

Admissions and bulk transfer policy 2024



Administered in partnership

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1. Introduction

- 1.1 This is the Admissions and bulk transfer policy of Cambridgeshire Pension Fund managed by Cambridgeshire County Council (the Administering Authority).
- 1.2 This is the policy of the Cambridgeshire Pension Fund (“The Fund”) regarding the admission of new employers to the Fund and the bulk transfer of pension rights to and from the Fund. This policy should be read in conjunction with the funding strategy statement, cessations policy and relevant legislation, such as the Local Government Pension Scheme Regulations 2013 (as amended) (“The Regulations”). These Regulations can be found [here](#).
- 1.3 Details of the overriding principles, regulatory framework and guidance covering the participation of employers in the LGPS and bulk transfers are included in Appendix A-C of this document.

2. Policy Objectives

- 2.1 The Funds’ objectives related to this policy are as follows:
 - To ensure employer contributions are as stable as possible, recognising the characteristics, circumstances and affordability constraints of each employer;
 - To ensure the long-term solvency of the Fund, taking a prudent long term view, so that sufficient funds are available to meet all members’/dependants’ benefits as they fall due for payment;
 - To manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers; and
 - To ensure appropriate exit strategies are put in place both in the lead up to and termination of a scheme employer.

3. Purpose of this Policy

- 3.1 The purpose of the policy is to:
 - set out details of which employers can be admitted into the Fund
 - provide details of the process by which new employers are admitted into the Fund, including the various requirements they need to adhere to in order to achieve that;
 - address the different characteristics of employers or groups of employers to the extent that this is practical and cost-effective;
 - ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub funds allocated to the individual employers;
 - set out the approach the Administering Authority will take in relation to bulk transfers into and out of the Fund;
 - ensure that sufficient funds are available to meet all benefits as they fall due for payment;

- help employers recognise and manage pension liabilities, and the possible effect on the operation of their business;
- use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations; and
- maintain the affordability of the Fund to employers as far as is reasonable over the longer term.

4. Scope

4.1 The policy applies to:

- officers of the Fund
- members of the Pension Fund Committee
- employers of the Fund, and
- professional advisors.

5. Effective date

5.1 This policy was first approved by the Pension Fund Committee on [19 December 2024].

6. Review

6.1 This policy will be reviewed by Fund Officers annually and by the Pension Fund Committee every three years, and if necessary, more frequently to ensure it remains accurate and relevant.

7. Who can join the Fund?

7.1 The LGPS is open to employers providing a public service in England and Wales, including private companies who provide public services on behalf of a public body. Charities with close ties to a public body may also be able to participate in the LGPS, if certain conditions are met.

7.2 Schedule 2 to the Regulations sets out the types of employer that must or can offer the LGPS to their employees. These are split into three types:

- **Scheduled bodies** – local government/public sector employers that must enrol eligible employees into the LGPS. These are listed in Part 1 of Schedule 2 to the Regulations. They are usually large local authority employers such as county council's and police/fire authorities but also include Academy Trusts.
- **Resolution bodies** – a type of scheduled body that can choose to offer membership of the LGPS to its employees but with no obligation to do so. These are listed in Part 2 of Schedule 2 to the Regulations. They are usually smaller public sector bodies such as parish council's and drainage boards or bodies funded or controlled by a public sector body.
- **Admission bodies** – are non-public sector employers that can participate in the LGPS under certain conditions. The conditions that must be met are set out in Part 3 of Schedule 2 to the Regulations, including the requirement to enter into an admission agreement. Admission bodies are usually private contractors providing

public services on behalf of a scheduled or resolution body or charities providing a public service with close ties to a scheduled or resolution body.

8 Requirements for entry

Scheduled and Resolution bodies

- 8.1 Scheduled and resolution bodies have an automatic right to offer LGPS membership to employees that are eligible to join. Scheduled bodies have a statutory obligation to do so whilst resolution bodies can designate which employees (if any) are eligible.
- 8.2 The Regulations set out which Fund these employers should participate in, usually based on their geographical location. The relevant administering authority cannot refuse admission to scheduled or resolution bodies.
- 8.3 There is no formal entry process for scheduled bodies but the Administering Authority should be contacted at the earliest opportunity as there are many considerations and actions involved in joining the Fund.
- 8.4 Resolution bodies must pass a resolution designating an employee or group of employees as being eligible for membership of the LGPS and provide a copy of that resolution to the Administering Authority. This would usually be in the form of a copy of the official minutes of the meeting at which the resolution was passed.

