Wiltshire Pension Fund – New employer policy

1. Introduction

This policy sets out the Wiltshire Pension Fund's (the Fund) approach for accepting new employers into the Fund. It covers both employer eligibility as well as the Fund's approach to the financial set up of the new employer (such as the starting funding level). It applies independently from any risk-sharing agreed bilaterally between an existing Scheme Employer and a new employer although the Fund will take these into account when setting up a new employer, if made aware of such arrangements.

It has been prepared by the Administering Authority, with input from the Fund's Actuary, Hymans Robertson LLP. This policy relates to the admission of all new employers from the effective date of this policy.

The main purpose of this policy is to provide transparency and to help the Fund ensure its approach to admitting new employers is consistent, compliant with legislation and it aims to minimise the risk of a new employer bringing inappropriate levels of risk to other employers in the Fund.

2. Terminology

The following terms all have the same meaning as defined in the Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), as amended from time to time: scheme employer, administering authority, active member & deferred member.

3. Regulatory Framework

The Local Government Pension Scheme ("LGPS") Regulations 2013 ("the 2013 regulations) outline the general framework for employees and employers participating in the Local Government Pension Scheme in England and Wales, in particular, the following sections.

Schedule 2, part 1: A list of bodies commonly referred to as "Scheduled Bodies" (Includes Wiltshire Council, Swindon Borough Council, all academies, further education colleges, Wiltshire Police and Wiltshire and Dorset Fire Authority)

Schedule 2, part 2: A list of "Resolution Bodies" or "Designating Bodies" (Includes all Town and Parish Councils)

Schedule 2, part 3: "Admitted Bodies" which the Fund splits further into "Community Admission Bodies", as defined in part 3, 1(a), "Transferee Admission Bodies", as defined in part 3 1(d)(i), & "Other Admitted Bodies" as defined in part 3, 1(b), 1(c) and 1(e). Note: the terms defined here no longer form part of the LGPS Regulations, but the Fund finds it helpful to still make these distinctions.

Schedule 2, part 4: Outlines the minimum requirements of admission agreements.

Schedule 3 part 2: Outlines the appropriate administering authority for different types of members.

For the remainder of this policy, the terms defined in this section will be used to refer to the different employer types outlined above.

4. Policy Review

This policy will be reviewed at least every three years following a triennial valuation or following changes to the 2013 Regulations pertaining to employers joining the Fund. It is subject to scrutiny by the Local Pension Board and will be approved by the Wiltshire Pension Fund Committee.

The approaches outlined in this policy are not exhaustive and individual circumstances will be taken into consideration where appropriate to decide if it is appropriate to differ from the details outlined in this policy. Any queries relating to this policy should be directed to Andy Cunningham, Head of Pensions Administration and Relations in the first instance at Andy.Cunningham@wiltshire.gov.uk or 01225 718296.

5. Employer eligibility and funding approach

Employer eligibility requirements are detailed below for each employer type. Further requirements concerning guarantees, securities and bonds are outlined in section 6 and an overall summary of key points is available in Appendix 1.

5.1 Overview of approaches to funding

The Fund operates a unitisation system to help manage employer-level asset allocations. At a highly simplified level, income related to a specific employer is treated as buying units and outcoming payments are treated as selling units within each employer sub-fund. The unit price is set and varies based on the performance of the Fund's investments (where all assets are pooled together) within the relevant Fund investment strategy.

The Fund's policy is to seek to set up employers as standalone employers within the Fund with their own pot of units where possible, so each employer is broadly responsible for paying for its own member and investment experience, with the exception of the following two scenarios:

a). <u>Town and Parish Council pool</u>: Historically, the Fund decided to pool together all Town and Parish Councils in appreciation that these are normally similar style bodies, mostly with a small number of staff and they can join and leave the Fund when they wish. In recent years, the Fund has noticed developments in this area in relation to large staff movements and outsourcing of services and hence prompted the Fund to take an updated approach for some Town and Parish Councils meaning some will be pooled and others won't; this is explained further in section 5.3.

b). <u>Employers with risk-sharing arrangements in place</u>: Some admission bodies agree to share responsibility for the pension costs with the source employer (normally a Scheduled Body); if such an arrangement means any surplus and deficit would be the responsibility of the source employer, the Fund will treat employers as being pooled for funding purposes rather than standalone, if this arrangement is known to the Fund.

