

London Borough of Enfield

Pension Policy and Investment Committee

Meeting Date: 10.06.2021

Subject: Enfield Pension Fund Admissions Policy

Cabinet Member: Cllr Maquire

Executive Director: Fay Hammond

Key Decision: n/a

Purpose of Report

1. In accordance with the Local Government Pension Scheme (LGPS) Regulations, associated legislation and the Pension Policy and Investment Committee (PPIC) terms of reference, the Committee is responsible for all functions and responsibilities relating to the management of the Enfield Pension Fund.
2. The PPIC is required to agree the Administering Authority's policies, particularly when they involve the admission of bodies to the Pension Fund. The proposed Admissions Policy is attached at Appendix A.
3. The purpose of this report is to seek agreement to adopt the revised Admissions Policy for both new employers and existing employers in the Fund.

Proposal

4. To agree the terms in which the Administering Authority can approve employers to the Fund, where employers employ eligible employees.

Reason for Proposal

5. The Administering Authority has been working with the Council's actuaries, Aon to review the current Admission Policy to ensure statutory compliance and to develop a more pragmatic approach when agreeing admission agreements.
6. Since the last Fund triannual valuation there has been an increase in the number of requests to admit employers to the Enfield Fund, particularly from employers who have won catering and cleaning contracts from schools and academy trusts.

7. Whilst the current Admissions Policy provides a pooling arrangement for small admitted bodies, with 10 or fewer active members it does not address school cluster arrangements. This occurs when contactors have won several school contracts, under one service agreement with an academy trust scheme employer.
8. The current policy does not provide an alternative approach to the requirement for an indemnity or a bond. On occasions this requirement provides an issue for small employers and, on occasions they have consequently withdrawn their bid.
9. The proposed changes to the Admission Policy allows for a passthrough pooling arrangement, not restricted to the number of staff transferring with an additional contribution of pensionable pay in lieu of an indemnity/bond.

Background

10. Schedule 2 of the Local Government Pension Scheme (LGPS) Regulations 2013, allows membership to two types of employers, 'Scheme Employers' and 'Admission Bodies'.
11. Scheme employers must provide automatic admission into the pension scheme for all eligible employees they employ. Enfield Council and academies in the Borough are examples of scheme employers in the Enfield Fund.
12. Admission bodies can provide access to the pension scheme through an admission agreement. Companies who have won school cleaning and catering contracts are examples of admission bodies in the Enfield Fund. A list of scheme employers and admission bodies, as at the last fund valuation is set out in appendix B.
13. As admission bodies do not automatically qualify as employers within the Scheme they must comply with the requirements set out in the regulations. In 1999 admitted body status provisions were extended to allow contractors, who take on local authority services to offer staff transferring continued eligibility to the LGPS during the contract period.
14. Where a scheme employer decides to outsource services to a new contractor, the new contractor can seek continued membership into the LGPS for those transferring employees by entering into an admission agreement.
15. New employers can choose not to seek membership into the LGPS but they will need to offer transferred employees membership of a certified broadly comparable pension scheme.
16. An admission agreement may be 'open' or 'closed' to new employees of the admitted body. The Enfield Admission Agreement offers a closed scheme, as it is only open to those employees who have transferred from another scheme employer. Employees are listed on a schedule within the

admission agreement and will include active members of the LGPS or those eligible at the point of transfer.

17. To protect the Pension Fund against any identified risk, the new admission body employer is required to provide a bond or indemnity to meet that level of risk. The Fund's actuaries, Aon calculate the value of the bond required.
18. Aon will also calculate the employer contribution, payable by the admitted body by reviewing the profile of the eligible employees/members joining as part of the agreement. The rate will ensure that the benefits which accrue to members are funded over the period of the contract. The employer contribution rate is reviewed at each triennial actuarial valuation.
19. The current Admissions Agreement allows employers to be grouped together in a pooling arrangement which has a single funding target. These arrangements are also set out in the Fund's Funding Strategy Statement. The Enfield Pension Fund has a number of employers having a 'pooled' arrangement and thus having been certified to have a contribution rate equal to the rate payable by Enfield Council in accordance with the policy. This arrangement currently only applies to small admitted bodies with 10 or fewer active members.
20. An admission agreement must terminate if the employer ceases to be an admission body i.e., if the contract terminates, the last active members leaves employment or opts out of the fund etc. On termination an actuarial valuation of the outstanding liabilities is undertaken. On receipt of a revised rates and adjustment certificate the admitted body is required to pay the contributions due (cessation costs).

