# Haringey Pension Fund

# Funding Strategy Statement

# April 2026

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# 1 Purpose of Haringey Pension Fund and the Funding Strategy Statement

This document sets out the Funding Strategy Statement (FSS) for Haringey Pension Fund.

Haringey Pension Fund is administered by Haringey Council, which is known as the Administering Authority. Haringey Council worked with the Fund's actuary, Hymans Robertson, to prepare this FSS which is effective from 1 April 2026.

There's a regulatory requirement for Haringey Council to prepare an FSS. You can find out more about the regulatory framework in Appendix A. If you have any queries about the FSS, contact Pensions.Mailbox@haringey.gov.uk.

## 1.1 What is Haringey Pension Fund?

Haringey Pension Fund is part of the Local Government Pension Scheme (LGPS). You can find more information about the LGPS at www.lgpsmember.org. Haringey Council runs the Fund on behalf of participating employers, their employees, and current and future pensioners. You can find out more about roles and responsibilities in Appendix B.

## 1.2 What are the funding strategy objectives?

The funding strategy objectives are to:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- the Fund will engage with employers when developing funding strategy in a way which balances the risk appetite of stakeholders.

## 1.3 Who is the FSS for?

The FSS is mainly for employers participating in the Fund because it sets out how money will be collected from them to meet the Fund's obligations to pay members' benefits.

Different types of employers participate in the Fund:

**Scheduled bodies**

Employers who are specified in a schedule to the LGPS regulations, including the Council and employers like academies. Scheduled bodies must give employees access to the LGPS if they can't accrue benefits in another pension scheme, such as another public service pension scheme.

**Designating employers (otherwise known as Resolution bodies)**

Employers like foundation schools can join the LGPS through a resolution. If a resolution is passed, the Fund can't refuse entry. The employer then decides which employees can join the scheme.

**Admission bodies**

Other employers can join through an admission agreement. The Fund can set participation criteria for them and can refuse entry if the requirements aren't met. This type of employer includes contractors providing outsourced services like cleaning or catering to a scheduled body.

Some existing employers may be referred to as **community admission bodies** (CABs). CABs are employers with a community of interest with another scheme employer. Others may be called **transferee admission bodies** (TABs), that provide services for scheme employers. These terms aren't defined under current regulations but remain in common use from previous regulations.

The Scheme Advisory Board refer to three different tiers of employers which may participate in the LGPS, specifically:

- Tier 1 – Local Authorities (including contractors participating in the LGPS with Local Authority backing)
- Tier 2 – Academy Trusts and Further Education Institutions (Colleges).
- Tier 3 – Standalone employers with no local or national taxpayer backing. Include universities, housing associations and charities.

### 1.4 How is the funding strategy specific to London Borough of Haringey Pension Fund?

The funding strategy reflects the specific characteristics of the Fund employers and its own investment strategy.

### 1.5 How often is the Funding Strategy Statement reviewed?

The FSS is reviewed in detail at least every three years ahead of the triennial actuarial valuation and an annual check is carried out in the intervening years.

Amendments to the FSS may be in the following circumstances:

- material changes to the scheme benefit structure (e.g. HM Treasury-led)
- on the advice of the fund actuary
- Significant changes to investment strategy or if there has been significant market volatility which impacts the FSS or goes beyond FSS expectation
- if there have been significant changes to the fund membership and/or fund maturity profile
- if there have been significant or notable changes to the number, type, or individual circumstances of any of the employing authorities to such an extent that they impact on the funding strategy (e.g exit/restructuring/failure) which could materially impact cashflow and/or maturity profile and/or covenant)
- if there has been a material change in the affordability of contributions and/or employer(s) financial covenant strength which has an impact on the FSS.
- recommendations from MHCLG/GAD.

In undertaking such reviews, the administering authority should consider:

- looking at experiences in relation to long-term funding assumptions (in terms of both investment income and forecast contributions income) and consequences of actions taken by employers (e.g. pay awards and early retirements)

- the implications for the funding strategy and, if significant, determine what action should be taken to review the FSS
- the implications arising from the funding strategy for meeting the liabilities of individual employers and any amendments required to the ISS
- consulting with individual employers specifically impacted by any changes as an integral part of the monitoring and review process and ensuring any communication regarding a review won't necessarily lead to rates changes for individual employers but could impact admissions, terminations, approach to managing risk and employer risk assessment.

Any amendments will be consulted on, approved by the Pensions Committee & Board and included in the Committee & Board meeting minutes.

This Funding Strategy Statement is effective from 1 April 2026 and is expected to remain in force until 31 March 2029 at the latest, unless an interim review is carried out prior to then.

### 1.6 Links to Administration Strategy

The fund maintains an Administration Strategy Statement which outlines the responsibilities, standards and procedures for employers and the fund. A copy of this can be found here.

Adherence with the requirements of the Administration Strategy Statement is crucial to ensure the well-running of the pension fund and any failure to do so may lead to uncertainty around the value of an employer's liabilities and the need for prudent assumptions to fill any data gaps.

### 1.7 Actuarial valuation report

LGPS Regulations (specifically Regulation 62) require an actuarial valuation to be carried out every three years, under which contribution rates for all participating employers are set for the following three years. This Funding Strategy Statement sets out the assumptions and methodology underpinning the 2025 actuarial valuation actuarial exercise. The actuarial valuation report sets out 1) the actuary's assessment of the past service funding position, and 2) the contributions required to ensure full funding by the end of the time horizon. The Rates and Adjustments certificate shows the contribution rates payable by each employer (which may be expressed as a percentage of payroll and/or monetary amounts).

# Part A – Key Funding Principles

## 2 How does the Fund calculate employer contributions?

### 2.1 Calculating contribution rates

Employee contribution rates are set by the LGPS regulations.

Employer contributions rates are determined by a mandatory actuarial valuation exercise and are made up of the following elements:

- **the primary contribution rate** – contributions payable towards future benefits
- **the secondary contribution rate** – the difference between the primary rate and the total employer contribution

The primary rate also includes an allowance for the Fund's expenses.

The Fund actuary uses a methodology known as Asset Liability Modelling to set employer contribution rates. Under this methodology, for a given proposed employer contribution rate, the model projects future asset and liability values for the employer under 5,000 different simulations of the future economic environment. Each simulation – generated by Hymans Robertson's Economic Scenario Service (ESS) model - has a different path for future interest rates, inflation rates and the investment return on different asset classes. This approach allows the Fund actuary to understand the potential range of future funding outcomes that could be achieved via payment of that contribution rate.

The Fund has set *funding strategy criteria* for each employer in the fund which must be satisfied in order for a given employer contribution to be deemed acceptable. The funding strategy criteria are specified in terms of the following four parameters:

- **the target funding level** – how much money the Fund aims to hold for each employer
- **the time horizon** – the time over which the employer aims to achieve the target funding level
- **the funding basis** – the set of actuarial assumptions used to value the employer's (past and future service) liabilities
- **the likelihood of success** – the proportion of modelled scenarios where the target funding level is met.

For example, an employer's funding strategy criteria may be set as follows:

*The employer must have at least an **80% likelihood** of being **100% funded** on the **ongoing participation basis** at the end of a **20 year** funding time horizon*

The funding strategy criteria used by the fund are set out in Table 2. Further detail on the ESS and on the funding bases used by the Fund are set out in Appendix E.

The target funding level may be set greater than 100% as a buffer against future adverse experience. This may be appropriate for long term open employers, where adverse future funding experience may lead to future contribution rises.

The contribution rate setting approach takes into account the maturing profile of the membership when setting employer contribution rates.

The approach taken by the Fund actuary helps the fund meet the aim of maintaining as stable a primary employer contribution rate as possible.

### 2.2 Prepayment of contributions

The Fund permits the prepayment of employer contributions in specific circumstances.

**Employer contributions**

- The Fund will consider requests from employers to make payment of their employer contributions early.
- Each case will be considered on its own merits, taking into account the type of employer, the employer rate, the amount and the value of cash the Fund holds.

**Employee contributions**

- The Fund will not consider requests to allow payment of employee contributions early.
- In exceptional circumstances, officers may consider this on a case-by-case basis.

Prepayment of contributions does not guarantee that the employer will benefit from earlier investment: the value of the prepaid contributions can fall if investment returns are negative.

### 2.3 The contribution rate calculation

**Table 1: contribution rate calculation for individual or pooled employers**

| Type of employer | Scheduled bodies | | CABs | TABs |
|---|---|---|---|---|
| Sub-type | Local Authority | Academies (or schools not pooled with Haringey Council | all | all |
| SAB Tier | Tier 1 | Tier 2 | Tier 3 | Tier 1 |
| **Funding basis*** | Ongoing | Ongoing | Low-risk exit basis (no guarantor) | Ongoing basis |
| **Target funding level** | 120% | 120% | 100% | 100% |
| **Minimum likelihood of success** | 80% | 80% | 85% | 80% |
| **Maximum time horizon** | 20 years | 20 years | 20 years | 20 years |
| **Primary rate approach**** | The contributions must be sufficient to meet the cost of benefits earned in the future with the required likelihood of success at the end of the time horizon* | | | |

| | | | | |
|---|---|---|---|---|
| **Secondary rate** | The difference between the total contribution rate payable (determined as per 2.1) and the primary rate.<br>Negative adjustments are expressed as a percentage of payroll and positive adjustments can be expressed as a percentage of payroll or monetary amounts (for mature closed employers) | | | |
| **Stabilised contribution rate?** | Yes | Yes | No | No |
| **Treatment of surplus** | Covered by stabilisation arrangement | | Reduce contributions by spreading the surplus over maximum time horizon | Reduce contributions by spreading the surplus over the remaining contract term if contract to cease before next valuation, at admin authority's discretion |
| **Recognising covenant** | Stabilisation parameters | | Adjust likelihood of success | |
| **Phasing of contribution changes** | Covered by stabilisation arrangement | | Not typically permitted | |

*Employers participating in the Fund under a pass-through agreement will pay a contribution rate as agreed between the contractor and letting authority*
**See Appendix E for further information on funding targets.*
***The Primary Rate for the whole Fund is the weighted average (by payroll) of the individual employers' primary rates*

The Fund manages funding risks as part of the wider risk management framework, as documented in the Fund's risk registrar. The funding-specific risks identified and managed by the Fund are set out in Appendix D – Risks and Controls.

### 2.4 Making contribution rates stable

Making employer contribution rates reasonably stable is an important funding objective. The Fund may adopt a stabilised approach to setting contributions for individual employers, which keeps contribution variations within a pre-determined range from year-to-year.

After taking advice from the Fund Actuary, the Fund believes a stabilised approach is a prudent longer-term strategy for some employers.

**Table 2: current stabilisation arrangement**

| Type of employer | Council | Academies (or schools not pooled with Haringey Council) |
|---|---|---|
| **Maximum contribution increase per year** | +1.0% of pay | +1.0% of pay |
| **Maximum contribution decrease per year** | -1.0% of pay | -1.0% of pay |

Stabilisation criteria and limits are reviewed during the valuation process. The Fund may review them between valuations to respond to membership or employer changes.

At their absolute discretion the administering authority may permit acceleration or extension of contribution rises and reductions within the contribution stability mechanism.

### 2.5 Links to investment strategy

The funding strategy sets out how money will be collected from employers to meet the Fund's obligations. Contributions, assets and other income are then invested according to an investment strategy set by the administering authority.

The funding and investment strategies are closely linked. The Fund must be able to pay benefits when they are due – those payments are met from a combination of contributions (through the funding strategy) and asset returns and income (through the investment strategy). If investment returns or income fall short the fund won't be able to pay benefits, so higher contributions would be required from employers.

The investment strategy is designed allowing for the funding position determined on an appropriate and prudent basis, with the objective of achieving the funding objective for each employer group of the specific time horizon.

