

# Transfers Appendix

## Summary

1. This is an Appendix to the Board's determination under Section 175(5) of the Pensions Act 2004 in respect of the 2011/12 Levy Year.
2. It sets out:
  - (1) in Part A, the Basic Transfer Information and the Actuarial Transfer Information required to be Submitted on Exchange by the trustees of the Transferring Scheme and the Receiving Scheme in accordance with Rules F2.2 and F2.3 in order for the Board to make a determination set out in Rule F2.4 or F3.2, as applicable;
  - (2) in Part B, how actuaries must calculate the Post-Transfer Valuation; and
  - (3) in Part C, the Poor Data Methodology for the purposes of Rule F2.5(2) in the event that the trustees fail to do so.

## Part A – What information is required?

1. All information should be Submitted.
2. The trustees of the Transferring Scheme and each Receiving Scheme are required to agree certain information before it can be Submitted. The Board will only accept information as having been Submitted on Exchange if it has been successfully agreed (where Exchange requires this) and then Submitted as at the Measurement Time.
3. Where a Scheme has been subject to more than one transfer (either a Full Transfer or a Qualifying Transfer), only one set of Actuarial Transfer Information should be Submitted. The effective date of this Post-Transfer Valuation must be after the date that the liabilities have transferred for all of the transfers.
4. The Basic Transfer Information for the purposes of Rule F2.2 is as follows:
  - (1) The name and Pension Schemes Registration number of the Transferring Scheme;
  - (2) The name and Pension Schemes Registration number of each Receiving Scheme or the name of the insurance company, if applicable;
  - (3) The date of the first transfer payment;
  - (4) The date of the last transfer payment;
  - (5) The amount of the total assets transferred as a result of all transfer payments connected with the transfer.
5. Except for the Transferring Scheme in relation to a Full Transfer, the Actuarial Transfer Information for the purposes of Rule F2.3 is as follows:

- (1) Valuation details of Transferring Scheme and Receiving Scheme which reflect the position of the relevant Scheme post-transfer (a "Post-Transfer Valuation"), comprising the following information:
- a. Effective date of valuation which must be after the date that the liabilities have transferred.
  - b. Version of S179 valuation guidance used
  - c. Version of S179 assumptions guidance used
  - d. Total assets
  - e. Active members' liabilities, excluding expenses
  - f. Deferred pensioners' liabilities, excluding expenses
  - g. Pensioners' liabilities, excluding expenses
  - h. Estimated costs of winding up
  - i. Estimated expenses of benefit installation/payment
  - j. External liabilities
  - k. Total protected liabilities
  - l. Percentage of assets relating to insurance contracts not included in accounts
  - m. Percentage of active members' liabilities matched by insurance contracts
  - n. Percentage of deferred pensioners' liabilities matched by insurance contracts
  - o. Percentage of pensioners' liabilities matched by insurance contracts
  - p. Proportion of active members' liabilities relating to service before 6 April 1997
  - q. Proportion of deferred pensioners' liabilities relating to service before 6 April 1997
  - r. Proportion of pensioner members' liabilities relating to service before 6 April 1997
  - s. Proportion of active members' liabilities relating to service between 6 April 1997 and 5 April 2009
  - t. Proportion of deferred pensioners' liabilities relating to service between 6 April 1997 and 5 April 2009
  - u. Proportion of pensioner members' liabilities relating to service between 6 April 1997 and 5 April 2009
  - v. Proportion of active members' liabilities relating to service after 5 April 2009
  - w. Proportion of deferred pensioners' liabilities relating to service after 5 April 2009
  - x. Proportion of pensioner members' liabilities relating to service after 5 April 2009
  - y. Number of active members
  - z. Number of deferred pensioners
  - aa. Number of pensioners
  - bb. Average age of active members
  - cc. Average age of deferred pensioners
  - dd. Average age of pensioners
- (2) Certification that the valuation has been carried out in accordance with the Pension Protection Fund (Valuation) Regulations 2005 (the "Valuation Regulations") and with the appropriate Section 179

guidance and assumptions issued by the Board with the following exceptions:

- a. that the total assets may not have been taken from audited accounts since these were either not yet available or will not be prepared for the Scheme at this date; and
  - b. it is not necessary for the requirement set out in regulation 7(1) of the Valuation Regulations to have been satisfied at the date the information is Submitted on Exchange.
- (3) Certification that the calculated value of the protected liabilities is, in the actuary's opinion, unlikely to be understated and that the value of the assets is unlikely to be overstated.

6. For the Transferring Scheme in relation to a Full Transfer, the Actuarial Transfer Information for the purposes of Rule F2.3 is a declaration that the Transferring Scheme has fewer than two members as a result of the relevant transfer and that Exchange will be updated if at any time the Transferring Scheme has two or more Members.

