

GMPF POLICY ON EMPLOYER ADMISSIONS TO THE FUND

1. Regulatory Background

1.1 Employing Authorities

Employing authorities are bodies whose employees are entitled (subject to eligibility) to join the LGPS. Some, such as county councils, district councils, academies and further and higher education corporations are named in the LGPS regulations as employing authorities. They are called 'Scheme employers'. They automatically take part in the Scheme and the Scheme rules assign them to a fund in their own locality.

Administering authorities can admit bodies that are not Scheme employers to their Fund but they must satisfy certain other conditions. We call these bodies 'admission bodies'. For their employees who join the Scheme, we must treat admission bodies as if they were Scheme employers.

1.2 Scheme Employers

[Schedule 2, Part 1 of The LGPS Regulations 2013](#) provides a list of bodies which have a statutory obligation to participate in the LGPS. Their employees have the right to join the LGPS (assuming they meet the entry requirements). The list is amended from time to time.

[Schedule 2, Part 2 of The LGPS Regulations 2013](#) provides a list of bodies that can designate employees for access to the Scheme. This list can also be amended from time to time. Employees of these bodies have the right to join the LGPS if they are covered by the employer's published admission policy or, if there is no admission policy, if their employer designates them as a member.

[Schedule 2, Part 4 of The LGPS Regulations 2013](#) provides a list of persons eligible for membership and a list of scheme employers deemed to be their employer for pension purposes. Persons in the first column of the table in Part 4 of Schedule 2 are eligible for membership and have a right to join the LGPS (assuming they meet the entry requirements). This list can also be amended from time to time.

1.3 Admission Bodies

[Schedule 2, Part 3 of The LGPS Regulations 2013](#) details the admission bodies with whom GMPF may make an admission agreement to allow them to join the Fund;

- (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.

Most admission bodies fall under Schedule 2, Part 3, 1(a) or 1 (d) (i).

Schedule 2, Part 3, 1(a) (formerly known as a community admission body) is 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).

It is admitted to the Fund by way of an admission agreement.

Employees of an admitted body can join the LGPS if the admission agreement allows it.

Schedule 2, Part 3, 1 (d) (i) (formerly known as a transferee admission body) is 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 the transfer of the service or assets by means of a contract or other arrangement.

It is a commercial entity and is admitted to the Fund by way of an admission agreement.

Employees of an admitted body can join the LGPS if the admission agreement allows it.

2. The purpose of this policy

2.1 Key purpose

The key purpose of this policy is to set out the criteria GMPF will use for admitting new employers to the Fund where there is discretion.

2.2 Main aims of the policy

In establishing this policy, GMPF's main aims are:

- To minimise the risk and consequences of an employer being unable to fulfil its responsibilities as an employer of the Fund and meet the pension promises its employees have earned (the default risk)
- To admit new employers where viable in order to provide access to the LGPS for eligible employees;
- Where new employers are admitted, to ensure sufficient protections are in place to minimise the funding risks.

3. GMPF Funding Strategy Statement

3.1 Key document

The Funding Strategy Statement (FSS) is the guidance given to the Fund's Actuary regarding his role to determine employer contribution rates at the triennial valuation. It applies to all employers participating in the Fund. It focuses on the pace at which pension liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities. This will include:

- Duration of deficit recovery/surplus spreading
- Phasing of contribution increases/reductions
- What happens when an employer ceases to have employee members in the Scheme?
- Early retirement and ill health costs

The FSS is reviewed in detail at least every three years after consultation with the Fund's employers, Actuary, advisors and other stakeholders. It is important reading for all prospective employers to help understand their responsibilities as an employer in the Fund and the potential costs of such participation.

3.2 Key objectives

The key objectives of the GMPF's funding policy are listed in full within the FSS, which can be found on the GMPF website. GMPF has had regard to the FSS and these objectives when establishing this policy.

4 Criteria for admission to the GMPF – Scheme Employers

4.1 Automatic admission

Scheme employers are automatically admitted to the Fund and the Fund has no discretion to refuse entry to any Scheme employer listed in Schedule 2 Part 1, Part 2 or Part 4 of The LGPS Regulations 2013.

4.2 Decisions to be made by the GMPF upon admission

In administering admission to the Fund, a number of issues need to be determined at the outset.

- (i) the opening funding position
- (ii) the duration of deficit recovery/surplus spreading
- (iii) the cost of future service
- (iv) the total employer contribution rate comprising the future service rate adjusted for deficit recovery/surplus spreading
- (v) the recovery of early retirement and ill-health costs

5 Criteria for admission to the GMPF of prospective admission bodies falling under Schedule 2 Part 3 1 (d) (i) (formerly known as Transferee Admission Bodies)

5.1 Admission by way of admission agreement

The regulations state that an administering authority may make an admission agreement with any body falling under Schedule 2 Part 3 1(d) (i) (formerly known as a transferee admission body). In addition to the requirements given within the regulations, GMPF will make an admission agreement where the Scheme employer is a party to the admission agreement.

The terms of admission will need to be agreed by all three parties (the Scheme Employer, the admission body and TMBC in its capacity as administrator of the GMPF).

5.2 Setting parameters

The issues that will need to be agreed will include:

- the basis on which employees will be admitted
- the basis of determining employer contribution rates
- the requirement or otherwise for a bond/indemnity to be provided by the body falling under Schedule 2 Part 3 1(d) (i) (formerly known as a transferee admission body)
- the controls on factors that could increase liabilities required by the Scheme employer
- other forms of security to be provided by the body falling under Schedule 2 Part 3 1(d) (i) (formerly known as a transferee admission body)
- how any deficit is calculated on termination

5.3 Reimbursement of the administering authority's costs

The body falling under Schedule 2 Part 3 1(d) (i) (formerly known as a transferee admission body) will need to meet the external costs incurred by the Fund in progressing the admission (e.g. Actuary fees) and the internal administrative and legal costs incurred.

6 Criteria for admission to the GMPF of prospective admission bodies falling under Schedule 2 Part 3 1 (a) (formerly known as Community Admission Bodies)

6.1 Admission by way of admission agreement

The regulations state that an administering authority *may* make an admission agreement with any body falling under Schedule 2 Part 3 1 (a) (formerly known as Community Admission Bodies). In addition to the requirements given within the regulations, the GMPF will make an admission agreement where:

- A local authority has agreed to act as guarantor and as such it will be a party to the admission agreement, or
- Where there are exceptional circumstances and the Pension Fund Management Panel agrees to the admission of the employer to the Fund, it is likely that this will require a bond or guarantee to be put in place in order to protect the Fund.

6.2 Setting parameters

The issues that will need to be agreed will include:

- the basis on which new employees will be admitted to the Fund
- the basis of establishing the opening funding position and determining employer contributions
- the requirement for a bond to be taken out by the body falling under Schedule 2 Part 3 1 (a) (formerly known as Community Admission Bodies)
- the controls on factors that could increase liabilities required by the Scheme employer
- other forms of security to be provided by the body falling under Schedule 2 Part 3 1 (a) (formerly known as Community Admission Bodies)
- how any deficit is calculated on termination and who would be liable for the deficit

6.3 Reimbursement of the administering authority's costs

The body falling under Schedule 2 Part 3 1 (a) (formerly known as Community Admission Bodies) will need to meet the external costs incurred by the Fund in progressing the admission (e.g. Actuary fees) and the internal administrative and legal costs incurred.