The Fund's current strategic investment strategy as at 31 March 2025 is summarised in the table, with full details available at [link].

| Asset class | Allocation |
|---|---|
| **Global Equities (hedged)** | 17.0% |
| **Global Equities (unhedged)** | 17.0% |
| **EM equities** | 6.0% |
| **DGF Low Beta** | 7.5% |
| **Private Equity** | 5.0% |
| **Property** | 15.5% |
| **Infrastructure equity** | 5.0% |
| **A Credit** | 7.5% |
| **Index linked gilt** | 7.0% |

| Asset class | Allocation |
|---|---|
| **Multi Asset Credit (sub investment grade)** | 10.0% |
| **Infrastructure Debt** | 2.5% |

### 2.6 Does the funding strategy reflect the investment strategy?

The funding policy is consistent with the investment strategy. Future investment return expectations are set with reference to the investment strategy, including a margin for prudence which is consistent with the regulatory requirement that funds take a 'prudent longer-term view' of funding liabilities (see Appendix A)

### 2.7 Reviewing contributions between valuations

The Fund may amend contribution rates between formal valuations for a 'significant change' to the liabilities or covenant of an employer, in line with its policy on contribution reviews. A review may be instigated by the Fund or at the request of a participating employer.

The purpose of any review is to establish the most appropriate contributions. A review may lead to an increase or decrease in contributions.

### 2.8 What is pooling?

The Fund may operate funding pools for similar types of employers. Contribution rates can be volatile for smaller employers that are more sensitive to individual membership changes – pooling across a group of employers minimises this. In this type of pooling arrangement, employers do not target full funding at exit. While the Fund receives the contributions required, the risk increases that employers will be entitled to a surplus payment on exit.

Employers in a pool may maintain their individual funding positions, tracked by the Fund Actuary. That means some employers may be better funded or more poorly funded than the pool average. If pooled employers used stand-alone funding rather than pooling, their contribution rates could be higher or lower than the pool rate.

The Fund operates an academy pool in which all academies maintain their individual funding positions but assets are rebalanced across the pool at each valuation (and other dates as necessary) so that each participating academy has the same common funding level.

Pooled employers are identified in the rates and adjustments certificate and may only have their pooled contributions certified.

CABs that are closed to new entrants aren't usually allowed to enter a pool.

Where employers are pooled for contribution setting purposes only, an employer leaving the fund will have their required contribution calculated based on their own funding position rather than the pool average. Cessation terms also apply, which means higher contributions may be required at that point.

### 2.9 What are the current contribution pooling arrangements?

- **Maintained schools** – generally pool with the Council, although there may be exceptions for specialist or independent schools.
- **Academies** – academies and free schools are pooled together for all funding risks. Academies joining the Fund through a consolidation exercise from another LGPS Fund may be pooled together as a separate Multi Academy Trust (MAT) or in a separate academies pool.

- **MATs** – academies may also be further combined within a Multi Academy Trust (MAT) at the MAT's request, for example to participate as a single grouped employer with only combined liabilities and assets.
- **Ceased employers** – legacy liabilities and assets may be pooled with the Council

### 2.10 Fund discretion

Individual employers may be affected by circumstances not easily managed within the FSS rules and policies. If this happens, the Fund may adopt alternative funding approaches on a case-by-case basis.

Additionally, the Fund may allow greater flexibility to the employer's contributions if added security is provided. Flexibility could include things like a reduced contribution rate, extended time horizon, or permission to join a pool. Added security may include a suitable bond or a legally binding guarantee from an appropriate third party.

**Non cash funding**

The Fund will not accept any form of non-cash assets in lieu of contributions.

### 2.12 Managing surpluses and deficits

The funding strategy is designed to ensure that all employers are at least fully funded on a prudent basis at the end of their own specific time horizon. The uncertain and volatile nature of pension scheme funding means that it is likely there will be times when employers are in surplus and times when employers are in deficit. The funding strategy recognises this by 1) including sufficient prudence to manage the effect of this over the time horizon, and 2) making changes to employer contribution rates to ensure the funding strategy objectives are met.

Fluctuations in funding positions are inevitable over the time horizon, due to market movements and changing asset values, which could lead to the emergent of deficits and surplus from time to time, and lead to changes in employer contribution rates.

Table 1 sets out the Fund's approach to setting contribution rates for each employer group.

# 3 What additional contributions may be payable?

### 3.1 Pension costs – awarding additional pension and early retirement on non ill-health grounds

If an employer awards additional pension as an annual benefit amount, they pay an additional contribution to the Fund as a single lump sum. The amount is set by guidance issued by the Government Actuary's Department and updated from time to time.

If an employee retires before their normal retirement age on unreduced benefits, employers will be asked to pay additional contributions called strain payments. The Fund won't start to pay the unreduced benefits until the strain payment is made by the employer.

### 3.2 Pension costs – early retirement on ill-health grounds

If a member retires early because of ill-health, a funding strain, which may be a large sum, arises in the Fund and increases the liability for the employer. However, the Fund operates a risk-sharing mechanism for ill-health retirements which spreads the cost across the Fund's active employers. Please see the policy on ill-health risk management in Appendix J for more information.

# 4 How does the Fund calculate assets and liabilities?

## 4.1 How are employer asset shares calculated?

The Fund adopts a cashflow approach to track individual employer assets.

Each Fund employer has a notional share of the Fund's assets, which is assessed yearly by the actuary. The actuary starts with assets from the previous year-end, adding cashflows paid in/out and investment returns to give a new year-end asset value. The Fund actuary makes a simplifying assumption, that all cashflow and investment returns have been paid uniformly over the year. This assumption means that the sum of all employers' asset values is slightly different from the whole Fund asset total over time. This minimal difference is split between employers in proportion to their asset shares at each valuation.

If an employee moves one from one employer to another within the fund, assets equal to the cash equivalent transfer value (CETV) will move from the original employer to the receiving employer's asset share.

Alternatively, if employees move when a new academy is formed or an outsourced contract begins, the Fund Actuary will calculate assets linked to the value of the liabilities transferring (see section 0).

Assets are recalculated for academies at each triennial valuation, or at interim dates if required, based on the funding level of the academy pool. Asset shares are then distributed so that each academy shares the same funding level at the time of the rebalancing.

## 4.2 How are employer liabilities calculated?

The Fund holds membership data for all active, deferred and pensioner members. Based on this data and the assumptions in Appendix E, the Fund Actuary projects the expected benefits for all members into the future. This is expressed as a single value – the liabilities – by allowing for expected future investment returns.

Each employer's liabilities reflect the experience of their own employees and ex-employees.

## 4.3 What is a funding level?

An employer's funding level is the ratio of the market value of asset share against liabilities. If this is less than 100%, the employer has a shortfall: the employer's deficit. If it is more than 100%, the employer is in surplus. The amount of deficit or surplus is the difference between the asset value and the liabilities value.

Funding levels and deficit/surplus values measure a particular point in time, based on a particular set of future assumptions. While this measure is of interest, for most employers the main issue is the level of contributions payable. The funding level does not directly drive contribution rates. See section 0 or further information on rates.

# Part B – Employer Events

## 5 What happens when an employer joins the fund?

### 5.1 When can an employer join the fund?

Employers can join the Fund if they are a new scheduled body or a new admission body. New designating employers may also join the Fund if they pass a designation to do so.

The Fund will determine the assets and liabilities for a new employer. The calculation will depend on the type of employer, the existence of any guarantee, and the circumstances of joining.

The Fund will also set a contribution rate. This will be set in the way described in section 0 unless alternative arrangements apply (for example, the employer has agreed a pass-through arrangement).

### 5.2 New academies

New academies (including free schools) join the Fund as separate scheduled employers. Only active members of former council schools transfer to new academies. Free schools do not transfer active members from a converting school but must allow new active members to transfer in any eligible service.

Liabilities for transferring active members will be calculated (on the ongoing basis) by the Fund Actuary on the day before conversion to an academy. Liabilities relating to the converting school's former employees (ie members with deferred or pensioner status) remain with the ceding council.

New academies will be allocated a transferring asset share based on the estimated funding level of the council's active members, having first allocated the council's assets to fully fund their deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the academy's initial asset share, that transfers into the academies pool, capped at a maximum of 100%.

The council's estimated funding level will be based on market conditions on the day before conversion.

Academies are pooled for all risks for funding purposes and pay a common contribution rate based on the current funding strategy.

If an academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT.

The fund's policies on academies may change based on updates to guidance from the Ministry of Housing, Communities and Local Government or the Department for Education. Any changes will be communicated and reflected in future Funding Strategy Statements.

### 5.3 New admission bodies as a result of outsourcing services

New admission bodies usually join the Fund because an existing employer (typically a scheduled body like a council or academy) outsources a service to another organisation (a contractor). This involves TUPE transfers of staff from the letting employer to the contractor. The contractor becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership. At the end of the contract, employees typically revert to the letting employer or a replacement contractor.

Liabilities for transferring active members will be calculated by the Fund Actuary on the day before the outsourcing occurs.

New contractors will be allocated an asset share equal to the value of the transferring liabilities. The admission agreement may set a different initial asset allocation, depending on contract-specific circumstances.

There is flexibility for outsourcing employers when it comes to pension risk potentially taken on by the contractor. More details on outsourcing options can be obtained from the Fund or in the contract admission agreement.

The Fund's policy is to require all new admission bodies to be set up with a pass-through arrangement (subject to the specific requirements of the DfE in relation to contracts let by academies).

Additional information on outsourcing from an academy or free school is included in the Fund's Policy on Academies and Free Schools in Appendix F.

### 5.4 Other new employers

There may be other circumstances that lead to a new admission body entering the fund, e.g., set up of a wholly owned subsidiary company by the council. Calculation of assets and liabilities on joining and a contribution rate will be carried out allowing for the circumstances of the new employer.

New designating employers may also join the fund. This is unusual but would include bodies like a new foundation school or technical institute. Contribution rates will be set using the same approach as other designating employers in the fund.

### 5.5 Risk assessment for new admission bodies

Under the LGPS regulations, a new admission body must assess the risks it poses to the Fund if the admission agreement ends early, for example if the admission body becomes insolvent or goes out of business. In practice, the Fund Actuary assesses this because the assessment must be carried out to the Fund's satisfaction.

After considering the assessment, the Fund may decide the admission body must provide security, such as a guarantee from the letting employer, an indemnity or a bond.

This must cover some or all of the:

- strain costs of any early retirements if employees are made redundant when a contract ends prematurely
- allowance for the risk of assets performing less well than expected
- allowance for the risk of liabilities being greater than expected
- allowance for the possible non-payment of employer and member contributions
- admission body's existing deficit.

# 6 What happens if an employer has a bulk transfer of staff?

Bulk transfer cases will be looked at individually, but generally:

- the Fund won't typically pay bulk transfers greater in value than either the asset share of the transferring employer in the fund, or the value of the liabilities of the transferring members, whichever is lower
- the Fund won't grant added benefits to members bringing in entitlements from another fund, unless the asset transfer is enough to meet the added liabilities
- the Fund may permit shortfalls on bulk transfers if the employer has a suitable covenant and commits to meeting the shortfall in an appropriate period, which may require increased contributions between valuations.

# 7 What happens when an employer leaves the fund?

## 7.1 What is a cessation event?

Triggers for considering cessation from the Fund are:

- the last active member stops participation in the fund. The Fund, at their discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation won't be triggered if the employer takes on one or more active members during the agreed time.
- insolvency, winding up or liquidation of an admission body.
- a breach of an admission agreement that isn't remedied to the Fund's satisfaction.
- failure to pay any sums due within the period required.
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor.
- termination of a deferred debt arrangement (DDA).

If no DDA exists, the Fund will instruct the Fund Actuary to carry out a cessation valuation to calculate if there is a surplus or a deficit when the employer leaves the fund.

## 7.2 What happens on cessation?

The Fund must protect the interests of the remaining Fund employers when an employer leaves the fund. The actuary aims to protect remaining employers from the risk of future loss. The funding targets adopted for the cessation calculation is below. These are defined in Appendix E.

(a) Where there is no guarantor, cessation liabilities and a final surplus/deficit will usually be calculated using a low-risk basis, which is more prudent than the ongoing participation basis. The low-risk exit basis is defined in Appendix E.

(b) Where there is a guarantor, the guarantee will be considered before the cessation valuation.

