

Police Pension Scheme 1987

Underpins on Cash Equivalent Transfer Values

The calculation of a statutory CETV (ie non-Club transfer value) is generally the same as the calculation of a Club transfer value. However, if the member has received a transfer in from another scheme, then an underpin should be applied to the statutory CETV. The same underpin also applies to the calculation of cash equivalents for divorce purposes for non-pensioner members.

From now onwards the underpin applied in the Police Pension Scheme 1987 should be calculated using the following formula:

$$\text{Underpin} = \text{TV}_{\text{ActSer}} + \text{TV}_{\text{in}}$$

$\text{TV}_{\text{ActSer}}$ the transfer value based on actual service

TV_{in} the value of transferred in service

The transfer value based on actual service, $\text{TV}_{\text{ActSer}}$, is the CETV amount that would now be payable if the officer had not brought the transfer in.

The value of transferred in service, TV_{in} , is usually the amount of the previous transfer value received by the police authority but there are some exceptions. The value to use for different types of transfer in are as follows:

- where the transfer in was a statutory CETV (ie non-Club) transfer, TV_{in} is the transfer value that was received
- where the transfer in was a Club transfer, TV_{in} is the transfer value that was received
- where the transfer in was received from the British Transport Police Superannuation Fund under the special transfer arrangements, TV_{in} is the statutory CETV that would otherwise have been available to the member from the BTPSF at the date of the previous transfer
- where the transfer in was part of a bulk transfer into the PPS, TV_{in} is the CETV that would otherwise have been available from the member's previous scheme at the date of transfer

If more than one transfer in has been received, TV_{in} should be the sum of the specified figures for all the transfers received. There is no need to perform the underpin check in respect of transfers in from the corresponding PPS schemes in other parts of the UK.

If the underpin calculated above is greater than the normal transfer value calculation, then the transfer value should be increased so that it equals the underpin.

An example of the application of the underpin is attached.

Example of underpin calculation

The following information is needed for this calculation:

Member age	40
Marital status	married
Gender	male
Final Pensionable Pay	£36,000
Reckonable service	10 years
of which: actual service in PPS	5 years
service credit from previous CETV in	5 years
Previous CETV in received by Police Authority	£50,000
Yield for determining AMC	<2%

The normal formula to calculate the CETV is:

$$[\text{deferred pension} \times F_p + \text{spouse pension} \times F_{\text{sur}}] \times \text{AMC}$$

where: deferred pension = $10/25 \times (20 + 2 \times 5)/60 \times 36,000 = £7,200$ pa

spouse pension = $0.5 \times 7,200 = £3,600$ pa

$F_p = 5.52$, $F_{\text{sur}} = 2.44$, $\text{AMC} = 1.43$

Substituting these values into the formula we get:

$$\text{TV} = [(7,200 \times 5.52) + (3,600 \times 2.44)] \times 1.43 = 69,395$$

For the underpin calculation, first a transfer value needs to be calculated for the current period of service in PPS. The calculation inputs are:

deferred pension = $5/20 \times (20)/60 \times 36,000 = £3,000$ pa

spouse pension = $0.5 \times 3,000 = £1,500$ pa

F_p , F_{sur} and AMC are unchanged.

Substituting these values into the transfer value formula, we get:

$$\text{TV}_{\text{ActSer}} = [(3,000 \times 5.52) + (1,500 \times 2.44)] \times 1.43 = 28,915$$

The underpin formula and value is:

$$\text{Underpin} = \text{TV}_{\text{ActSer}} + \text{TV}_{\text{in}}$$

$$= 28,915 + 50,000 = 78,915$$

The underpin value is higher than the normal statutory CETV calculation of £69,395. Therefore the CETV in this example is **£78,915**.