Westmorland & Furness Council

Cumbria Pension Fund

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CUMBRIA LOCAL GOVERNMENT PENSION SCHEME ("Scheme")

ADMISSION & TERMINATION POLICY, including FLEXIBILITIES FOR EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS

This document details the Scheme's policy on:

- Admissions into the Fund;
- The methodology for assessment of a termination payment on the cessation of a Participating Employer's participation in the Fund;
- Use of repayment plans and Deferred Debt Agreements; and
- Considerations for current employers.

The Admissions and Termination Policy was approved by the Cumbria Pensions Committee held on 23 March 2026 and has been updated to reflect the Local Government Pension Scheme Regulations 2013. This policy forms part of the Funding Strategy Statement of the Scheme.

Where this document refers to Westmorland and Furness Council (**"the Council"**), then this shall mean Westmorland and Furness in carrying out its function as the Administering Authority of the Scheme.

Where this document refers to a Participating Employer, it shall mean a Fund Employer under either Part 1 or Part 2 of Schedule 2 of the Local Government Pension Scheme Regulations 2013 (**"Regulations"**), or an Admission Body (formerly defined as a transferee admission body or a community admission body) under Part 3 of Schedule 2 of the Regulations.

1. ADMISSIONS POLICY

1.1 BACKGROUND

1.1.1 Admission Bodies

Admission Bodies are a specific type of Participating Employer under the Regulations that govern the Scheme. They do not automatically qualify for admission and must instead satisfy certain criteria as set out in the Regulations. They also need a written Admission Agreement to be admitted and participate in the Scheme.

The Council may enter into an Admission Agreement with any Admission Body that satisfies the criteria under the Regulations. An Admission Agreement will enable all (or any specified class) of the Admission Body's employees to be members of the Fund and participate in the Scheme.

Any application for Admission Body status must be submitted to the Council in good time to enable actuarial information to be obtained and the legalities associated with admission to be dealt with. Applications should preferably be submitted at least six months before the proposed transfer or admission date.

There are two broad types of Admission Body – those providing a commercial service to a Fund Employer (formerly transferee admission bodies) and those providing other services with sufficient links to a Fund Employer (formerly community admission bodies).

1.1.2 Fund Employers

Fund Employers can be divided into two types under the Regulations:

(a) those employers listed in Part 1 of Schedule 2 of the Regulations; and
(b) those employers listed in Part 2 of Schedule 2 of the Regulations.

Fund Employers listed under Part 1 of Schedule 2 of the Regulations include (but are not limited to)

- county councils;
- district councils;
- London borough councils;
- a fire and rescue authority within the meaning of the Fire and Rescue Services Act 2004;
- a Police and Crime Commissioner;
- a Chief Constable within the meaning of Section 2 of the Police Reform and Social Responsibility Act 2011;
- the Environment Agency;
- a National Park Authority established under Part 3 of the Environment Act 1995;
- a proprietor of an academy within the meaning of section 579 (general interpretation) of the Education Act 1996 who has entered into academy arrangements within the meaning of section 1 (academy arrangements) of the Academies Act 2010;
- a further education corporation, a sixth form college corporation or higher education corporation within the meaning of section 90 of the Further and Higher Education Act 1992;
- a body set up by a local housing authority as a housing management company to exercise management functions of the authority under an agreement approved by the appropriate Minister under section 27 of the Housing Act 1985.

Employees of the above Fund employers will automatically be admitted into the Scheme, provided that they are not prevented from eligibility by virtue of Regulation 4.

Fund employers listed under Part 2 of Schedule 2 of the Regulations include (but are not limited to):

- a passenger transport executive;
- a precepting authority within the meaning of section 69 of the Local Government Finance Act 1992 (which would include a Parish or Community Council);
- a company “connected with” / "under the control" of a body listed in Part 1 of Schedule 2 (which would include a subsidiary); and
- an urban development corporation.

Employees of the above Fund Employers will only be admitted to the Scheme if they, or a class of employee to which they belong, is designated by the body as being eligible for membership of the Scheme.

1.2 POLICY STATEMENT

1.2.1 Admission Bodies

In addition to the requirements under the Regulations, the following principles will be adopted in relation to Admission Bodies:

(a) applications will be approved if:
  (i) all the conditions of participation set out in the appendix are met; and
  (ii) the body falls into the category of “Admission Body” highlighted in section 1.1 and does not have any of the disqualifying criteria set out below; and
  (iii) the body has a guarantee/indemnity from another Fund Employer (note that for commercial agreements (i.e. former transferee admission bodies) the transferring Fund Employer will be expected to act as guarantor); and
  (iv) for non-commercial agreements (i.e. former community admission bodies) the body exists as a result of being specifically set up by a local authority(s).