Main Considerations

21. The proposed changes to the Fund's Admission Policy and revised admissions agreements include all the required features as detailed above. Additional flexibility has however been added to assist schedule bodies to successfully outsource services whilst protecting the Fund and its members.
22. The proposed policy changes include passthrough pooling arrangements. This arrangement can be requested by a schedule body and must be agreed by the administering authority. This arrangement allows an employer to enter the same funding pool as the relevant scheme employer. Liabilities of the admission body will be allocated to the Pool.
23. The passthrough pooling approach allows future admitted body employers to be allocated the same employer rate as the schedule body. The employer rate is therefore available at the point of tenders being sought. New potential employers can include pension costs in their bid and be provided with information regarding admission agreements early in the process.
24. The other proposed policy change relates to bonds and indemnities. In a pooled arrangement, if it is not desirable for an admitted body, for whatever

reason to obtain an indemnity/bond, the scheme employer will be required to be the guarantor of the admission body liabilities. In this situation the admitted body will be required to pay an additional 2% of pensionable pay in lieu of the bond. The policy does allow for this contribution to be increased, based on risk. This will be agreed in consultation with the administering authority and the scheme employer.

25. After consulting with the Fund's Responsible Officer, an additional 2% of pensionable pay in lieu of a bond was considered by Aon to be reasonable and measured. It is expected that this arrangement will only be agreed by the administering authority in relation to school catering and cleaning contracts. It is expected that admission agreements relating to large contracts and the outsourcing of numerous staff, will be required to provide an indemnity/bond and will have a separate valuation and employer contribution rate.

Safeguarding Implications

26. No Safeguarding implications arising from the report.

Public Health Implications

27. The Enfield Pension Fund indirectly contributes to the delivery of Public Health priorities in the Borough

Equalities Impact of the Proposal

28. The Enfield Pension Fund is committed to fairness for all to apply throughout all work and decisions made. The Administration Authority serves all members of the Enfield Pension Fund and employees who are eligible to join the scheme fairly, tackling inequality through the provision of excellent services for all.

Environmental and Climate Change Considerations

29. There are no environmental and climate change considerations arising from the report

Risks that may arise if the proposed decision and related work is not taken

30. If the admission agreement is not agreed, scheme employers may find that they are unable to attract the best providers to provide services to their organisation as companies are resistant to take on pension liabilities relating to staff who transfer to their employment.
31. The length of time to agree admission agreements and associated actuarial costs (individual employer actuarial valuations, cessation costs, triannual valuation costs etc) will remain.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

32. The Administering Authority's aim is to minimise risk to the Fund by ensuring that the employers participating in the Fund are managed in a way that ensures they can adequately fund the liabilities attributable to them and, to pay any deficit due when leaving the Fund.
33. Aon will review contribution levels, as part of the Fund's triannual valuation payable by employers in a pooled arrangement to ensure that scheme employers are adequately funded.
34. Pooling arrangements must be agreed by the relevant schedule body and the administering authority.
35. Whilst the additional 2% of pensionable pay in lieu of a bond was considered by Aon to be reasonable and measured the policy does allow for this contribution to be increased, based on risk. This will be agreed in consultation with the administering authority and the scheme employer
36. The policy regarding passthrough pooling arrangements will be monitored and should the admission body become significantly greater in terms of membership or the risk posed is considered material, the policy will be reconsidered.
37. The policy and admission agreements retains all the 'standard' features i.e.: individual employer contribution rate, bond/ indemnity and it compliant with LGPS regulations and associated legislation.

Financial Implications

38. The administering authority has an obligation to pursue all liabilities owed so that any shortfall from an individual employer does not fall back on other employers.
39. When a passthrough pooling arrangement is agreed, on exit there will be no cessation costs. Whilst an additional 2% contribution uplift in lieu of a bond was considered by the Aon to be reasonable and measured, the Committee may wish to review the additional contribution as quoted in the policy.
40. To mitigate the risk, the administering authority as well as the scheme employer will need to agree the use of a pass through pooling arrangement and can also increase the additional contribution, in lieu of a bond if required.