Admission Bodies

- 8.5 To be admitted to the Fund, admission bodies must meet the criteria listed in part 3 of schedule 2 to the Regulations and enter into an admission agreement with the Administering Authority. They must also meet any relevant requirement set out in this policy document.
- 8.6 There are 5 sets of criteria but the majority of admission bodies fall under one of two sets of criteria:

Community admission bodies (CABs) – CABs are bodies that meet the criteria set out in paragraph 1(a) of part 3 of schedule 2 to the Regulations. CABs are non-profit organisations, providing a public service in England and Wales with strong links to another scheme employer.

Transferee admission bodies (TABs) – TABs are bodies that meet the criteria set out in paragraph 1(d) of part 3 of schedule 2 to the Regulations. TABs are contractors providing public services on behalf of another scheme employer. In most cases, this will involve a transfer of staff from the scheme employer to the contractor.

- 8.7 Bodies that meet the criteria set out in paragraphs 1(b), (c) and (e) are less common but can still be admitted to the Fund if they meet the relevant criteria in Part 3 of schedule 2 and any requirements set out in this policy document.

Risk Assessment

- 8.8 The Regulations require that every admission body must be subject to a risk assessment, taking account of actuarial advice. This should assess the level of risk arising on premature termination of the admission agreement due to the insolvency, winding up or liquidation of the admission body.
- 8.9 The risk assessment for all types of admission body must be carried out to the satisfaction of the Administering Authority and, for TABs, also the scheme employer for which the services are being provided (the awarding authority).

- 8.10 All admission bodies must provide a suitable guarantee to the Fund from a guarantor considered by the Administering Authority to be reliable and financially durable. Acceptable guarantors would usually be a local authority or central government department. A parent company considered to be reliable and durable enough may be accepted in some circumstances.
- 8.11 For TABs, the Regulations specify that the awarding authority act as guarantor for the admission body. In most cases, where the admission body will participate in the Fund as a TAB, the Administering Authority's default position is to offer a "pass through" agreement. However, a full admission agreement may be required if either the Administering Authority or the awarding authority consider the assessed risk to be significant or the number of transferring active members is considered material.
- 8.12 If a full admission agreement is put in place, a bond or indemnity may need to be provided by the admission body. The purpose of such a bond or indemnity is to provide protection to the awarding authority. The awarding authority will therefore need to confirm if it wants such a bond or indemnity to be provided.
- 8.13 Where a "pass through" agreement is put in place, any bond requirements are usually waived but the admission body may be required to obtain a limited bond.
- 8.14 In all circumstances where a bond or indemnity is provided, the bond or indemnity must be re-evaluated by the Administering Authority and renewed by the body at regular intervals.
- 8.15 The Administering Authority reserves the right to exercise its discretion and alter the guarantor or bond requirements where the individual circumstances of an application make it prudent to do so.
- 8.16 The officers of the Fund will be responsible for ensuring any bodies meet the criteria set out above, having regard to the appropriate legal and actuarial advice. The Fund's admission agreements will generally be standard and non-negotiable, drawn up on advice from the Fund actuary and legal advisor. These terms will include commencement, transfer, payment, bond/indemnity or guarantor requirements, as well as termination clauses to protect the other beneficiaries and participants in the Fund.
- 8.17 All applications from bodies that meet the criteria of paragraph 1(d) of part 3 of schedule 2 to the Regulations and meet the terms of the admission agreement will be accepted and reported to the Pension Fund Committee for information only. Applications that materially depart from these criteria and/or the standard terms of the admission agreement will be reported to the Pension Fund Committee for agreement and may be refused.
- 8.18 Applications for all other types of admission body will be subject to agreement by the Pension Fund Committee.

9 Allocation of assets and liabilities

- 9.1 The allocation of assets and liabilities at the start of an employer's participation in the Fund will depend on the type of employer and the circumstances of their entry to the Fund.
- 9.2 The following section sets out the general approach taken in different circumstances for each employer type. Alternative approaches may be taken where the

Administering Authority feels it is appropriate to do so to reflect any unique circumstances that might arise for a particular admission.