(b) applications will not be approved if:
  (i) the application falls into the “Admission Body” category; and
  (ii) the body has one or more of the following disqualifying criteria attached to it:
    - the body does not meet the conditions of participation detailed at the appendix; or
    - the provisions in respect of risk assessments as set out later in this document have not been complied with; or
    - the transferring Fund Employer is a Participating Employer within another LGPS Fund; or
    - the body does not have a guarantee/indemnity from another Fund Employer.
  (iii) for non-commercial agreements (i.e. former community admission bodies) there is a known limited lifespan or fixed contract term of admission to the Fund.

(c) the Admission Body will need to enter into a separate Admission Agreement in respect of each contract.

Notwithstanding the above, the Council reserves the right to approve or reject any application, should it deem this appropriate in the particular circumstances, provided such a decision is in accordance with the Regulations.

1.2.2 Admission Bodies providing services to academies / MATs / FE Colleges

Academies, multi academy trusts (MATs) and Further Education Colleges within the Fund are covered by the DfE LGPS Guarantee. This provides protections to the Fund if the Academy / MAT / College exits the Fund and cannot pay the termination payment required under the Fund's policies. The guarantee also covers Admitted Bodies that are providing services to these employers, providing certain conditions are met.

Therefore, as well as the criteria set out in 1.2.1, for Admission Bodies, where the guarantor Fund Employer is an academy / MAT / College the Fund will require that they follow DfE guidance such that the guarantee also applies to the Admission Body. The Fund's position is that:

- This will typically mean the admission is closed to new entrants and the contract between the academy / MAT and the Admission body is a "pass-through" arrangement (see section 1.2.3 for detail on pass-through arrangements). The Council may require evidence that the admission is indeed a pass-through arrangement as defined by DfE.

- Where the case is not a pass-through arrangement, confirmation from DfE that the arrangement is approved and the guarantee still applies will be required.

Where neither of the above is met, the Administering Authority will normally reject the application.

Where a pass-through arrangement applies, the Admission Body will normally be treated as a separate employer for funding purposes, in line with the treatment for any other Fund employer. The exception to this would be if a pooled arrangement was being operated (see 1.2.3 below).

1.2.3 Pass-through arrangements Including Pooling

A pass-through arrangement is an agreement between an Admission Body (usually a contractor providing services to a Fund employer e.g. an Academy) and a guarantor Fund Employer (e.g. the Academy), such that the guarantor Fund Employer retains termination risks associated with the admission.

Contracts between an Admission Body and a guarantor Fund Employer may be a "pass-through" arrangement. There is no single definition of this, but they generally involve:

- The Admission Body being responsible for agreed regular contributions as a percentage of pay, and certain other pension related costs under their

control (e.g. strains due to early retirement on redundancy, or employer granted benefit enhancements).

- All other pension cost / risk being retained by the guarantor Fund Employer. This normally includes any surplus / deficit when the admission agreement ends (other than pension related costs specifically identified).

Other versions of the above are possible, including partial pass-through arrangements, where the Admission Body is responsible for other agreed pension costs.

The pass-through arrangement is an agreement solely between the Admission Body and guarantor Fund Employer – the Fund is not a party to this, however an Admission agreement is still required between the Fund and the Admission Body.

Where the admission is on a pass-through basis, the two employers will have the option to pool the Admission Body with the guarantor Fund Employer. Whether pooling is appropriate is a decision for the employers, which should be taken based on the exact nature of their agreement and the allocation of risk. When deciding, they should be aware that:

- No separate assets or liabilities for the Admission Body will be identifiable. The Fund will not separately track the position, which would be fully pooled with the guarantor.

- As such, the deficit / surplus relating to the Admission Body will not be available when the admission ends, and will remain the responsibility of the Fund Employer.

- No separate contribution rate for the Admission Body will be calculated, with the guarantor being responsible for ensuring the overall certified rates are paid in respect of the pool as a whole. The Fund would expect that the contribution rate for the Admission Body is agreed as part of their contract with the guarantor (for example the Admission Body pays the guarantor's future service rate).

1.2.4 Guarantees and Risk Assessments

The Administering Authority may, at the point of admission and subsequently as needed, also require an assessment of risk arising on premature termination of the admission agreement. This may be undertaken by the Fund's actuary, or by the Admission Body with review from the Fund actuary.

