The Local Government Pension Scheme (England and Wales) Interfund Transfers

Transfers on or after 1 April 2008

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1 Legislation and background

1.1 Under Regulation 86 of the Local Government Pension Scheme (Administration) Regulations 2008 ("the Administration Regulations") (SI 2008/239), a member who ceases active membership of one fund and immediately commences active membership of another fund has his membership transferred to the new fund. There are three circumstances in which this can happen:

1.1.1 If the member ceases membership of one fund and later joins another and then makes an election under regulation 16 of the Administration Regulations to aggregate his previous membership with his membership in his new fund then the membership in the old fund is transferred to the new one. CLG have stated that this includes cases in which a member joins their new fund the day after ceasing employment in their previous fund.

1.1.2 If the member is in concurrent employment in two funds and leaves one employment after completing at least three months of membership in respect of that employment, a transfer is triggered by the member making an election under regulation 17(1) for that membership to be aggregated with the membership in the fund with which he remains in employment.

1.1.3 If the member is in concurrent employment in two funds and leaves one employment within three months of starting membership in respect of that employment , a transfer is triggered by the member making an election under regulation 46(4) for the refund of contributions to be counted as contributions to the fund with which he remains in employment.

1.2 If any of the above situations occurs then under regulations 86(2) and 86(7) the member's old administering authority must make a payment to the new administering authority or payment must be made between appropriate funds where the administering authority has not changed.

1.3 The amount is calculated according to guidance provided by the Government Actuary unless ten or more members transfer together between two administering authorities.

1.4 The purpose of this note prepared by the Government Actuary's Department for Communities and Local Government (CLG), and issued to them for onward transmission to administering authorities and employing authorities, is to provide this guidance.

1.5 This guidance covers transfers where the member left their old Fund on or after 1 April 2008. Transfers where the member left their old Fund before 1 April 2008 should be treated in line with the previous GAD guidance under Regulation 125 of the Local Government Pension Scheme Regulations 1997 (SI 1997/1612) if complete payment is made before 1 October 2008. This guidance should be used if a member left their old Fund before 1 April 2008 but complete payment is not made until on or after 1 October 2008.

1.6 Traditionally, funds have applied the provisions of this regulation to transfers between funds governed by the England and Wales regulations and funds governed by the Scottish regulations and the Northern Irish regulations. The differences in benefits accruing between the Scottish and Northern Irish schemes and the England and Wales scheme mean that it is no longer appropriate to continue with this arrangement. Transfers to or from a Scottish Fund or the Northern Irish Scheme should be treated as a Club transfer if the payment is made on or after 1 April 2008.

1.7 Factors for cash equivalents are likely to be reviewed to coincide with the change to DWP legislation scheduled for October 2008. The factors adopted for interfund transfers may also change at that time.

2 Calculation of transfer amount

2.1 The transfer amount should be calculated in the same way that a cash equivalent transfer is calculated but based on the non-Club transfer-in factors.

2.2 The salary used in the calculation should be the rate of salary paid to the member while he or she was a member of the ceding scheme.

2.3 If the member was deferred immediately before joining the new fund, then increases in line with the Pension Increase Acts should be applied to the benefits from the date of leaving to the effective date of the calculation.

2.4 The effective date of the calculation should be the date of the election that triggers the transfer.

2.5 The calculation uses non-Club transfer factors to ensure that the amount of money transferred is close to the past service reserve that the ceding scheme may have aimed to hold to cover the liability in respect of the member. However, the receiving scheme pays for the cost of any immediate pay increase at the date of transfer or any pay increase in excess of inflation during the period of deferment.

2.6 If the amount calculated is paid within three months of the effective date, then no interest is payable. If payment is delayed, then interest should be paid in line with regulation 44(4) of the Administration Regulations.

2.7 If a member is over age 65, then the transfer amount should be calculated in the same way as if the member were requesting a CETV quotation on divorce except that if the member is married, in a civil partnership or has a registered cohabiting dependant then the factor for the contingent dependant’s pension should be taken from the table in section three. As for the divorce calculation, the transfer amount should include allowance for the lump sum entitlement in respect of any pre-April 2008 membership.

2.8 Section four provides an example calculation.

3 Contingent Dependants' Pension Factor

3.1 If a payment is required in respect of a member who was aged over 65 at the effective date, then the contingent dependants' pension factor to be used if the member is married, in a civil partnership or has a nominated cohabiting partner should be taken from the tables below.

Age last birthday at Relevant Date	Men	Women
65	4.18	1.06
66	4.20	1.03
67	4.21	1.00
68	4.20	0.97
69	4.18	0.94
70	4.15	0.90
71	4.10	0.86
72	4.04	0.82
73	3.97	0.77
74	3.88	0.73
75	3.78	0.68

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4 Example

Member data:
Date of birth 1 July 1965
Sex male
Marital status married
Date of joining 1 July 1985
Effective date 1 July 2008
Yield on effective date 2%
(NB this is assumed and will not necessarily be the actual yield on that date)

Total service 23 years 0 days
Pre-2008 service 22 years 274 days
Post-2008 service 91 days
Salary £20,000
Date of leaving 30 June 2008

Pre-88 GMP £100 pa
Post-88 GMP £500 pa

Initial Calculations
Critical retirement age = 60
Pre-2008 benefits
Pension = (22+274/365) x £20,000 / 80 = £5,687.68 pa
Retirement grant = 3 x £5,687.68 = £ 17,063.04
Dependants' pension = £5,687.68 / 2 = £2,843.84 pa

Post-2008 benefits
Pension = 91/365 x £20,000 / 60 = £83.10 pa
Dependants' pension = 91/365 x £20,000 / 160 = £31.16 pa

Factors (Male, Aged 43 last birthday at Guarantee date)	
Pension Factor	8.65
Retirement Grant Factor	0.71
Partner's Factor (Married)	3.53
GMP Factor	2.32
Pension Adjustment Factor (NRA60 to NRA65)	0.76
AMC	1.39

Pre-2008 Interfund transfer amount

£5,687.68 x (8.65 + 3 x 0.71 + 3.53 / 2) x 1.39 = £99,179.20

Post-2008 Interfund transfer amount

£83.10 x (8.65 x 0.76 + 3.53 x 60 / 160) x 1.39 = £912.26

Total CETV (before GMP adjustment) = £100,091.46

Less GMP (£100 + 0.45 x £500) x 2.32 x 1.39 = (£1,048.06)

Total Interfund transfer amount (after GMP adjustment) = £99,043.40