Legal Implications

41. The amended Admissions Policy, drafted by the Council's actuaries Aon adhere to the LGPS Regulations 2013.

Workforce Implications

42. The Admission Policy protects the rights of members and eligible employees when transferring employment from a scheme employer. It allows employees to remain in the LGPS as new employers can join the scheme by entering into an admissions agreement with the Administering Authority.
43. On reviewing the policy, protecting members' pension rights and simplifying the process has been considered. Historically, the process to approve admission agreements takes time and attracts actuarial fees and on occasion legal costs.
44. It is a very difficult time for members of the fund who are transferring to a new employer. It is therefore important to ensure that the process is streamlined and resolved quickly so reassurances can be provided to staff transferring.
45. The administering authority are currently working on improving communication to scheme employers as well as members. It is planned to create guides for members and eligible staff who are affected by outsourcing services.

Property Implications

46. There are no property implications arising from this report

Other Implications – None

Options Considered

47. Scheme and admitted body employers must meet the requirements set out in Schedule 2 to the LGPS Regulations 2013. They must also meet any further requirements as set out in the Administering Authorities Admissions Policy.
48. It is best practice to regularly review administering authority policies to guarantee compliance and address issues to ensure policies meet the requirements of scheme employers and protect members of the fund.
49. Not reviewing and amending policies when applicable is not best practice.

Conclusions

50. The proposed policy changes will minimise the administrative burden, streamline, simplify and speed up the admission agreement process,

reduce actuarial expenses and provide scheme employers with a flexible approach to outsourcing services whilst protecting the fund and pension rights of members.

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Appendices

Appendix A

Enfield Pension Fund Admissions Policy

1. Purpose of this Document

This document explains the policies and procedures of the London Borough of Enfield Pension Fund (“the Fund”) in the treatment of employers including on commencement or admission, considerations in respect of the participation of existing Admission Bodies, and the methodology for assessment of an exit payment on exit of employers in the Fund, administered by the London Borough of Enfield (“the Administering Authority”). This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

Where the information relates to a particular type of employer, this will be explained. If no type of employer is indicated the information relates to all employers in the Fund.

The Administering Authority's aim is to minimise risk to the Fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the Fund.

The Administering Authority has an obligation to pursue all liabilities owed so that any shortfall from an individual employer does not fall back on other employers.

2. Regulatory Background – LGPS Employers and eligibility

'Scheme employers', such as councils, academies and further and higher education corporations, are employers which are named in the LGPS Regulations as employing authorities. Scheme employers automatically take part in the LGPS in their own locality.

Administering authorities can admit bodies that are not Scheme employers to their Fund, provided they satisfy certain other conditions. These are 'Admission Bodies'.

Employees who are members of the LGPS are treated the same way whether they are employees of admission bodies or employees of Scheme employers.

Scheme Employers

[Schedule 2, Part 1 of The LGPS Regulations 2013](#) provides a list of bodies which have a statutory obligation to participate in the LGPS. The list is amended from time to time.

[Schedule 2, Part 2 of The LGPS Regulations 2013](#) provides a list of bodies that can designate employees for access to the Scheme. This list can also be amended from time to time. Employees of these bodies have the right to join the LGPS if they are covered by the employer's published admission policy or, if there is no admission policy, if their employer designates them as a member.

[Schedule 2, Part 4 of The LGPS Regulations 2013](#) provides a list of persons eligible for membership and a list of scheme employers deemed to be their employer for pension purposes. Persons in the first column of the table in Part 4 of Schedule 2 are eligible for membership and have a right to join the LGPS (assuming they meet the entry requirements). This list can also be amended from time to time.

Types of Admission Body

The following bodies are types of potential admission body -

(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

(b) a body, to the funds of which a Scheme employer contributes;

(c) a body representative of-

- any Scheme employers, or
- local authorities or officers of local authorities;

(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-

- the transfer of the service or assets by means of a contract or other arrangement,
- a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),
- directions made under section 497A of the Education Act 1996;

(e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

An employer who wishes to join the Fund may apply to the Administering Authority for admission. If admitted, that employer becomes an Admission Body and specified categories of its employees can participate as members of the Fund.

The Administering Authority is responsible for deciding whether an application from an employer to become an Admission Body within the Fund should be declined or accepted. The employer must meet the requirements set out in [Part 3 of Schedule 2 to the LGPS Regulations 2013](#), and, where appropriate, the additional requirements set out by the Administering Authority.

The Administering Authority will generally only consider admission if the body in question is based wholly or mainly in the London Borough of Enfield or has clear links to an existing Scheme employer of the Fund, the body has a sound financial standing and appropriate security is in place (see section on bonds, indemnities and guarantees below).