The Admission Body must secure a guarantee which is acceptable to the Fund from either:

(a) a person who funds the Admission Body in whole or part;
(b) a person who owns or controls the exercise of the functions of the Admission Body; or

(c) the Secretary of State in the case of an Admission Body which is established under any enactment providing that enactment enables the Secretary of State to make financial provision for that Admission Body.

The factors the Fund may use to establish whether a guarantee would be an acceptable alternative are:

(a) the likelihood of premature termination occurring in respect of that Admission Body;
(b) the accountability of any Fund employer in respect of that Admission Body;
(c) whether if premature termination did occur the liabilities of the Admission Body would be assumed by other participating employers in the Fund, or would be contained by other employers in that Admission Body's group;
(d) any assessment commissioned by the Admission Body on which the Council can rely to determine whether the guarantor is suitable; and
(e) advice from its solicitors as to whether the wording of the guarantee is acceptable.

In determining the acceptability as to the level of risk, the Fund will be mindful of its core principle which is that each Admission Body is accountable for its own costs on premature termination and any costs associated with that should not become the liability of third party bodies who participate in the Fund.

In certain circumstances the Council may be willing to enter into an indemnity or bond in place of a body acting as guarantor, however the Council may determine when this is the appropriate option, taking into account the risk assessment.

1.2.5 Decisions Regarding Admissions

Decisions regarding the admission of Admission Bodies will be delegated to the Section 151 Officer.

1.2.6 Policy Statement – Academies and MATs

Academies are eligible to (and are required to) join the Fund under Schedule 2 Part 1 of the regulations. On conversion a new academy is allocated the liabilities of the transferring members, and assets such that they receive a share of the ceding Authority's deficit or surplus (and a share of any funding buffer where applicable). The

surplus / deficit is set so that their certified secondary contributions at the point of transfer are the same before and after conversion (with the same recovery period).

The academy is then allocated their own contribution rate reflecting their membership, assets and liabilities. (Note that on conversion a temporary rate may be set, to apply until they are formally assessed at the next actuarial valuation).

MATs

When a new or existing academy joins a MAT that has elected to pool, the assets and liabilities allocated to the pool are calculated as above. The employer contribution rate for the MAT will be unchanged until the next valuation. At the next valuation, the MAT's pooled contribution rate would be updated to include an allowance for the new academy.

Where MATs are pooled:

- A single contribution rate for the MAT as a whole will be calculated. It will be for the MAT to decide how this is allocated amongst the individual academies

- No separate assets or liabilities for the individual academies will be identifiable, as the Fund will not separately track each position

- If an academy leaves a MAT for another MAT or to become a stand alone academy, then the actuary will identify the share of the pool's assets that will transfer to the new employer. The default is that this will be based on the same approach for allocating assets to an academy on conversion as noted above. Where the academy is exiting the Fund, then the position will be assessed in line with the Fund's approach to bulk transfers (see **section C** of this FSS).

1.3 Fund Employers

The principle that the Council wishes to pursue is that of responsibility by each employer under the Fund for the liabilities of its employees or former employees who have liabilities under the Fund (other than for pooled arrangements as set out in 1.2.3).

In this regard, the Council may:

- make an initial assessment of the financial standing of the new Fund employer, to determine its ability to support the funding requirements under the Fund;
- taking into account any such assessment, the Council may seek any one or more of the following terms of agreement with the new Fund employer, including:
    - a guarantee/indemnity from another Fund employer;
    - agreement that another Fund employer will assume the orphan liabilities relating to the new Fund employer, either in whole or in part;

- further information on the employees transferring to them, financial standing/plans and relationship with previous Fund employer;
- a revised Rates and Adjustments certificate for the new Fund employer to take into account the financial risk of failure.

There should be flexibility to consider all relevant circumstances but the Council's objective is to seek appropriate funding from all Fund employers, so that on exit all orphaned liabilities will be funded or subsumed by another Fund employer.

2. TERMINATION POLICY, including FLEXIBILITIES FOR EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS

2.1 BACKGROUND

When an Admission Agreement comes to its end (including where the participating employer ceases to have any active members), 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 i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees, the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members.

In the event that unfunded liabilities arise that cannot be recovered from the Admission Body, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a bond/indemnity, guarantor or successor body within the Fund.

2.2 POLICY STATEMENT

2.2.1 Admission Bodies

Other than for pooled Admission Bodies (see section 1.2.3), a termination assessment will always be carried out for "outgoing" Participating Employers in accordance with Regulation 64 of the Regulations. The actuarial cost of this will be charged to the outgoing Participating Employer, together with any other related costs of the termination.