- Where the guarantor is a guarantor of last resort (i.e. where the guarantee will cease to have affect after the cessation event and final settlement), this will have no effect on the cessation valuation.
- If this isn't the case (i.e. if the guarantee continues to apply in respect of the former employer's obligations post cessation), cessation may be calculated using the same basis that was used to calculate liabilities (and the corresponding asset share) at the most recent triennial valuation.

(c) Depending on the guarantee, it may be possible to transfer the employer's liabilities and assets to the guarantor without crystallising deficits or surplus. This may happen if an employer can't pay the contributions due and the approach is within the guarantee terms. This is known as 'subsumption' of the assets and liabilities.

If the Fund can't recover the required payment in full, unpaid amounts will be paid by the related letting authority (in the case of a ceased admission body) or shared between the other Fund employers. This may require an immediate revision to the rates and adjustments certificate or may be reflected in the contribution rates set at the next formal valuation.

The Fund Actuary charges a fee for cessation valuations and there may be other cessation expenses. Fees and expenses are at the employer's expense and are deducted from the cessation surplus or added to the cessation deficit. This improves efficiency by reducing transactions between employer and fund.

### 7.3 What happens if there is a surplus?

If the cessation valuation shows the exiting employer has more assets than liabilities – a surplus – the Fund can decide how much will be paid back to the employer (which may be £nil) based on:

- the surplus amount
- the proportion of the surplus due to the employer's contributions
- any representations (such as risk sharing agreements or guarantees) made by the exiting employer and any employer providing a guarantee or some other form of employer assistance/support
- any other relevant factors.

### 7.4 How do employers repay cessation debts?

If there is a deficit, full payment will usually be expected in a single lump sum or:

- spread over an agreed period if the employer enters into a deficit spreading agreement (DSA)
- if an exiting employer enters into a deferred debt agreement, the employer stays in the Fund and pays contributions until the cessation debt is repaid. Payments are reassessed at each formal valuation.

### 7.5 What if an employer has no active members?

When an employer leaves the Fund because their last active member has left or retired, they may: pay a cessation debt, receive an exit credit or enter a DDA/DSA. Beyond this they have no further obligation to the Fund and either:

a) their asset share runs out before all ex-employees' benefits have been paid. The other Fund employers will be required to contribute to the remaining benefits. The Fund Actuary will portion the liabilities on a pro-rata basis at the formal valuation.

b) the last ex-employee or dependant dies before the employer's asset share is fully run down. The Fund Actuary will apportion the remaining assets to the other Fund employers at the formal valuation.

### 7.6 Partial cessations

The Fund will consider employer requests for "partial" cessation arrangement based on the specific circumstances and risks posed by any such request.

# 8 What are the statutory reporting requirements?

## 8.1 Reporting regulations

The Public Service Pensions Act 2013 requires the Government Actuary's Department to report on LGPS funds in England and Wales after every three-year valuation, in what's usually called a section 13 report. The report includes advice on whether the following aims are achieved:

- Compliance
- Consistency
- Solvency
- Long term cost efficiency

## 8.2 Solvency

Employer contributions are set at an appropriate solvency level if the rate of contribution targets a funding level of at least 100% over an appropriate time, using appropriate assumptions compared to other funds. Either:

(a) employers collectively can increase their contributions, or the Fund can realise contingencies to target a greater than 100% funding level

or

(b) there is an appropriate plan in place if there is, or is expected to be, a reduction in employers' ability to increase contributions as needed.

## 8.3 Long-term cost efficiency

Employer contributions are set at an appropriate long-term cost efficiency level if the contribution rate makes provision for the cost of current benefit accrual, with an appropriate adjustment for any surplus or deficit.

To assess this, the Fund may consider absolute and relative factors.

Relative factors include:

1. comparing LGPS funds with each other
2. the implied deficit recovery period
3. the investment return required to achieve full funding after 20 years.

Absolute factors include:

1. comparing funds with an objective benchmark
2. the extent to which contributions will cover the cost of current benefit accrual and interest on any deficit
3. how the required investment return under relative considerations compares to the estimated future return targeted by the investment strategy
4. the extent to which contributions paid are in line with expected contributions, based on the rates and adjustment certificate
5. how any new deficit recovery plan reconciles with, and can be a continuation of, any previous deficit recovery plan, allowing for Fund experience.

These metrics may be assessed by GAD on a standardised market-related basis where the Fund's actuarial bases don't offer straightforward comparisons.

# Appendices

## Appendix A – The regulatory framework

**A1 Why do funds need a Funding Strategy Statement?**

The Local Government Pension Scheme (LGPS) regulations require funds to maintain and publish a Funding Strategy Statement (FSS). According to the Ministry for Housing, Communities and Local Government (MHCLG) the purpose of the FSS is to document the processes the Fund uses to:

- establish a clear and transparent fund-specific strategy identifying how employers' pension liabilities are best met going forward
- *support the desirability of maintaining as constant and stable primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013*
- *ensure that the regulatory requirements to set contributions to ensure the solvency and long-term cost efficiency of the Fund are met.*
- *explain how the Fund balances the interests of different employers.*
- *explain how the Fund deals with conflicts of interest and references other policies/strategies.*

To prepare this FSS, the Fund has used guidance jointly prepared the Scheme Advisory Board (SAB), MHCLG, and by the Chartered Institute of Public Finance and Accountancy (CIPFA) dated January 2025.

The Fund has a fiduciary duty to scheme members and obligations to employers to administer the scheme competently to keep employer contributions at an affordable level. The Funding Strategy Statement sets out how the Fund meets these responsibilities.

**A2 Consultation**

Both the LGPS regulations and most recent CIPFA guidance state the FSS should be prepared in consultation with "*persons the authority considers appropriate*". This should include '*meaningful dialogue… with council tax raising authorities and representatives of other participating employers*'.

The consultation process included:

1. A draft version of the FSS circulated on dd mmmm yyyy for comments by all participating employers
2. Employers Forum on 8 December 2025 where all employers, whether attending in person or online, had the opportunity to raise questions about the changes made to the FSS.
3. Comments requested by dd mmmm yyyy allowing x days for comments to be submitted.
4. Closure of the consultation on dd mmmm yyyy
5. Draft FSS presented to Pension Committee & Board for approval on dd mmmm yyyy subject to no material changes following the consultation.
6. Publication of approved FSS will be made after 31 March 2026.

The Fund also shared the draft FSS with the Department for Education and facilitated a meeting to discuss the changes made and the implications of the Fund's funding policies on academy employers.

**A3 How is the FSS published?**

The FSS is emailed to participating employers and is published on the website at haringeypensionfund.co.uk. A full copy is included in the Fund's annual report and accounts. Copies are freely available on request and sent to investment managers and independent advisers.

Any other channels for Haringey Pension Fund to consider. This could include:

- publishing on the Administering Authority's website
- publishing on social media
- local publicity, for example in Council newsletters
- sending copies to each employer
- sending a summary statement to all scheme members
- including the full statement or summary in final accounts
- adding the FSS to the agenda of pension Fund AGMs
- sending copies to members of the Pension Committee & Board
- sending copies to employee/pensioner representatives
- sending copies to investment managers and independent advisers
- making copies freely available on request.

**A4 How often is the FSS reviewed?**

The FSS is reviewed in detail at least every three years as part of the valuation. Amendments may be made before then if there are regulatory or operational changes. Any amendments will be consulted on, agreed by the Pensions Committee & Board and included in the Pensions Committee & Board meeting minutes.

**A5 How does the FSS fit into the overall Fund documentation?**

The FSS is a summary of the Fund's approach to funding liabilities. It isn't exhaustive – the Fund publishes other statements including the investment strategy statement, governance strategy and communications strategy. The Fund's annual report and accounts also includes up-to-date Fund information.

You can see all Fund documentation at haringeypensionfund.co.uk.

# Appendix B – Roles and responsibilities

**B1 The Fund is required to:**

1. operate a pension Fund
2. collect employer and employee contributions, investment income and other amounts due to the pension Fund as stipulated in LGPS Regulations
3. have an escalation policy in situations where employers fail to meet their obligations
4. pay from the pension Fund the relevant entitlements as stipulated in LGPS Regulations
5. invest surplus monies in accordance with the relevant regulations
6. ensure that cash is available to meet liabilities as and when they fall due
7. ensure benefits paid to members are accurate and undertake timely and appropriate action to rectify any inaccurate benefit payments
8. take measures as set out in the regulations to safeguard the fund against the consequences of employer default
9. manage the valuation process in consultation with the Fund's actuary
10. prepare and maintain an FSS and associated funding policies and SIP/ISS, after proper consultation with interested parties
11. monitor all aspects of the Fund's performance and funding, and amend the FSS/ISS accordingly
12. establish a policy around exit payments and payment of exit credits/debits in relation to employer exits
13. effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer
14. enable the local pension board to review the valuation and FSS review process and as set out in their terms of reference
15. support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice

**B2 Individual employers are required to:**

1. Ensure staff who are eligible are contractually enrolled and deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations),
2. provide the Fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any deficiencies in their data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality
3. pay all ongoing contributions, including employer contributions determined by the actuary and set out in the rates and adjustments certificate, promptly by the due date
4. develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework

5. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits and early retirement strain

6. notify the administering authority promptly of all changes to active membership that affect future funding

7. Pay any exit payments on ceasing participation in the Fund timely provide the fund with accurate data and understand that the quality of the data provided to the Fund will directly impact on the assessment of their liabilities and their contributions. In particular, any inaccuracies in data may result in the employer paying higher contributions than otherwise would be the case if their data was of high quality.

**B3 The Fund Actuary should:**

1 prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency based on the assumptions 26 set by the administering authority and having regard to the FSS and the LGPS Regulations

2 provide advice so the Fund can set the necessary assumptions for the valuation

3 prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill health retirement costs, compensatory added years costs, etc

4 provide advice and valuations to the Fund so that it can make decisions on the exit of employers from the fund

5 provide advice to the Fund on bonds or other forms of security against the financial effect on the fund of employer default

6 assist the Fund in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations

1 ensure that the Fund is aware of any professional guidance or other professional requirements that may be relevant in the role of advising the Fund.

2 Identify to the Fund and manage any potential conflicts of interest that may arise in the delivery the contractual arrangements to the Fund and other clients.

**B4 Local Pension Boards (LPB):**

Local Pension Boards have responsibility to assist the administering authority to secure compliance with the LGPS regulations, other legislation relating to the governance and administration of the LGPS, any requirements imposed by the Regulator in relation to the LGPS, and to ensure the effective and efficient governance and administration of the LGPS. It will be for each fund to determine the input into the development of the FSS (as appropriate within fund's own governance arrangements) however this may include:

1. Assist with the development and review the FSS

2. Review the compliance of scheme employers with their duties under the FSS, regulations and other relevant legislation

3. Assist with the development of and review communications in relation to the FSS.

**B5 Employer guarantors:**

1 Department for Education - To pay cessation debts in the case of academy cessations (where the obligations are not being transferred to another MAT) and to consider using intervention powers if an academy is deemed to be in breach of the regulations.

2 Other bodies with a financial interest (outsourcing employers)

**B6 Other parties:**

3 internal and external investment advisers ensure the investment strategy statement (ISS) is consistent with the Funding Strategy Statement

4 investment managers, custodians and bankers play their part in the effective investment and dis-investment of Fund assets in line with the ISS

5 auditors comply with standards, ensure Fund compliance with requirements, monitor and advise on fraud detection, and sign-off annual reports and financial statements

6 governance advisers may be asked to advise the Fund on processes and working methods

7 internal and external legal advisers ensure the Fund complies with all regulations and broader local government requirements, including the Fund's own procedures

8 the Ministry for Housing, Communities and Local Government, assisted by the Government Actuary's Department and the Scheme Advisory Board, work with LGPS funds to meet Section 13 requirements.

# Appendix C – Glossary

**Actuarial certificates**

A statement of the contributions payable by the employer (see also rates and adjustments certificate). The effective date is 12 months after the completion of the valuation.

**Actuarial valuation**

An investigation by an actuary, appointed by an Administering Authority into the costs of the scheme and the ability of the fund managed by that authority to meet its liabilities. This assesses the funding level and recommended employer contribution rates based on estimating the cost of pensions both in payment and those yet to be paid and comparing this to the value of the assets held in the Fund. Valuations take place every three years (triennial).

