

Transfers Appendix

Summary

- 1 This is an Appendix to the Board's Determination under Section 175(5) of the Act in respect of the 2023/24 Levy Year. Unless defined in this Appendix, expressions defined in the Levy Rules shall have the same meanings as set out therein.
- 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 as set out in Rule F2.4;
 - (2) in Part B, how actuaries must calculate the Post-Transfer Valuation;
 - (3) in Part C, the Poor Data Methodology for the purposes of Rule F2.5(2) in the event that the trustees fail to submit the relevant information so; and
 - (4) in Part D, the information requirements for Exempt Transfers as referenced in Rules F4.1(a)(iv) and F4.1(b)(iii).

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 Receiving Scheme is the Receiving Scheme in respect of Full Transfers from more than one Transferring Scheme, 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 Scheme registration number of the Transferring Scheme.
 - (2) The name and Pension Scheme registration number of each Receiving Scheme or the name of the insurance company, if applicable.
 - (3) The first date on which all or part of the liabilities connected with the transfer transferred.
 - (4) The last date on which all or part of the liabilities connected with the transfer transferred.
 - (5) The amount of the total assets transferred as a result of all transfer payments connected with the transfer.

5 The Actuarial Transfer Information in relation to the Receiving Scheme for the purposes of Rule F2.3 is as follows:

- (1) Valuation details of Receiving Scheme which reflect the position of the 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 the Board's Section 179 Valuation guidance used.
 - (c) Version of the Board's Section 179 assumptions guidance used.
 - (d) Total assets (which must exclude the value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement and, if the date in paragraph 5(1)(a) is after the date the ABC Value was assessed, unless recognition is not sought for the ABC Value, any Coupon Payments made after the ABC Value was assessed (if any)).
 - (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 active members' liabilities relating to service after 5 April 2009.
 - (v) Proportion of deferred pensioners' liabilities relating to service after 5 April 2009.
 - (w) Proportion of pensioner members' liabilities relating to service after 5 April 1997.
 - (x) Number of active members.
 - (y) Number of deferred pensioners.
 - (z) Number of pensioners.
 - (aa) Average age of active members.
 - (bb) Average age of deferred pensioners.
 - (cc) Average age of pensioners.
- (2) Certification that the valuation has been carried out in accordance with the Valuation Regulations 2005 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.
 - (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.
 - (c) That the total assets will exclude the value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement and may exclude any Coupon Payments (if any) made after that value was assessed.
- (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 The Actuarial Transfer Information in relation to the Transferring Scheme 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 the valuation.
 - (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.
 - (3) That the total assets will exclude the value attributed to the Scheme trustee's interest in a Trustee LP which is part of an ABC Arrangement and, if the date of the Post-Transfer Valuation is after the date that the ABC Value is assessed, unless recognition is not sought for the ABC Value, any Coupon Payments (if any) made after the ABC Value was assessed.
- 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 total 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 31 March 2023. No allowance should be made for transfers after these dates. Transfers after these dates will not influence the amount of the Levies for the 2023/24 Levy Year.

Part C - Poor Data Methodology

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

- 11 The Assets, Liabilities, Unstressed Assets and Unstressed Liabilities of the Transferring Scheme and the Receiving Scheme will be calculated as at 31 March 2023 using the valuation information applicable under Rule D2 and Rule F1.2 and in accordance with the Transformation Appendix, subject to paragraphs 12 and 13 of this Appendix.
- 12 The value placed upon the Assets of the Transferring Scheme shall be calculated using the factors specified in paragraph 4.2 of the Transformation Appendix and in accordance with paragraph 4.7 of the Transformation Appendix, in a manner which, in the opinion of the Board, is appropriate having regard to any guidance issued by the Board.
- 13 The estimated value of the Liabilities and Unstressed Liabilities of the Transferring Scheme, as calculated in the Transformation Appendix as indicated in paragraph 11 of this Appendix, will be 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 Supplied Liabilities transferred and 30 June 2023, subject to a minimum increase of 5 per cent. Thus, the Transferring Scheme's Liabilities and Unstressed Liabilities are calculated as follows (using the terminology of the Transformation Appendix and reading the

references to a Section 179 value as references to the valuation information applicable under paragraph 11 of this Appendix):

$S179TL = S179TL$ [as calculated in accordance with paragraphs 4.6 and 4.8 of the Transformation Appendix]

$\times 1.05$ ^(30 June 2023 - Liability transfer date)

Subject to a minimum of $S179TL \times 1.05$

14 In paragraph 13, where a transfer of liabilities to a Receiving Scheme took place on two or more dates, the measurement period will commence from the first such date.