In line with Regulation 64, this assessment will determine the exit payment due from, or the exit credit due to, the outgoing Participating Employer. Where the calculations show that there is a surplus of the Participating Employer's assets over its liabilities within the Fund, the Administering Authority has discretion when determining what if any exit credit is payable. Where the calculations show that there is a deficit, the Administering Authority has discretion when determining whether the exit payment is paid immediately, or whether it is either suspended, spread over an agreed period, or whether the Participating Employer may continue to participate in the Fund under a "Deferred Debt Agreement".

As such, the treatment of assets and liabilities at termination will be as follows:

(a) Admission Bodies without a Fund guarantor/a guarantor of last resort only

Where an Admission Body does not have a guarantee/indemnity from another Fund Employer who would subsume the assets and liabilities on termination, and no successor body exists to take responsibility for the liabilities (including those in respect of former members) then:

- Any surplus on termination would be refunded to the Participating Employer via payment of an exit credit.
- Any deficit will be recovered from the outgoing Participating Employer or bond where appropriate;

After this, the remaining orphan liabilities and the related assets in the Fund will be subsumed by the Fund as a whole.

This section includes employers with a guarantor of last resort. A guarantor of last resort is one who would cover any element of the termination deficit that the outgoing Participating Employer cannot meet but would not take on subsequent responsibility for the orphaned liabilities. A guarantor of last resort would not be entitled to receive any surplus which as noted above would be paid to the Participating Employer. Note that this would apply to Academies and Further Education Colleges who have a guarantee of last resort from the Department for Education.

(b) Admission Bodies with a Fund guarantor

Where an Admission Body has a guarantee/indemnity from another Fund Employer or a successor body exists who will take responsibility for the liabilities (including those in respect of former members) then, on notification of the Admission Body's intention to leave the Fund:

- The Fund will write to the Admission Body and guarantor requesting written evidence of any risk sharing agreements (such as a pass-through arrangement – see section 1.2.3) within 14 days of notification.

- Where evidence is provided, the Fund will follow the risk sharing protocols set out within the agreement between the two parties. Where there is no clarity within the risk sharing agreement as to the treatment of deficits or exit credits on termination, the Fund will determine the amount of any deficit due or exit credit payment due and to which party, having regard to any relevant considerations and taking account of the employers' exposure to risk.

- Where no evidence is provided, the Fund will pursue the Admission Body for any deficit or pay any exit credits to the Admission Body. Where the Admission Body defaults on any liabilities due to the Fund, the guarantee will be called in from the guarantor.

- If the outgoing Admission Body disputes the treatment, then the two parties will be expected to reach an agreement amongst themselves, and if they cannot then the Fund's IDRP process should be used. The Pensions Ombudsman has jurisdiction to hear complaints if the IDRP fails to resolve the dispute.

This treatment is in line with the regulations and is designed to ensure that the treatment on termination reflects the treatment of funding risk in the admission, and to avoid a situation where a Participating Employer can potentially benefit from a surplus without bearing responsibility for a deficit (or vice versa).

(c) Treatment of exit payments and exit credits

Regulation 64 requires the Scheme to make notifications to the following parties prior to payment of any exit credit:

- The Participating Employer
- The guarantor employer and / or outsourcing employer within the Fund (where relevant)

In practice, as referred to above, the Scheme will seek to agree with the relevant parties the treatment of the assets and liabilities (and so any potential exit credit) in advance of the termination assessment taking place.

Once agreed, any exit credits will be paid within six months of the exit date, or any such longer period that may be agreed with the outgoing Participating Employer.

Where there is an exit payment due from or exit credit due to the guarantor/outsourcing employer then the normal Fund policy will be for that employer to subsume the relevant assets and liabilities without an immediate one-off payment being made by or to the Fund. As part of this arrangement, the Fund may adjust that employer's regular contributions in recognition of the exit position. The Fund may also depart from this policy if it feels it to be appropriate (e.g. it may insist on an immediate payment from the guarantor/outsourcing employer).

(d) Notification of Termination

In many cases, termination of the admission is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued.

In this case admission bodies are requested to open a dialogue with the Fund to commence planning for the termination as early as possible.

Where termination is disclosed in advance the Fund will liaise with the actuary to introduce procedures to reduce the volatility risks to the debt amount in the run up to actual termination of the admission.

Further, the Fund may hold more frequent reviews of employer contribution rates in order to manage the gradual reduction of any pension deficit or surplus. This will

enable the Fund to gradually manage the termination process, rather than call for one cessation payment.