**Administering Authority (referred to as 'the fund')**

A body listed in Part 1 of Schedule 3 of the regulations who maintains a fund within the LGPS and a body with a statutory duty to manage and administer the LGPS and maintain a pension fund (the fund). Usually, but not restricted to being, a local authority.

**Admission agreement**

A written agreement which provides for a body to participate in the LGPS as a scheme employer

**Assumptions**

Forecasts of future experience which impact the costs of the scheme. For example, pay growth, longevity of pensioners, inflation, and investment returns,

**Code of Practice**

The Pensions Regulator's General Code of Practice.

**Debt spreading arrangement**

The ability to spread an exit payment over a period of time

**Deferred debt agreement**

An agreement for an employer to continue to participate in the LGPS without any contributing scheme members

**Employer covenant**

The extent of the employer's legal obligation and financial ability to support its pension scheme now and in the future.

**Funding level**

The funding level is the value of assets compares with the liabilities. It can be expressed as a ratio of the assets and liabilities (known as the funding level) or as the difference between the assets and liabilities (referred to as a surplus or deficit).

**Fund valuation date**

The effective date of the triennial fund valuation.

**Guarantee / guarantor**

A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the fund can consider the employer's covenant to be as strong as its guarantor's.

**Local Pension Board**

The board established to assist the Administering Authority as the Scheme Manager for each Fund.

**Non-statutory guidance**

Guidance which although it confers no statutory obligation on the parties named, they should nevertheless have regard to its contents

**Notifiable events**

Events which the employer should make the Administering Authority aware of

**Past service liabilities**

The cost of pensions already built up or in payment

**Pension committee**

A committee or sub-committee to which an administering authority has delegated its pension function

**Pensions Administration Strategy**

A statement of the duties and responsibilities of scheme employers and Administering Authorities to ensure the effective management of the scheme

**Primary and secondary employer contributions**

Primary employer contributions meet the future costs of the scheme and Secondary employer contributions meet the costs already built up (adjusted to reflect the experience of each scheme employer). Contributions will therefore vary across scheme employers within a Fund.

**Rates and adjustments certificate**

A statement of the contributions payable by each scheme employer (see actuarial certificates)

**Scheme Manager**

A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.C1 Managing risks
The Fund has a risk management programme to identify and control financial, demographic, regulatory and governance risks.

The role of the Combined Pensions Committee & Board is set out in Part Three, Section B of the Council's Constitution. Further details of Committee & Board's terms of reference are available on the Council's website.

The Fund considers strategic risks which are monitored throughout the year by the Pensions Committee & Board. Details of these key risks are available on the Pensions Committee & Board's governance website in advance of each meeting.

The Fund also manages specific funding risks as below.

# Appendix D – Risks and Controls

**D2 Financial risks**

| Risk | Summary of Control Mechanisms |
|---|---|
| Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term. | Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.<br><br>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.<br><br>Analyse progress at three yearly valuations for all employers.<br><br>Inter-valuation roll-forward estimate of liabilities between valuations at whole Fund level. |
| Inappropriate long-term investment strategy. | Overall investment strategy options considered as an integral part of the funding strategy.<br><br>Asset liability modelling used to assess appropriate interaction between funding strategy and investment strategy. |
| Active investment manager under-performance relative to benchmark. | Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark. |
| Pay and price inflation significantly more than anticipated. | The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.<br><br>Inter-valuation monitoring gives early warning.<br><br>Some inflation-linked assets are included as part of investment strategy to mitigate this risk.<br><br>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees. |
| Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies | An explicit stabilisation arrangement has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions. |
| Orphaned employers give rise to added costs for the fund | The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.<br><br>If it occurs, the actuary calculates the added cost spread pro-rata among all employers. |

| Risk | Summary of Control Mechanisms |
|---|---|
| Effect of possible asset underperformance as a result of climate change | The Fund's management of these risks is covered by its Investment Strategy Statement and includes (but is not limited to) its investments in low carbon equity pooled investment vehicles and renewable energy infrastructure.<br><br>Additional modelling of climate change scenarios is provided by the Fund Actuary and investment adviser to confirm resilience of investment strategy to the modelled changes |

**D3 Demographic risks**

| Risk | Summary of Control Mechanisms |
|---|---|
| Pensioners living longer, thus increasing cost to fund. | Set mortality assumptions with some allowance for future increases in life expectancy.<br><br>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation. |
| Maturing fund – ie proportion of actively contributing employees declines relative to retired employees. | Continue to monitor at each valuation, consider seeking monetary amounts rather than % of pay and consider alternative investment strategies. |
| Deteriorating patterns of early retirements | The Fund pools all ill health early retirement strain costs between employers to pool risk |
| Reductions in payroll causing insufficient deficit recovery payments | In many cases this may not be sufficient cause for concern and will in effect be caught at the next formal valuation.<br><br>However, there are protections where there is concern, as follows:<br><br>Employers in the stabilisation arrangement may be brought out of that mechanism to permit appropriate contribution increases.<br><br>For other employers, review of contributions is permitted in general between valuations and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts. |

### D4 Regulatory risks

| Risk | Summary of Control Mechanisms |
|---|---|
| Changes to national pension requirements and/or HMRC rules eg changes arising from public sector pensions reform. | The Fund considers all consultation papers issued by the Government and comments where appropriate.<br><br>The Fund is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.<br><br>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits – is built into the actuarial valuation. |
| Time, cost and/or reputational risks associated with any DLUHC intervention triggered by the Section 13 analysis. | Take advice from Fund Actuary on position of Fund and consideration of proposed valuation approach relative to anticipated Section 13 analysis. |
| Changes by Government to particular employer participation in LGPS funds, leading to impacts on funding and/or investment strategies. | The Fund considers all consultation papers issued by the Government and comments where appropriate.<br><br>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate. |

### D5 Governance risks

| Risk | Summary of Control Mechanisms |
|---|---|
| Fund unaware of structural changes in an employer's membership (e.g., large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants. | The Fund has a close relationship with employing bodies and communicates required standards e.g., for submission of data.<br><br>The actuary may revise the rates and adjustments certificate to increase an employer's contributions between triennial valuations<br><br>Deficit contributions may be expressed as monetary amounts. |
| Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way | The Fund maintains close contact with its specialist advisers.<br><br>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.<br><br>Actuarial advice is subject to professional requirements such as peer review. |

| Risk | Summary of Control Mechanisms |
|---|---|
| Fund failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body. | The Fund requires employers with Best Value contractors to inform it of forthcoming changes.<br><br>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken. |
| An employer ceasing to exist with insufficient funding or adequacy of a bond. | The Fund believes that it would normally be too late to address the position if it was left to the time of departure.<br><br>The risk is mitigated by:<br><br>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible.<br><br>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.<br><br>Vetting prospective employers before admission.<br><br>Where permitted under the regulations requiring a bond to protect the Fund from various risks.<br><br>Requiring new Community Admission Bodies to have a guarantor.<br><br>Reviewing bond or guarantor arrangements at regular intervals.<br><br>Reviewing contributions well ahead of cessation if thought appropriate. |
| An employer ceasing to exist resulting in an exit credit being payable | The Fund regularly monitors admission bodies coming up to cessation.<br><br>The Fund invests in liquid assets to ensure that exit credits can be paid when required. |

**D6 Employer covenant assessment and monitoring**

Many of the employers participating in the fund, such as admission bodies (including TABs and CABs), have no local tax-raising powers. The Fund assesses and monitors the long-term financial health of these employers to assess an appropriate level of risk for each employer's funding strategy.

| Type of employer | Assessment | Monitoring |
|---|---|---|
| Council | Tax-raising, no individual assessment required | n/a |

| Type of employer | Assessment | Monitoring |
|---|---|---|
| Academies | Government-backed, covered by DfE guarantee in event of MAT failure | Check that DfE guarantee continues, after regular scheduled DfE review |
| Admission bodies (including TABs & CABs) | All new admission bodies are required to provide a form of security, such as a guarantee from the letting employer, and indemnity or bond. The security must be to the satisfaction of the Fund as well as the letting employer | Will be reassessed on an annual basis |

**D7 Climate risk and TCFD reporting**

The fund has considered climate-related risks when setting the funding strategy. To consider the resilience of the strategy the fund has carried out in-depth asset liability modelling to stress test both the funding and the investment strategies against possible future climate scenarios.

The Fund has carried out climate scenario analysis incorporating both stress testing, and narrative-based scenario analysis for the Council at the 2025 valuation. The narrative approach explores the complex and interrelated risks associated with climate change by defining a specific extreme, downside risk (in this instance a food shock) and constructing narratives around potential policy and market responses, noting these may be sub-optimal. This approach allows consideration to be given to the impact of sudden, severe downside risks in the short term, the interdependencies that arise and potential immediate actions. Coupling this approach with stress testing (to better understand the impact of possible climate scenarios) has allowed the Fund to assess a range of outcomes that may arise, and assess the resilience of the Fund under these scenarios.

The results show that:

1. When considering climate scenario stress tests, the Fund appears to be generally resilient to different climate scenarios, with generally modest impacts versus the base case modelled

2. The results of the downside, narrative analysis suggest that the Fund is likely to be resilient in the face of some severe downside risk events (in comparison to the base case), but not all.

Climate scenario analysis helps assess risks and tests the resilience of current and long-term strategies under various scenarios. This helps to identify vulnerabilities across both assets and liabilities. Identification of these vulnerabilities can inform risk management processes (see figure 1), helping the Fund ensure appropriate controls and mitigations are in place. Scenario analysis therefore supports informed decision-1. making, and may be used in future to assist with disclosures prepared in line with Task Force on Climate-Related Financial Disclosures (TCFD) principles.

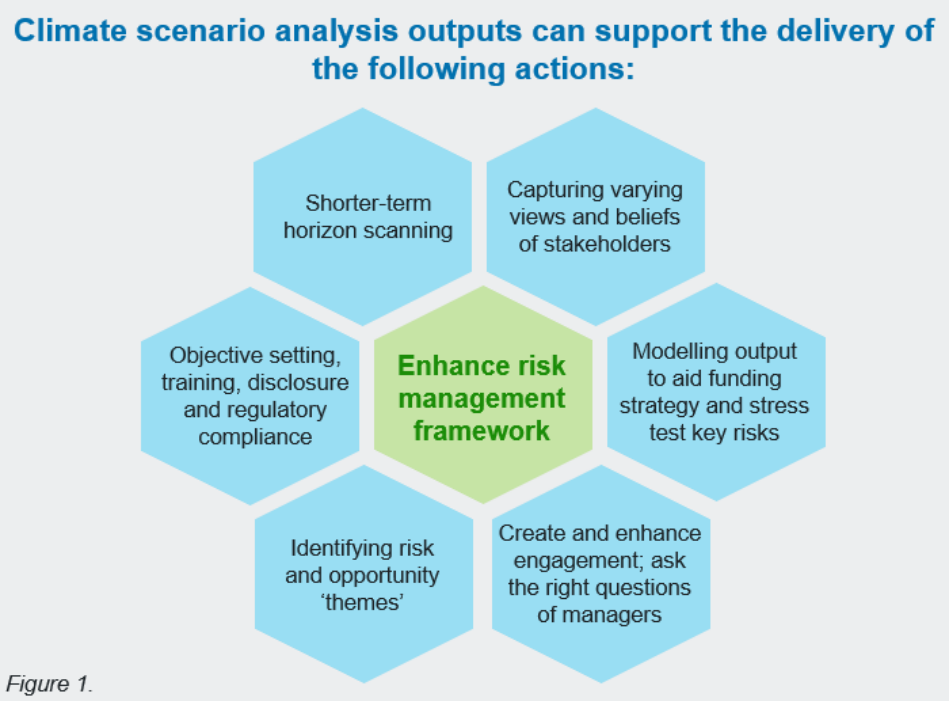

*Figure 1.*

This climate analysis was not applied to the funding strategy modelling for the Fund's smaller employers. However, given that the same underlying model is used for all employers and that the Council makes up the vast majority of the Fund's assets and liabilities, applying the climate analysis to all employers was not deemed proportionate at this stage and would not be expected to result in any changes to the agreed contribution plans.

