membership of a scheme which has been assessed as being 'broadly comparable' to the NHSPS the earnings credit determined in accordance with the above paragraphs should be limited to that appropriate to the member's aggregate reckonable service in those schemes. The whole transfer in will be applied to provide an earnings credit in the 2015 scheme regardless of the nature of the entitlement in the transferring scheme. Please refer to GAD for further guidance on the calculation.



Section 9(2B) rights

- 3.7 If the transfer value received includes benefits in respect of service on/after 6 April 1997 in a contracted out pension scheme, the NHSPS 2015 pensionable earnings addition in respect of benefits identified by the former scheme as post-97 contracted-out rights must be recorded as section 9(2B) rights.
- 3.8 Pensionable earnings addition that counts as section 9(2B) rights =

$\text{Post 97 Transfer Value} \times 54 \div (\text{Factor TVINA})$
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4 Examples

A) Member with GMP

Individual Data

PNPA	67
Gender	Female
Date of birth	1 May 1970
Date of joining	31 October 2020
Date of calculation	5 January 2021
Age last birthday at 31 March following date of joining	50
Transfer value	£70,000
Pre 97 transfer value	£10,000
Pre 88 GMP revalued to transfer date	£45
Post 88 GMP revalued to transfer date	£90
Factor TVINA (Accrued TV factor)	16.02
GMP Test factor	19

Check TV is sufficient to cover GMP liability

$$\text{GMP test } (£45 + £90) \times 19 = £2,565$$

Which is lower than transfer value of £70,000 so can accept transfer payment.

TV in pensionable earnings increase

$$\begin{aligned} \text{Pensionable earnings credit} &= £70,000 \times 54 / 16.02 \\ &= \underline{\underline{£235,955}} \end{aligned}$$

If the transfer is received by the later of 31 October 2021 (12 months after date of joining) or 5 April 2021 (3 months after date of quotation) and the amount is as quoted (£70,000) the pensionable earnings credit is applied to 2020/21 scheme year.

If the transfer amount is received between 5 April 2021 and 31 October 2021 the calculation may need to be repeated if the transfer amount has changed but should still be determined based on age as at 31 March 2021 with the credit applied to 2020/21 year.

If the transfer amount is received after 31 October 2021 the calculation should be reworked using age at date of receipt and the actual amount of transfer. The earnings credit should be applied in the scheme year in which the transfer is received.

Pensionable earnings increase that counts as section 9(2B) rights

$$\begin{aligned} \text{Section 9(2B) rights} &= \text{Post 97 transfer value} \times 54 \div (\text{Accrued TV factor}) \\ &= £60,000 \times 54 / 16.02 \\ &= £202,247 \end{aligned}$$



B) Member

Individual Data

PNPA	68
Gender	Male
Date of birth	1 May 1983
Date of joining	10 May 2020
Date of calculation	1 January 2021
Age last birthday at 31 March following date of joining	37
Transfer value (all post 97)	£30,000
Factor TVINA (Accrued TV factor)	14.27

TV in pensionable earnings increase

$$\begin{aligned} \text{Pensionable earnings credit} &= £30,000 \times 54 / 14.27 \\ &= \underline{\underline{£113,525}} \end{aligned}$$

If the transfer is received by the later of 10 May 2021 (12 months after date of joining) or 1 April 2021 (3 months after date of quotation) and the amount is as quoted (£30,000) the pensionable earnings credit is applied to 2020/21 scheme year.

If the transfer amount is received between 1 April 2021 and 10 May 2021 and the amount is different to that used for the quotation (£30,000) the calculation should be repeated using the revised transfer value, but it should still be calculated based on age at 31 March 2021 with the credit applied to the 2020/21 year.

If the transfer amount is received after 10 May 2021 the calculation should be reworked using age at date of receipt and the actual amount of transfer. The earnings credit should be applied in the scheme year in which the transfer is received.

All credit is section 9(2B) rights if the transfer is from a contracted out scheme.



C) Member – credit on transfer receipt

Individual Data

PNPA	68
Gender	Male
Date of birth	1 May 1982
Date of joining	18 April 2020
Date of calculation	1 March 2021
Date transfer received (amount unchanged)	1 May 2021
Age last birthday at 31 March following date of joining	38
Transfer value	£30,000

Factor TVINA (Accrued TV factor)	14.36
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TV in pensionable earnings increase

Pensionable earnings credit = $£30,000 \times 54 / 14.36$
= **£112,813**

As the transfer was received by the later of 18 April 2021 (12 months after date of joining) and 1 May 2021 (3 months after date of quotation) and the amount is as quoted (£30,000) the pensionable earnings credit is applied to 2020/21 scheme year.

If the transfer amount had been received on 2 June 2021 the calculation would need to be repeated based on age as at date transfer payment received (i.e. at 2 June 2021) and with the credit applied to 2021/22 scheme year i.e.

Age at date transfer received	39
Factor TV1NA (Accrued TV factor)	14.45

TV in pensionable earnings increase (credited for 2021/22 scheme year)
= $£30,000 \times 54 / 14.45$
= **£112,111**

All credit is section 9(2B) rights if the transfer is from a contracted out scheme.



Appendix A: Assumptions

Financial assumptions

Nominal discount rate	4.448%
Real discount rate (in excess of CPI)	2.40%
Real In service revaluation (in excess of CPI)	4.20%

Mortality assumptions

Base mortality tables	S2NMA and S2NFA
Base table adjustment	As per 2016 valuation: Normal health: 83% (M)/ 85% (F) of S2NXA Dependants: 100% of S2NXA
Future mortality improvement	Based on ONS principal UK population projections 2016
Year of use	2020

In-service decrement rates

Withdrawal	Nil
Death in service	Rates used for 2016 valuation
Retirements in Ill health	Rates used for 2016 valuation
Age retirement	Nil before NPA, 100% at NPA

Other assumptions

Proportion of male members for unisex factors	33.3%
Allowance for commutation	Nil
Age difference between member and partner	Males assumed to be 3 years older than female partner and females assumed to be 3 years younger than partner
Proportions partnered	As assumed for the 2016 valuation Sample rates:

Age	Males	Females
50	0.76	0.54
60	0.76	0.54
70	0.74	0.46
80	0.61	0.23
90	0.34	0.07



Appendix B: Factors to calculate credits for non-Club incoming transfers

Table TVINA

(Table 215 in consolidated factors spreadsheet)

Age last birthday ¹	TVINA	Age last birthday ¹	TVINA
17	12.51	43	15.07
18	12.61	44	15.29
19	12.70	45	15.52
20	12.79	46	15.62
21	12.87	47	15.72
22	12.96	48	15.82
23	13.04	49	15.92
24	13.13	50	16.02
25	13.21	51	16.13
26	13.30	52	16.23
27	13.38	53	16.33
28	13.47	54	16.43
29	13.56	55	16.54
30	13.65	56	16.64
31	13.73	57	16.75
32	13.82	58	16.86
33	13.91	59	17.14
34	14.00	60	17.42
35	14.09	61	17.72
36	14.18	62	18.02
37	14.27	63	18.17
38	14.36	64	18.33
39	14.45	65	18.50
40	14.54	66	18.32
41	14.63	67	17.77
42	14.85	68	17.21

Note 1) Factors to be selected based on age last birthday at 31 March following date of joining or at calculation date if the payment is received more than 12 months after the date of joining (subject to paragraph 3.4).



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 transfer in 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 transfer in 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 NHSBSA and GAD. Under no circumstances should this guidance take precedence over the Regulations. Administrators should ensure that they comply with all relevant Regulations.