(e) Funding basis for termination calculations

The Fund's standard policy is that a termination assessment will be made based on a more cautious funding basis, (as defined in (f) below). This is to strike a balance between:

- protecting the other employers in the Fund. At termination, the Admission Body's liabilities may become "orphan liabilities" within the Fund, and there will be no recourse to the Admission Body if a shortfall emerges in the future (after the admission has terminated). A more cautious funding basis provides some protection against this;
- Providing fair value to the outgoing Admission Body and preventing Admission Bodies being trapped in the Scheme by an unaffordable deficit.

The more cautious basis will be selected with the aim of achieving the above. Generally, this will be based on a "low risk" set of assumptions based on gilt yields, but should market conditions or other factors warrant then an alternative approach may be adopted based on advice from the Fund's actuary.

This approach will be applied unless the Admission Body has a guarantor within the Fund, or a successor body exists to take over the Admission Body's liabilities (including those of former employees). In this case the valuation funding basis (as defined in (f) below) will be used.

(f) Valuation Funding and Low Risk Termination Bases

The valuation funding low risk financial assumptions that applied at the most recent actuarial valuation date (31 March 2025) are set out below for illustration. However, these will be updated for each termination on a case-by-case basis to reflect:

- the prevailing market conditions at the relevant employing body's termination date;
- any changes made to the methodology used to derive these bases (the Fund will decide at what point any such changes take effect) as may be required to reflect a material change in risk or outlook, for example financial markets, demographic profile or regulatory changes

31 March 2025 assumptions	Valuation funding	Low Risk*
Discount rate	5.35% p.a.	5.1% p.a.
CPI price inflation	2.6% p.a.	3.1% p.a.**
Pension increases/indexation of CARE benefits	2.6% p.a.	3.1% p.a.

**The actual assumptions applied will be based on the profile of the individual employer – the above assumptions broadly reflect the profile of the Fund as a whole*
***For lower risk terminations, an underpin of the funding discount rate (suitably updated based on advice from the Actuary) will be applied, and the "Inflation Risk Premium" of 0.5% is removed from the derivation of the CPI assumption*

All demographic assumptions will be the same as those adopted for the most recent actuarial valuation (the Fund will decide at what point any post-valuation changes to the demographic assumptions take effect), except low risk basis in relation to the life expectancy assumption. Given these financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption. Currently, the assumed rate of long-term longevity improvement will be 2% p.a. rather than the 1.5% p.a. used for funding purposes, but this may be reviewed as necessary based on actuarial advice.

The final liabilities will include an estimate for the capitalised value of the future administrative and advisory expenses that the Fund will incur when providing the benefits to the relevant members (excluding those who will remain active with another Fund employer).

(g) Benefit changes

Periodically changes are made to the Scheme benefits due to changes in Government policy, legislation or legal challenges. In some circumstances these may affect members accrued benefits, which will in turn affect liabilities and so termination positions. The Fund's policy is:

- where such changes are confirmed then they are allowed for as part of the termination assessment in line with the regulations;
- where such changes are proposed but not yet confirmed, the Fund will:
    - take a view as to the likelihood that the changes will be implemented;
    - where the Fund expects the changes to be implemented, include an allowance in the termination position for the estimated impact of the changes, on the basis that if no allowance is included in the termination assessment, then the Fund will not be able to recover the additional cost from the outgoing Admission body at a later date, and so this will fall to the other Fund Participating Employers;

(h) Alternatives to immediate exit payment on termination

The Fund's default policy is that on termination the Fund will assess the position in line with the above, and where an exit payment is due this will be required to be made immediately.

However, at the sole discretion of the Administering Authority, the following options may instead be applied:

- Suspension of the exit payment
- Spreading of the exit payment over an agreed period
- Instigation of a "Deferred Debt Agreement"

If a Participating Employer wants to use one of these options, they must make a request in writing covering the reasons why the option is appropriate, and provide any information subsequently requested by the Fund. Determining whether the options are available may take up to 6 months from receipt of any requested information, so it is important that employers make their request in good time.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the Participating Employer, regardless of the ultimate decision.

The following policy and processes will be followed in line with the principles set out in the statutory guidance dated 2 March 2021.

Partial Terminations

So-called “partial termination” is where an employer exits the Fund for deferred and pensioner members (and potentially past service benefits for active members) but seeks to remain a participating employer for active members (potentially just in respect of future service benefits). The objective is to remove the funding risk in relation to historic benefits, which would transfer to the Fund as a whole.

