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Civil Service Pensions  
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Department of

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# THE PUBLIC SECTOR TRANSFER CLUB

A guide for members of club schemes

This booklet provides information for scheme members on the Public Sector Transfer Club (the 'Club'). It does not cover every aspect: the full details are contained only in the Club Memorandum. You should note that nothing in this booklet can override the Memorandum, and in the event of any difference, the Memorandum will apply.

We have tried to use as little jargon as possible but we have had to refer to some technical terms. We show these in bold as and when they appear in the text and explain them in the Technical terms section at the end of the booklet.

## What is the Purpose of the Club?

The Club consists of a number of final salary occupational pension schemes that have agreed reciprocal transfer arrangements. **Final salary** schemes provide pension benefits based on your **reckonable service** and **pensionable earnings** at or near the date you leave the scheme.

The Club offers those who move between Club schemes the opportunity to transfer pension benefits on special terms. In general, when you transfer your pension benefits between Club schemes, you will receive a broadly equivalent service credit in the new scheme, regardless of any increase in salary on moving.

## Which schemes can join the Club?

Despite being called the Public Sector Transfer Club, eligible private sector schemes can participate. The main conditions are that:

- they are final salary occupational pension schemes (or can receive Club transfers on a final salary basis);
- they have full HM Revenue & Customs' approval;
- the scheme's trustees or managers agree to comply with the Club arrangements, and
- prior to 6 April 2016 the scheme is contracted out of the **State Second Pension (S2P)**.

## Who runs the Club?

Cabinet Office Scheme Management Executive (SME) manages the Club arrangements (although transfers are dealt with by the Club schemes concerned). The Government Actuary's Department provides actuarial advice to SME and Club schemes on the arrangements.

## How does a non-Club transfer work?

When someone asks for a transfer of their pension benefits, the old scheme calculates a transfer payment which is the cash value of the member's benefits in their scheme. They base these benefits on the member's final salary at the point of leaving and allow for increases up to retirement, usually in line with prices.

The scheme receiving the transfer payment must offer benefits of an equivalent value. But they base the **service credit** on the person's salary in the new scheme. They also apply factors which allow for expected salary increases. So even when the two schemes are similar in structure, the result is generally a lower service credit in the new scheme. This is particularly so if the new job pays a higher salary.

## How does a Club transfer work?

The transfer value calculation is generally the same as for a non-Club transfer. The difference is that the new Club scheme calculates the service credit using a set of standard tables that all Club schemes use. The Club arrangements also require the new scheme to use the member's salary in the old scheme when calculating the **service credit**, regardless of any increase on moving.

When someone transfers between two schemes with identical provisions, the transfer should produce a year-for-year credit. Where the scheme provisions differ, for example if they have different pension ages, a transfer might produce a higher or lower **service credit**.

## Can you take a Club transfer into a scheme which provides 'career average' benefits?

Some pension schemes provide benefits on a career average basis - typically, the member will earn a pension based on a percentage of their earnings each year, up-rated annually in line with prices. Career average schemes may still belong to the Club provided they are able to accept a Club transfer in on a **final salary** basis.

If you were to bring a Club transfer into such a scheme, that transfer would buy you a service

credit in the same way as any other Club transfer. When you left that scheme, the service credit would be used to provide you with benefits based on your **final salary** in the scheme. However, your benefits actually earned in the scheme would be worked out on a career average basis.

If you were to transfer out again to another Club scheme, your **final salary** based benefits would be transferred on Club terms, and the career average benefits transferred on non-Club terms.

### Can you take a Club transfer if you have bought added pension in your previous scheme?

Many Club schemes allow members to buy additional benefits in the form of added pension. You pay an agreed sum for a specific amount of pension, which increases each year in line with prices.

Because the amount of pension is not determined by your **final salary**, Club transfer terms do not apply. Therefore, if you take a transfer to another Club scheme, your normal **final salary** based benefits would be transferred on Club terms, and your added pension benefits transferred on non-Club terms.

### Is a club transfer always more beneficial?

In a majority of cases, yes. However, there are circumstances when this may not be the case. For example, where someone:

- takes a large pay cut on joining their new scheme; or
- has substantial benefits in their old scheme, is close to **pension age** when they join their new scheme and who intends to work beyond normal pension age.

You should also bear in mind that:

- Club membership does not require that all Club schemes have the same benefit structure; and
- qualification for pension scheme and early retirement benefits will depend on the provisions in each scheme's rules.

### What is the impact of the Earnings Cap?

The earnings cap was HM Revenue & Customs' (HMRC's) limit on pensionable earnings (earnings on which your pension benefits and contributions are based). HMRC removed the earnings cap from 6 April 2006. However, some schemes may choose to impose their own limit on pensionable earnings.

