HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Pension Fund Panel and Board
Date:	16 June 2017
Title:	Governance: Pension Administration update
Report From:	Director of Corporate Resources

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1. Executive Summary

1.1. The purpose of this paper is to provide the Panel and Board with an update on administration performance in the last six months of 2016/17, together with an analysis of employer performance for the same period.

1.2. Pensions Services have performed well against the four key indicators of good pensions administration. Over the next six months, Pensions need to complete the end of year processing to produce annual benefit statements and pension savings statements, against the background of complexity and increasing reporting requirements.

1.3. The Employer Policy has been amended to clarify the responsibility of employers who require an admission agreement with the Fund and reflect the changes which now allow sixth form colleges to apply for academy status.

2. Administration performance

2.1. Pensions Services have performed well against the four key measures of good administration:

- Cost per member
- Internal and external audit
- Customer Service Excellence
- Performance against service standards

Cost per member

2.2. One of the key external measures of administration performance is cost per member. Comparative costs for all LGPS Funds are reported annually in the Sf3 return, and Hampshire is always reasonable for the size of the Fund.
As reported to the Panel in December 2016, Hampshire was the 7th largest

Fund by membership and 4th lowest out of 89 for its combined administration and governance cost per member in 2015/16.

2.3. Staffing makes up around 2/3rds of the total cost of administration. Whilst efficiency savings can be made through the use of technology, for example reducing printing and postage costs through the promotion of the member web portal, the LGPS is increasingly complex to administer and requires the expertise of experienced staff. Pensions Services' structure is therefore regularly reviewed to ensure that it provides the right level of resource, and can attract and retain the right people.

2.4. The 2014/15 Annual Report and Accounts was the first year that DCLG required a budget to be published for the Fund. The staffing budget is based on the membership of the Fund for the previous financial year, and is built up from a staff cost per member of £9.05. The 2015/16 budgeted staff cost was £1,310m (based on the 2014/15 closing membership of 144,830).

2.5. The actual staff cost was higher, due to CARE and HMRC tax changes coming into effect during the year. The overspend was £39,000 (26.4p per member). Consequently, a slightly higher staff cost of £9.08 per member was used to set the 2016/17 staff budget of £1,400m, based on the higher membership of 154,191 at the end of 2015/16. The actual spend for 2016/17 was lower due to a number of vacancies and maternity leave in the year.

2.6. The budget for 2017/18 has again been set at a staff cost per member of £9.05. The membership at the end of 2016/17 was 160,057 giving a total staff budget of £1,448m.

Audit reports

2.7. The annual internal audit opinion for Pensions will be presented to the Panel and Board at the July meeting. Pensions have received good reports during the year with substantial assurance given for the 5 reviews covering the LGPS (which were the annual pensions payroll and benefit calculations review, pension transfers, member deaths and accounting for pension receipts). There were no formal action plans required for the administration of LGPS pensions.

Customer Service Excellence

2.8. In April, Pensions had a year 3 review for Customer Service Excellence. This was conducted as a day's site visit by the assessor who also contacted employers for feedback on the service. Pensions retained their accreditation and picked up two further compliance plus marks for telling customers about performance, and incorporating customer feedback into processes, along with the existing one for the corporate commitment to putting the customer at the heart of service delivery.

Performance against Service Standards (KPIs)

2.9. The KPIs for Pensions evidence the strong performance in 2016/17. The tables below show that service standards were met for 100% of casework in the key areas over the last six months.

Quarter 3

	Time to Complete							
Type of case	**0-5 days**	**6-10 days**	**11-15 days**	**16-20 days**	**20-40 days**	**40 days plus**	**Total**	**On target?**
Retirement	245	38	23	1	0	0	307	100.00
Deferred Retirement	113	134	54	1	0	0	302	100.00
Estimate	363	130	87	15	0	0	595	100.00
Deferred	178	226	546	540	259	0	1,749	100.00
Transfer out	53	58	16	2	0	0	129	100.00
Transfer In	42	20	8	2	0	0	72	100.00
Divorce	13	38	12	1	0	0	64	100.00
Refund	657	447	113	3	0	0	1,220	100.00
Rejoiners	88	29	21	11	0	0	149	100.00
Interfunds	74	31	27	0	0	0	132	100.00
Death	114	19	10	5	0	0	148	100.00
Grand Total							**4,867**	

Quarter 4

	Time to Complete							
Type of case	**0-5 days**	**6-10 days**	**11-15 days**	**16-20 days**	**20-40 days**	**40 days plus**	**Total**	**On target?**
Retirement	153	17	6	5	0	0	181	100.00
Deferred Retirement	174	69	6	0	0	0	249	100.00
Estimate	243	119	122	54	0	0	538	100.00
Deferred	125	65	248	400	920	0	1,758	100.00
Transfer out	81	47	18	1	0	0	147	100.00
Transfer In	84	24	9	3	0	0	120	100.00
Divorce	25	30	20	1	0	0	76	100.00
Refund	215	454	358	62	0	0	1,089	100.00
Rejoiners	52	24	5	26	0	0	107	100.00
Interfunds	97	44	23	1	0	0	165	100.00
Death	165	32	11	1	0	0	209	100.00
Grand Total							**4,639**	

3. Employer performance

3.1. Pensions Services continues to monitor the timeliness of notifications from employers, for key activities. Appendix 1 shows the timeliness of all death notifications received in the period and lists the employers who did not meet the timescales for notifying retirements in the period, as well as their performance for notification of deferments.

