



Committee and Date  
Pensions Committee  
14 June 2012  
10.00am

Item  
**11**  
Public

## TERMINATION FUNDING POLICY

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### 1. Summary

- 1.1 The report outlines the need to introduce a Policy on how the fund will treat admissions into the Fund, the methodology for assessment of a termination payment on the cessation of an admission body's participation in the Fund.

### 2. Recommendations

- 2.1 The Committee is asked to approve, with any appropriate comment, the Termination Funding Policy at Appendix A.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk management is considered by making decisions on Admissions under the arrangements outlined within the Termination Policy.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 There are no direct environmental, equalities or climate change consequences of this proposal. The Policy sets out the Pension's Fund approach to treating Admitted Bodies.
- 3.4 The Termination Policy will be issued to new Admitted Bodies and published on the Scheme's website.

#### **4. Financial Implications**

- 4.1 There are no direct financial implications arising from this report. The methodology proposed aims to limit scheme Employer's exposure to additional costs arising from unfunded liabilities closure that cannot be recovered from that admission body. Under the regulations these normally fall to be met by the Fund as a whole unless there is a guarantor or successor body within the Fund.

#### **5. Background**

- 5.1 The Local Government Pension Scheme Regulations (LGPS) allows various organisations to be admitted to the Scheme provided certain conditions are met.
- 5.2 There are two types of Admission Body, Community Admission Bodies or Transfer Admission Bodies. If a body is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of the transfer of the service or assets by means of a contract or other arrangement it will fall under Transfer Admission Body if not it would usually be a Community Admission Body.
- 5.3 Admission bodies are required to have an 'admission agreement' with the Fund. In conjunction with the Regulations, the agreement sets out the conditions of its participation including which employees are eligible to be members of the Fund.
- 5.4 Where the body requesting admission meets the appropriate conditions, it has been the Fund's practice to require a guarantor or bond being put in place to cover any potential unfunded liabilities which can not be met in the future.

#### **6. Purpose of Termination Funding Policy**

- 6.1 When an admission agreement comes to its end, for what ever reason, employees either transfer to another employer or retain their benefits in the Shropshire Fund. In addition to liabilities for current employees there will also be outstanding liabilities for former employees.
- 6.2 If the unfunded liabilities cannot be recovered from the admission body, these will normally fall on the rest of the scheme employers.
- 6.3 The Policy clearly defines what options are available to Admissions Bodies on their Funding basis when entering in to the admission. Together with the options the Administering Authority will consider putting in place where there is no guarantor within the Fund.
- 6.4 In general no Community Admission Body will be permitted to join the SCPF without having an acceptable guarantor body, a bond or will be required to pre-fund for termination with contribution requirements assessed using a least risk methodology and assumptions. This ensures financial risk to other scheme employers is minimal.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Local Government Pension Scheme Regulations 2007

**Cabinet Member (Portfolio Holder)**

N/A

**Local Member**

N/A

**Appendices**

Appendix A – Termination Funding Policy.