Note: Whilst not technically a pooling arrangement, the Fund's policy is to treat each Multi-Academy Trusts (MAT) which participates in the Fund as a single employer and not to recognise the underlying academies in a MAT as employers in their own right but rather as part of a larger employer.

A summary of funding positions, split by employer type is outlined in the appendix as well as in sections 5.2 to 5.4.

5.2 Scheduled Bodies

a). Regulatory and eligibility position

Scheduled Bodies are referred to in Schedule 2, Part 1 of the 2013 Regulations. Under the 2013 Regulations, Scheduled bodies automatically become a Scheme Employer within the geographically relevant Fund, upon meeting one of the definitions in the Schedule 2 for all eligible staff (as defined by the Regulations). This regulatory approach creates a two-way requirement where the Fund is required to accept the employer as a participating employer and the employer is required to join the Fund.

While the geographical requirement states that a Scheduled Body must join a Fund based on its geographical location (see LGPS Regulations Schedule 3, part 2) subject to approval from the Secretary of State (SoS) it is possible for participating employer to apply to join or move to a different LGPS Fund. This option can be particularly useful where an employer participates in more than one Fund and wishes to consolidate membership into a single Fund. Ultimately it is for the scheme employer to make an application to the SoS, but the Fund will support any requests to the SoS to make such a change where the Fund believes it would not place the Fund or any of its participating scheme employers at risk.

Examples of employers which are covered by this category are County, Borough and unitary Councils, Police, Fire, further education bodies and academies.

b). Funding approach

Academies: New academies or Multi-academy Trusts (MATs) normally start participating in the Fund following a TUPE transfer of staff from another employer (e.g. the Local Council or another MAT or academy). This means that the Fund's actuary will calculate how many assets to credit the new employer with as part of a one-off asset transfer from the ceding employer. New academy convertors are credited with an initial asset amount equal to their starting liabilities on an ongoing basis multiplied by the ceding employer's estimated funding level, on an ongoing funding basis, at the point of conversion. If an existing MAT merges with another, the assets and liabilities will be combined and then tracked together. If part of a MAT merges with another academy or MAT, or demerges, a suitable approach will be agreed with the parties involved to transfer the assets. Demergers are also discussed in the Fund's cessation policy.

The Fund will treat each MAT within the Fund as a standalone employer with its own contribution rate. It will not pool MATs together nor will it split out the MAT into separate sub-employers. Further details are outlined in the Fund's Funding Strategy Statement.

Other Scheduled Bodies: Other types of Scheduled Bodies rarely join the Fund; where they do join, they are likely to be the result of a change in legislation and/or government reorganisation. In such cases, the Fund's default position would be to set the body up as 100% funded on an ongoing basis and the for the new employer to be standalone employer in the Fund. However, by exception, if there are convincing reasons why the new employer should be set up differently then the Fund will consider those reasons before making a final decision on its approach.

5.3 Resolution or designating Bodies:

a). Regulatory and eligibility position

Under LGPS Regulation 2(1B)(a), Resolution or Designating bodies must pass a resolution allowing some or all employment positions for those employees to be eligible and for the employer to join the LGPS. These bodies can change their decision at a later date by passing another resolution. If a Resolution body does pass such a resolution, the Fund must accept it as an employer. Normally, the resolution will relate to staff employed directly by the Town or Parish Council but there are also occasions whereby the staff have been TUPE transferred from another employer (for example, a Local Authority) to the Resolution Body.