3.2. The monitoring and reporting has led to an improvement from some employers which has helped improve the service offered to members. The feedback from employers about this process will feed into changes to the Administration Strategy which are planned for later in the year. A summary of the performance of employers with more than 100 scheme members is shown in Appendix 2.

3.3. The timeliness of receipt of pension contributions is also measured monthly and employers who fail to pay over by the statutory date are written to and an explanation secured. A total of £2.636m was paid late in 2016/17 (£6.592m in 2015/16) which was 1.06% of the total contributions received. The average delay on all late payments received during 2016/17 was 8 days (10 days in 2015/16).

4. Employer policy

4.1. The purpose of the Employer Policy is to set out the Fund’s policies and procedures in the treatment of employers including the admission and exit of employers, and is designed to be read in conjunction with the Funding Strategy Statement. The Panel are asked to note two amendments to the Policy, both of which clarify existing practice. The full policy is attached as Appendix 3 to this report and the amended paragraphs are paragraphs 4.3 and 6.14 – 6.17.

4.2. It has often been the case that the pension implications of an outsourcing were given low priority by employers, resulting in poor administration and detriment to members. It was intended that the Employer Policy would be changed to state that the Fund would reserve the right to not backdate admission agreements which were not finalised within three months of the contract date. However legal advice suggested that, although compliant with the current regulations, this approach could be in conflict with the new Fair Deal and planned amendments to the LGPS regulations under which the Fund will have to accept backdated agreements.

4.3. Instead a minor amendment has been made to the Employer Policy in paragraph 4.3 which clarifies the existing responsibility of employers to ensure that the Fund is notified as soon as possible of any outsourcings and that the employer is responsible for ensuring that any admission agreement is finalised prior to the contract start date.

4.4. Employer factsheets have also been updated to detail the implications to the employer of a delay to signing the admission agreement. These include the employer possibly breaching Pension Regulator requirements on the payment of contributions, possible breaches of employer duties under employment regulations and additional pension strain charges for any death in service or ill health retirements which take place during the period after the contract start date and before the admission agreement is finalised. It is intended that the employer responsibilities in the Administration Strategy will also be updated when the strategy is reviewed and consulted on in the autumn.

4.5. The other amendment to the Employer Policy relates to the treatment of academies and is necessary because of the change which now allows sixth form colleges to apply for academy status. Colleges were removed from the scheduled body group with effect from the 2016 valuation, following the Actuary’s review of the group and assessment of the unacceptable cross subsidies. One of the reasons for removing the colleges was because of their different risk profile to other education establishments.

4.6. The Department for Education (DfE) acts as guarantor for academies in the event that they fail and are unable to meet their pension liability. The DfE has confirmed that the guarantee will extend to former colleges which convert to academy status.

4.7. It was considered therefore whether converted colleges should rejoin the scheduled body group, with the other academies. However the primary reason that former LEA school academies were left in the group was to ensure there was no disparity between the contributions paid by the new academy and the local authority, as required by the DfE, rather than the existence of the guarantee, which although has to be taken at face value, remains untested.

4.8. In addition, by remaining standalone, there is greater transparency over the liability associated with the former college which would put the Fund in a stronger position in the event of a failure because it will be clear what the DfE would need to pay.

4.9. The Actuary has therefore recommended that former college academies remain standalone but with their contribution rate based on the same risk profile as the scheduled body group, recognising the DfE guarantee. This will mean that colleges are not disadvantaged but that the Fund is still protected. The Employer Policy has been amended in paragraphs 6.14 to 6.17 to reflect this recommendation and to clarify the treatment of all academies, multi academy trusts and free schools.

5. Recommendations

5.1. That the Panel and Board approve the amendments to the Employer Policy in paragraphs 4.3 and 6.14 to 6.17.

5.2. That the strong performance of Pensions Services in 2016/17 is noted.

CORPORATE OR LEGAL INFORMATION:

Links to the Corporate Strategy

Hampshire safer and more secure for all:	no
Maximising well-being:	no
Enhancing our quality of place:	no
OR	
This proposal does not link to the Corporate Strategy but, nevertheless, requires a decision as an action is required by the Pension Fund Panel and Board as the Administering Authority for the Hampshire Pension Fund.	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document	Location
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

a. The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

b. Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

c. Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionally low.

