Appendix 'B'

Transfers-in to Lancashire County Pension Fund

The Local Government Pension Scheme (LGPS) regulations allow new members of the Scheme to transfer pension rights accrued elsewhere, i.e. from a previous employment, into the Fund.

Lancashire County Council as Administering Authority (AA) has the discretion whether or not to accept transfers into Lancashire County Pension Fund. However, the AA must accept transfers from other LGPS Funds as well as other public sector pension schemes, for example the NHS Pension Scheme. There is no discretion to accept/not accept transfers in this area. The majority of transfers into the Fund are from other public sector schemes (90% of transfers during 2013/14). Therefore, in reality, the discretion available to the Fund is limited to transfers-in from other (non-public sector) types of pension arrangements.

Transfers-in 2013/14

Type	Value £m	Number of transfers
public sector	6.4	400
non-public sector	0.6	40

The actual transfer-in involves a cash amount from the transferring scheme being paid into the Fund. The pension benefit this amount 'buys' within the Fund is actuarially calculated and the additional pension is added to the individual's 'pension pot'. The additional pension is calculated to ensure that the cash coming into the Fund covers the added liability of the additional benefit flowing out of the Fund when the member retires.

The LGPS regulations stipulate that the normal time period for the acceptance of transfers-in, is within 12 months of the new member's employment start date. However the regulations allow an extension of this 12 month limit at the discretion of the administering authority and the individual's employer. This is a new 'joint' discretion previously exercised by the employer alone.

Current Policy and Practice

Current Fund policy is generally to accept all transfers-in.

In addition, transfer requests made by a Scheme member within 12 months of retirement are referred to the employer to make a decision. This is because transfers-in increase liabilities in the Fund. These liabilities are offset by the amount paid by the previous transferring scheme. However, in some cases where an early or ill-health retirement occurs the additional cost is not covered and is ultimately payable by the employer either by an up-front payment to the Fund (known as 'pension strain') or longer term through increased contributions.

Potential Change

It would be possible not to accept non-public sector transfers-in going forward. However, the low volume of cases currently accepted would suggest that the impact on the Fund in terms of a potential reduction in liabilities would be immaterial. The impact on administration would also be minimal due to the low volumes experienced.

Also, for new local government employees such a change would discriminate between those able to transfer pension benefits arising from other public sector employment and those with pension benefits accrued elsewhere. It is also arguable that such a position would be contrary to the national policy position which is to encourage freedom and choice in relation to pensions.

Recommendation

That a policy be approved and adopted where:

- Requests to transfer into the Fund are generally accepted provided that the transfer is made within the expected 12 month time period, except that:
- cases where the scheme member might expect to retire within 12 months of the transfer are not automatically accepted. The decision to accept in these cases is made jointly, at the discretion of the Fund and the relevant Employer and;
- cases falling outside the 12 month time period are accepted where administrative issues have caused the delay or where exceptional circumstances apply. The decision to accept in these cases is made jointly, at the discretion of the Fund and the relevant Employer.