In order to maintain a consistent approach for Club transfers, any service which was subject to a cap in the sending scheme will continue to be subject to the cap in the receiving scheme. The Government Actuary's Department will work out a Club earnings cap, uprated each year, for all Club schemes to use for Club transfers (schemes may adopt a different approach for non-Club transfers). If your transferred service is subject to a cap, both the transfer value calculated by the sending scheme and the service credit calculated by the receiving scheme will be based on the Club earnings cap in force at the time, rather than scheme-specific caps. If your service was not subject to a cap in the sending scheme, your actual salary will determine both the Club transfer value and the Club service credit.

If only part of your benefits in the old scheme are subject to the earnings cap, both schemes will use the Club cap in force at the time you left to work out that part of your transfer payment and associated service credit in your new scheme.

You should contact us if you have any queries on this.

## Are there any tax implications for a Club transfer?

If the capital value of your total pension benefits increases by more than the Annual Allowance in any one year, you will be subject to additional income tax at 40% on the excess. For members of final salary schemes, the amount of the increase is the increase in any pension, multiplied by 16, plus the increase in any lump sum. The preferential nature of the Club transfer arrangements can result in you receiving a Service credit in your new scheme that is of greater value than the amount of the transfer value paid by your old scheme. This increase in the value of your benefits will be particularly significant if there is a large increase in your salary between when you left your old Club scheme and when you join your new Club scheme. You should bear this in mind when working out the increased value of your pension benefits over the year for the purpose of testing against the Annual Allowance. It is your responsibility to declare any tax liability arising from this on your self-assessment form.

## How does Club membership affect the running costs of the pension scheme?

Receiving schemes bear the cost of providing a service credit in Club, rather than non-Club, terms. When deciding whether or not to take part in the Club, schemes must decide whether the potential advantages, in terms of better job mobility and ease of recruitment, outweigh this potential increase in associated costs.

Generally, as long as the numbers of staff leaving and joining the scheme on Club terms are roughly in balance, many schemes view the effect on their finances as acceptable when set against the potential advantages. As this balance is lost when staff transfer on a reorganisation or compulsory transfer from one employer to another.

## What are the time and age limits for applying for a Club transfer?

You must apply for a transfer in within 12 months of joining your new Club scheme. If your employer offers a choice of scheme, you must apply within 12 months of being eligible to join the Club scheme. Subject to the above time limits, a Club transfer will normally be available until you reach the pension age of the sending scheme. However, schemes may impose other time limits which affect your right to a Club transfer value when you do not have **preserved benefits**. You should check this with the administrators of your old scheme. The 12 month time limit ensures that receiving schemes are not obliged to accept unreasonably large liabilities at some point in the future.

Club arrangements only apply if you leave one Club scheme by resigning voluntarily and take up separate employment, joining another Club scheme. Club arrangements do not apply if you join a Club scheme as a result of a compulsory transfer of employment or of pension scheme.

## How do you find out if your previous pension scheme is a Club member?

You can find a full list of schemes that participate in the Club on our website:

[www.finance-ni.gov.uk/civilservicepensions-ni](http://www.finance-ni.gov.uk/civilservicepensions-ni)

You will find it in the current members section under 'joining' and by clicking 'view the list of club members'.

## **What happens if your previous or current Club scheme leaves the Club?**

Club schemes must give SME 3 months' notice of their intention to leave the Club. Club transfers to and from a scheme that withdraws from the Club will still be available to anyone who joined their new Club scheme on or before the date of withdrawal if they apply to transfer within their first 12 months of service.

## **Who should you contact if you have any further questions?**

You should contact us and we can give you information which is specific to you. We can only give you information about the Northern Ireland Civil Service (NICS) pension schemes.

We do not have the authority to advise you on financial matters relating to pension decisions you may have to make. If you want help in making decisions about a transfer, we suggest you contact an Independent Financial Adviser.

**Please note you may have to pay for any advice you receive.**

## Glossary

### Annual Allowance

The Annual Allowance is the amount by which the value of your pension savings can go up in any year before you have to pay tax at 40%. For more information, see [www.hmrc.gov.uk](http://www.hmrc.gov.uk)

### Final salary

The exact definition varies between Club schemes. However, it is usually your best year of pensionable earnings in that scheme over the last few years of scheme membership. For most people this is their last 12 months' earnings.

### Pension age

This is the earliest age at which you can choose to receive immediate payment of pension without it being reduced, and it varies between schemes. (It is usually between 60 and 65.)

### Pensionable earnings

All earnings that could count towards your pension. They can include non-cash items, for example, uniforms or accommodation. For part-time employees, the full-time equivalent earnings are normally used.

### Preserved benefits

Pension benefits that can be frozen or 'preserved' for payment at pension age.

### Reckonable service

The service that counts towards a pension. Part-time service normally counts on the basis of the hours worked.

### Service credit

This is the amount of reckonable service you are credited with following a transfer into a pension scheme.

## Glossary (continued)

### State Second Pension (S2P)

The additional State pension (on top of the basic State Retirement Pension) that used to be called the State Earnings-Related Pension. The amount you receive depends on your National Insurance contributions prior to 6 April 2016.

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