1.2. **Equalities Impact Assessment:**

1.3. Equality objectives are not considered to be adversely affected by the proposals in this report.

2. Impact on Crime and Disorder:

2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.

Death notifications received January – March 2017

Employer	0-5 days	6-10 days	11-15 days	16-20 days	21-30 days	31-40 days	41-50 days	51-60 days	+60 days
Hampshire County Council	2	2	0	0	0	0	0	0	0
Southampton City Council	0	1	0	0	0	1	0	0	0
Portsmouth City Council	0	0	0	0	1	0	0	0	0
Portsmouth University	2	0	0	0	0	0	0	0	0
Oasis Community Learning	0	1	0	0	0	0	0	0	0
Total	**4**	**4**	**0**	**0**	**1**	**1**	**0**	**0**	**0**

Employers not meeting timescales for notifying retirements

Days - / + retirement date	<-40	-40 to -21	-20 to -11	-10 to -6	-5 to -1	0 to 5	6 to 10	11 to 20	21 to 40	41 to 60	61 to 90	+90
All Hallows Catholic School and Sixth Form College	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**
	0%	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**0%**	**0%**	**0%**
		0%			**0%**			**0%**				**100%**
Aramark	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**
	0%	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**0%**	**0%**	**0%**
		0%			**0%**			**0%**				**100%**
Capita Hart (ex Hart DC)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**	**0**	**0**	**0**
	0%	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**	**0%**	**0%**	**0%**
		0%			**0%**			**0%**				**100%**
Capita Southampton	**0**	**1**	**0**	**0**	**0**	**0**	**1**	**0**	**1**	**0**	**0**	**0**
	0%	**33%**	**0%**	**0%**	**0%**	**0%**	**33%**	**0%**	**33%**	**0%**	**0%**	**0%**
		33%			**0%**			**33%**				**33%**
Councillors - Havant Borough Council	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
	0%	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**
		0%			**0%**			**0%**				**100%**
Edwin Jones Trust (EJT)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**1**
	0%	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**100%**
		0%			**0%**			**0%**				**100%**

Employers not meeting timescales for notifying retirements (cont)

Days - / + retirement date	<-40	-40 to -21	-20 to -11	-10 to -6	-5 to -1	0 to 5	6 to 10	11 to 20	21 to 40	41 to 60	61 to 90	+90
Hampshire County Council	0	1	1	1	19	8	8	15	2	4	2	1
	0%	2%	2%	2%	31%	13%	13%	24%	3%	6%	3%	2%
		2%			34%			50%				15%
New Forest District Council	0	1	3	0	1	2	0	0	0	0	0	1
	0%	13%	38%	0%	13%	25%	0%	0%	0%	0%	0%	13%
		13%			50%			25%				13%
Portsmouth City Council	0	28	5	1	0	1	0	1	1	2	1	1
	0%	68%	12%	2%	0%	2%	0%	2%	2%	5%	2%	2%
		68%			15%			5%				12%
Southampton City Council	0	4	4	2	0	2	1	3	1	0	0	0
	0%	24%	24%	12%	0%	12%	6%	18%	6%	0%	0%	0%
		24%			35%			35%				6%
St Anne's Catholic School & Sixth	0	0	0	0	0	0	0	0	0	1	0	0
	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%
		0%			0%			0%				100%
St Peter's Catholic Primary School	0	0	0	0	0	0	0	0	0	0	0	1
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%
		0%			0%			0%				100%

Notification of deferments by employers who do not meet targets for retirements

Edwin Jones Trust (EJT)	0	0	0	0	0	1	0	0	0	0	0	3	1	8
	0%	0%	0%	0%	0%	8%	0%	0%	0%	0%	0%	23%	8%	62%
		0%			0%			8%						92%
Hampshire County Council	0	0	0	0	3	3	3	14	91	253	212	85	17	75
	0%	0%	0%	0%	0%	0%	0%	2%	12%	33%	28%	11%	2%	10%
		0%			0%			3%						97%
New Forest District Council	0	0	1	0	0	3	5	20	30	8	7	3	2	9
	0%	0%	1%	0%	0%	3%	6%	23%	34%	9%	8%	3%	2%	10%
		0%			1%			32%						67%
Portsmouth City Council	0	1	1	0	0	0	1	0	4	3	3	142	8	26
	0%	1%	1%	0%	0%	0%	1%	0%	2%	2%	2%	75%	4%	14%
		1%			1%			1%						98%
Southampton City Council	0	1	0	1	0	0	0	2	0	1	4	6	35	18
	0%	1%	0%	1%	0%	0%	0%	3%	0%	1%	6%	9%	51%	26%
		1%			1%			3%						94%
St Anne's Catholic School & Sixth Form College (Academy)	0	0	0	0	0	0	0	0	0	0	1	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%
		0%			0%			0%						100%
St Peter's Catholic Primary School	0	0	0	0	0	0	0	0	0	0	2	0	0	0
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%
		0%			0%			0%						100%