- 9.3 In all circumstances the value of assets and liabilities will be calculated using the Fund's ongoing basis as set out in the Funding Strategy statement.
- 9.4 The asset share will be tracked on a monthly basis during the period of participation in the Fund allowing for cash flows in/out of the scheme employer and the Fund's investment returns.

Scheduled and Resolution bodies

- 9.5 The allocation of assets for scheduled and resolution bodies will depend on the circumstances under which they join the Fund and whether or not any assets and liabilities will be transferring from another employer.
- 9.6 **Academy conversion from LEA school** – In this scenario only the liabilities of active members on the date of conversion are transferred to the Academy. The deferred and pensioner liabilities are retained by the LEA. Opening assets will therefore be allocated on a 'share of deficit' basis where the amount of assets notionally transferred to an academy is based on the ongoing funding level of active members of the ceding local authority on the calculation date. This ensures that deferred and pensioner liabilities being retained by the LEA are fully funded. The remaining assets are notionally transferred to the Academy. This may result in the Academy having a funding deficit on day one. Any transfer of assets under this scenario will be limited to the value of liabilities. Any assets above this value will be retained by the LEA.
- 9.7 **Academy Free school** - Normally Free schools are established with newly recruited staff therefore a transfer of assets and liabilities from another employer is not expected so they will have nil assets and liabilities at the outset. If any members bring in individual transfers (whether from another Fund employer or another LGPS Fund) these will be brought in using standard transfer arrangements set by the Government Actuary Department (GAD).
- 9.8 **Existing academy starting/joining a new Trust** – Where an existing academy sets up a new single-academy trust or moves from one multi-academy trust to another, all assets and liabilities (including deferred and pensioner liabilities) will normally be transferred to the new trust.
- 9.9 **Non-academy employers** - To be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer and/or business agreements.

Admission bodies

- 9.10 The allocation of assets when an admission body joins the Fund will depend on the type of admission body and the circumstances of the admission, taking into consideration the views of any transferring employer and any relevant business agreements.
- 9.11 **Transferee Admission Bodies** – For admission bodies providing services on behalf of another Scheme employer under a contract or other arrangement, only the liabilities related to those active members whose employment transfers to the admitted body as part of the contract will be transferred to the admission body. The opening assets allocated to the admission body will be 100% of the value, at the

date of admission, of the transferring liabilities. This will not apply where a “pass through” agreement is put in place. Instead, the arrangements set out in section 11 (Pass Through Admissions) of this policy will apply.

9.12 **All other Admission bodies** – For all other admissions bodies, the asset allocation will be agreed in each individual case depending on the circumstances of the case, taking into consideration the views of any transferring employer and any relevant business agreement.

9.13 In all circumstances (except “pass through” agreements) the value of assets and liabilities will be calculated using the Fund’s ongoing basis as set out in the Funding Strategy statement.

9.14 The asset share will be tracked on a monthly basis during the period of participation in the Fund allowing for cash flows in/out of the scheme employer and the Fund’s investment returns. This will not apply where a “pass through” agreement is put in place. Instead, the arrangements set out in section 11 (Pass Through Admissions) of this policy will apply.

10 Contribution rates and other costs

Setting employer contribution rates

10.1 The employer contribution rate will be set in accordance with the Funding Strategy Statement, using a risk-based approach, taking into consideration elements such as:

- The employer’s funding target.
- The desired likelihood of achieving the funding target.
- The time period over which the funding target is to be met.
- Whether or not the employer admits new members to the scheme.
- The strength of employer covenant and that of its guarantor (if any) and/or any bond or indemnity in place.

10.2 The contribution rate will be set so that the funding target is met, when combined with the employer’s asset share and anticipated market movements over the funding period, by the end of the funding time period, with the desired likelihood of success.

10.3 For some employers the contribution rate may be stabilised in line with the stabilisation policy set out in the funding strategy statement. This keeps changes to the employer contribution rate within a pre-determined range allowing those employers to benefit from paying a stable contribution rate.

10.4 The Administering Authority will consider, in certain circumstances, amending the employer contribution rate between valuations, further information is set out in the Review of contribution rates policy.

10.5 The arrangements set out in paragraphs 10.1 to 10.5 will not apply where a “pass-through” agreement is put in place. Instead, the arrangements set out in section 11 (Pass Through Admissions) of this policy will apply.