The Admission Body is required to have an "admission agreement" with the Fund in respect of each contract it has with Scheme employers within the Fund, which sets out (in conjunction with the Regulations) the conditions of participation and which employees (or categories of employees) are eligible to be members of the Fund. The Administering Authority has a template admission agreement which it will generally expect to be entered into without amendment. Details are available on request.

3. New Admission Body Employers

Subsumption Commitment for Admission Bodies

The Administering Authority's preference is for a Scheme employer to provide a subsumption commitment in respect of any new Admission Bodies wishing to join the Fund. This subsumption commitment is a guarantee that following exit from the Fund, the assets and liabilities of the outgoing admission body will be "subsumed" into the Scheme employer's liabilities and notional pool of Fund assets.

Where such a commitment is not available, an Ongoing Orphan Funding Target will be adopted, to protect the Fund as set out in section 3.3 of the Funding Strategy Statement and explained further below. In the extreme, the Administering Authority may exercise its discretion to refuse admission to the Scheme for any admission bodies with no subsumption commitment if this is considered appropriate to protect the interests of the Fund. However, for paragraph 1(d) admissions where the body undertakes to meet the requirements of the Regulations the Administering Authority must admit the eligible employees of that body to the Fund.

Bonds, Indemnities and Guarantees

The Administering Authority will seek to minimise the risks that a new Admission Body might create for the Fund and the other employers in the Fund. These risks will be taken into account by the Administering Authority in considering the application for admission, and the Administering Authority may put in place conditions on any approval of admission to the Fund to minimise these risks, such as a satisfactory guarantee, indemnity, bond or other appropriate agreement with the Administering Authority and a satisfactory risk assessment. An indemnity / bond is a way of insuring against the potential cost of the Admission Body failing by reason of insolvency, winding up or liquidation and hence being unable to meet its obligations to the Fund.

Admission bodies under paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 Regulations

Admission bodies under paragraph 1(d)(i) of [Part 3 of Schedule 2 to the LGPS Regulations 2013](#), (generally admissions as a result of a Best Value transfer), are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the Scheme employer (i.e. the employer letting the contract) and of the Administering Authority.

Where the Administering Authority is satisfied as to the strength of covenant of the Scheme employer, it will not usually require a minimum level of cover in order to be "satisfied" with the risk assessment, as the risk of premature termination will fall on the Scheme employer.

However, as agreed with the London Borough of Enfield (which is the Scheme employer for most of the new admissions under paragraph 1(d)), the Administering Authority's policy is to seek actuarial advice in the form of a "risk assessment report" provided by the Fund's Actuary. This report can be shared with the Scheme employer on the understanding that the Fund Actuary cannot provide advice to the Scheme employer.

Based on this assessment, the Scheme employer and the Administering Authority should decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. The risk must be kept under review throughout the period of the admission and assessed at regular intervals and otherwise as required by the Administering Authority.

Where, for any reason, it is not desirable for a 1(d)(i) admission body to enter into an indemnity or bond the admission body must secure a guarantee from the Scheme employer. In this situation the Admission Body may be required to pay additional employer contributions to the Fund at a rate specified by the Administering Authority. In this event, any additional contributions would be credited to the Scheme Employer's notional share of the Fund's assets

In the event that unfunded liabilities (i.e. deficit) arise that cannot be recovered from the admission body on termination of the admission, the indemnity or bond provider or guarantor, these will normally fall to be met by the Scheme employer.

Other admission bodies

Other admission bodies are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the Administering Authority. The Administering Authority's policy is to seek actuarial advice in the form of a "risk assessment report" provided by the Fund's Actuary. Based on this assessment, the Administering Authority will decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level.

Where, for any reason, it is not desirable for an admission body to enter into an indemnity or bond the admission body must secure a guarantee from:

- a) a person who funds the admission body in whole or in part;
- b) a person who-
 - (i) owns, or
 - (ii) controls the exercise of the functions of, the admission body; or
- c) the Secretary of State in the case of an admission body-
 - (i) which is established by or under any enactment, and
 - (ii) where that enactment enables the Secretary of State to make financial provision for that admission body, or
 - (iii) which is a provider of probation services under section 3 of the Offender Management Act 2007 (power to make arrangements for the provision of probation services) or a person with whom such a provider has made arrangements under subsection (3)(c) of that section.

In this situation the Admission Body will be required to pay an additional 2% of Pensionable Pay, or other amount confirmed by the Administering Authority after consulting with the Scheme Employer. In this event, any additional contributions would be credited to the Scheme Employer's notional share of the Fund's assets, where appropriate.

