

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

13 July 2023

Employer Cessation Policy

Purpose of the Report

1. The purpose of this report is to present to Wiltshire Pension Fund Committee an updated Employer Cessation Policy. The Committee is asked to consider and approve the proposed policy (see Appendix).

Background

2. The Fund has had a cessation policy in place for a number of years and the current version was approved on 14th December 2022, following consideration of the cessation calculation methodology.
3. On appointment of the Fund's new Employer Funding and Risk Lead on 1st June 2023, the current cessation policy was reviewed to ensure that it is still relevant, meets current regulation requirements and best practice.
4. Whilst working on a recent Debt Spreading Arrangement (DSA) with a Fund employer, it was identified that the interest rate being charged for late payments, as per the policy agreed in 2022, was not in line with current legislation.
5. Officers have consulted with Fund employers on the revisions, with the consultation opening on 14th June 2023 and ending on 10th July 2023. Views were also sought at the Employer Strategic Focus Group on 10th July 2023.

Considerations for the Committee

6. The Fund's revised policy aims to bring it up to date with legislation and best practice.
7. The key changes are:

1. Introduction – the effective date has been changed to include the last review date

4. Policy reviews – change in contact details for the responsible Fund officer

6. Calculation Basis for cessation events – added the likelihood of success corridor of 90% to 95% to sub section 6.2(a), as per approval at the November 2022 Pension Committee

7. Payment of any crystallised deficit – change in interest rate for the late payment of deficit payment, from base rate plus 5% per annum to 1% above base rate in accordance with Regulation 71(4). A sentence has also been added regarding payments for employers with no guarantee and who are outside of the corridor

8.4 Disputes – new section introducing an appeal and adjudication provision

9. Deferred Debt Agreement (DDA): Non-crystallisation of cessation debt calculation –

- original section 9 (7) removed, which referred to the alternative employer investment strategy and following points/sections moved up accordingly
- Addition of section 9 (13) to clarify that is the Fund with legal advice, who is responsible for drafting the DDA

11. Related policies – reference made to the Funding Strategy Statement (FSS)

8. Given the time between the production of this report and the employer consultation closing on 10th July 2023, the Employer Funding and Risk Lead will give a verbal update at the Pension Committee on any feedback received from employers. At the point of writing this report (27th June 2023), no feedback had been received to date.

Environmental Impact of the Proposal

9. There are no known environment implications from this report.

Financial Considerations & Risk Assessment

10. In general, the changes proposed reduce the risk to employers and the Fund, both financially and reputationally, by abiding to current legislation and best practice.

Legal Implications

11. There is no legal requirement to produce a cessation policy, but the application of a policy reduces the risk of significant legal costs needing to be incurred upon cessation. The Fund will also comply with current legislation with regard to the charging of interest for late payments.

Safeguarding Considerations/Public Health Implications/Equalities Impact

12. There are no known implications at this time.

Reasons for Proposal

13. To ensure that the Fund's Cessation Policy is still relevant, meets current regulation requirements and best practice.

Proposal

14. The Committee is asked to approve this revised Cessation Policy, and seeks from Officers such clarifications or further information as they require.

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Unpublished documents relied upon in the production of this report: NONE