Other payments

10.6 In addition to its certified employer contributions, employers will be required to make additional payments including, but not limited to:

- lump sums in relation to any early retirements or early payment of pension benefits;
- lump sums in relation to any award of additional benefits;

- reimbursement of the Administering Authority's or other bodies' costs incurred as a result of activity directly related to or requested by the employer, including actuarial, legal and other consultancy fees;
- reimbursement of additional administration costs incurred due to inaction or poor administration by the employer, as set out in the Fund's administration strategy.

10.7 All lump sums in relation to non-ill health early retirement will be paid immediately by the admission body. Any request to extend the payment period will be considered in accordance with the Administering Authority Discretions policy.

10.8 The Administering Authority reserves the right to also request immediate payment of any ill-health strain payment not covered by the Fund's ill health pooling policy.

10.9 If any costs incurred in relation to an admission body cannot be collected from that admission body, for any reason, the Administering Authority reserves the right to require payment from the awarding authority or guarantor.

11 Pass Through Admissions

11.1 When an admission body is admitted as a TAB, the Administering Authority will offer a pass-through admission as standard. However, a full admission agreement may be required if either the Administering Authority or the awarding authority consider the assessed risk to be significant, or the number of active members transferring is of a material nature.

11.2 Under the pass-through agreement, the admission body:

- will either have a fixed contribution rate, or its contribution rate will vary in line with the awarding authority's rate;
- may be required to provide a limited bond or indemnity in respect of redundancy and any other risks identified by the scheme employer; and
- will continue to be required to pay strain costs in respect of non-ill-health early retirements.

11.3 Under a pass-through agreement no assets or liabilities will be assigned to the admitted body and will be retained by the awarding authority. This means that the pension risk is also retained by the awarding authority. When the admission agreement ceases, that agreement will clarify the position regarding any cessation debt / exit credit payment, etc. However, it is expected that there will be no deficit or surplus to be managed by the admission body.

12 Monitoring employer risk

12.1 During the participation of an employer in the Fund, the Administering Authority will monitor and/or put in place processes to monitor employer risk. This may include monitoring:

- the employer's funding level
- strength of employer covenant, including any bond, indemnity or guarantee in place
- level of risk exposure should the employer enter insolvency, liquidation or administration
- any issues relating to payment of employer contributions
- any issues relating to the provision of membership data

- 12.2 If for any reason the risk profile of an employer changes, the Administering Authority will assess what action may be needed to manage the change in the risk profile. This may include, but is not limited to:
- reviewing the employer contribution rate between valuations
 - reviewing any bond, indemnity or guarantee arrangements currently in place
 - require additional security to be provided
 - terminate the admission agreement (admission bodies only).
- 12.3 The Administering Authority reserves the right to review contribution rates for admission bodies annually or more frequently, particularly within the final three years before the expected date of termination of the admission agreement. This will seek to ensure the employer is broadly fully funded with neither a significant deficit or surplus at the date of exit from the Fund.

13 Cessations

- 13.1 The likelihood of and reasons for an employer ceasing participation in the Fund depends on the type of employer, whether or not new employees are able to join the LGPS and the rules around the employer's participation in the Fund.

Scheduled and resolution bodies

- 13.2 Scheduled bodies are required by law to enrol all eligible employees into the LGPS it is therefore not generally expected for them to cease participation in the Fund. Resolution bodies are able to choose which employees are eligible for membership of the LGPS and therefore it is more likely that they may exit the Fund.
- 13.3 Cessation would be considered to take place for both types of bodies in, but not limited to, the following circumstances:
- they have no active members in the Fund; or
 - the employer is wound up, merged or ceases to exist; or
 - the employer moves to another LGPS Fund, or another pension scheme, due to reorganisation.

Admission bodies

- 13.4 Due to the nature of their participation in the Fund, all admission bodies are expected to exit the Fund naturally when:
- they have no active members in the Fund; or
 - in the case of TABs, the contract or arrangement for the provision of services has ended.
- 13.5 The Administering Authority reserves the right for the admission agreement to be terminated early in any of, but not limited to, the following circumstances and following unsuccessful attempts to enable the admission body to remedy the situation, where applicable:
- Where the admission body is not paying monies due to the Fund within the period required by the Fund;

- Where the admission body is not meeting administrative requirements relating to the provision of information;
- Where the admission body is not meeting its requirement to renew, adjust or review any bond/indemnity or to confirm an appropriate alternative guarantor;
- Where the admission body breaches any other obligations under the admission agreement, not covered above;
- Where the employer becomes insolvent, is wound up, merged or ceases to exist; or
- On termination of a deferred debt agreement.