Current examples of employers within the Wiltshire Pension Fund which meet this criterion are Town and Parish Council although some other categories of organisations are also eligible as per the definitions outlined in the LGPS Regulations.

b). Funding approach

New Town or Parish Councils will normally join the existing Town and Parish Council pool and begin participating with no assets or liabilities of their own as their membership is triggered by assigning one or more employee roles as being pensionable. However, upon joining the pool, the new employer immediately becomes responsible for a proportionate amount of the overall pool's deficit or surplus and its overall contribution rate will be determined by consideration of the wider pool's funding position and membership details. The main advantage of this type of pooling arrangement is that it reduces the risk of volatility in the pooled funding level and contribution rate for those in the pool.

By exception, and at the discretion of the Head of Pensions Administration and Relations, in consultation with the Fund actuary and the employer involved, a larger Town or Parish Council (normally with 5 or more active members) *may* become a new standalone body within the Fund whereby it will only have responsibility for its own assets and liabilities. New Resolution Bodies which are neither a Town or Parish Council will normally be set up as a standalone body although their individual circumstances will be taken into account.

Furthermore, if a new resolution body is formed in conjunction with a movement of new staff under TUPE from another employer in the Fund, then normally the Fund would move an equal amount of assets to the liabilities transferring (as determined by the actuary) and would consider whether the new body should participate as a standalone employer or where it should be linked (e.g. pooled) with the originating body.

Generally speaking, the Fund wishes to reduce risk to the wider pool by individual participants actions such as outsourcing staff and services, resulting in an admitted body potentially being linked to the pool.

Fund officers will take into account the new employer's current and forecast financial position, type of body/business model and any security offered to the Fund before making a decision on whether a resolution body should form part of the existing pool, join as a standalone employer or whether an alternative funding arrangement should be put in place.

5.4 Admitted Bodies

5.4.1. Introduction

The Fund classifies admitted Bodies arrangements into the following three categories:

Community Admission Bodies (CAB): A body with a "*community of interest*" to employers in the Fund which applies to participate in the Scheme, either an existing body or one which has been created from an existing employer. These bodies have no automatic right of entry, and it is at the Fund's discretion whether to admit them.

Transferee Admission Bodies (TAB): A body which applies to join the scheme following an outsourcing of a service from an existing employer (normally a local authority or academy) to an outside organisation such as a charity or private sector organisation (often following a tender exercise). In such cases the LGPS is one of the means by which the ceding scheme employer can ensure appropriate pension protection for the transferred employees (for academies outsourcing it is essentially the only option). It is still at the Fund's discretion whether to admit such a body. The Fund is willing, however, to admit such a body subject to the body agreeing to meet all the requirements of the Regulations (including those relating to bonds, securities and guarantees) throughout its period of participation and for the ceding employer agreeing to honour its ongoing responsibility in respect of the transferred employees at the point the admission agreement ceases.

Other Admission Bodies (OAB): A body to which the Scheme Employer either contributes or represents the interests of a Scheme Employer. These bodies have no automatic right of entry, and it is at the Fund's discretion whether to admit them.

5.4.2 Community Admission Body

a) Regulatory and eligibility position

CABs are eligible to join the Fund subject to all parties agreeing to sign the Fund's standard admission agreement and any stipulations from the Fund concerning securities and bonds, as outlined in section 6. The Fund's standard policy is only to accept such bodies into the Fund if another Scheme Employer acts as guarantor unless exceptional circumstances apply.

Approval for new CABs to join the Fund is delegated to the Head of Pensions Administration and Relations and such agreement to admit such a body will be subject to the body meeting the requirements of this policy and any other reasonable requirements that the Head of Pension Administration and Relations deems reasonably necessary.