Ultimately, an indemnity or bond or guarantee is designed to protect the Fund in the event that unfunded liabilities are present after the termination of an admission body.

When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

In the event that unfunded liabilities (i.e. deficit) arise that cannot be recovered from the admission body on termination of the admission, the indemnity or bond provider or guarantor, these will normally fall to be met by the Scheme employer in the case of

paragraph 1(d) admission bodies or the Fund as a whole (i.e. all remaining employers) in the case of other admission bodies. In this latter case the shortfall would normally fall on the employers pro-rata to their liabilities in the Fund, and reflected in employer contributions following the next actuarial valuation. Alternatively, if the guarantor for the outgoing admission body was also a participant in the Fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the Fund, and reflected in its contributions following the next actuarial valuation of the Fund.

4. Funding Target

The funding target used for any particular employer will determine the level of assets transferred to the employer in respect of transferring members, and the level of contributions required to be paid by the employer.

The funding target depends upon what will happen to the liabilities in respect of the employees of the employer on exit of that employer.

Where employers are grouped together in a Pool, including Passthrough Pooling arrangements (see Section 8), a single funding target will apply that reflects the profile of the employers participating within the Pool. For the avoidance of doubt the funding target of the Enfield Council Pool will be the funding target for tax raising scheduled bodies.

Further details about the different funding targets is set out in section 3.3 of the Funding Strategy Statement.

Sections 5-7 apply for employers who are not eligible to enter into a Passthrough Pooling arrangement with a Scheme employer. Passthrough Pooling arrangements are set out in Section 8.

5. Initial notional asset ("sub-fund") transfer

When a new employer commences in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets is needed from the original employer to the new employer. The employer is then notionally allocated this "sub fund" of the total Fund assets and this is tracked over time to determine the employer's funding position.

When a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer. In other words they start with notional assets equal to their funding target.

Another option for the initial notional asset transfer is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. This is known as a "Share of Fund" approach.

For new Admission Bodies the Administering Authority will only agree to a deficit transferring to the new Admission Body where a subsumption commitment is in place from a long-term secure scheduled body or other appropriate security is in place. This share of Fund approach would normally apply to new scheduled bodies where members are transferring from another employer in the Fund.

For schools obtaining Academy status on or after 1 April 2017, unless specific instruction is received and the agreement is reflected in the Commercial Transfer Agreement, the Administering Authority's policy is that where the Local Authority's sub-fund is in deficit at the time of conversion an adjusted or "prioritised" share of Fund approach is adopted in notionally re-allocating assets from the Local Authority to the academy in respect of the transferring liabilities. Put another way, there is a prior allocation of assets to fully fund any deferred and pensioner liabilities for the Local Authority before assets are notionally allocated to fund the liabilities for the members transferring to the new Academy. If the Local Authority's sub-fund is in surplus at the time of conversion, the new Academy will start as fully funded, i.e. the notional assets allocated will be set equal to their funding target.

Where the new employer will participate in a pool of employers, for example where a multi-academy trust has requested that its academies be treated as a single employer, the notional asset transfer would be to the relevant pool of employers.

The calculation of the employer's liabilities for employers commencing in the Fund after 1 April 2019, insofar as they impact the initial asset transfer, will allow for the following uncertainties:

- an increase of 1.5% will be applied to these liabilities to allow for the potential increase in benefits due to the cost management process and the McCloud judgement. The form and extent of any such increase in benefits is currently uncertain, and so this is an approximate allowance calculated to cover the expected increase in liabilities for an average employer in the fund. The adjustment to apply to liabilities for new employers has been calculated consistently with the addition to contribution rates applied at the 2019 valuation.
- full indexation of GMPs assumed to be paid by the Fund for all of the new employer's members whose State Pension Age is on or after 1 April 2016.

This policy will be kept under review and may change at any time.

6. Employer Contribution Rate

Initial Rate

When a new employer joins the Fund, the Fund's Actuary determines the initial employer contribution rate payable.

The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer
- The funding level on commencement, and, where there is a surplus or deficit, whether the admission agreement (if applicable) is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate). This all determines the length of time over which any surplus or deficit should be recovered, and therefore the required additional contributions/reduction in contributions relative to the ongoing cost of accruing benefits.
- Other relevant circumstances as determined by the Administering Authority on the advice of the Fund Actuary

An **interim contribution rate** may be set pending a more accurate calculation by the Fund's Actuary of the employer contribution rate payable. The interim contribution rate for the period covered by the Rates and Adjustments Certificate at the commencement date will be equal to the contribution rate payable by the ceding employer in accordance with the Rates and Adjustments Certificate. For the avoidance of doubt where the ceding employer is paying capital contributions these will not be payable by the Admission Body in addition. The Administering Authority will change these interim contribution rates following each triennial Actuarial Valuation and at any other time at its discretion.