14 Future cessations

Scheduled bodies

- 14.1 Where a scheduled body is likely to terminate within the next 5 to 10 years due to losing its last active member within that timeframe, the Administering Authority reserves the right to set contribution rates by reference to liabilities valued on the termination basis (as per below). The target in setting contributions for any employer in these circumstances is to achieve full funding on a termination basis by the time the employer terminates avoiding either a significant deficit or surplus position at exit. This will help to protect other employers in the Fund and assist the exiting employer with planning a managed exit from the Fund.

Admission Bodies

- 14.2 Where an admission agreement for a body that has no awarding authority or central government guarantor is closed to new entrants, the Administering Authority policy is to set contribution rates by reference to liabilities valued on the termination basis. The purpose of this policy is to protect other employers in the Fund reflecting the inability of the Fund to collect further contributions to fund the liabilities following the exit of such an employer
- 14.3 Where an admission agreement for a transferee admission body is due to end before the next valuation, the Administering Authority reserves the right to review the employer's contribution rate and adjust the rate to ensure the employer is fully funded with neither a significant deficit or surplus by the exit date.

15 Alternatives to immediate cessation

Deferral of cessation event

- 15.1 Where an employer has ceased from participating in the Fund but is expected to have one or more new active Fund members within the three-year period following the cessation event, the Administering Authority has the discretion to suspend payment of the cessation debt for an agreed period of time. Where approved, the Administering Authority will liaise directly with the employer and confirm the contribution rate requirements to be paid during the period of deferral.

Deferred debt agreements (“DDAs”) and Debt spreading arrangements (“DSAs”)

- 15.2 The Administering Authority may, at its discretion, allow a ceasing employer who is continuing in business, to enter into a funding agreement whereby the payment of an

exit debt is deferred and, instead, the employer continues to pay secondary contributions. Further details on this type of agreement are set out within the Fund's cessation policy, but any agreement would be considered on an individual basis. The Administering Authority will likely require some form of security from the ceasing employer to enter into such an agreement.

16 Basis of termination valuation

- 16.1 The Fund's general principle on the cessation of an employer is to assume a "clean break" on termination, i.e. the departing employer's liability to make further contributions to the Fund is extinguished on payment of the termination deficit calculated on an appropriate basis.
- 16.2 The Fund's policy in relation to the calculation of cessation valuations in various circumstances is detailed in the Fund's cessation policy, albeit each case will be considered on its own merits in accordance with the administering authorities scheme of delegation.

17 Payment of cessation debt

- 17.1 The Fund's preferred and default position will be to collect the cessation payment by way of a lump sum where it is the admission body that is making the payment. The Fund's normal policy is that the payment is made within 30 days of the employer being notified. The employer may be allowed to spread payment over an extended period where the employer enters into a DDA or DSA.
- 17.2 An agreement to spread the payment of the cessation debt may be agreed by the Head of Pensions, where such an agreement meets the terms set out in the Fund's cessation policy. Any proposals that do not meet the terms of the policy will be subject to agreement by the Pension Fund Committee.
- 17.3 In most cases some form of security relating to the unpaid amount will be required. Further details are contained in the Fund's cessation policy.
- 17.4 Where the cessation debt cannot be repaid by the employer, any outstanding payment, once any bond, indemnity or alternative guarantor has been exhausted, may be recovered by one of the following means:
- by incorporating the cessation debt into the awarding authority's or guarantor's ongoing contribution rate, calculated by including the ceasing employer's assets and liabilities in the awarding authority/guarantor's share of the Fund. The Administering Authority reserves the right to require payment by immediate lump sum;
 - where the deficit is to be spread amongst all the employers in the Fund, the rates and adjustments certificate will allow for any ongoing deficit for departed employers at each triennial valuation, commencing from the first triennial valuation after the body or bodies depart (unless the results of that valuation have already been finalised);
 - the approach in the previous bullet may be deferred whilst there are sufficient assets in the ceased employer's share, to pay benefits to its ex-employees;
- 17.5 The Administering Authority will in all cases seek to maximise the monies recoverable and hence minimise the risk of deficit costs being levied on other Fund

employers. In exceptional circumstances this may result in an admission body paying less than the full cessation deficit. Any such cases will be subject to approval by the Pension Fund Committee.

