



**EMPLOYMENT COMMITTEE – 21 SEPTEMBER 2009**

**REPORT OF THE DIRECTOR CORPORATE RESOURCES**

**LOCAL GOVERNMENT PENSION SCHEME (LGPS) – TRANSFER OF PENSION RIGHTS**

**Purpose**

1. To request the Committee to agree to a decision by the Administering Authority not to accept transfer values from certain pension scheme arrangements.
2. Under the Local Government Pension Scheme rules transfer values are able to be accepted into the scheme from a variety of different types of scheme. These can be broadly split into three categories.
  - (a) Transfers from another Local Authority pension scheme, known as Inter Fund adjustments.
  - (b) Transfers from other members of the Public Sector Transfer Club
  - (c) Transfers from other approved pension schemes other than the above.
3. There is a requirement to accept transfers from another Local Authority fund and also from all other members of the Transfer Club, which is part of the terms of membership of it. However, there is no obligation to accept transfers from other schemes.

**Background**

4. The Public Sector Transfer Club, more usually known as the Club, is a group of some 120 salary related occupational pension schemes, not all of whom are based in the public sector as the name might suggest. Private sector schemes can participate if they are:
  - Salary-related occupational schemes;
  - Have full HM Revenue & Customs approval;
  - The scheme's trustees or managers agree to comply with the Club arrangements;

- The scheme is contracted out of the State Second Pension - formerly SERPS (a requirement since 1997).
5. Under the current LGPS rules a member may request a transfer of pension rights within 12 months of joining the pension scheme and the scheme may accept it and transfer it to the pension scheme.

### **Proposal**

6. The proposal is not to accept any transfers from non-Club pension schemes for any new scheme member who joins on or after 1 January 2010, with the exception of any members transferring under a TUPE arrangement.
7. Any new members who join before that date would still have a 12 month period in which to request a transfer.
8. The rationale behind the proposal is based on avoiding unnecessary liabilities into the pension fund.
9. When a transfer is received, a period of LGPS service is credited to the individual. This service credit is based on the capital sum received, the starting salary of the member and an assumption that the individual will enjoy average salary growth (based on their age) thereafter. If the member ultimately has higher salary growth or retires early either through redundancy, efficiency, flexibly or on ill health grounds there will be an unanticipated extra cost to the transferred-in service, which will fall onto the sub-fund of the scheme employer.
10. It is felt that non-acceptance of transfers which the fund is not statutorily bound to accept will help meet the Government's longstanding policy on affordability, as this action will help avoid potential additional liabilities.
11. All major scheme employers were contacted asking for their views on the proposal, which were to be returned by 28 August 2009.
12. Four employers replied, three of which supported the proposal with one wishing to retain the current situation.
13. Unison were consulted in addition and have raised no objection to the proposal.

### **Recommendation**

13. That the committee approves the proposal not to accept transfers from non-club pension schemes for new scheme members who join the Local Government Pension Scheme on or after 1 January 2010.

**Background papers**

None.

**Circulation under Sensitive Issues Procedure**

None.

**Officer to contact**

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**Equal Opportunities Implications**

There are no equal opportunity implications arising from this report. The decision would apply to all.

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