Subject to appropriate securities being in place, the Fund will accept the CAB's admission to operate on either a 'open' or 'closed' basis in respect of the admission of new staff post- transfer although the Fund would normally seek for the body to participate on a 'closed' basis.

b). Funding position

The Fund's default approach is for a community admitted body to start 100% funded in the Fund on an ongoing basis by crediting the body with an equal amount of assets and liabilities (which will be zero if no staff have transferred). It will also join as a standalone employer within the Fund (i.e. no pooling arrangements will apply) unless a suitable arrangement is reached with an existing Scheme Employer.

5.4.3 Transferee Admission Body

a). Regulatory and eligibility position

TABs are also eligible to join the Fund subject to all parties agreeing to sign the Fund's standard admission agreement and any stipulations concerning guarantees, securities and bonds (see section 6). In the scenario whereby an admission agreement has not been agreed by the transfer date of staff, the LGPS Regulations allow for the admission agreement to be signed with retrospective effect. However, clearly this undesirable and hence the Fund's preference and objective is for all admission agreements to be signed prior to the transfer date.

Subject to the ceding employer's agreement, the Fund will accept the admission agreement operating on either an 'open' or 'closed' basis in respect of the admission of new staff post-transfer.

If a TAB enters into more than one contractual arrangement with one or more Scheme Employers, the Fund must enter into separate admission agreements with the TAB, each of which will be considered independently and may have differing provisions in place.

b). Funding position

The Fund's default approach is for a transferee admitted body to start 100% funded in the Fund on an ongoing basis by crediting the body with an equal amount of assets and liabilities. TABs will also normally join as a standalone employer within the Fund (i.e. no pooling arrangements will apply) unless there is risk-sharing arrangement in place which means that as there is already a *de facto* pooling arrangement in place and the Fund will recognise this accordingly, if made aware. However, the Fund, in conjunction with the Fund's actuary, is willing to consider other starting funding positions and the impact of any ongoing risk-sharing agreements subject to the agreement of all parties involved and provision of appropriate guarantees and securities in place.

For all TABs, a condition of admission is that the Scheme Employer recognises and accepts its responsibilities under the Regulations (i.e. that the Scheme Employer acts as ultimate guarantor).

5.4.4 Other Admitted Bodies

a). Regulatory and eligibility position

OABs are also eligible to join the Fund subject to all parties agreeing to sign the Fund's standard admission agreement and any stipulations concerning guarantees, securities and bonds (see section 6). In the scenario where an admission agreement has not been agreed before the transfer date of staff (if applicable), the LGPS Regulations allow for the admission agreement to be signed with retrospective effect. However, clearly this undesirable and hence the Fund's preference and objective is for all admission agreements to be signed prior to the transfer date.

Normally the Fund would expect the new admission agreement to be 'closed to new entrants' but it will accept an 'open' arrangement if appropriate securities are in place.

b). Funding position

The default position is the admitted body to start 100% funded (albeit this is only relevant if there is a transfer of staff from a Scheme Employer).

6. Covenant and Security arrangements

The admission of new employers creates a number of risks to the Fund, in particular there is a financial risk that the new employer fails to make the required payments to the Fund including payment of any cessation deficit. The LGPS Regulations stipulate minimum requirements that the Fund must meet; these and some additional Fund requirements are summarised in the table below.

New Employer Type\Security requirement	**Scheme Employer Guarantee required**	**Bond required**	**Parent Company Guarantee required**
Scheduled Body	No	No	No
Resolution/Designating Body	No	No	No
Transferee Admission Body	Yes	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe; subject to risk assessment by Fund and Scheme Employer
Community Admission Body	Yes*	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe, as an alternative to a bond.
Other Admission Body	Yes*	Maybe; Subject to risk assessment by Fund and Scheme Employer	Maybe, as an alternative to a bond.

*Note: This is a Fund-level approach, rather than regulatory approach, as it goes beyond the requirements of the LGPS Regulations. It is present to protect the interests of other employers in the Fund which have no connection to the new employer's admission.

7. Other matters

7.1 Set up costs: The Fund's approach to new employer costs are covered by its charging policy, as amended from time to time. Most costs relate to legal and actuarial support, as required. The Fund's approach is to pass on these costs to either the new or ceding employer depending on the circumstances.