Retirements completed January 2016 – March 2017 for employers with more than 100 scheme members

Employer code	Name	Actives UPM 8/5/17	Number of retirements completed in period					Percentage failed in period (leaver form provided more than 20 days after retirement)				
			Q4 2015/16	Q1 2016/17	Q2 2016/17	Q3 2016/17	Q4 2016/17	Q4 2015/16	Q1 2016/17	Q2 2016/17	Q3 2016/17	Q4 2016/17
With retirements in period - no evidence of improvement being made or failed on recent report for first time												
00323	Portsmouth City Council	4801	38	74	37	29	42	5%	4%	5%	10%	12%
00313	New Forest District Council	1587	8	12	16	7	8	0%	0%	0%	0%	13%
00026	The University Of Winchester	368	0	1	1	1	0	n/a	100%	100%	100%	n/a
00649	South Downs College	302	1	7	7	2	0	0%	0%	0%	50%	n/a
00943	Edwin Jones Trust	128	0	1	1	0	1	n/a	0%	0%	n/a	100%
00303	Hart District Council	112	0	7	3	0	0	n/a	13%	33%	n/a	n/a
With retirements in period - some evidence of improvement being made												
00001	Hampshire County Council	26812	130	164	117	108	63	62%	42%	51%	45%	15%
00700	Hampshire Police Authority (LGPS)	2493	18	17	17	8	5	11%	3%	3%	13%	0%
00315	Southampton City Council	2457	29	55	54	35	17	3%	24%	22%	14%	6%
00348	Southampton Solent University	2017	2	4	4	7	3	0%	0%	50%	57%	0%
00347	University Of Portsmouth	1611	6	7	9	5	4	0%	14%	0%	20%	0%
00301	Basingstoke and Deane Borough Council	508	3	6	9	3	3	0%	17%	11%	0%	0%
00317	Eastleigh Borough Council	493	4	1	7	4	5	0%	0%	0%	50%	0%
00307	Test Valley Borough Council	489	3	5	5	1	2	0%	60%	20%	100%	0%
00637	Sparsholt College	389	0	0	1	1	4	n/a	n/a	0%	100%	0%
00777	Hampshire Fire and Rescue	312	3	10	4	0	1	33%	0%	0%	n/a	0%
00647	Highbury College	279	2	0	1	4	1	0%	n/a	100%	25%	0%
00634	Peter Symonds College	241	2	0	2	0	0	50%	n/a	0%	n/a	n/a
00841	Jefferys Education Trust	159	0	1	1	1	0	n/a	100%	0%	0%	n/a
With retirements in period - timescales met												
00944	Capita (SCC Schools)	823	1	0	6	0	0	0%	n/a	0%	n/a	n/a
00309	Winchester City Council	470	5	6	7	2	0	0%	0%	0%	0%	n/a
00319	Fareham Borough Council	378	0	2	5	1	0	n/a	0%	0%	0%	n/a
00311	East Hampshire District Council	302	3	0	2	2	0	0%	n/a	0%	0%	n/a
00305	Rushmoor Borough Council	283	4	2	2	2	0	0%	0%	0%	0%	n/a
00325	Havant Borough Council	267	1	2	3	1	2	0%	0%	0%	0%	0%
00653	Brockenhurst College	239	1	0	0	0	1	0%	n/a	n/a	n/a	0%
00321	Gosport Borough Council	224	6	5	9	9	0	0%	0%	0%	0%	n/a
00636	Eastleigh College	206	1	0	0	0	1	0%	n/a	n/a	n/a	0%
00641	Basingstoke College of Technology	204	0	4	4	0	1	n/a	0%	0%	n/a	0%
00642	Farnborough College of Technology	168	5	0	3	1	1	0%	n/a	0%	0%	0%
00785	Oasis Community Learning	146	1	0	0	0	0	0%	n/a	n/a	n/a	n/a
00879	Bay House School and Sixth Form	140	0	0	2	2	0	n/a	n/a	0%	0%	n/a
00646	Fareham College	132	1	0	0	0	0	0%	n/a	n/a	n/a	n/a
00638	The Sixth Form College Farnborough	130	2	0	1	0	1	0%	n/a	0%	n/a	0%
00654	Southampton City College	129	0	1	2	1	0	n/a	0%	0%	0%	n/a
00639	Queen Mary's College	122	0	0	1	1	0	n/a	n/a	0%	0%	n/a
1007	City Catering (SCC)	108	1	0	0	0	0	0%	n/a	n/a	n/a	n/a
00928	Springwell School	107	1	0	0	0	0	0%	n/a	n/a	n/a	n/a
00640	Alton College	101	0	0	0	0	1	n/a	n/a	n/a	n/a	0%
Employers with no retirements in period												
00645	St Vincent College	194	0	0	0	0	0	n/a	n/a	n/a	n/a	n/a
00966	Solent Academies Trust (Mary Rose Academy and Cliffdale Schools)	153	0	0	0	0	0	n/a	n/a	n/a	n/a	n/a
00902	Wyvern Academy	118	0	0	0	0	0	n/a	n/a	n/a	n/a	n/a

Hampshire Pension Fund – Employer Policy

Contents

1. Background

1.1. This policy explains the Fund's policies and procedures in the treatment of employers including the admission and exit of employers in the Hampshire Pension Fund. Hampshire Pension Fund is administered by Hampshire County Council.