18 Payment of exit credit

- 18.1 Where the Administering Authority determines that an exit credit may be payable, the Administering Authority will:
- promptly notify the employer – and any other relevant body – of its intention to make a determination as to the value, if any, of any exit credit payable to the employer
 - revise the rates and adjustments certificate showing the excess of assets over the liabilities as assessed by the actuary
 - make any necessary exit credit payment to an employer within six months of the cessation date (or another date agreed between the Administering Authority and the employer).
- 18.2 Further details can be found within the Fund’s cessation policy.

19 Bulk Transfers

Calculation of bulk transfer out of the Fund

- 19.1 Bulk transfers occur when the liabilities of ten or more members are transferred out of the Fund.
- 19.2 Payments of bulk transfers from the Fund will be carried out in line with the following:
- 19.3 **Transfers to a broadly comparable scheme** - The transfer payment will represent the full value of the transferring liabilities on the ongoing funding basis, irrespective of the funding level of the transferring awarding authority. In exceptional circumstances, the bulk transfer may be adjusted to reflect specific issues of the transferring employer.
- 19.4 **Employer moving to another Scheme or Fund** - Where the transferring employer is leaving the Fund in its entirety and transferring all liabilities, the transfer payment should be equivalent to the employer’s share of the assets in the Fund. In particular, this would apply where all deferred and pensioner members are also transferring.
- 19.5 **Partial exit of an employer to another Scheme or Fund** – Where the transferring employer is leaving the Fund but only transferring active liabilities (e.g. deferred and/or pensioner liabilities will remain in the Fund) then the transfer payment should be equivalent to the employer’s share of the assets in the Fund less an amount withheld to ensure non-transferring liabilities are fully funded on a low risk exit basis.
- 19.6 **Transfers within the Fund** - Although there is no physical payment to or from the Fund, transfers between employers within the Fund should be treated in the same way as external transfers, particularly for outsourcings to employers fulfilling a contract, to ensure a level playing field between those offering a broadly comparable scheme and those proposing to seek admitted body status. This is to ensure that the level of security offered to the remaining employers in the Fund is not diminished by reason of the transfer.
- 19.7 **In all other circumstances** – The transfer payment will generally be calculated on an ongoing basis but will be considered on the merits of the case. Generally, the

Fund's approach is for the Government Actuary's standard cash equivalent transfer value (CETV) to be used when calculating the assets to be paid.

- 19.8 Any shortfall between the transfer payment from the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, This will be particularly important where the transferring employer's participation in the Fund is ending and the bulk transfer payment is being reduced to accommodate a cessation valuation in respect of the remaining deferred and pensioner liabilities.

Adjustment to transfer payment between transfer date and payment date

- 19.9 Normally the transfer value will be calculated as at the date the members transfer their employment. This value is then adjusted until the actual payment date, which is typically some months or years later.
- 19.10 There is an overriding principle of minimising the risk to the Fund of paying out more in the bulk transfer than the Fund holds in assets which are attributable to the transferring liabilities. Consequently, the most appropriate adjustment would be to use the actual returns achieved on the Fund's assets over the appropriate period.
- 19.11 There are a number of practical difficulties associated with this, not least the fact that Fund returns are typically only available on a quarterly basis and there is a lag between the quarter end and the availability of the return information. As a result, an approximation is usually required for part of the period, which will typically take the form of:
- applying index returns in line with the benchmark agreed at the time of the bulk transfer, and/or
 - applying implied returns from monthly asset values.
- 19.12 It may subsequently be agreed between both parties to carry out a "true-up" exercise whereby the original payment amount is updated to reflect Fund returns to the Payment Date (when they become available), the difference between the original amount and the revised amount is settled between the two parties.
- 19.13 Where the bulk transfer is between two employers in the Fund, the notional transfer of assets is assumed to occur on the transfer date so there is no need to specify such an adjustment.