7.2 Onboarding arrangements and employer support: When a new employer joins the Fund, an officer from the Fund will send a welcome email and follow up with a phone call to help manage the transition to the new arrangement.

7.3 Employer responsibilities: Employer responsibilities are broadly laid out in legislation, and its admission agreement if relevant, while its specific administration responsibilities are outlined in the Fund’s administration strategy as found on the Fund’s employer website.

7.4 Memorandum of understanding (MOU): To help meet data protection requirements, the Fund looks to enter into a MOU with all new employers to clarify the Fund and employer’s roles as joint Data Controllers and responsibilities entailed.

7.5 Authorised contacts: As part of an employer’s role within the Fund, the Fund will ask employers to identify its authorised contacts (i.e. those employers which can make decisions on that employer’s behalf). Further information can be found on the employer website.

7.6 Investment strategy: At the time of inception of this policy, the Fund has two investment strategies in place. The main fund investment strategy (which has longer term objectives, and higher risk) and an alternative investment strategy (with shorter term objectives and is lower risk). The Fund will consider which strategy is appropriate for all employers, including new employers.

8. Related policies and strategies

The Fund also publishes and maintains the following policies and strategies which interlink with this policy.

- Administration Strategy
- Cessation Policy
- Charging Policy
- Funding Strategy Statement

Appendix: Summary of admission policies by employer

Note: The funding position and pooling/non-pooling arrangements set out below are the Fund's default position. However, where a risk-sharing agreement has been entered between the participating employer and the ceding employer, the details may vary.

Employer Type	Fund requirement to accept employer	Employer requirement to join Fund	Funding position (Ongoing basis)	Standalone or Pool	Standard approach to contribution rate setting	Covenant/Security Arrangements
Scheduled Body: Non-academy	Compulsory	Compulsory	100%, ongoing basis	Standalone	Based on a 75%* likelihood of being fully-funded over a 20 year period.	None required
Scheduled Body: Academy	Compulsory	Compulsory	Share of deficit based on ceding Council's position OR The existing assets if formed from another academy. (as relevant)	Standalone	Based 75%* likelihood of being fully-funded over a 14 year period	None required
Resolution Body/Designating Body	Compulsory	Optional	100%, ongoing basis (although some bodies are pooled)	**Smaller T&P Councils (within 5 or fewer active members)** = Resolution Bodies Pool **Larger T&P Councils (with 5 or more active members)** =	**Part of the pool**: The pool's common contribution rate is adopted. **Non-part of the pool**: Based on a 75%* likelihood of being fully fund over a 20 year time frame.	None required

				Either pool or stand alone. **None T&P Councils** = Standalone		
All admitted bodies	Optional	Optional	100% ongoing basis, unless agreed otherwise as part of admission agreement	Standalone unless the Fund is aware of a relevant type of risk-sharing arrangement being in place.	**Part of a pool for deficit/surplus**: 75%* likelihood of primary contribution rate being sufficient to remain fully funded over the timeframe used for the source employer (usually 14/20 years) **Standalone**: The expected average future working lifetime or contract length of the employer (whichever is shorter)	See section 6.

*Or an alternative percentage and timeframe stated with the Funding Strategy Statement where different, as revised from time to time.

Other areas of consideration:

a). Ill health insurance: By default, all new employers (except those pooled with employers which do not participate) will be covered by the Fund's ill-health insurance unless they choose to opt out.

b). Transfer of staff between existing employers:

i). Individual members: In cases where an individual member transfers between two existing employers, the value of assets to be transferred is calculated using a “Cash-Equivalent Transfer Value” using factors determined by the Government Actuaries Department.

ii). Group transfers (2 or more members): Normally, assets will be transferred based on the current funding level although the Fund will take into account the views of the employers involved. Such calculations will be carried out by the Fund Actuary.