1.2. The purpose of this policy is to ensure that, as the Administering Authority of the Hampshire Pension Fund, we will minimise the risk that any employer places on the Fund before agreeing to admit any new employers to the Fund. It is also intended to provide clarity on the decisions made by the Fund and provide consistency in the way types of employers are dealt with.

1.3. This policy should be read in conjunction with the Hampshire Pensions Funding Strategy Statement.

1.4. The policy will be reviewed from time to time and at least every three years in line with the Hampshire Pensions Funding Strategy. It will also be reviewed following changes in the regulations relating to employers in the Fund.

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

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

2. Aims

2.1. Our aim is to minimise risk to the Fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the Fund. In managing this risk we will have regard to the aims of Hampshire Pensions Funding Strategy:
- to manage the employer's liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due,
- to enable primary contribution rates to be kept as nearly constant as possible (subject to the administering authority not taking undue risk) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies

2.2. The Administering Authority has an obligation to pursue all liabilities owed so this deficit does not fall on other employers.

3. Principles

3.1. For funding purposes, the Administering Authority will treat employers in different ways depending on how they participate in the Fund and its views on their financial strength.

3.2. As set out in the Funding Strategy Statement Scheduled body employers under Part 1 of Schedule 2 of the Regulations which are deemed to be secure public sector bodies and Town and Parish Councils under paragraph 2 or Part 2 of Schedule 2 will be part of the Scheduled body group. Decisions made by employers in the group must be in accordance with the group behaviours as set out in paragraph 4.1 below. Employers in the group will pay the same future service rate and share the funding risks of the group as set out in the Funding Strategy Statement.

3.3. Some existing Admitted bodies may be part of the Scheduled body group on the understanding that, where considered appropriate, a formal agreement will be put in place to protect the other grouped employers from the actions of the admission body and the effect of the admission agreement being closed to new entrants. The Administering Authority may remove those employers from the Group if satisfactory agreement cannot be reached or the terms of any agreement are not adhered to by the employers concerned.

3.4. Some existing Admitted body employers may be part of the Admitted body group.

3.5. Some employers will be in neither group and will be set an individual employer contribution.

3.6. Employers who are part of a group need to act in accordance with the group behaviours. The Fund will monitor the funding / membership experiences of the employers from time to time. If the Fund considers an employer is not acting in accordance with the group behaviours it will consider taking appropriate action which may include requiring the employer to pay additional contributions so the impacts of the decisions made by the employer do not adversely affect other employers in the group.

3.7. Regardless of whether they are grouped or ungrouped individual employers will pay for any legal and actuarial costs incurred on their behalf.

4. Responsibilities of employers in the Fund

4.1. We will expect all employers in the Fund to take into consideration the effect of their behaviours on the group, for example when considering;
- Discretions policies
- Outsourcing decisions
- Salary increases

Employers should have regard to the Hampshire Pension Fund administration strategy at all times.

Changes/mergers

4.2. All employers, whether Admission or Scheduled bodies, need to inform the Hampshire Pension Fund of any changes to the organisation that will impact on their participation in the Fund. This includes change of name or constitution or mergers with other organisations or other decision which will or may materially affect the employer's Fund membership.

Admission agreements

4.3. All employers must inform the Fund of any outsourcings and allow sufficient time for an admission agreement to be completed prior to the contract start date.

5. Managing risk

5.1. Our aim is to minimise employer related risk to the Fund across all the employers in the Fund.

5.2. There must be no significant additional risk to the Fund from any outsourcing by a scheme employer or admission of any other new body for which a scheme employer is guarantor. We would want to ensure that the decisions made by an employer when outsourcing services or providing a guarantee have no adverse impact on the Fund or on other employers in the Fund. We would look to protect both the Fund and other employers in these circumstances.

5.3. Scheme employers must be prepared to manage any pension risk of an outsourcing.

6. New employers in the Hampshire Pension Fund

Admission bodies

6.1. Each Admitted body will be a stand alone body in the Fund with its own contribution rate.

6.2. Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed in advance of the new body being admitted. More information on the process is available from the Fund.