The Fund’s default position is that such arrangements are not permitted. The position would be reconsidered only in the event that a) the legal basis for such arrangements is established to the satisfaction of the Fund, after taking its own legal advice, and b) it was deemed to be in the best interests of the Fund as a whole (which is not expected to be the case except in very exceptional circumstances).

Suspension notice

Under Regulation 64, the Fund may issue a "suspension notice" for up to 3 years, where, in the reasonable opinion of the Administering Authority, the Participating Employer is likely to admit at least one active member within the period covered by the suspension notice.

A suspension notice will only be issued where the Participating Employer can demonstrate that it is likely that a new member(s) will be admitted, and that the employer’s covenant and funding position is such that the Fund will not be exposed to an unacceptable level of risk. The suspension notice may be withdrawn by the Fund at any time if the Fund believes the conditions on which it was issued are no longer applicable.

Spreading of exit payment

The following process will determine whether an employer is eligible to agree a plan to spread their exit payment over a defined period:

1. The Administering Authority will firstly consider whether this is in the Fund’s best interest. This decision will be based on a covenant review of the employer, to determine whether the exit debt is affordable at that time (based on advice

from the Actuary, covenant and legal advisor as considered appropriate by the Administering Authority).

2. For this, the Administering Authority will request any information it deems necessary. This may include updated financial information, including management accounts, financial projections, and any other relevant information. If this is not provided, then spreading of the exit payment will not be permitted.

3. Depending on the length of the spread period, the size of the deficit, and the employer's covenant, the Fund may request security or other measures to support the payment plan. This may include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period.

4. If the Administering Authority's assessment confirms that the exit payment is not immediately affordable, it will engage in discussions about the potential spreading of the exit payment. As part of this, the following will be considered and agreed:

    a. The spreading period (this is subject to a 5 year maximum);
    b. The initial and annual payments due and how these will change over the period;
    c. The interest rates applicable (all late payments will have interest added), and how the costs associated with implementing the payment plan will be recovered;
    d. The level and form of any security required (e.g. bond, escrow account, etc);
    e. The Participating Employer's responsibilities over the period (e.g. supply of updated covenant information);
    f. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances); and
    g. The views of the Actuary, covenant, legal and any other specialists necessary.

5. The Administering Authority will then make a final decision on whether spreading is appropriate. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.

Deferred Debt Agreement

Instead of making the exit payment, an employer may request to continue to participate in the Fund with no contributing members and utilise a "Deferred Debt Agreement" (DDA).

The following process will determine whether the Fund and employer will enter into such an arrangement:

1. The Administering Authority will firstly consider whether this is in the Fund's best interest. This decision will be based on a covenant review of the employer, to determine whether the exit debt is affordable at that time (based on advice from the Actuary, covenant and legal advisor where necessary).

2. For this, the Administering Authority will request any information it deems necessary. This may include updated financial information, including management accounts, financial projections, and any other relevant information. If this is not provided, then a DDA will not be entered into by the Administering Authority.

3. The Fund may request security to protect the Fund before entering into such an arrangement. This could include a lump sum up front to reduce the size of the termination deficit.

4. If the Administering Authority's assessment confirms that the exit payment is not immediately affordable, it will engage in discussions with the employer about the potential format of a Deferred Debt Agreement using the template Fund agreement that will be based on the principles set out in the Scheme Advisory Board's separate guide (available on the SAB's website at **www.lgpsboard.org/index.php/empflexm**). As part of this, the following will be considered and agreed:

    a. What security the Participating Employer can offer (generally a DDA will only be allowed where the Fund are confident the employer can support the arrangement on an ongoing basis, but in certain cases security may still be required). Provision of security may also result in a review of the recovery period and other funding arrangements;
    b. The funding assumptions and investment strategy that would be applied to the employer;
    c. The initial payment due (if any) and the updated secondary rate of contributions;
    d. The financial information that will be required on a regular basis for covenant monitoring, and any other monitoring that will be required;
    e. The responsibilities that would apply to the employer while they remain in the Fund;
    f. What conditions would trigger changes to the recovery plan and also contributions (e.g. cash payment, provision of security)
    g. What conditions would trigger changes to the DDA, including a cessation of the arrangement and an exit payment (or credit) becoming payable (e.g. removal of any security, a significant change in covenant, etc); and
    h. The advice of the Actuary, covenant, legal and any other specialists necessary as determined by the Administering Authority.

5. The Administering Authority will then make a final decision on whether a DDA is appropriate and confirm the terms that are required.

6. Where a DDA is implemented, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the DDA in the interim if any of the agreed triggers are met.

