

Amj



**CABINET  
OFFICE**

## Civil Service Pensions



Room 807 • Grosvenor House • Basing View • Basingstoke • Hampshire • RG21 4HG  
TELEPHONE: 01256-846616 • FAX: 01256-846339 GTN: 1439 6616

E-Mail: [strackst@cabinet-office.gov.uk](mailto:strackst@cabinet-office.gov.uk)

DATE • 5 January 1999

OUR REFERENCE • 3CSP/19A/3

YOUR REFERENCE •

Dear Pension Scheme Manager

### **PUBLIC SECTOR TRANSFER "CLUB" ARRANGEMENTS: CHANGE OF INFLATION ASSUMPTION USED IN THE ADJUSTMENT FOR MARKET CONDITIONS (AMC)**

This letter informs all Club schemes about a change to the inflation assumption used for calculating the Adjustment for Market Conditions (AMC), which is applied to outgoing and incoming transfer value payments under the Club arrangements. The change takes effect from January 1999.

Under the pre-January 1999 Club arrangements, the AMC was based on the % yield on the index of Index-Linked Gilts of greater than 5 years duration, with a 5% inflation assumption. The table of factors supplied previously covers % yields from 2% to 5%. These factors (which must continue to be used as before) are applied in determining the appropriate adjustment based on the % yield on the index as at the first working day of each calendar month.

**With effect from January 1999, the relevant index to be used with the AMC factors is changed to the % yield on Index-Linked Gilts of greater than 5 years duration, with a 0% (zero) inflation assumption.**

**The % yield for that zero inflation assumption index as at Monday 4 January, the first working day of January 1999 for Club transfer purposes, is 2.12%.**

*Please note that if, on the first working day of any calendar month, the yield for the zero inflation assumption index is below 2%, the factor appropriate to a yield of 2% is to be used in calculating the AMC applicable to transfers with a guarantee date (relevant date) within that particular month.*

The change to use of the zero inflation assumption index to calculate the AMC must be applied to all Club transfers which have a guarantee date (relevant date) in January 1999 or later. Club transfers already in progress with a guarantee date (relevant date) before January 1999 must be dealt




with using the previous, 5% inflation assumption index % yield unless, of course, the Club transfer value is, for some reason, recalculated using a date in January 1999 (or later).

Because of the changing financial circumstances and, in particular, the low levels of inflation currently being experienced and expected over the next few years, the methodology and assumptions underlying Club transfer value calculations are currently being reviewed. If any significant changes are to be proposed, an adequate lead-time will be given to allow for comments and for any reprogramming which may be required.

I apologise for the fact that you have not been given earlier notice of this change.

Yours faithfully

A handwritten signature in black ink, appearing to read "Steve Rackstraw". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

**STEVE RACKSTRAW**  
Practice & Policy Branch