#### **Part B - Calculating the Post Transfer Valuation**

7. The valuation should be carried out in accordance with the Valuation Regulations and with the appropriate Section 179 guidance and assumptions issued by the Board, with the following exceptions:
- (1) that the assets do not need to be taken from audited accounts if these are not available or will not be prepared for the scheme at the effective date of valuation; and
  - (2) it is not necessary for the requirement set out in regulation 7(1) of the Valuation Regulations to be satisfied at the date of the valuation.
8. The same effective date must be used for the valuation of the assets and the liabilities.
9. The valuation should cover the total assets and liabilities of the Scheme at an effective date after the effective date of the transfer.
10. Allowance should be made only for transfers of liabilities up to and including:
- (1) 31 March 2010 in the case of a Qualifying Transfer; and
  - (2) 31 March 2011 in the case of a Full Transfer.

No allowance should be made for transfers after these dates. Transfers after these dates will not influence the amount of the Levies for 2011/12 Levy Year.

## Part C - Poor Data Methodology

The Poor Data Methodology for the purposes of Rule F2.5(2) is as follows:

11. The Section 179 Valuation for the Transferring Scheme and the Receiving Scheme will be calculated as at 31 March 2010 as described in the Transformation Appendix and/or the MFR Conversion Appendix as appropriate.
12. The estimated value of assets for the Transferring Scheme as at 31 March 2010 will be as calculated in the Transformation Appendix (or the MFR Conversion Appendix where appropriate), but reduced by 5 per cent per annum compound in respect of the period, measured in years and proportions of years, between the date that the transfer value was paid and 30 June 2011, subject to a minimum reduction of 5 per cent. In cases where liabilities have been transferred but no assets have been transferred, the liabilities of the Transferring Scheme will be as calculated in the Transformation Appendix (or the MFR Conversion Appendix where appropriate), but increased by 5 per cent per annum compound in respect of the period, measured in years and proportions of years, between the date that the liabilities transferred and 30 June 2011, subject to a minimum increase of 5 per cent. Thus, the Transferring Scheme's assets are calculated as follows (using the terminology of the Transformation Appendix and the MFR Conversion Appendix):

$$S179 \text{ Ass} = S179 \text{ Ass [as calculated in paragraph 4.2.3 of the Transformation Appendix or paragraph 4.2 of the MFR Conversion Appendix where appropriate]} \times 0.95^{(30 \text{ June } 2011 - \text{ Transfer payment date})}$$

Subject to a maximum of  $S179 \text{ Ass} \times 0.95$

In cases where liabilities have transferred but no assets have been transferred, the Transferring Scheme's liabilities are calculated as follows: (using the terminology of the Transformation Appendix and the MFR Conversion Appendix):

$$S179\text{TL} = S179\text{TL [as calculated in paragraph 4.4 of the Transformation Appendix]} \times 1.05^{(30 \text{ June } 2011 - \text{ Liability transfer date})}$$

Subject to a minimum of  $S179\text{TL} \times 1.05$

13. In paragraph 12, where a transfer of assets to a Receiving Scheme was made in two or more payments, the measurement period will commence from the first such payment. In cases where no assets have been transferred but a transfer of liabilities to a Receiving Scheme took place on two or more dates, the measurement period will similarly commence from the first such date
14. Subject to paragraph 17:
  - (1) the estimated value of assets for the Transferring Scheme, reduced in line with paragraph 12 above where applicable, will be

added to the estimated value of assets for the Receiving Scheme to give the estimated value of assets of the Receiving Scheme post-transfer; and

(2) the estimated value of liabilities for the Transferring Scheme, increased in line with paragraph 12 above where applicable, will be added to that for the Receiving Scheme to give the estimated value of liabilities for the Receiving Scheme post-transfer.

15. The Levies for the Receiving Scheme will be calculated on the basis of the estimated valuation position post-transfer, as described in the above paragraph.
16. The Receiving Scheme will benefit from the inheritance of any validly certified Deficit-Reduction Contribution(s) from the Transferring Scheme. The 5 per cent per annum reduction that is applied to the Transferring Scheme's estimated assets will not be applied to the certified Deficit-Reduction Contribution(s).
17. If the Transferring Scheme has transferred its liabilities to more than one Receiving Scheme, an equal proportion of assets and liabilities will be assumed to have transferred to each Receiving Scheme, and references above to the assets of the Transferring Scheme will be to the relevant proportion of those assets; provided, however, that any Receiving Scheme in relation to which the Board takes account of a Post-Transfer Valuation in accordance with Rule F2.5(2)(ii) shall be excluded, in which case the appropriate proportion of the estimated remaining assets and liabilities of the Transferring Scheme shall be divided equally among the remaining Receiving Schemes.