6.3. The Administering Authority will have discretion to amend the contribution the scheme employer pays where they make decisions to outsource services if it is considered that there will be significant or material number of employee members moving from the scheme employer to a new employer, relative to the size of the scheme employer. The aim will be to ensure the transfer does not increase the risk to the Fund or the Scheduled body group.

6.4. The costs in terms of the contribution the new employer pays and the fees in relation to the solicitor and actuary costs will depend on the decisions made under this section. In particular, the funding target appropriate to the new employer will reflect the perceived strength of covenant of the scheme employer (including the existence or otherwise of a government guarantee) and whether or not the scheme employer has agreed to guarantee the new employer's participation and subsume its assets and liabilities in the Fund should that employer exit the Fund in future. The fees will depend on the information required from the actuary and solicitor but an estimate will be provided prior to work being commissioned.

Scheduled bodies setting up a wholly owned company

6.5. Where Part 1 scheduled bodies set up a wholly owned company which participates in the Fund as a Part 2 employer, that wholly owned company will be a stand alone body in the Fund with its own individually assessed contribution rate.

6.6. Employers considering outsourcing any services to a wholly owned company should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed in advance of the new body being admitted. More information on the process is available from the Fund.

All outsourcings

6.7. The Administering Authority will have discretion to amend the contribution the scheme employer pays where they make decisions to outsource services if it is considered that there will be significant or material number of employee members moving from the scheme employer to a new employer, relative to the size of the scheme employer. The aim will be to ensure the transfer does not increase the risk to the Fund or the Scheduled body group. Unless the circumstances dictate otherwise, the change in the scheme employer's contribution will generally be implemented as part of the next triennial valuation of the Fund when new contributions for all employers will be implemented.

Paragraphs 5 & 6, Part 2, Schedule 2 bodies

6.8. To be an employer under paragraph 5 of part 2 of Schedule 2, the new employer would be connected with scheme employer, where connected means:
a) it is an entity other than the local authority; and .
b) according to proper practices in force at that time, financial information about the entity must be included in the local authority's statement of accounts for the financial year in which that time falls.

6.9. To be an employer under paragraph 6 of part 2 of Schedule 2, the new employer would be "under the control of" the scheme employer, where under the control of has the same meaning as in section 68 or, as the case may be, 73 of the Local Government and Housing Act 1989.

6.10. The Fund actuary will determine the employer contribution payable for such a body as an ungrouped employer and if necessary revise the contributions payable by the scheme employer outsourcing to a Part 2 Schedule 2 body with the aim of ensuring the transfer does not increase the risk to the Fund or the Scheduled body group. Unless the circumstances dictate otherwise, the change in the scheme employer's contribution will generally be implemented as part of the next triennial valuation of the Fund when new contributions for all employers will be implemented.

6.11. As with Admission bodies, the costs in terms of the contribution the new employer pays and the fees in relation to the solicitor and actuary will depend on the decisions made under this section. In particular, the funding target appropriate to the new employer will reflect the perceived strength of covenant of the scheme employer and whether or not the scheme employer has agreed to guarantee the new employer's participation and subsume its assets and liabilities in the Fund should that employer exit the Fund in future. The fees will depend on the information required from the actuary and solicitor but an estimate will be provided prior to work being commissioned.

Town and Parish Councils

6.12. Town and Parish Councils joining the Fund will automatically join the Scheduled body group.

6.13. When a Town or Parish Council designates to join an employee to the Fund, they have no current active members and are not currently subject to a suspension notice (see section 12 below), a standard employer rate equal to the prevailing future service rate of the Scheduled body group (currently 14% of pay, increasing to 16.9% of pay with effect from 1 April 2017) will be payable until the contributions from the next triennial valuation come into force.

Academies MATs and Free Schools

6.14. Schools and colleges converting to academy status will retain the position in the Fund held by the former establishment. This means that an academy created from the conversion of an LEA school will be part of the Scheduled body group. An academy created from a 6th form college, or where there is no former establishment, will be a standalone employer in the Fund. A new free school will also become a standalone employer in the Fund.

6.15. Similarly new multi academy trusts (MATs) will become standalone employers in the Fund unless at the point of creation they wholly consist of former LEA schools (in which case the MAT will stay in the Scheduled body group). Academies which join a MAT will become part of that MAT. An exception may be made for a former LEA school which joins a MAT which is a standalone employer. The MAT can choose for the LEA school to remain part of the Scheduled body group. This will mean that the school continues to share the experience of the Scheduled body group and may pay a different contribution rate to the rest of the MAT.

6.16. The DfE guarantee extends to all academies and free schools, including those created from 6th form colleges. While this guarantee is in force, contribution rates for all academies will be set using the same risk basis as for the Scheduled body group, even if the academy or MAT is a standalone employer.

6.17. A MAT will be treated as a single employer in the Fund and will receive a single contribution rate and fixed contribution amount. A single report will be provided for IAS19 and will not be split between the academies which are part of the MAT.

