

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

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Local Government Pension Scheme (England and Wales)
UNCLASSIFIED - Interfund transfers

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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. Our understanding is 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. This amount is calculated according to guidance provided by the Government Actuary unless ten or more members transfer together between two administering authorities.
- 1.3 Under Regulation 44(5) of the Administration Regulations the Government Actuary is responsible for calculating the interest due on an amount payable under Regulation 86.
- 1.4 The purpose of this note prepared by the Government Actuary's Department for Communities and Local Government (DCLG), and issued to them for onward transmission to administering authorities and employing authorities, is to provide the guidance referred to in the above paragraphs.
- 1.5 In carrying out this work I have followed our normal quality control processes for work conducted on public service pension matters¹.

Review

- 1.6 The guidance should be reviewed periodically, depending on external circumstances, for example when changes in the actuarial assumptions adopted for transfer factors take place, or following each triennial cycle of future valuations of the LGPS.

¹ GAD seeks to achieve a high standard in all our work. Please go to our [website](#) for details of the standards we apply.

Limitations

- 1.7 This guidance note should not be used for any purpose other than to determine the payment that the appropriate administering authority should make under Regulation 86(2) and 86(7) of the Administration Regulations in respect of an interfund transfer.
- 1.8 This guidance note should be considered in its entirety as individual sections, if considered in isolation, may be misleading, and conclusions reached by a review of some sections on their own may be incorrect.
- 1.9 This guidance note only covers the principles around the calculation of the transfer amount following a transfer between administering authorities or appropriate funds. Any legal advice in this area should be sought from an appropriately qualified person or source.
- 1.10 This note should not be used for any 'crossborder' transfers between Local Government funds governed by the England and Wales regulations and Local Government funds governed by the Scottish regulations and the Northern Ireland regulations. LGPS funds in all regions are members of the Public Sector Transfer Club and so we might expect 'crossborder' CETVs to be processed as a club transfer.
- 1.11 Administrators should satisfy themselves that the increase in membership complies with all legislative requirements and they should consider related issues including, but not limited to, annual allowance and lifetime allowance tax charges.
- 1.12 Administrators should take care to ensure that they use the current factors issued by GAD in their calculations.

2 Calculation of transfer amount

- 2.1 The transfer amount should be calculated as an outgoing club transfer from the member's old fund. At the time of writing the current club factors are provided in version 4.1 of the 'Transfer Factor Suite' dated 22 February 2012. Administrators should take care to ensure that they use the current factors issued by GAD for club transfers under regulation 79 of the Administration Regulations.
- 2.2 As usual in a normal Club Transfer:
- 2.2.1 The benefits underlying the club transfer value should be based on the members' pensionable pay in their old fund.
- 2.2.2 If the member was a deferred member 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.
- 2.2.3 The effective date of the calculation should be the date of the election that triggers the transfer.
- 2.3 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 at the same rate as specified under Regulation 44(4) of the Administration Regulations.
- 2.4 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. As for the divorce calculation, the transfer amount should include allowance for the retirement grant entitlement in respect of any pre-April 2008 membership. At the time of writing the current factors are provided in version 1.0 of our guidance regarding 'Pensioner Cash Equivalent Factors on Divorce' dated 18 January 2012.
- 2.5 A service credit calculation is not required because the individual's membership records will transfer from his old fund to his new fund.
- 2.6 Please refer to the 'Transfer Factor Suite' guidance dated 22 February 2012 for example calculations.

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