Format of bulk transfer

- 19.14 The type of payment will usually be in cash but is at the discretion of the Fund, to be decided by the Section 151 Officer. A deduction to the bulk transfer will be made for any administration, legal and transaction costs incurred by Fund as a result of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

Bulk transfers in

- 19.15 The Administering Authority will expect all bulk transfers in to be sufficient to meet the value of the accrued benefits on ongoing valuation assumptions (i.e. the Fund's funding basis) applicable at the transfer date.
- 19.16 There may be situations where the transfer amount accepted is less than the benchmark outlined above, in which case the receiving employer will be required to fund this deficit.

- 19.17 Depending on the strength of covenant of the receiving employer and the significance of the shortfall, any such shortfall will be met by either a lump sum payment or through increases to its ongoing contribution rate at the point the transfer is made or at the next funding valuation.
- 19.18 Approval process for paying or receiving a bulk transfer
- 19.19 The Administering Authority will normally agree to bulk transfers into or out of the Fund where this policy is adhered to. However, all bulk transfers into or out of the Fund will be put to the Pension Fund Committee for agreement, where the proposals depart from this policy.

Costs

- 19.20 The Administering Authority may require any actuarial, legal, administration and other justifiable cost to be paid by the employer in the Fund responsible for the transfer in or out.

Contact

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Appendix 1

Admission bodies - overriding principles

The purpose of an admission policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the Fund and to employers in the Fund is identified, minimised and managed accordingly.

The Fund's policy is drafted on the basis of the following key principles:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk;
- to help employers recognise and manage pension liabilities as they accrue with consideration to the effect on the operation of their business where the Administering Authority considers this appropriate;
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so;
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term.
- to complement the Funding Strategy Statement

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Best Value Authorities Staff Transfers (Pensions) Direction 2007 [Statutory Guidance to Local Authorities on Contracting effective from October 2007] and Fair Deal guidance) as they pertain to admission agreements are adhered to.

Appendix 2

Admission bodies and scheduled bodies - the regulatory and guidance framework

The LGPS

The Local Government Pension Scheme Regulations 2014, as amended, ("The Regulations") describe two main routes by which bodies may gain admission body status. These are;

1. By being linked with, funded by, or representative of a local authority or scheme employer, or providing a public service and having sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest
2. By providing a service as a result of the transfer of the service or assets by means of a contract or other arrangement (e.g. outsourcing).

In December 2009, the Department for Communities and Local Government ("DCLG") issued guidance explaining the LGPS regulatory provisions relating to admission bodies.

Employers may also be admitted to the Fund by virtue of being listed in Schedule 2 of The Regulations. Referred to as Scheduled bodies, such employers have a right to participate in the LGPS.

Fair deal, ODPM code of practice and the direction

Where employees are being transferred under TUPE, the principles of the Cabinet Office Statement of Practice ("COSOP") dated January 2000 and revised in December 2013 "Staff Transfers in the Public Sector – Statement of Practice", and in particular the "Fair Deal for Staff Pensions" guidance that supports "COSOP" (commonly known as 'Fair Deal') must also be adhered to. The Government published the reformed Fair Deal policy on 4 October 2013, which pertains to transfers from Central Government. The key requirements of this policy are: -

- that employees transferred to a supplier will in future automatically be entitled to remain in their existing public sector pension scheme.
- under the reformed Fair Deal winning bidders generally will not have an option to
- move employees eligible for public sector pension schemes to a broadly comparable private sector pension scheme apart from in exceptional cases.
where provision of a broadly comparable pension scheme is agreed, payment of a bulk transfer and protection of past service by provision of day for day service credits (or equivalent allowing for differences in the benefit structure of the new scheme), and
- protection of other pension related terms and conditions of employment, such as enhancement of benefits on redundancy.

Fair Deal for the LGPS is still under consideration. However, it is expected that the spirit of the above policy will be followed.

Appendix 3

Bulk transfers – overriding principles

The purpose of bulk transfer negotiations is to determine the transfer payment to be paid and the amount of service credits to be awarded when a number of members transfer their benefits from one pension scheme to another.