(i) Fund discretion

Notwithstanding the above, where it is deemed to be appropriate the Director of Resources (Section 151 Officer) may use their discretion to:

- alter the basis and approach to the termination assessment;
- allow the guarantor, successor body or the Fund as a whole to subsume the funding deficit or surplus on closure, in place of a termination payment being required of the/to the Admission Body itself.

2.2.2 Fund Employers

For Fund employers the general overall policy is that the principles and procedures outlined above should apply, whilst recognising that there may be specific circumstances which dictate that more flexibility may be needed in some cases.

As has been mentioned, the principle that the Council wishes to pursue is that of responsibility by each employer under the Fund for the liabilities of its employees or former employees who have liabilities under the Fund.

A termination assessment will always be carried out for “outgoing” Fund employers in accordance with Regulation 64 of the Regulations. The actuarial cost of this will be charged to the outgoing Fund employer, together with any other related costs of the termination.

The Council recognises that on admission a guarantee and/or indemnity may not have been provided and therefore different approaches will be needed depending on this issue.

Where contractual comfort has been obtained on entry into the Fund, the Council can adopt a more relaxed approach in that:

- if a previous Fund employer has agreed to subsume any orphan liabilities in relation to the outgoing Fund employer, arrangements can be agreed in relation to the Rates and Adjustments Certificate applicable to the Fund employer and/or any deficit on termination; or
- if a previous Fund employer has agreed to pay any deficit payment on exit, this will be taken into account in determining the terms upon which the deficit is calculated.

Where contractual comfort has not been obtained on entry into the Fund, the Council will be required to:

- monitor carefully the financial standing of the Fund employer and seek where considered necessary an alteration to the Rates and Adjustments Certificate to take this assessment into account; and

- seek recovery of any deficit calculated on exit from the Fund, and if unsuccessful apply pressure to former Fund employers.

Admission & Termination Policy

Appendix

Conditions of Participation for Admission Bodies

1. PAYMENTS

1.1. The Admission Body shall pay to the Council for credit to the Scheme such contributions and payments as are due under the Regulations in respect of those employees who are eligible to participate in the Scheme.

1.2. The Admission Body shall pay to the Council for credit to the Scheme the employee and employer pension contributions on a monthly basis in arrears. The payment must be paid to the Council within 19 calendar days of the end of each month in which the pension contributions have been deducted.

1.3. The employer contribution rate required to be paid by the Admission Body will be assessed by an actuary appointed by the Council.

1.4. The Admission Body shall pay to the Council for credit to the Scheme any deficit contribution or offset any surplus against employer contributions as assessed by the Actuary during each financial year the payments fall due.

1.5. The Admission Body shall pay to the Council for credit to the Scheme any additional or revised contributions due as result of additional membership or pension being awarded or as a result of outstanding liabilities due should the admission agreement terminate. Payment will be due within 30 calendar days of receipt of a written request from the Council.

1.6. Any employees' Additional Voluntary Contributions ("**AVCs**") or Shared Cost Additional Voluntary Contributions ("**SCAVCs**") are to be paid direct to such AVC body and/or AVC insurance company selected by the Council Contributions shall be paid within 19 calendar days of the end of each month in which the contributions have been deducted.

1.7. Where the Admission Body certifies that:

1.7.1. an eligible employee is retiring by reason of redundancy or in the interests of efficiency; or

1.7.2. an eligible employee is voluntarily retiring with the Admission Body's consent before age 60; or

1.7.3. the deferred benefit of an eligible employee is brought into payment with the Admission Body's consent either (i) on or after age 55 and before age 60 where they were a member of the LGPS on or before 31st March 2008; or (ii) on or after age 55 and before age 65 where they became a member on or after 1st April 2008; and immediate benefits are payable under the Regulations the Admission Body shall pay to the Council for credit to the

Scheme the sum notified to them in writing by the Council as representing the actuarial strain on the Scheme resulting from the immediate payment of benefits. Such sum to be paid within 30 calendar days of receipt of the written notification.

1.8. The Admission Body shall indemnify the Council against any financial penalty and associated costs and expenses incurred by the Council or by the Scheme arising from any failure by the Admission Body to comply with the terms of the Admission Agreement entered into by it, the Regulations or any overriding legislation. Such payment is to be paid within 30 calendar days of receipt of a written request from the Council.

1.9. If any sum payable under this Agreement or the Regulations by the Admission Body to the Council or to the Scheme has not been paid (in whole or in part) within the payment period specified (or otherwise in accordance with the Regulations) the Council may require the Admission Body to pay interest calculated in accordance with Regulations on the amount remaining unpaid.