15 Subject to paragraph 18 of this Appendix:

(1) the estimated value of assets for the Transferring Scheme 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 13 of this Appendix, will be added to that for the Receiving Scheme to give the estimated value of liabilities for the Receiving Scheme post-transfer,

and for the purposes of this paragraph 15 references to "assets" and "liabilities" shall be to the Assets or Unstressed Assets, and Liabilities or Unstressed Liabilities, as the case may be, whichever is used to determine U (underfunding) in respect of the Receiving Scheme post-transfer.

16 The Levies for the Receiving Scheme will be calculated pursuant to the Rules on the basis of the estimated valuation position post-transfer, as described in paragraph 15 of this Appendix.

17 The Receiving Scheme will benefit from the inheritance of any validly certified Deficit-Reduction Contribution(s) from the Transferring Scheme, subject to the Rules.

18 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 in paragraph 15 of this Appendix to the assets or liabilities of the Transferring Scheme will be to the relevant proportion of those assets or liabilities; 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)(b) 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.

Part D: information requirements for Exempt Transfers

19 The information requirements referred to in Rule F4.1(a)(iv) (self-segregation transfers) are:

- (1) Legal advice to the trustees of the Parent Section, provided in such manner as may be set out in guidance issued by the Board, confirming:
 - (a) that the Parent Section comprises the entirety of the pre-transfer scheme (the "Parent Scheme") immediately before the segregation and that its assets and liabilities remain unchanged;
 - (b) the relevant provisions of the trust document effecting the sectionalisation which confirm paragraph 19(1)(a); and
 - (c) that the legal enforceability of any ABC Arrangement or Contingent Asset attaching to the Parent Scheme is unaffected by the transfer.

- (2) Confirmation from the Scheme Actuary to the Parent Section provided in such manner as may be set out in guidance issued by the Board, that:
 - (a) the Parent Scheme's most recent Section 179 Valuation fully reflects the position of the Parent Section as its assets and liabilities are identical to those of the Parent Scheme immediately prior to segregation, with the exception of any other increase in liabilities that the Scheme Actuary considers to be immaterial in the overall context of the transfer;
 - (b) any Deficit-Reduction Contribution certificate Submitted in respect of the Parent Scheme remains compliant with the requirements in the Levy Rules and the Deficit-Reduction Contributions Appendix following the transfer to the Parent Section; and
 - (c) the most recent Section 179 Valuation in respect of the Parent Scheme was Submitted within the deadline for Submission to TPR prior to the transfer.

20 The information requirements referred to in F4.1(b)(iii) (1-to-1 transfers) are confirmation from the Scheme Actuary to the Receiving Scheme, provided in such manner as may be set out in guidance issued by the Board, that:

- (1) The Transferring Scheme's most recent Section 179 Valuation fully reflects the position of the Receiving Scheme as its assets and liabilities are identical to those of the Transferring Scheme immediately prior to the transfer, subject only to:
 - (a) the creation of nominal accrual in the Receiving Scheme for the purposes of ensuring that the Receiving Scheme is an eligible Scheme under section 126 of the Act for entry into the PPF if the relevant qualifying criteria are met; and
 - (b) any other increase in liabilities that the Scheme Actuary considers to be immaterial in the overall context of the transfer.

- (2) The most recent Section 179 Valuation in respect of the Transferring Scheme was Submitted within the deadline for Submission to TPR prior to the transfer; and

- (3) Any Deficit-Reduction Contribution certificate Submitted in respect of the Transferring Scheme remains compliant with the requirements in the Levy Rules and the Deficit-Reduction Contributions Appendix following the transfer to the Receiving Scheme.