The Fund's policy is drafted on the basis of the following key principles:

- when a group of active scheme members joins the Fund, the Administering Authority's objective is to ensure, as far as practical that the Fund does not accept an ongoing funding deficit in respect of the transferring employees;
- when a group of active scheme members leaves the Fund, in order to protect the funding position in respect of the remaining members, the transfer values in respect of the transferring members should be no more than the assets held in respect of the transferring liabilities, and at most be 100% of the transferring liabilities on the ongoing funding basis as set out in the Funding Strategy Statement; and
- 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.
- There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (in particular the Statutory Guidance to Local Authorities on Contracting issued in August 2005 and Fair Deal guidance) as they pertain to bulk transfers are adhered to.

It should be noted that, as far as possible, employers should treat the Fund's preferred terms on bulk transfers as 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 should be dealt with by the employers concerned outside the Fund.

Appendix 4

Bulk transfer circumstances

Bulk transfers from the Fund to non-LGPS Funds

Bulk transfers of active scheme members from LGPS employers to approved non-LGPS schemes typically involve the outsourcing of services to a private sector employer with its own approved scheme under a transfer of undertakings (TUPE) or from the reorganisation of central government services (such as the merger of certain government agencies) where the active scheme members transfer to another public service scheme (e.g. NHS, PCSPS etc.).

Regulation 98 of the Local Government Pension Scheme Regulations 2013 (“The Regulations”) governs the bulk transfer of members’ pension liabilities out of the LGPS to an approved non-LGPS pension arrangement.

Regulation 98 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. The transferring and receiving schemes and the employer must agree that a bulk transfer will be made. If there is no agreement, then our understanding is that the standard cash equivalent transfer basis would apply if the active scheme member elected to transfer his or her accrued rights.

The 2003 ODPM Code of Practice on Workforce matters requires that the new employer’s pension scheme allows the employees transferring their accrued rights from the LGPS to do so on a fully protected basis. Our interpretation is that this refers to protection of the benefits (i.e. value of service credits) not the amount of the bulk transfer since no reference is made to the bulk transfer payment having to reflect that fully protected basis.

For any bulk transfer the Fund’s administrators must also obtain members’ consent to be part of the bulk transfer.

The Regulations give the Fund’s actuary discretion as to the calculation of the bulk transfer value. This means that, when paying bulk transfers from the Fund to a non-local-government scheme, it is possible for the calculation to be structured so as to minimise the risk of the transfer value exceeding the share of the Fund assets attributable to the transferring liabilities¹.

Bulk transfers between LGPS Funds within England and Wales: changes in the Fund

Transfers of membership between different LGPS Funds commonly occur when employers within one council area expand into or merge with employers in another council area and/or LGPS Fund.

Regulation 103 of The Regulations governs the bulk transfer of members’ pension liabilities between Funds within England & Wales. Regulation 86 requires a bulk transfer to be agreed between the actuaries to the transferring and receiving scheme where 10 or more members are affected by virtue of a single event.

The Regulations require the actuaries to each Fund to agree on the amount of the bulk transfer payment to be made. If agreement is not reached within 12 months then the matter may be referred to a third actuary chosen by the two actuaries or, if

¹ It is not possible to completely eliminate this risk, for example because the transfer value will be adjusted between the transfer date and the payment date and Cambridgeshire Pension Fund returns may not be available for the full period.

they cannot agree, to an actuary chosen by the President of the Faculty and Institute of Actuaries and his decision will be final.

The active scheme member will be credited with the same period of service in the new Fund as he or she had accrued in the Fund so there is no discretion to award anything other than day-for-day service credits.

Bulk transfers between employers in Fund

Bulk transfers between employers within the Fund may be relatively common. An example of this type of transfer is where a unitary authority transfers control of certain services to another body and the transferring active scheme members are eligible to remain in the Fund. These types of transfers can be broken into two different categories:

- The transferring active scheme members join a new employer in the Fund (e.g. a transferee admission body, community admission body, or even a new scheduled body); or
- The transferring active scheme members join an existing Fund employer.

There are no specific references in the Regulations to the allocation of assets for these types of scenario or any other guidance relating to such transfers. Obviously the ODPM Code of Practice on Workforce Matters and the Fair Deal guidance applies to transfers from local authorities to private contractors within the same Fund.

Transfers in

Bulk transfers into the LGPS can occur for a number of reasons including a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS Fund, where there is a reorganisation of central government operations (transfers in from other government sponsored schemes) or where an outsourced contract ceases and active scheme members (re)join the LGPS from a broadly comparable scheme.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any service in respect of a 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 calculated the same way as individual transfers.