2. ADMISSION BODY'S UNDERTAKINGS

2.1. The Admission Body undertakes:

2.1.1. to provide or procure to be provided such information as is reasonably required by the Council relating to the Admission Body's participation in the Fund including (but not limited to) details of the pay and final pay of each eligible employee;

2.1.2. to comply with the reasonable requests of the Council to enable it to comply with the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 1996 (as amended);

2.1.3. to adopt the practices and procedures relating to the operation of the Fund as set out in the Regulations, the Council's Administration and Communications Policy and in any employer's guide or employer information published or held on the Council's pension administrator website;

2.1.4. to formulate and publish within 3 calendar months of commencement a statement concerning the Admission Body's policy on the exercise of its functions or discretions in accordance with the requirements of the Regulations and to keep such policy under review;

2.1.5. to notify the Council of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion;

2.1.6. to notify promptly the Council in writing of any material change in the terms and conditions of employment of any of the eligible employees which affects entitlement to benefits under the LGPS and of any termination of employment;

2.1.7. to immediately notify the Council and the Fund employer in writing of any matter which may affect or is likely to affect its participation in the LGPS and of any actual or proposed change in its status which may give rise to a termination of the admission agreement or in the case of a transferee admission body which may give rise to a termination of the Contract between the Admission Body and the Fund employer including but not limited to take-over, reconstruction, amalgamation, liquidation, receivership or a change in the nature of its business or constitution;

2.1.8. not to do anything which would prejudice the LGPS' status as a registered pension scheme; and

2.1.9. to make available for public inspection at the Council and the Fund employer's office a copy of the Admission Agreement.

3. ACTUARIAL VALUATIONS

3.1. The Council may periodically and shall at least on a triennial basis obtain from an actuary a certificate specifying in the case of the Admission Body the percentage or amount by which in the actuary's opinion the employer's contribution rate should be increased or reduced. This is with a view to ensuring that as far as is reasonably possible the value of assets of the Fund in respect of current and former eligible employees is neither materially more nor materially less than the anticipated liabilities of the Fund.

3.2. Upon termination of this Agreement the Council must obtain:

3.2.1. an actuarial valuation of the liabilities of the Fund in respect of current and former Eligible Employees as at the date of termination; and

3.2.2. a revision of any Rates and Adjustments Certificate within the meaning of the Regulations showing the revised contributions due from the Admission Body.

3.3. The costs of obtaining the actuarial valuation and certificates (or revisions to them) as required by the Council in respect of current and former eligible employees (other than the triennial valuation) shall be paid by the Admission Body within 30 calendar days of receipt of written notification of such costs from the Council.

4. RISK ASSESSMENT

4.1. The Admission Body shall carry out to the satisfaction of the Council, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of services or assets by reason of insolvency, winding up or liquidation of the Admission Body.

4.2. The Admission Agreement shall provide that the Admission Body secures a guarantee in a form satisfactory to the Council from:

4.2.1. a person who funds the Admission Body in whole or part;

4.2.2. a person who owns or controls the exercise of the functions of the Admission Body; or

4.2.3. the Secretary of State in the case of an Admission Body which is established under any enactment, and whether that enactment enables the Secretary of State to make financial provision for that Admission Body.

5. TERMINATION

5.1 The Agreement shall terminate at the end of the notice period upon the Council or the Admission Body giving a minimum of three calendar months' notice in writing to terminate this Agreement to the other party or parties to this Agreement.

5.2 The Agreement shall terminate automatically on the earlier of:

5.2.1 the date of the expiry or earlier termination of the Contract (if the admission is of a fixed term); or

5.2.2 the date the Admission Body ceases to be an Admission Body for the purposes of the Regulations; or

5.3 The Agreement may be terminated by the Council by notice in writing to the Admission Body taking immediate effect in the event of:

5.3.1 the insolvency winding up or liquidation of the Admission Body;

5.3.2 any breach by the Admission Body of any of its obligations under this Agreement provided that the Council shall if the breach is capable of remedy first afford to the Admission Body the opportunity of remedying that breach within such reasonable period as the Council may specify;

5.3.3 the failure by the Admission Body to pay any sums due to the Council or to the Fund within the periods specified in this Agreement or in the Regulations or in any other case within 30 calendar days of receipt of a written notice from the Council requiring the Admission Body to do so; or

5.3.4 the failure by the Admission Body to renew or adjust the level of any bond/indemnity which is required to be in place.

Approved by Pensions Committee 23 March 2026.