The Fund has a Responsible Investment Policy Framework and a separate Climate Change Policy, both of which were last agreed by Pensions Committee & Board in September 2019.

**D8 Gender Pension Gap reporting**

The government published its consultation "Local Government Pension Scheme in England and Wales: Access and Fairness" in May 2025. One of the proposals as part of this consultation was to include gender pension gap reporting in the 2025 valuation report. Regulation around reporting will be laid down in March 2026 and as such, the Fund has reported on the gender pension gap in the 2025 valuation report (appendix 9).

Reporting has been included for active members, pensioner members and by employer using the local government pension scheme funds account return (SF3) categorisation.

# Appendix E – Actuarial assumptions

The key outputs from an employer's funding valuation are its contribution rate requirement (see Section 2 for further details) and its funding level (see Section 4). For both calculations the Fund actuary requires actuarial assumptions.

The Fund typically reviews and sets the actuarial assumptions used for funding purposes as part of the triennial valuation. Those assumptions are then used until the next triennial valuation (updated for current market conditions where appropriate).

The Fund has reviewed the actuarial assumptions used for funding purposes as part of the 2025 valuation. These are set out below.

**E1 What are actuarial assumptions?**

Actuarial assumptions are required to value the Fund's liabilities because:

- There is uncertainty regarding both the timing and amount of the future benefit payments (the actual cost can't be known until the final payment is made). Therefore to estimate the cost of benefits earned to date and in the future, assumptions need to be made about the timing and amount of these future benefit payments
- The assets allowed to an employer today are a known figure. However, the future investment return earned on those assets and future cashflows into the fund are uncertain. An assumption is needed about what those future investment returns will be

There are two types of actuarial assumptions that are needed to perform an actuarial valuation: **financial assumptions** determine the expected amount of future benefit payments and the expected investment return on the assets held to meet those benefits, whilst **demographic assumptions** relate primarily to the expected timing of future benefit payments (i.e. when they are made and for how long).

All actuarial assumptions are set as best estimates of future experience with the exception of the discount rate assumption which is deliberately prudent to meet the regulatory requirement for a 'prudent' valuation.

Any change in the assumptions will affect the value that is placed on future benefit payments ('liabilities'), but different assumptions don't affect the actual benefits the fund will pay in future.

**E2 What funding bases are operated by the Fund?**

A *funding basis* is the set of actuarial assumptions used to value an employer's (past and future service) liabilities. The Fund operates two funding bases for funding valuations: the *ongoing participation basis* and the *low-risk exit basis*. All actuarial assumptions are the same for both funding bases with the exception of the discount rate – see further details below.

**E3 What financial assumptions are used by the Fund?**

**Discount rate**

The discount rate assumption is the average annual rate of future investment return assumed to be earned on an employer's assets from a given valuation date.

The Fund uses a risk-based approach to setting the discount rate which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions') and the Fund's investment strategy.

The discount rate is determined by the *prudence level*. Specifically, the discount rate is calculated to be:

*The average annual level of future investment return that can be achieved on the Fund's assets over a 20 year period with a x% likelihood.*

The prudence level is the likelihood. The prudence levels used by the fund are as follows:

| **Funding basis** | **Prudence level** |
|---|---|
| Ongoing participation | 80% |
| Low-risk exit | 85% |

### CPI inflation

The CPI inflation assumption is the average annual rate of future Consumer Price Index (CPI) inflation assumed to be observed from a given valuation date. This assumption is required because LGPS benefit increases (in deferment and in payment) and revaluation of CARE benefits are in line with CPI.

The Fund uses a risk-based approach to setting the CPI inflation assumption which allows for prevailing market conditions on the valuation date (see 'Further detail on the calculation of financial assumptions').

The CPI inflation assumption is calculated to be:

*The average annual level of future CPI inflation that will be observed over a 20 year period with a 50% likelihood*

### Salary growth

The salary growth assumption is linked to the CPI inflation assumption via a fixed margin. The salary increases assumption is 0.5% above the CPI inflation assumption plus a promotional salary scale.

### E4 Further detail on the calculation of financial assumptions

The discount rate and CPI inflation assumptions are calculated using a risk-based method. To assess the likelihood associated with a given level of investment return or a given level of future inflation, the fund actuary uses Hymans Robertson's propriety economic scenario generator; the *Economic Scenario Service* (or *ESS*). The model uses statistical distributions to project a range of 5,000 different possible outcomes for the future behaviour of different asset classes and wider economic variables, such as inflation.

The table below shows the calibration of the model as at 31 March 2025 for some sample asset classes and economic variables. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years. Yields and inflation refer to the simulated yields at that time horizon.

| | | Annualised total returns | | | | | | | Economic Variables | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Cash | Index Linked Gilts (medium) | Fixed Interest Gilts (medium) | UK Equity | Developed World ex UK Equity | Property | CorpMedium A | Inflation (RPI) | 17 year real yield (RPI) | Inflation (CPI) | 17 year real yield (CPI) | 17 year yield |
| 5 years | 16th %'ile | 3.5% | 1.7% | 2.2% | 0.1% | -0.5% | 0.2% | 2.5% | 2.2% | 1.4% | 1.2% | 1.5% | 4.8% |
| | 50th %'ile | 4.3% | 4.5% | 4.3% | 8.2% | 8.2% | 6.8% | 4.9% | 3.8% | 2.4% | 2.8% | 2.4% | 5.8% |
| | 84th %'ile | 5.1% | 7.5% | 6.2% | 16.4% | 16.9% | 14.1% | 7.1% | 5.3% | 3.3% | 4.3% | 3.3% | 7.1% |
| 10 years | 16th %'ile | 3.6% | 2.7% | 4.2% | 2.5% | 2.1% | 2.3% | 4.5% | 1.3% | 0.8% | 0.8% | 0.8% | 3.9% |
| | 50th %'ile | 4.6% | 4.7% | 5.4% | 8.6% | 8.5% | 7.3% | 6.0% | 3.0% | 2.1% | 2.5% | 2.1% | 5.3% |
| | 84th %'ile | 5.8% | 6.9% | 6.5% | 14.6% | 14.8% | 12.7% | 7.3% | 4.6% | 3.3% | 4.1% | 3.3% | 7.1% |
| 20 years | 16th %'ile | 3.1% | 2.9% | 5.0% | 3.8% | 3.7% | 3.5% | 5.5% | 1.0% | -0.5% | 0.7% | -0.5% | 1.6% |
| | 50th %'ile | 4.5% | 4.6% | 5.8% | 8.4% | 8.3% | 7.3% | 6.5% | 2.5% | 1.2% | 2.3% | 1.3% | 3.6% |
| | 84th %'ile | 6.3% | 6.4% | 6.5% | 12.9% | 13.1% | 11.3% | 7.4% | 4.2% | 3.0% | 3.9% | 3.0% | 6.2% |
| | **Volatility (Disp) (1 yr)** | **0%** | **7%** | **5%** | **16%** | **19%** | **15%** | **7%** | **1%** | | **1%** | | |

The ESS model is recalibrated monthly. The Fund actuary uses the most recent calibration of the model (prior to the valuation date) to set financial assumptions for each funding valuation.

**E5 What demographic assumptions are used by the Fund?**

The Fund uses advice from Club Vita to set demographic assumptions, as well as analysis and judgement based on the fund's experience.

Demographic assumptions vary by type of member, so each employer's own membership profile is reflected in the assumptions that apply to them.

### Life expectancy

The longevity assumptions are a bespoke set of VitaCurves produced by detailed analysis and tailored to fit the fund's membership profile.

Allowance has been made for future improvements to mortality, in line with the 2024 version of the continuous mortality investigation (CMI) model published by the actuarial profession. The core parameters of the model apply. However, the starting point has been adjusted by +0.25% (for males and females) to reflect the difference between the population-wide data used in the CMI and LGPS membership. A long-term rate of mortality improvements of 1.5% pa applies.

| Other demographic assumptions | |
|---|---|
| Retirement in normal health | Members are assumed to retire at the earliest age possible with no pension reduction. |
| Promotional salary increases | Sample increases below |
| Death in service | Sample rates below |
| Withdrawals | Sample rates below |
| Retirement in ill health | Sample rates below |
| Family details | A varying proportion of members are assumed to have a dependant partner at retirement or on earlier death. At age 65 this is assumed to be 55% for males and 54% for females).<br>Dependant of a male is 3.5 years younger than him<br>Dependent of a female is 0.6 years older than her |
| Commutation | 65% of maximum under HMRC limits. |
| 50:50 option | no members will choose the 50:50 option. |

### Males

| Incidence per 1000 active members per year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Age | Salary scale | Death before retirement | Withdrawals | | Ill-health tier 1 | | Ill-health tier 2 | |
| | | FT &PT | FT | PT | FT | PT | FT | PT |
| 20 | 105 | 0.17 | 388.14 | 487.81 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25 | 117 | 0.17 | 256.38 | 322.22 | 0.00 | 0.00 | 0.00 | 0.00 |
| 30 | 131 | 0.20 | 181.91 | 228.58 | 0.00 | 0.00 | 0.00 | 0.00 |
| 35 | 144 | 0.24 | 142.13 | 178.58 | 0.10 | 0.07 | 0.02 | 0.01 |
| 40 | 151 | 0.41 | 114.43 | 143.73 | 0.16 | 0.12 | 0.03 | 0.02 |
| 45 | 159 | 0.68 | 107.48 | 134.98 | 0.35 | 0.27 | 0.07 | 0.05 |
| 50 | 167 | 1.09 | 88.60 | 111.14 | 0.90 | 0.68 | 0.23 | 0.17 |
| 55 | 173 | 1.70 | 69.77 | 87.56 | 3.54 | 2.65 | 0.51 | 0.38 |
| 60 | 174 | 3.06 | 62.19 | 78.01 | 6.23 | 4.67 | 0.44 | 0.33 |
| 65 | 174 | 5.10 | 38.17 | 47.88 | 11.83 | 8.87 | 0.00 | 0.00 |

### Females

| Incidence per 1000 active members per year | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Age | Salary scale | Death before retirement | Withdrawals | | Ill-health tier 1 | | Ill-health tier 2 | |
| | | FT &PT | FT | PT | FT | PT | FT | PT |
| 20 | 105 | 0.10 | 338.33 | 336.51 | 0.00 | 0.00 | 0.00 | 0.00 |
| 25 | 117 | 0.10 | 227.65 | 226.40 | 0.10 | 0.07 | 0.02 | 0.01 |
| 30 | 131 | 0.14 | 190.83 | 189.75 | 0.13 | 0.10 | 0.03 | 0.02 |
| 35 | 144 | 0.24 | 164.70 | 163.71 | 0.26 | 0.19 | 0.05 | 0.04 |
| 40 | 151 | 0.38 | 137.08 | 136.21 | 0.39 | 0.29 | 0.08 | 0.06 |
| 45 | 159 | 0.62 | 127.92 | 127.09 | 0.52 | 0.39 | 0.10 | 0.08 |
| 50 | 167 | 0.90 | 107.85 | 107.03 | 0.97 | 0.73 | 0.24 | 0.18 |
| 55 | 173 | 1.19 | 80.47 | 79.94 | 3.59 | 2.69 | 0.52 | 0.39 |
| 60 | 174 | 1.52 | 64.85 | 64.35 | 5.71 | 4.28 | 0.54 | 0.40 |
| 65 | 174 | 1.95 | 30.91 | 30.66 | 10.26 | 7.69 | 0.00 | 0.00 |

# Appendix F – Academies & Free Schools

| | |
|---|---|
| **Effective date** | **1 April 2026** |
| **Date approved** | **dd mmmm yyyy** |
| **Next review date** | **March 2029** |

**F1 Introduction**

The purpose of this policy is to set out the administering authority's funding principles relating to academies, including free schools, and Multi-Academy Trusts (MATs).