For Academies commencing on or after 1 April 2017, the Academy contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as any past service or transferred liabilities, and the funding level on commencement.

However, for practical purposes, the contribution rate will normally be set as equal to the local authority's contribution rate until new rates determined at the next triennial valuation of the Fund come into force. Where the London Borough of Enfield's notional sub-fund is in surplus, contribution levels will be set no lower than the local authority's future service ("primary") contribution rate until new rates determined at the next triennial valuation of the Fund come into force.

When a new academy joins a multi-academy trust where a single contribution rate applies, it will pay the same contribution rate as the Trust, until the next triennial Actuarial Valuation at which time the contributions for the Trust will be reviewed. The Trust may elect to increase the contributions for all employers in the Trust before the next triennial Actuarial Valuation where the addition of a new academy is likely to lead to an increase as advised by the Fund's Actuary.

Review of Employer Contribution Rates

The Regulations require a triennial Actuarial Valuation of the Fund. As part of each Actuarial Valuation the contributions paid by each employer in the Fund are reviewed and may be increased or reduced.

The employer contributions payable by employers may also be reviewed outside of the triennial Actuarial Valuations where there has been a material change of circumstances, such as the basis of admission changing from open to closed or where it otherwise appears likely that the admission body may exit from the Fund, as permitted by Regulation 64(4).

The Administering Authority monitors the active membership of closed admission bodies and will commission a valuation from the Actuary under Regulation 64(4) where it has reason to believe that the Admission Body may become an exiting employer before the next triennial Actuarial Valuation.

7. Employer Exit

Where an employing authority ceases participation, whether by ceasing to be a Scheme employer (including ceasing to be an admission body participating in the Fund), or having no active members contributing to the Fund, an Exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of the exit, regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund.

When employees do not transfer to another employer they will retain pension rights within the Fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

The assumptions adopted to value the departing employer's liabilities for the exit valuation will depend upon the circumstances. In particular, the exit valuation may distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers.

The exit valuation will make allowance for prospective liabilities arising from expected changes to the Scheme or its benefits. The Administering Authority's current policy is as follows when calculating the liabilities in the Fund in respect of the exiting employer:

- an increase of 1.5% will be applied to these liabilities to allow for the potential increase in benefits due to the cost management process and the McCloud judgement. The form and extent of any such increase in benefits is currently uncertain, and so this is an approximate allowance calculated to cover the expected increase in liabilities for an average employer in the fund. The adjustment to apply to liabilities on exit has been calculated consistently with the addition to contribution rates applied at the 2019 valuation.
- Full indexation of GMPs assumed to be paid by the Fund for all of the exiting employer's members whose State Pension Age is on or after 1 April 2016.

This policy will be kept under review and may change at any time.

The departing employer will be expected to make good any deficit revealed in the exit valuation. The fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the outgoing employer.

However, where agreed between the parties the deficit may be transferred to the subsuming employer or guarantor, in which case it may be possible to simply transfer the former admission body's members and assets to the subsuming body, without needing to crystallise any surplus or deficit. Where any guarantee only covers an exit deficit, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.

If there are liabilities (i.e. deficit) which cannot be recovered from the exiting employer or any bond/indemnity, these will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor or successor body within the Fund.

In relation to employers exiting on or after 14 May 2018, where there is an agreement between the departing employer and the accepting employer that a condition of accepting the liabilities is that there is to be no exit credit to the exiting employer on exit, all of the assets which are notionally allocated to the liabilities being accepted will transfer to the accepting employer and no exit credit will be paid to the departing employer.

In all other cases where the exit valuation above shows a surplus in relation to employers exiting on or after 14 May 2018, the Administering Authority will determine the amount of the exit credit payable, if any, in accordance with the LGPS Regulations and the policy set out in the Funding Strategy Statement. Any exit credit will be payable within 6 months of the exit date, or such longer time as the Administering Authority and departing employer may agree. If the departing employer has not provided the Fund with all requisite information in order for the Fund to facilitate the exit valuation within 1 month

of the exit date, the Administering Authority will deem the departing employer to have agreed to a longer period.

Any actuarial and legal costs incurred by the Administering Authority in connection with the exit will be deducted from the surplus when determining an exit credit.