7. Bonds and guarantors

Guarantor

7.1. A guarantor takes responsibility for the assets and liabilities of the Fund which are attributable to the admission body. In the event that liabilities of the admission body remain unpaid, the Fund will seek payment from the guarantor.

7.2. Under The Local Government Pension Scheme Regulations 2013[1] every employer who outsources services becomes an ultimate guarantor for the pension liabilities of the new employer.

7.3. In some circumstances, where the letting authority is not a tax raising authority the Fund will require a bond to be put in place to cover certain funding risks to the Fund on the advice of the Fund actuary.

7.4. The admission agreement ends if the new employer becomes an exiting employer[2]. The Fund will arrange for a valuation of the assets and liabilities of the exiting employer and, where appropriate, a revised rates and adjustment certificate.

7.5. Payment of the outstanding liabilities must be made by the exiting scheme employer. If the exiting scheme employer fails to make this payment and if there is a bond in place we will call on this in the first instance.

7.6. If there is no bond in place and the scheme employer fails to pay the outstanding liability we will pursue payment from the guarantor. If there is no guarantor the liability will fall to the letting authority who arranged for admission body status for the exiting employer.

7.7. Charitable bodies seeking admission to the Fund will need a tax raising authority to act as guarantor.

7.8. Any employer acting as guarantor will need to complete a guarantor agreement. The Fund will provide a template document for completion.

Bond

7.9. A bond is a way of insuring against the potential cost of the admission body failing by reason of insolvency, winding up or liquidation and being unable to meet its obligations to the Fund.

7.10. The Local Government Pension Scheme regulations provide that the risk assessment for bond cover must be carried out by the admission body. However, we will ask the Fund actuary to calculate the minimum risk to the Fund for any outsourcing. This information will be shared with the scheme employer but not with the admission body. However, it will not constitute advice for either the scheme employer or admission body, who should take their own actuarial advice as required.

[1] Schedule 2, Part 3, 1(d)
[2] The Local Government Pension Scheme Regulations 2013 Part 2 , 64

7.11. Where there is a guarantor, the bond will be largely for that scheme employer's protection, in which case the scheme employer must decide if the admitted body will be required to provide a higher bond than that calculated by the Fund actuary.

7.12. The Administering Authority will require a bond or indemnity to be in place for any outsourcings that are arranged by scheme employers that do not have tax-raising powers. Where there is no bond the Fund will require the letting employer to sign a guarantee agreement.

7.13. The scheme employer needs to be aware of and manage the ongoing risks.

7.14. The scheme employer should review the bond cover annually.

7.15. In the event of an admitted body failing and there being insufficient bond cover, any outstanding liability will fall to the scheme employer.

8. Open or closed admission agreements

Open agreement

8.1. An open agreement allows any person employed in connection with the contract to join the LGPS.

8.2. The Fund will consider an open agreement for an outsourcing. It is for the scheme employer/admission body to ensure only those eligible are admitted to the Fund.

Closed agreement

8.3. A closed agreement relates to a fixed group of employees. Only the employees or roles that transfer to the admission body from the scheme employer can remain or be members of the Scheme.

8.4. Unless advised otherwise, we will assume the admission agreement is closed and there will be a default joining window of 6 months.

8.5. A scheme employer arranging an outsourcing may agree to vary from this position but they must be aware of their obligations under Best Value or recommendations of Fair Deal.

9. Funding targets

9.1. The funding target relates to what happens to the liabilities for the members being outsourced at the end of the contract or termination of the admission agreement, and may also take into account the administering authority's view on the strength of the scheme employer's covenant.

9.2. The presumption will be that the scheme employer will provide a "subsumption commitment" (i.e. be responsible for the future funding of the liabilities post-exit) but this should be confirmed in each case.

Orphan funding target

9.3. Outstanding liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

9.4. The Fund will seek to minimise the risk to other employers in the Fund of having to make good any deficiency arising on the orphan liabilities.

9.5. To achieve this, as set out in the Funding Strategy Statement, when an exiting employer would leave orphaned liabilities, the administering authority will seek sufficient funding from the outgoing employer to match the liabilities with low risk investments, generally Government fixed-interest and index-linked bonds.

9.6. Where an admission body is admitted and there is no subsumption commitment from a tax raising employer or the Administering Authority determines that the scheme employer which would subsume the assets and liabilities on the admission body's exit is not of sufficiently strong covenant, the new employer will be subject to on the orphan funding target. This funding target takes account of the approach taken to value orphan liabilities on exit and will be reviewed at each triennial valuation on the advice of the actuary. Where the orphan funding target applies the value of the transferring liabilities, and hence notional asset transfer sufficient (where a fully funded transfer applies) will be higher than using a subsumption basis. Similarly, the contribution rate payable by the admission body will be higher than payable by the scheme employer, potentially materially so. Whilst this approach does not guarantee that there will be no exit payment due, it should materially reduce this risk.

