

# Tyne and Wear Pension Fund

## Admission Policy

Agreed by Pensions Committee on 7 March 2024

### Introduction

1. This document sets out the approach applied by Tyne and Wear Pension Fund (“the **Fund**”) when considering the admission, or continued admission, of an organisation to the Local Government Pension Scheme.
2. In this policy reference is made to:
  - the Local Government Pension Scheme Regulations 2013 (“the **Regulations**”);
  - other policies that have been approved by Pensions Committee; and
  - the Fund’s working practices.

### Application Process

3. The process for the admission of new Scheme employers will be completed by the Governance & Funding Team. The approach taken will be in accordance with the Regulations, the Funding Strategy Statement, Assessment of Employer Risk Policy and this Policy.
4. Applications for admission body status should be completed within 12 months of submission. Applications which are not completed within 12 months may be closed and a new application required in order to proceed. This which may result in additional fees being incurred.
5. The admission will be reported retrospectively to the Local Pension Board and Pensions Committee.

### The Regulations

6. In order to be admitted to the Fund, an organisation must comply with the statutory requirements set out in the Regulations.
7. The Regulations set out the circumstances in which an organisation may join the Fund. There are three main categories of admission as set out in the Regulations, specifically:

- “Scheduled Bodies” – those admissions under Schedule 2, Part 1 of the Regulations (including local authorities, police or fire authorities, universities, colleges, and academy trusts).
  - “Designation Bodies” – those admissions under Schedule 2, Part 2 of the Regulations (such as subsidiaries of Scheduled Bodies).
  - “Admission Bodies” – those admissions under Schedule 2, Part 3 of the Regulations (this typically tends to be contractors or bodies of a charitable nature).
8. The Fund’s approach to each of these admission categories is set out below.

#### **Admissions under Schedule 2, Part 1 (“Scheduled Bodies”)**

9. Organisations who fall into one of the categories listed in Schedule 2, Part 1 of the Regulations are automatically admitted to the Fund. No admission agreement is required.
10. Employees of Scheduled Bodies with LGPS eligibility are automatically entitled to be members of the Scheme. No designation is required.

#### **Admissions under Schedule 2, Part 2 (“Designation Bodies”)**

11. Organisations who fall into one of the categories listed in Schedule 2, Part 2 of the Regulations will be automatically admitted to the Fund upon request. No admission agreement is required.
12. Employees of Designation Bodies with LGPS eligibility are not automatically members of the Scheme. Membership of the Scheme can only be secured by the Designation Body making the appropriate designation. This often takes the form of a letter of designation to the Fund listing the named staff.

#### **Admissions under Schedule 2, Part 3 (“Admission Bodies”)**

13. The Regulations provide for five categories of admission bodies:
- a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);
  - b) a body, to the funds of which a Scheme employer contributes;

- c) a body representative of:
    - i. any Scheme employers, or
    - ii. local authorities or officers of local authorities
  - d) a body that 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:
    - i. the transfer of the service or assets by means of a contract or other arrangement,
    - ii. a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),
    - iii. directions made under section 497A of the Education Act 1996;
  - e) A body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.
14. Where an organisation meets one or more of the criteria in paragraph 12 above, the Fund may enter into an Admission Agreement with that organisation in order to facilitate the admission of the organisation to the Fund.
15. For certain admissions, particularly those under paragraph 12(d), there may be a need for the related Scheme employer (typically the outsourcing employer) to also be a party to the Admission Agreement. The related employer provides a statutory guarantee to the Fund under Regulation 64(3) of the Regulations. Further information on this can be found in the Assessment of Employer Risk policy.
16. Admissions relating to contractual outsourcings are contract specific, so an existing admission body will require a new Admission Agreement in respect of each separate contract or arrangement. In such cases, the respective admissions will be classed as separate and distinct.
17. The Admission Agreement will set out the conditions of participation of the admission body, including which employees and / or posts are designated as eligible for joining the LGPS.
18. The Fund has two routes of participation available to admission bodies. The first is a traditional admission and the second is through the use of pass-through arrangements. Details are set out below:

#### Traditional Admissions

19. In a traditional admission agreement arrangement, the admission body, i.e. the contractor, will take on the pension liabilities and risks for the

duration of the contract and be responsible for any exit liability arising. A traditional admission agreement will require the admission body to obtain a bond or an appropriate guarantee. Any such bond or guarantee must be in accordance with the Regulations and also satisfy the requirements of the Fund. A new employer admission under a traditional style admission arrangement will be set their own contribution rate. Further details on the approach taken by the Fund can be found in the Assessment of Employer Risk policy.

### Pass Through Arrangements

20. An alternative to the traditional admission arrangement is through the use of a 'pass-through' arrangement. The defining feature of a pass-through arrangement is to pass significantly less pension risk onto the admission body. A pass-through arrangement is where the letting employer retains the main risks of fluctuations in the employer contribution rate throughout the contract and the risk that the admission body's assets may be insufficient to meet the employee's pension benefits at the end of the admission agreement.
21. In a pass-through arrangement, the contribution rate payable by the admission body during the period of participation in the Fund will be the same contribution rate as the letting employer. This contribution rate will be reviewed at triennial valuations and may change. Where the letting employer pays deficit contributions as a monetary amount, the contribution rate for the admission body will be the equivalent total percentage of payroll.
22. In addition, the admission body will be required to pay any pension strain relating to the cost of (non-ill health) early retirement strains and/or augmentations.
23. Where a pass-through arrangement is set up, the Admission Body will not typically be required to obtain an indemnity bond, as long as both the Fund and the letting employer agree that it is not required. The letting employer will guarantee the contractor's participation in the Fund.
24. The funding assets and liabilities for the admission body will be grouped with those of the letting authority. If required, the Fund actuary can calculate a notional value of assets and liabilities in respect of the admission body, for example for inclusion in the admission body's pension accounts.
25. At the end of the admission agreement, the exit valuation will show nil assets and liabilities for the admission body, and therefore no exit debt or exit credit is payable to or by the Fund.

26. In pass-through admission agreements, the Fund will require a 'guarantee and subsumption commitment' from the letting employer in order for the application to proceed. This means that the letting employer will assume responsibility for all of the assets and liabilities of the admission body at the end of the contract, and for the future funding of those assets and liabilities.
27. The use of pass-through arrangements is at the discretion of the Fund. The traditional admission approach will be adopted unless there is agreement between all parties to the use of pass-through arrangements.

### **Funding Strategy**

28. Irrespective of the method of admission for an organisation, the Fund reserves its rights in respect of the funding strategy adopted for an organisation during its period of participation in the Fund. The Fund reserves its rights to alter the funding strategy adopted for an employer as and when the Fund considers this appropriate.
29. Details of the Fund's approach to funding strategy can be found in the Funding Strategy Statement.

### **Fund Policies and Working Practices**

30. A Scheme employer in the Fund must comply with the Fund's policies and working practices.
31. The relevant policies of the Fund include:
  - the Administering Authority discretions;
  - the Funding Strategy Statement;
  - Assessment of Employer Risk;
  - the Pensions Administration Strategy;
  - the Policy on Actuarial Fees; and
  - the Communications Policy Statement.
32. Copies of the above documentation, and further information on the Fund's working practices, are available on the Fund's website at [www.twpf.info](http://www.twpf.info) or can be provided upon request.