Any deficit would normally be levied on the departing employer as a single capital payment. Under exceptional circumstances, the Administering Authority may, at its sole discretion,

At successive triennial Actuarial Valuations the Actuary will allocate assets within the Fund equal to the value of the orphan liabilities so that these liabilities are fully funded. This may require a notional reallocation of assets from the ongoing employers in the Fund.

Multi-academy trusts

Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the Administering Authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate.

In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than becoming orphaned liabilities. The Administering Authority will direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT at the next triennial Actuarial Valuation.

Where employers within a MAT are individual Scheme employers for the purpose of the Regulations, and an academy within the MAT leaves or fails, an exit valuation will be carried out as at the date of exit. Where there is no successor body and the Department for Education guarantee does not make good any shortfall on exit, the Administering Authority would seek to recover any unpaid deficit from the remaining employers within the MAT where those employers participate in the Fund. Rather than requiring a lump sum payment, the Administering Authority may instead act on the assumption that the remaining MAT employers have provided a subsumption commitment, which includes subsumption of the unpaid deficit which would then fall to be recovered from ongoing contributions. In that case the Administering Authority will instruct the Fund Actuary to allocate the assets and liabilities of the outgoing academy across the remaining employers in the MAT.

Suspension notices

Regulation 64 (2A) permits the suspension of an employer's liability to make an exit payment for up to 3 years where the Administering Authority believes that the employer is likely to have one or more active members contributing to the Fund within the period specified in the suspension notice. In that case, the Fund will advise the employer of the exit amount calculated by the Actuary and serve a written suspension notice on the employer. Whilst under such a suspension notice, the employer must continue to pay any deficit payments certified to the Fund as if it were an ongoing employer and the actuary will recalculate any deficit and contributions due at the next Actuarial Valuation.

8. Passthrough Pooling arrangements

At the request of the relevant Scheme employer, and with the consent of the Administering Authority, an Admission Body admitted under Paragraph 1(d) of Part 3, Schedule 2 of the LGPS Regulations can be admitted on a Passthrough Pooling arrangement. This approach allows an employer to be entered into the same funding pool ("Pool") as the relevant Scheme employer, with the liabilities of the Admission Body being allocated to the Pool. No notional asset sub-fund will be determined for the Admission Body.

Employer contribution rate

For Admission Agreements entered into after August 2019, the details of the contribution requirements for the Admission Body will be set out in the Admission Agreement.

For Admission Agreements entered into before August 2019, where the Admission Body is certified a contribution rate equal to the rate payable by Enfield Council in accordance with the policy for an employer with 10 or fewer active members, the Passthrough Pooling arrangements set out in this policy and the Funding Strategy Statement will apply to that body with effect from August 2020. Where the relevant Scheme employer is not Enfield Council, contribution rates will continue at the certified rates until they are next reviewed in accordance with the Regulations.

An **interim contribution rate** will be payable by the Admission Body for the period covered by the Rates and Adjustments Certificate in force at the commencement date equal to the contribution rate payable by the ceding employer (or Enfield Council in the case of Admission Agreements entered into before August 2020 in accordance with that Rates and Adjustments Certificate. For the avoidance of doubt where the ceding employer is paying capital contributions these will not be payable by the Admission Body in the interim period.

Contributions for employers within a Pool will be calculated using appropriate methods and assumptions, considering the circumstances of the employers participating in a Pool in aggregate, in accordance with the principles set out within the Funding Strategy Statement.

In particular:

- In accordance with the 2013 Regulations, the Primary Contribution Rate will be expressed as a percentage of the Pensionable Pay (as defined under Regulation 20 of the 2013 Regulations) of those employees of the employers of the Pool who are active members of the Fund. There will be a common Primary Contribution Rate applied to all employers in the Pool.
- For the purpose of certifying a Secondary Contribution Rate to ongoing employers in the Pool:
 - any deficit of the Fund relating to the participation of the employers in the Pool in aggregate will be assigned to all the employers of the Pool collectively. The Secondary Contribution Rate of the Pool will be shared between the employers in the Pool in proportion to Pensionable Pay. This will either be effected through certification of the Secondary Contribution Rate as a percentage of Pensionable Pay, or certification of a stream of additional capital payments that will be allocated between the Pool participants in proportion to Pensionable Pay at the relevant valuation date. The Administering Authority will consider requests from the relevant Scheme employer for all capital payments to be allocated to the relevant Scheme employer.