Subsumption funding target

9.7. Where an employer is leaving the Fund another employer or group of employers may agree to provide future funding for any liability.

9.8. In that case, any funding deficit arising in future in relation to the exited employer's liabilities will be subsumed by the accepting employer or group.

9.9. Where the subsuming employer is a tax raising body or is deemed to be of similar covenant to a tax raising body the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer or group. Generally this will mean assuming continued investment in more risky investments than Government bonds. In other cases a more prudent funding target will apply, for example in relation to admission bodies following an outsourcing by an academy or other educational establishment where the admission body is not subject to a guarantee from the

Department for Education or Local Education Authority, as set out in paragraph 6.22 above.

Intermediate funding target

9.10. The actuary also has the option to place an employer on an intermediate funding target if they deem it appropriate. In the case of scheduled bodies without a government guarantee which are deemed to be of weaker covenant than the local authorities, the administering authority will normally adopt a funding target which produces a higher chance of achieving solvency/funding success through adoption of a lower discount rate than adopted for the local authorities.

10. Pass-through

10.1. A scheme employer may agree a pass-through arrangement with an admitted body. In this case the employer contribution is still calculated by the Fund actuary and the admitted body will be expected to pay this to the Fund. Any arrangement to share the cost of this rate will be between the scheme employer and the admitted body.

10.2. New Admitted bodies will not be included in the scheduled body or admitted body group even if there is a pass-through arrangement in place between the letting authority and the admitted body.

11. Fully funded or share of fund

Fully funded

11.1. When a new employer starts in the Fund, they will usually start as fully funded. This means that any past deficit for the members who are transferring to the new employer remains with the scheme employer and does not transfer to the new employer.

11.2. This applies even where there is an onward outsourcing from an existing body. The new employer will start fully funded and the existing admission body will pay any deficit (unless specified otherwise in their contract with the scheme employer).

11.3. Where the funding target for the new employer is higher than that for the scheme employer, the Fund actuary will revise the contributions for the scheme employer to take this into account. Unless the circumstances dictate otherwise, the change in the scheme employer's contribution will generally be implemented as part of the next triennial valuation of the Fund when new contributions for all employers will be implemented.

Share of fund

11.4. In exceptional circumstances and only where agreed between the employers the Fund may consider starting a new employer with a share of fund. The Fund will only agree to this where it doesn't increase the risk to the Fund.

12. Exit from the Fund (terminations)

12.1. If an exit is triggered, the employer will be responsible for all costs (including any deficit).

12.2. An exit valuation will be carried out when an employer becomes an "exiting employer", i.e. it :
- ceases to be a Scheme employer (including ceasing to be an admission body participating in the Scheme), or
-no longer has an active member contributing towards the Fund

12.3. For admission bodies, this includes the following scenarios:

- an outsourcing contract ends or,
- for a closed agreement, when the last member leaves if it is before the contract end date, or
- the admission body becomes insolvent, is wound up or goes into liquidation.

12.4. For exits of a body admitted to the fund under Schedule 2 Part 3 paragraph 1(d) (or earlier regulations) or where a scheme employer is acting as guarantor, the scheme employer should notify the Administering Authority as soon as it knows the admission agreement is likely to be terminated.

12.5. The Fund will instruct the actuary to carry out an exit valuation. The costs of this will be added to the final exit valuation

12.6. The Administering Authority will pursue all liabilities owing to the Fund. We will support employers to develop a strategy to exit the Fund where required and it is in the interests of the Fund to do so

12.7. The Fund will pursue the body, any insurer providing a bond or any guarantor as appropriate but ultimately, if unsuccessful, the scheme employer will become liable for any outstanding costs. If there is no scheme employer (e.g. in relation to community admission bodies whose participation pre-dates the requirement for a guarantor), depending upon the circumstances the Scheduled Body Group may subsume the assets and liabilities, failing which they will fall to be funded by all employers in accordance with Regulation 64 (3)(b).

Town and Parish Councils

12.8. Under the Regulations an exit is triggered when the last active member leaves the Fund.

12.9. Given the unique nature of a Town or Parish Council, the Fund will not request an exit valuation immediately when the last member leaves as it may take some time to replace a member of staff and the Parish Council may wish to admit the new employers into the scheme. The Local Government Pension Scheme (Amendment) Regulations 2013 specifically introduced the power to suspend a demand for an exit payment for up to 3 years where the administering authority believes that the employer is likely to have one or more active members contributing to the fund within the period specified in the suspension notice. The Administering Authority considers that it would be appropriate to exercise that discretion in relation to Town and Parish Councils.

12.10. The Fund will issue written notice of the period of the suspension notice. The employer must continue to pay any deficit payments and the actuary will recalculate any deficit at the next valuation.

[3] Provision 22