

Appendix 'E'

Bulk Transfers

This term covers pensions issues surrounding the transfer of pension rights either:

- From the LGPS to another pension scheme ; or
- From one LGPS scheme to another LGPS scheme, where the numbers of staff involved exceed 2 or 10 respectively.

Pension legislation is framed generally so as to protect members' pension rights, should these rights be transferred between schemes, due to decisions made by their employers, central government, etc. In essence, the value of a person's pension rights in the old scheme must equal those transferred into the new scheme.

The transfer of pension rights ultimately involves cash moving from one pension scheme to another, and if a transfer, due to the numbers of staff involved, falls under the bulk transfer definition, a detailed calculation is required to be carried out by the respective funds' actuaries. In simple terms the transferring out scheme wishes to minimise cash paid out, whilst the receiving scheme would seek the opposite.

When bulk transfers occur, respective funds must agree on a basis of calculation, specifically each schemes' actuaries must agree a methodology between themselves and with the agreement of the schemes' managers.

Current Policy and Practice

Existing policy and practice is to treat each bulk transfer, with the agreement of parties involved, on a case-by-case basis.

Potential Change

Pensions legislation and regulations prescribe the bulk transfer philosophy, but not the mechanics of calculation. Due to the potential complexities and unique circumstances involved, it is not advisable to draw up a detailed bulk transfer policy, but rather than to state general principles.

Recommendation

To approve and endorse current bulk transfer practice in accordance with regulations and law, but to state additionally the following principles:

- LCPF will work with its actuary to determine the terms and assumptions used as a starting position for any bulk transfer exercise;
- LCPF will always seek to obtain, following actuarial advice, the best outcome for the fund and its members;

- LCPF will seek to work with receiving schemes and their actuaries in a positive and constructive manner, seeking both to minimise its actuarial fees and time taken, and to obtain the best outcome for the fund and its members.