- any surplus of the Fund relating to the participation of the employers in the Pool in aggregate will be assigned to all the employers of the Pool collectively. The assignment will be as a percentage reduction to the Primary Contribution Rate of the Pool.
- In the case of Admission Bodies admitted under Paragraph 1(d) of Part 3, Schedule 2 of the LGPS Regulations, where 10 or fewer employees who are eligible for LGPS membership are transferring to the Admission Body on the commencement date of that agreement, the Administering Authority's current policy is to require a Passthrough Pooling arrangement with the relevant Scheme Employer, unless there is an express request from either the relevant Scheme Employer or Admission Body that this should not apply. This policy is in place to minimise administrative burden and actuarial and other expenses in relation to small employers. The risk posed in relation to these Admission Bodies is currently considered by the Administering Authority to be acceptable. However, the position in regard to these Admission Bodies is monitored and should the Admission Body become significantly greater in terms of membership or the risk posed by such Admission Bodies is considered material, the policy will be reconsidered. In any event, the policy will be kept under review at future actuarial valuations.

Review of Employer Contribution Rates

It is not anticipated that an Admission Body admitted on a Pooled Passthrough arrangement will have their contributions reviewed in between formal Actuarial Valuations unless a review is undertaken of the Pool's contribution rate.

Employer Exit

Any exit payment or credit (within the meaning of the 2013 Regulations) will be deemed to be nil.

Bonds, Indemnities and Guarantees

The relevant Scheme employer of a Pooled Passthrough arrangement will be required to be the guarantor of the Admission Body's liabilities. The Scheme employer must consider the regulatory requirement to undertake an assessment of risk for the purpose of deciding if a bond or other indemnity should be required, as set out in Section 3 of this policy.

9. Responsibilities of employers in the Fund

Individual employers will pay for any legal and actuarial costs incurred by the Fund on their behalf.

Employers should have regard to the Administering Authority's administration strategy and their responsibilities as set out in the Funding Strategy Statement at all times.

All employers need to inform the Administering Authority of any changes to their organisation that will impact on their participation in the Fund. This includes changes of name or constitution or mergers with other organisations or other decisions which will or may materially affect the employer's Fund membership, including but not limited to:

- an admission body closing to new entrants
- a scheduled body setting up a wholly owned company to employ new staff
- merging with another organization, whether a participant in the Fund or not (e.g. colleges merging under the Area Review process or housing companies merging)
- an application by a 6th form college to become a 16-19 academy, including whether successful or not
- a material change in the funding of the organization including a reduction in grants from local or central government or a shift in the balance of funding
- a large scale redundancy exercise which could materially reduce the employer's active membership

Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

Date Adopted:

Appendix B

Enfield Pension Fund Employers - ER's contribution rates 2020 - 2023

Employers @ 2019 Valuation and signed off by Aon 31.03.20 Valuation report

Scheme Employer	Contribution Rate @ April 2020 - March 2023	Scheme Employer	Admission Body
London Borough of Enfield	20.2%	✓	
Adnan Jaffrey Trust	17.4%		✓
Ark John Keats Academy	15.3%	✓	
Attigo Academy Trust	19.3%	✓	
Aylward Academy	19.4%	✓	
Birkin Services	20.2%		✓
Capel Manor College	17.3%	✓	
Cedars Learning Trust	20.80%	✓	
Children First Academy Trust	20.2%	✓	
Cuckoo Hall Academy	17.9%	✓	
Edmonton County Academy	18.8%	✓	
Edwards and Blake	20.2%		✓
Elior UK	20.2%	✓	
Enfield Grammer Academy	21.0%	✓	
Enfield Learning Trust	19.7%	✓	
Enfield Voluntary Action	20.2%		✓
Fusion Lifestyle	0%		✓
Independence & Wellbeing	20.2%	✓	
Ivy Learning Trust	19.5%	✓	
Jewish Community Academy Trust	22.5%	✓	
Kingmead Academy	18.60%	✓	
Meridian Angel Primary School	17.3%	✓	
Nightingale Academy	15.7%	✓	
Norse Commercial Services	25%		✓
North London Home Care	20.2%		✓
Oasis Community Learning	17.2%	✓	
Olive Dining - Aylward	20.2%		✓
Olive Dining - Nightingale	20.2%		✓
Outward Housing	0%		✓
Purgo Supply Services	20.2%		✓
Reed Momenta	20.2%		✓
Sodexo Ltd	20.2%		✓
Southgate School Academy	17.7%	✓	