**F2 Aims and Objectives**

The administering authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT
- to state the approach for setting contribution rates for academies
- to outline the responsibilities of academies seeking to consolidate
- to outline the responsibilities of academies when outsourcing

**F3 Background**

As described in section 5.2 of the FSS, new academies join the Fund on conversion from a local authority school or on creation of new provision. For funding purposes, academies will join the academies pool.

Funding policy relating to academies and MATs remains at the Fund's discretion with guidance on how the Fund will apply this discretion set out within this policy.

**F4 Guidance and regulatory framework**

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the  Fund which may be relevant but is not specific to academies.

There is currently a written ministerial guarantee of academy LGPS liabilities, which was reviewed in 2022.

This has been further supplemented by the 'DfE Academy Trust LGPS Guarantee policy' of May 2023 - DfE local government pension scheme guarantee for academy trusts: pensions policy for outsourcing arrangements - GOV.UK (www.gov.uk)].

Academy guidance from the Department for Education and Ministry of Housing, Communities and Local Government may also be relevant.

**F5 Statement of Principles**

This Statement of Principles covers the Fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the Fund will seek to apply a consistent approach to funding academies that achieves fairness to the ceding councils, MATs and individual academies.
- academies must consult with the Fund, prior to carrying out any outsourcing activity, including pass-through arrangements. The Fund expects academies to ensure that any outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' and confirm to the Fund that the requirements are met. Where the Guarantee policy terms cannot be met, and no suitable alternative is agreed, the Fund may refuse admission of the contractor as an admission body
- the Fund's approach is to treat all academies as employers within a single funding pool, fully sharing pension risks
- the Fund will generally consider receiving additional academies into the Fund as part of a consolidation exercise.

**F6 Policies**

### Admission to the Fund

As set out in section 5.2 of the FSS.

### Asset allocation on conversion

The asset allocation for a new academy is carried out in two parts.

The first part is to calculate the asset share that will transfer from the council to the academy pool. This is based on:

- the value of the liabilities of the transferring active members
- the estimated funding level of the council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members; this estimate funding level is then capped at 100%.

The value of the transferring liabilities is multiplied by the estimated and capped funding level to determine an asset share to transfer from the council to the academy pool.

The second part is to calculate the asset share that will be allocated from the academy pool to the new academy. This is based on:

- the value of the liabilities of the transferring active members
- the estimated funding level of the academy pool, after allowing for the transfer of the new academy's liabilities and asset share from the council.

The value of the transferring liabilities is multiplied by the estimated funding level of the academy pool, so that all academies retain the same funding level within the pool.

The asset share allocated to a new academy will therefore likely be different to the asset share transferred from the council to the academy pool.

### Contribution rate

New academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS). All academies within the pool pay a common contribution rate However, the Fund does retain discretion to put in place alternative arrangements for new academies that are materially different in funding profile from the Fund's existing academies. Examples include where academies are transferring under a consolidation exercise from another fund.

### F7 Multi-academy trusts

#### Asset tracking

The Fund's policy is to share risks fully between academies in the pool. Assets for each academy are recalculated at each triennial valuation so that each academy has the same funding level.

#### Academies leaving a MAT (but continuing as an employer)

As set out in section 5.2 of the FSS, if an academy leaves one MAT and joins another in the Haringey Pension Fund, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that academy will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

### F8 Merging of MATs (contribution rates)

If two MATs in the Fund merge during the period between formal valuations, the new merged MAT will continue to pay the academy pool rate until the rates are reassessed at the next formal valuation.

### F9 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MAT ceases to exist, either as an entity or as an employer in the Fund.

The cessation approach will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split to become/join more than one new/existing employer within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers in consultation with the Fund and the affected employers
- In all other circumstances, and following payment of any cessation debt, the ceasing academy or MAT would be treated the same as any other employer, as described in section 7.5.

### F10 Academy consolidations

If an academy or MAT is seeking to merge with another MAT outside the Haringey Pension Fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund. This approach is under consideration in the Government's Scheme improvements (access and protections) consultation which closed on 22 December 2025. Relevant outcomes of that consultation will be reflected in this policy when available. .

The Fund's preferred approach is for all active, deferred and pensioner liabilities relating to a consolidating academy to transfer into or out of the Fund, along with all the asset share allotted to the consolidating academy.

Where a direction order has been granted the Fund will accept academy consolidations into the Fund. The Fund will provide the necessary administrative assistance to academies seeking to consolidate into another LGPS fund. However, the academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

### F11 Outsourcing

An academy (or MAT) may outsource or transfer a part of its services and workforce to another employer. The employer makes an admission agreement with the Fund and becomes a new participating Fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the academy (or MAT) at the end of the contract.

The contribution rate payable by the contractor will be set in line with FSS.

It is essential for any academy (or MAT) considering any outsourcing to contact the Fund initially to fully understand the administrative and funding implications. The academy should also read and fully understand the Fund's FSS.

Academies must ensure that the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' are met before completing an outsourcing. Where the Guarantee policy terms cannot be met, and no suitable alternative is agreed, the Fund may refuse the contractor entry to the Fund as an admission body.

**F12 Accounting**

Academies (or MATs) may choose to prepare combined FRS102 disclosures (e.g. for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements e.g. academies are pooled for contribution and funding risks but may still prepare individual disclosures.

Each academy or MAT remains responsible for communicating their own accounting requirements to the Fund Actuary (or other provider) that is preparing their FRS102 disclosure.

# Appendix G – New Employers

| | |
|---|---|
| **Effective date** | **1 April 2026** |
| **Date approved** | **dd mmmm yyyy** |
| **Next review date** | **March 2029** |

### G1 Introduction

The purpose of this policy is to set out the administering authority's approach to admitting new contractors into the Fund on a pass-through basis. In addition, and subject to review on a case-by-case basis, the Fund may be willing to apply its pass-through principles to other admission bodies where liabilities are covered by a guarantor within the Fund.

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

### G2 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To set out the Fund 's approach to admitting new contractors / admission bodies, including the calculation of contribution rates and how risks are shared under the pass-through arrangement.

- To outline the process for admitting new contractors / admission bodies into the Fund .

### G3 Background

Employees outsourced from local authorities, police and fire authorities or from non-maintained schools (generally academies, regulated by the Department for Education (DfE)) must be offered pension benefits that are the same, better than, or count as being broadly comparable to, the Local Government Pension Scheme (as per the Best Value Authorities Staff Transfer (Pensions) Direction 2007). This is typically achieved by employees remaining in the LGPS and the new employer becoming an admission body to the Fund and making the requisite employer contributions.

Pass-through is an arrangement whereby the letting authority (e.g. a local authority or an independent school) retains the main risks of fluctuations in the employer contribution rate during the life of the contract, and the risk that the employer's assets may be insufficient to meet the employees' pension benefits at the end of the contract.

### G4 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the way in which LGPS funds should determine employer contributions and contain relevant provisions regarding the payment of these, including the following:

- Schedule 2 Part 3 sets out the entities eligible to join the Fund  as an admission body, their key responsibilities as an admission body and the requirements of the admission agreement.

- Regulation 67 – sets out the requirement for employers to pay contributions in line with the Rates and Adjustments (R&A) certificate and provides a definition of the primary rate.

- Regulation 64 - covers the requirements for a cessation valuation following the exit of a participating employer from the Fund .

### G5 Statement of principles

This statement of principles covers the admission of new contractors to the Fund on a pass-through basis. Pass-through is the default approach for the admission of all new contractors to the Fund from the effective date of this policy. For the avoidance of doubt, this would apply to contracts established by the council and by academy trusts (“the letting authority”).

#### Fixed contribution rate

The contractor’s pension contribution rate is fixed for the duration of the contract. For contracts longer than seven years, the contractor’s contribution rate will typically be reset to be equal to the letting authority’s total contribution rate in force at the April following the seven year review date.

#### Funding position of the admission body

The letting authority retains responsibility for variations in funding level, for instance due to investment performance, changes in market conditions, longevity, and salary experience under its pass-through arrangement, irrespective of the size of the outsourcing.

The administering authority will review the funding position of the contractor at each triennial valuation and after every seven year period, if the contract extends that far. The administering authority may require the letting authority to make additional contributions to the Fund in respect of the pass-through arrangement. This will be requested if the administering authority believes there to be a material deterioration in the admission body’s funding position that is not likely to be recovered by the next valuation date.

#### Additional admission body costs

The contractor will meet the cost of additional liabilities arising from (non-ill health) early retirements and augmentations.

Ill health experience will be pooled with the letting authority and no additional strain payments will be levied on the contractor in respect of ill health retirements.

#### Security

The contractor will not typically be required to obtain an indemnity bond, as long as both the administering authority and the letting authority agree that it is not required. In this case the letting authority understands that it retains all the risk when the contractor exits the Fund, including any unpaid contributions or strain costs. The administering authority may still require a bond to cover redundancy costs, at the Fund’s discretion.

Where an academy is the letting authority, the Fund will expect academies to ensure and confirm that the outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy ( DfE local government pension scheme guarantee for academy trusts: pensions policy for outsourcing arrangements - GOV.UK (www.gov.uk)) before permitting an admission body in the Fund. Where this requirement is met, no additional risk assessment or security will typically be required for the admission body as the pension liabilities will be covered by the DfE Academy Guarantee.

### Admission body asset share

All assets and liabilities relating to the contractor's staff will remain the ultimate responsibility of the letting authority during the period of participation. However, there will be a notional transfer of assets to the contractor within the Fund, to allow the funding position of the admission body to be tracked and for the notional required contribution rate to be calculated for comparison.

At the end of the contract (or when there are no longer any active members participating in the Fund, for whatever reason), the admission agreement will cease and no further payment will be required from the contractor (or the letting authority) to the Fund, save for any outstanding regular contributions and/or invoices relating to the cost of early retirement strains and/or augmentations and/or salary experience. Likewise, no "exit credit" payment will be payable from the Fund to the contractor (or letting authority). The letting authority will retain responsibility for the contractor's deferred and pensioner members through subsumption.

### Documentation

The terms of the pass-through agreement will be documented by way of the admission agreement between the administering authority, the letting authority, and the contractor.

All existing admission agreements are unaffected by this policy excepting that the DfE Academy Trust LGPS Guarantee policy is retrospective and so may cover admission bodies not otherwise covered prior to May 2023.

The principles outlined above are the default principles which will apply; however, the letting authority may request the specific details of a particular agreement to differ from the principles outlined above.

The administering authority is not obliged to agree to a departure from the principles set out in this policy but will consider such requests and engage with the letting authority. The administering authority has the final say in any such discussions.

## G6 Policy and process

### Compliance

Adherence to this policy is the responsibility of the relevant responsible service manager for any given outsourcing.

The administering authority and the fund actuary must always be notified that an outsourcing has taken place, regardless of the number of members involved.

Where an academy is guaranteeing a pass-through arrangement, the academy must ensure and confirm that the outsourcing complies with the requirements set out in the 'DfE Academy Trust LGPS Guarantee policy' (DfE local government pension scheme guarantee for academy trusts: pensions policy for outsourcing arrangements - GOV.UK (www.gov.uk)).

### Contribution rates

The fixed contribution rate payable by the contractor over the period of participation will be set equal to the total rate payable by the letting authority at the time the contract begins (assessed on a likelihood of success of 80% as at the most recent triennial valuation), and subject to review after seven years.

This means that the contractor's contribution rate will not typically change every three years, following the triennial actuarial valuation. For contracts longer than seven years, the contractor's contribution rate will typically be reset to be equal to the letting authority's total contribution rate in force at the April following the seven year review date.

### Risk sharing and cessation valuation

The letting authority will retain the risk of the contractor becoming insolvent during the period of admission and so no indemnity bond will typically be required by the Fund from contractors participating on a pass-through basis. The letting authority is effectively guaranteeing the contractor's participation in the Fund.

A cessation valuation is required when a contractor no longer has any active members in the Fund. This could be due to a contract coming to its natural end, insolvency of a contractor or the last active member leaving employment or opting out of the LGPS.

Where a pass-through arrangement is in place, the Fund assets and liabilities associated with outsourced employees are retained by the letting authority. At the end of the admission, the cessation valuation will therefore record nil assets and liabilities for the ceasing employer and therefore no cessation debt or exit credit is payable to or from the Fund.

