

London Borough of Croydon Pension Fund
Bulk transfer policy

December 2021

Review Due December 2024

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Bulk Transfer Policy

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1 Introduction

The purpose of this policy is to set out the Administering Authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the Fund in prescribed circumstances.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

This Policy was approved by Croydon Pension Committee DD/MM/YYYY and is effective from DD/MM/YYYY

This Policy will be reviewed every 3 years in line with the review of the Funding Strategy Statement (FSS) or sooner following any legislative changes within the review period or applicable statutory guidance.

Aims and Objectives

The Fund's objectives related to this policy are as follows:

- transfers out of the Fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- bulk transfers received must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

Bulk transfer requests will be considered on a case by case basis.

When considering any circumstances where bulk transfer provisions might apply, however, the Administering Authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations and/or any supplementary or statutory guidance (e.g. the Best Value Staff Transfers (Pensions) Direction 2007) and non-statutory New Fair Deal requirements.

1.1 Risks

These are specific risks relating to Bulk Transfers, including:

- Risk to the solvency of the Fund where the value of the payment in respect of bulk transfers in does not cover the corresponding liabilities transferred in.
- Risk to the solvency of the Fund where the value of the payment in respect of bulk transfers out exceeds the corresponding liabilities transferred out.

Regard should also be had to the Fund's Risk Register which is reported to Committee quarterly.

2 Bulk transfer circumstances

Bulk transfers into and out of the Fund can occur for a variety of reasons, namely:

- where an outsourcing arrangement is entered into and active scheme members leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the LGPS from a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (brought about by, for example, local government shared services, college mergers or multi academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of a number of employees, must be treated the same way as individual transfers.

3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding transfers (including bulk transfers) to and from the scheme, and include the following:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement;
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value;
- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a Club scheme (that is schemes with benefits broadly similar to those of the LGPS), who request to do so within 12 months of joining their new LGPS employment must be granted their request. For members with non-Club accrued rights the LGPS Fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.
- Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between Fund actuaries.

3.1 Best Value authorities

The Best Value Authorities Staff Transfers (Pensions) Direction 2007, which came into force on 1 October 2007, applies to all “Best Value Authorities” in England. Best Value Authorities include all county, district and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (i.e. second and subsequent rounds of outsourcing).

3.2 Academies and Multi-Academy Trusts

New Fair Deal, introduced in October 2013, applies to academies and multi academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result it would not be expected the Fund would have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi academy trusts.

3.3 Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (i.e. town and parish councils, arms-length organisations, further and higher education establishments, charities and other admitted bodies), – who are not subject to the requirements of Best Value Direction or New Fair Deal - there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services, although any successful contractor is free to seek admission body status in the Fund, subject to complying with the Administering Authority's requirements (e.g. having a bond or guarantor in place).

The old Fair Deal policy may still apply to a specific staff transfer if permitted by the New Fair Deal policy or if outside the coverage of the New Fair Deal policy. (If the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement the Administering Authority would not expect to pay out more than individual cash equivalent transfer amounts, in accordance with appropriate Government Actuary Department (GAD) guidance.

4 Statement of Principles

This Statement of Principles covers bulk transfer payments into, out of and within the Fund. Each case will be treated on its own merits, but in general:

- Where a group of active scheme members joins (or leaves) the Fund, the Administering Authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits;

- Ordinarily the Administering Authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the share of fund assets (capped at 100% of the value of the liabilities). The Fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer (e.g. the use of gilts where unsecured liabilities are being left behind, or where transfer terms are subject to commercial factors).
- Where a subset of an employer's membership is transferring (in or out), the Fund may consider an approach of calculating the bulk transfer payment as the sum of Cash Equivalent Transfer Values (CETV) for the members concerned, using Government Actuary's Department standard CETV factors;
- Where an entire employer is transferring in or out of the Fund the bulk transfers should equal the asset share of the employer in the transferring Fund regardless of whether this is greater or lesser than the value of past service liabilities for members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities;
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.
- Service credits granted to active scheme members should fully reflect the value of the benefits being transferred, irrespective of the transfer value paid or received.

5 Notes to bulk transfer policy

For the avoidance of doubt, each bulk transfer is considered on a case-by-case basis alongside appropriate actuarial advice.

There may be situations where a transfer amount accepted in respect of a transfer in is less than is required to fully fund the transferred in benefits on the Fund's ongoing basis. In such cases the Fund reserves the right to require the receiving employer to fund this deficit (either by lump sum or increase in ongoing employer contributions) ahead of the next formal valuation.

Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.

For transfers out, in exceptional circumstances the Fund's policy allows for specific issues of the transferring employer (e.g. the cessation of the transferring scheme employer) to be taken into consideration at the discretion of the Administering Authority and will need to be authorised by the relevant person as laid down in the scheme of delegation detailed in the Governance and Compliance Statement as required under regulation 55.

5.1 Format of transfer payment

Ordinarily payment will be in cash, with delegation to the relevant person as laid down in the scheme of delegation detailed in the Governance and Compliance Statement as required under regulation 55 to agree alternative methods of paying this sum.

A deduction from the bulk transfer will be made for any administration, legal and transaction costs incurred by the Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme. Staff time involved on the Fund side will be charged at the rate defined within the Administration Strategy Statement.

5.2 Impact on transferring employer

Any transfer of pension rights may have an effect on the valuation position of the employer and consequently their individual contribution rate.

The Fund will agree with the transferring authority how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover this relative change in deficit, for example where the deficit is a large proportion of the total remaining notional assets and liabilities. Where the transfer is small relative to the employer's share of the Fund, any adjustment may be deferred to the next valuation.