The contractor will be required to pay any outstanding regular contributions and/or unpaid invoices relating to the cost of (non-ill health) early retirement strains and/or augmentations at the end of the contract.

However, in some circumstances, the contractor will be liable for additional pension costs that arise due to items over which it exerts control. The risk allocation is as follows for a contract of seven years or less (longer contracts are additionally exposed to changes in the rate of the letting authority at the review point):

| Risks | Letting authority | Contractor/ Admission body |
|---|---|---|
| Surplus/deficit prior to the transfer date | ✓ | |
| Interest on surplus/deficit | ✓ | |
| Investment performance of assets held by the Fund | ✓ | |
| Changes to the discount rate that affect past service liabilities | ✓ | |
| Changes to the discount rate that affect future service accrual | ✓ | |
| Change in longevity assumptions that affect past service liabilities | ✓ | |

| | | |
|---|---|---|
| Changes to longevity that affect future accrual | ✓ | |
| Price inflation affects past service liabilities | ✓ | |
| Price inflation / pension increases that affect future accrual | ✓ | |
| Exchange of pension for tax free cash | ✓ | |
| Ill health retirement experience | ✓ | |
| Strain costs attributable to granting early retirements (not due to ill health (e.g. redundancy, efficiency, waiving actuarial reductions on voluntary early retirements) | | ✓ |
| Greater/lesser level of withdrawals | ✓ | |
| Rise in average age of contractor's employee membership | ✓ | |
| Changes to LGPS benefit package* | ✓ | ✓ |
| Excess liabilities attributable to the contractor granting pay rises that exceed those assumed in the last formal actuarial valuation of the Fund* | ✓ | ✓ |
| Award of additional pension or augmentation | | ✓ |

**Depending on commercial agreement*

The risk allocation should be agreed between the contractor and letting authority before the contract commences and should be appropriately detailed in the service agreement and legal documentation.

### G7 Accounting valuations

Accounting for pensions costs is a responsibility for individual employers.

It is the administering authority's understanding that contractors may be able to account for such pass-through admissions on a defined contribution basis and therefore no formal FRS102 / IAS19 report may be required. Contractors are effectively paying a fixed rate and are largely indemnified from the risks inherent in providing defined benefit pensions. Contractors should clarify this with their auditors.

As the letting authority retains most of the pension fund risk relating to contractors, it is the administering authority's understanding that these liabilities (and assets) should be included in the letting authority's FRS102 / IAS19 disclosures.

The above is the default approach unless the administering authority is otherwise notified. Contractors should clarify the treatment of pension costs with their auditors.

### G8 Application

Letting authorities may request terms which differ from those set out in this policy and any such request will be considered by the Administering authority.

All existing admission agreements (i.e. which commenced prior to the effective date of this policy) are unaffected by this policy, but individual circumstances may be considered using these principles.

### Retendered or relet contracts

Contracts that are retendered and involve second-generation TUPE transfers will be considered to be new pass-through agreements as the default approach. The original admission agreement will be ended or novated to reflect that a new pass-through agreement is in place.

The employer will be considered to have ceased, triggering a cessation valuation and the implementation of the Fund's policy on exiting employers. This may lead to an exit credit or payment.

The new contract and (updated) admission agreement will reflect that the employer is commencing participation in the Fund as if a completely new employer, typically without responsibility for any previous deferred or pensioner members that may be been associated with the previous contract.

Relet contracts can be a complex area involving separately negotiated terms between parties. The Fund will discuss each case individually and take additional advice if necessary.

### G9 Process

The procurement department at each letting authority that has responsibility for staff/service outsourcing must be advised of this policy. The process detailed below must be adhered to by the letting authority and (where applicable) the winning bidder.

- **Tender Notification** - The letting authority should publicise this pass-through policy as part of its tender process to bidders.

- **Initial notification to Pension Team** – The letting authority should contact the administering authority when a tender (or re-tender) of an outsourcing contract is taking place and staff (or former staff) are impacted. The administering authority must be advised prior to the start of the tender and the letting authority must also confirm that the terms of this policy have been adhered to.

- **Confirmation of winning bidder** – The letting authority should immediately advise the administering authority of the winning bidder.

- **Request for winning bidder to become an admission body** – The winning bidder (in combination with the letting authority), should request to the administering authority that it wishes to become an admission body within the Fund.

- **Template admission agreement** – a standard pass-through admission agreement will be used for admissions under this policy. It will set out all agreed points relating to the employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering authority, will the wording within the standard agreement be changed. All admission agreements must be reviewed (including any changes) by the administering authority.

- **Signed admission agreement** – A fully executed admission agreement must be in place before the Fund will accept contributions.

### G10 Cost

The letting authority will be liable to meet any costs incurred by the administering authority for work relating to pass-through arrangements which includes (but is not limited to) any actuarial fees.

### G11 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

The treatment of new employers joining the Fund is set out in the in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the Fund?"

The treatment of employers exiting the Fund is set out in the in the Funding Strategy Statement, specifically "Section 7 – What happens when an employer leaves the Fund?"

# Appendix H - Employer exits

| | |
|---|---|
| **Effective date** | **1 April 2026** |
| **Date approved** | **dd mmmm yyyy** |
| **Next review date** | **March 2029** |

### H1 Introduction

The purpose of this policy is to set out the administering authority's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis. However, certain principles will apply as governed by the regulatory framework (see below) and the fund's discretionary policies.

### H2 Aims and Objectives

The administering authority's aims and objectives related to this policy are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

### H3 Background

As described in section 7, a scheme employer may become an exiting employer when a cessation event is triggered eg when the last active member stops participating in the fund. On cessation from the Fund, the administering authority will instruct the fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

### H4 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer

- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
  a) Notify its intention to make a determination to-
     (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
     (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
  b) Pay the amount determined to that exiting employer within six months of the exit date (subject to the employer meeting its employer responsibilities and requirements around member details and payments to the Fund), or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
  a) The extent to which there is an excess of assets in the Fund relating to that employer in paragraph (2)(a)
  b) The proportion of this excess of assets which has arisen because of the value of the employer's contributions
  c) Any representations to the administering authority made by the exiting employer and (where that employer participates in the scheme by virtue of an admission agreement) any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the Regulations: and
  d) Any other relevant factors

- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the Fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the fund, no further payments are due to the Fund from the exiting employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the Transitional Regulations") give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This policy document describes how the Fund expects to deal with any such cases.
This policy also reflects statutory guidance from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the fund.

**H5 Statement of Principles**

This Statement of Principles covers the fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- it is the fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the fund.
- the fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (section 7). This would extinguish any liability to the Fund by the exiting employer.
- the fund's key objective is to protect the interests of the fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

**H6 Policies**

On cessation, the administering authority will instruct the fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in section 7.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see Exit credits below).

### Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Appendix E and summarised below:

| Type of employer | Cessation exit basis | Responsible parties for unpaid or future deficit emerging |
|---|---|---|
| Scheduled bodies i.e. Haringey Council | Low-risk basis[1] | Shared between other fund employers |
| Academies | Low-risk basis | DfE guarantee may apply, otherwise see below |
| Admission bodies (CABs) | Low-risk basis | Shared between other fund employers (if no guarantor exists) |
| Admission bodies (TABs) | Ongoing basis[2] | Letting authority (where applicable), otherwise shared between other fund employers |

[1]Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (eg machinery of Government changes), these cessation principles would apply.

[2]Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (eg stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

### Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MATs cease to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7 of the FSS would apply.

Further details are included in the Fund's Academies & Free Schools policy in Appendix F.

## H7 Repayment flexibility on exit payments

### Deficit spreading arrangement (DSA)

The fund will consider written requests from exiting employers to spread an exit payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation.

In this exceptional case, the fund's policy is:

- The agreed spread period is no more than three years, but the Fund could use its discretion to extend this period in certain circumstances.
- The fund may consider factors such as the size of the exit payment and the financial covenant of the exiting employer in determining an appropriate spreading period.

- The exiting employer may be asked to provide the administering authority with relevant financial information such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) etc. to help in this determination.
- Payments due under the DSA may be subject to an interest charge.
- The fund will only consider written requests within six months of the employer exiting the fund. The exiting employer would be required to provide the Fund with detailed financial information to support its request.
- The fund will take into account the amount of any security offered and seek actuarial, covenant and legal advice in all cases.
- The fund proposes a legal document, setting out the terms of the exit payment agreement, would be prepared by the Fund and signed by all relevant parties prior to the payment agreement commencing.
- The terms of the legal document should include reference to the spreading period, the annual payments due, interest rates applicable, other costs payable and the responsibilities of the exiting employer during the exit spreading period.
- Any breach of the agreed payment plan would require payment of the outstanding cessation amount immediately.
- Where appropriate, cases may be referred to the S151 Officer for consideration and considered on its individual merit.

### Deferred debt agreement (DDA)

The fund's preferred policy is for the spreading of payments, as detailed above, to be followed in the exceptional circumstances where an exiting employer is unable to pay the required cessation payment as a lump sum in full. However, in the event that spreading of payments will create a high risk of bankruptcy for the exiting employer, the Fund may exercise its discretion to set up a deferred debt agreement as described in Regulation 64 (7A)).

The employer must meet all requirements on Scheme employers and pay the secondary rate of contributions as determined by the fund actuary until the termination of the DDA.

The administering authority may consider a DDA in the following circumstances:

- The employer requests the Fund consider a DDA.
- The employer is expected to have a deficit if a cessation valuation was carried out.
- The employer is expected to be a going concern.
- The covenant of the employer is considered sufficient by the administering authority.

The administering authority will normally require:

- A legal document to be prepared, setting out the terms of the DDA and signed by all relevant parties prior to the arrangement commencing.(including details of the time period of the DDA, the annual payments due, the frequency of review and the responsibilities of the employer during the period).
- Relevant financial information for the employer such as a copy of its latest accounts, sources of funding, budget forecasts, credit rating (if any) to support its covenant assessment.
- Security be put in place covering the employer's deficit on their cessation basis and the Fund will seek actuarial, covenant and legal advice in all cases.

- Regular monitoring of the contribution requirements and security requirements
- All costs of the arrangement are met by the employer, such as the cost of advice to the fund, ongoing monitoring or the arrangement and correspondence on any ongoing contribution and security requirements.

A DDA will normally terminate on the first date on which one of the following events occurs:

- The employer enrols new active fund members.
- The period specified, or as varied, under the DDA elapses.
- The take-over, amalgamation, insolvency, winding up or liquidation of the employer.
- The administering authority serves a notice on the employer that the administering authority is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months.
- The fund actuary assesses that the employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an exiting employer on the calculation date (ie employer is now largely fully funded on their low-risk basis).
- The fund actuary assesses that the employer's value of liabilities has fallen below an agreed *de minimis* level and the employer becomes an exiting employer on the calculation date.
- The employer requests early termination of the agreement and settles the exit payment in full as calculated by the fund actuary on the calculation date (ie the employer pays their outstanding cessation debt on their cessation basis).

On the termination of a DDA, the employer will become an exiting employer and a cessation valuation will be completed in line with this policy.

**H8 Exit credits**

The administering authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all employers ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.
The administering authority will determine the amount of exit credit to be payable (noting that this could be nil). However, in making a determination, the administering authority will take into account the following factors.

a) the extent to which there is an excess of assets in the Fund relating to the employer over and above the liabilities specified.

b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions.

c) any representations to the administering authority made by the exiting employer, guarantor, ceding Scheme Employer (usually the Letting Authority) or by a body which owns, funds or controls the exiting employer; or in some cases, the Secretary of State.

d) any other relevant factors

### Admitted bodies

i. No exit credit will be normally payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph iii) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the fund.

ii. No exit credit will normally be payable to any admission body who participates in the Fund via the mandated pass-through approach. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph iii) below. Note that this decision remains as a discretion by the administering authority, who will decide on a case-by-case basis.

iii. The fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the administering authority) of the admission body ceasing participation in the fund.

iv. In the absence of this information or if there is any dispute from either party with regards interpretation of contractual or risk sharing agreements as outlined in iii), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the administering authority.

v. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

vi. If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid and the size of any cessation surplus.

vii. If an admission body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

viii. The decision of the Fund is final in interpreting how any arrangement described under iii), v), vi) and vii) applies to the value of an exit credit payment.

### Scheduled bodies and designating bodies

i. Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

ii. Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

iii. The decision of the Fund is final in interpreting how any arrangement described under i) and ii) applies to the value of an exit credit payment.

iv. If a scheduled body or designating body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

v. If a scheduled body or resolution body leaves on a low-risk basis (because no guarantor is in place), then any exit credit will normally be paid in full to the employer.

### General

i. The fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

ii. Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, and the assets allocated when they joined the fund.

iii. The fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the fund's default position will be to deduct these from any exit credit payment.

iv. The final decision will be made by the pension manager, in conjunction with advice from the fund's actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

v. The fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations, the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

vi. The guidelines above at point v) in the 'Admitted bodies' section, and at points i) and ii) in the 'Scheduled bodies and designating bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Table 1 (section 2). Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have always been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined within this policy). Equally, a shorter than usual funding time horizon or lower than usual probability of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

### Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

## H9 Practicalities and process

### Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- advise the fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a three month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).
- provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- provide all other information and data requirements as requested by the administering authority which are relevant, including in particular any changes to the membership which could affect the liabilities (eg salary increases and early retirements) and an indication of what will happen to current employee members on cessation (eg will they transfer to another fund employer, will they cease to accrue benefits within the fund, etc.).

### Responsibilities of Administering Authority

The administering authority will:

- gather information as required, including, but not limited to, the following:
    - details of the cessation - the reason the employer is leaving the Fund (ie end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation.
    - complete membership data for the outgoing employer and identify changes since the previous formal valuation.
    - the likely outcome for any remaining employee members (eg will they be transferred to a new employer, or will they cease to accrue liabilities in the fund).
- identify the party that will be responsible for the employer's deficit on cessation (ie the employer itself, an insurance company, a receiver, another fund employer, guarantor, etc.).
- commission the fund actuary to carry out a cessation valuation under the appropriate regulation.
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus.
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership.
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment.

### Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employers' exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.

- At the time this policy was produced, the Fund has been informed by HMRC that exit credits are not subject to tax. However, all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

### Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy.

- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation.

- where appropriate, advise on the implications of the employer leaving on the remaining fund employers, including any residual effects to be considered as part of triennial valuations.

# Appendix I - Contribution Reviews

| | |
|---|---|
| **Effective date** | **1 April 2026** |
| **Date approved** | **dd mmmm yyyy** |
| **Next review date** | **March 2029** |

### I1 Introduction

The purpose of this policy is to set out the administering authority's approach to reviewing contribution rates between triennial valuations.

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

### I2 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To provide employers with clarity around the circumstances where contribution rates may be reviewed between valuations.
- To outline specific circumstances where contribution rates will not be reviewed.

### I3 Background

The Fund may amend contribution rates between valuations for 'significant change' to the liabilities or covenant of an employer.

Such reviews may be instigated by the Fund or at the exceptional request of a participating employer.

Any review may lead to a change in the required contributions from the employer.

### I4 Guidance and regulatory framework

Regulation 64 of the Local Government Pension Scheme Regulations 2013 (as amended) sets out the circumstances under which LGPS contribution rates can be reviewed, including the following;

- Regulation 64 (4) – allows the administering authority to review the contribution rate if it becomes likely that an employer will cease participation in the Fund, with a view to ensuring that the employer is fully funded at the expected exit date.
- Regulation 64A - sets out specific circumstances where the administering authority may revise contributions between valuations (including where a review is requested by one or more employers).

This policy also reflects the Fund's interpretation of statutory guidance from the Ministry of Housing, Communities and Local Government (MCHLG) on preparing and maintaining policies relating to the review of employer contributions. Interested parties may want to refer to an accompanying guide that has been produced by the Scheme Advisory Board as well as the letter from MHCLG to all Administering Authorities regarding Government's intention to consult on changes to the Regulations as they apply to revision of contribution rates.

### I5 Statement of principles

This statement of principles covers review of contributions between valuations. Each case will be treated on its own merits, but in general:

- The administering authority reserves the right to review contributions in line with the provisions set out in the LGPS Regulations.
- An employer can request a review but must provide evidence of why a review may be justified along with the initial request
- The decision to make a change to contribution rates rests with the administering authority, subject to consultation with relevant employers during the review period.
- Full justification for any change in contribution rates will be provided to relevant employers.
- Advice will be taken from the Fund actuary in respect of any review of contribution rates.
- Any revision to contribution rates will be reflected in the Rates & Adjustment certificate.

**I6 Policy**

### Circumstances for review

The Fund would consider the following circumstances as a potential trigger for review:

- in the opinion of an administering authority there are circumstances which make it likely that an employer (including an admission body) will become an exiting employer sooner or later than anticipated at the last valuation;
- an employer is approaching exit from the Fund within the next two years and before completion of the next triennial valuation;
- there are changes to the benefit structure set out in the LGPS Regulations which have not been allowed for at the last valuation;
- it appears likely to the administering authority that the amount of the liabilities arising or likely to arise for an employer or employers has changed significantly since the last valuation;
- it appears likely to the administering authority that there has been a significant change in the ability of an employer or employers to meet their obligations (e.g. a material change in employer covenant, or provision of additional security);
- it appears to the administering authority that the membership of the employer has changed materially such as bulk transfers, significant reductions to payroll or large-scale restructuring; or
- where an employer has failed to pay contributions or has not arranged appropriate security as required by the administering authority.

### Employer requests

The administering authority will also consider a request from any employer to review contributions where the employer has undertaken to meet the costs of that review and sets out the robust reasoning for the review.

The administering authority would expect the reason for the review to fall into one of the above categories, such as a belief that their covenant has changed materially, or they are going through a significant restructuring impacting their membership. If the reason does not explicitly meet the criteria a contribution review will not take place.

The administering authority will require additional information to support a contribution review made at the employer's request. The specific requirements will be confirmed following any request and this is likely to include the following as a minimum:

- a copy of the latest accounts;
- details of any additional security being offered (which may include insurance certificates);
- budget forecasts; and/or
- information relating to sources of funding.

The costs incurred by the administering authority in carrying out a contribution review (at the employer's request) will be met by the employer. These will be confirmed upfront to the employer prior to the review taking place.

### Other employers

When undertaking any review of contributions, the administering authority will also consider the impact of a change to contribution rates on other Fund employers. This will include the following factors:

- The existence of a guarantor.
- The amount of any other security held.
- The size of the employer's liabilities relative to the whole Fund.

The administering authority will consult with other Fund employers as necessary.

### Effect of market volatility

Except in circumstances such as an employer nearing cessation, the administering authority will not consider market volatility or changes to asset values as a basis for a change in contributions outside a formal valuation.

In particular, a contribution rate review will not be considered for local authority employers where it is primarily in order to manage surpluses in between formal triennial actuarial valuations. However, if a contribution change is proposed by the Fund, this may take account of changes in markets and asset values since the last formal valuation.

### Documentation

Where revisions to contribution rates are necessary, the Fund will provide the employer with a note of the information used to determine these, including:

- Explanation of the key factors leading to the need for a review of the contribution rates, including, if appropriate, the updated funding position.
- A note of the new contribution rates and effective date of these.

- Date of next review.
- Details of any processes in place to monitor any change in the employer's circumstances (if appropriate), including information required by the administering authority to carry out this monitoring.

The Rates & Adjustments certificate will be updated to reflect the revised contribution rates.

**I7 Related Policies**

The Fund's approach to setting employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the Fund calculate employer contributions?".

# Appendix J – Ill-health risk management

| | |
|---|---|
| **Effective date** | **1 April 2026** |
| **Date approved** | **dd mmmm yyyy** |
| **Next review date** | **March 2029** |

### J1 Introduction

The purpose of this policy is to set out the administering authority's approach to managing the risk arising due to ill health retirements.

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

### J2 Aims and objectives

The administering authority's aims and objectives related to this policy are as follows:

- To explain the approach taken to manage ill health risk
- To specify circumstances where a review of experience may lead to additional contributions.
- To outline the key risks and benefits to this arrangement.

### J3 Background

Additional liabilities can arise following the retirement of members due to ill health. These additional liabilities can include the unreduced early payment of pension benefits and the award of additional service. The level of pension benefits paid on ill health depends on the severity of the member's condition.

The LGPS Regulations require the additional liabilities to be funded by way of payments from employers. Payment of large lump sums to meet strains as and when they arise can lead to unexpected payments and put significant strain on employers' budgets. LGPS funds are able to put arrangements in place which mitigate the risk of having to pay a large cash sum due to an ill-health retirement strain.

To mitigate this risk to employers and to evidence good governance and risk management, the Fund operates a risk-sharing mechanism (i.e. self-insurance) which spreads the cost across the Fund's active employers.

### J4 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) set out the benefits payable to members and the way in which additional benefits (such as those arising on ill health early retirement) should be funded. These include the following:

9 Regulation 35 – permits the early retirement of pension on ill-health grounds.

10 Regulation 39 – sets out the calculation of the pension payable in the instance of ill-health retirement.

11 Regulation 68 – sets out the additional contributions payable by the employer to meet the liability strain caused by a member retiring through ill health.

**J5 Statement of principles**

This statement of principles covers the risk-sharing mechanism in place to manage the risks created by ill-health retirements. In general:

12 This mechanism applies to all active employers in the Fund; employers are unable to opt out of this mechanism

13 Regular contributions payable by employers will include amounts equal to the total expected cost of assumed ill health retirements.

14 Employers will not be required to pay additional lump sum amounts to meet ill-health retirement strains.

15 Active employer asset shares will be adjusted (proportionate to payroll) to spread the cost of ill-health retirements across the Fund's active employers, resulting in consistent and stable impact on funding levels across employers.

16 Both Tier 1 and Tier 2 ill health retirement strains will be covered by this mechanism. (Tier 3 ill-health retirements represent temporary pension payments which pose a less material risk to the employers in most cases)

**J6 Policy**

**Purpose**

The purpose of this risk-sharing mechanism is to share the cost of ill-health retirement experience across all active employers within the Fund.

**Eligibility**

All active employers are subject to the risk-sharing mechanism, and ill-health experience since 1 April 2020 has been subject to this arrangement.

**Operation**

The mechanism works as follows:

- Contribution rates are set by the Fund Actuary every three years as part of the triennial valuation.
- Primary contribution rates include allowance for the expected cost of assumed ill health retirements (expressed as a percentage of payroll)
- Active employer asset shares will be adjusted (proportionately with payroll) to spread the cost of ill-health retirements across the Fund's active employers at each triennial valuation
- Note that this mechanism covers the initial employer strain cost which is an estimate of the capitalised cost of the ill-health retirement. It does not monitor the actual cost of ill-health early retirements thereafter: in effect, each employer bears the risks (and receives the potential benefits) of its ill-health members incurring a higher or lower cost over the remainder of the ill-health retiree's life than was allowed for by the strain cost.
- Since no additional money is paid into the Fund for any ill-health retirement event, there is a risk that an unusually high number of ill health retirements could lead to a material decrease in funding levels across all active employers, which may lead to increase in employer contributions at the next valuation.

The ill-health retirement experience across eligible employers is likely to differ. This mechanism aims to result in an ill-health retirement having the same funding impact across all active employers, thereby spreading the ill-health risk.

### Review and additional contributions

The administering authority will review the level of ill-health experience across all employers at each triennial valuation, and also the risk-sharing mechanism. Actual experience over the inter-valuation period will also be factored into the next triennial valuation employer contribution rate setting process.

In extreme circumstances e.g. unusually high level of ill health retirement strains resulting in a significant decline in employer funding levels, the Fund has discretion to seek additional contributions (a fixed percentage of payroll per employer) to help meet ill-health retirement strain costs.

### Costs

The costs of operating the risk-sharing mechanism will be met by the Fund.

## J7 Related Policies

The fund's approach to setting regular employer contribution rates is set out in the Funding Strategy Statement, specifically "Section 2 – How does the fund calculate employer contributions?".