5.3 Consent

Where required within the Regulations, for any bulk transfer the Administering Authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

5.4 Approval process

Under the principles of good governance, it is important that a clear and robust approval process is in place when determining whether to pay or receive a bulk transfer.

The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to.

5.5 Non-negotiable

It should be noted that, as far as possible, the Fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

6 Policy Summary

The following tables set out a summary of the various scenarios for the transfer in to and out of the Fund, together with the Administering Authority's policies relating to bulk transfers. In the remainder of this section this Policy sets out the Administering Authority's policies in relation to a number of subsidiary areas associated with bulk transfers.

Scenario		Bulk transfer mechanism	Policy	Methodology
Machinery of Government from a Club Scheme	In	Club Memorandum (see below note)	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits.	The pension credit awarded to members transferring in will be calculated in line with the Club transfer-in formulae.
	Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the share of fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.

Scenario		Bulk transfer mechanism	Policy	Methodology
Broadly Comparable Scheme Or Machinery of Government where scheme is treated as a on-Club scheme	In	GAD guidance (see below link)	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the non-Club transferring formulae.
		< 2 members – GAD guidance	Cash Equivalent Transfer Values in accordance with GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the CETV transfer-out formulae.
	Out	2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to cash equivalent transfer values under GAD guidance	The Fund's default policy is to offer the receiving scheme transfers out calculated in line with the CETV transfer-out formulae. Discretion exists to amend this to reflect specific circumstances of the situation.

Scenario		Bulk transfer mechanism	Policy	Methodology
Inter-fund transfer (transfer between the Fund and another LGPS Fund)	In	< 10 members – GAD guidance	Cash equivalent transfer values in accordance with GAD guidance.	On receipt of a transfer value (calculated in line with the CETV transfer out formulae), the Fund will award the member a pension credit on a day-for-day basis.
		10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	<p>Where agreement can be reached, the Fund and the transferring Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, in general:</p> <p>Actives only transferring (i.e. remaining members left behind): Cash equivalent transfer values in accordance with GAD guidance using transferring fund's actual fund returns for roll up to date of payment (rather than the interest applied for standard CETV's).</p> <p>All members transferring (i.e. all actives, deferred and pensioners): Receive all assets attributable to the membership within the transferring scheme.</p>	<p>The Fund's default policy is to accept a transfer value that is at least equal to the total of the individual cash equivalent transfer values calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.</p> <p>Pension credits will be awarded to the transferring members on a day-for-day basis.</p>
		< 10 members – GAD guidance	Cash Equivalent Transfer Values in accordance with GAD guidance.	The transfer value paid to the receiving fund will be calculated in line with the CETV transfer-out formulae.
		10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	<p>Where agreement can be reached, the Fund and the receiving Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, in general:</p> <p>Actives only transferring (i.e. remaining members left behind): Cash equivalent transfer values in accordance with GAD guidance using transferring fund's actual fund returns for roll-up to date of payment (rather than the interest applied for standard CETV's).</p> <p>All members transferring (i.e. all actives, deferred and pensioners): Transfer all assets attributable to the membership to the receiving scheme.</p>	<p>The Fund's default policy is to offer a transfer value that is equal to the total of the individual cash equivalent transfer values calculated using the Club transfer-out formulae. The Fund will consult with the scheme employer whose funding position will be impacted by the transfer before agreeing to a negotiated bulk transfer arrangement.</p> <p>Discretion exists to amend this to reflect specific circumstances of the situation.</p>
	Out	< 10 members – GAD guidance	Cash equivalent transfer values in accordance with GAD guidance.	
		10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	<p>Where agreement can be reached, the Fund and the receiving Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, in general:</p> <p>Actives only transferring (i.e. remaining members left behind): Cash equivalent transfer values in accordance with GAD guidance using transferring fund's actual fund returns for roll-up to date of payment (rather than the interest applied for standard CETV's).</p> <p>All members transferring (i.e. all actives, deferred and pensioners): Transfer all assets attributable to the membership to the receiving scheme.</p>	
		< 10 members – GAD guidance	Cash equivalent transfer values in accordance with GAD guidance.	
		10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	<p>Where agreement can be reached, the Fund and the receiving Fund (and their two actuaries) may agree to a negotiated bulk transfer arrangement. However, in general:</p> <p>Actives only transferring (i.e. remaining members left behind): Cash equivalent transfer values in accordance with GAD guidance using transferring fund's actual fund returns for roll-up to date of payment (rather than the interest applied for standard CETV's).</p> <p>All members transferring (i.e. all actives, deferred and pensioners): Transfer all assets attributable to the membership to the receiving scheme.</p>	

Terms referred to:

- Club Memorandum - (document issued by the Cabinet Office describing arrangements for transferring accrued pension rights to and from schemes participating in the Public Sector Transfer Club)
<https://lgpsregs.org/timelinereggs/UK%20Wide%20Guidance/PSTC-MemoMar2015.pdf>
- Government Actuary Department (GAD) Guidance
<https://www.gov.uk/guidance/staff-transfers-public-service-pension-schemes#gad-staff-transfers>
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/299397/LGPS_EW_Transfer_Guidance_2014_March_2014.pdf
- Cash Equivalent Transfer Value (CETV) The amount of the lump sum that will be required to provide an equivalent pension to the scheme pension at your retirement age. This lump sum is then reduced (discounted) depending upon how far away from retirement that you are. The scheme makes various assumptions in order to calculate the Cash Equivalent Transfer Value.