Avon Pension Fund

Local Government Pension Scheme

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Pooled contribution rate option for Multi-Academy Trusts (MATs)

1. Introduction

In response to requests from a number of Multi-Academy Trusts (MATs) for a "pooled" contribution rate for the academies under their control, the Avon Pension Fund ("the Fund") has introduced a facility whereby MATs can opt for a pooled contribution rate. The policy was implemented concurrently with the 2016 actuarial valuation.

This policy, as with all Fund policies, will be subject to review periodically, in particular following any changes to the underlying LGPS Regulations and associated guidance. Any such changes will be communicated as and when necessary.

2. Rationale

In principle, given the Government's current policy of requiring newly created academies to join MATs, there is a strong case for having a "pooling" facility.

However, allowance has to be made for individual academies to leave one MAT and join another, even though the incidence of such an event is relatively low given the supervisory regime which the Government has put in place.

The new policy allows a MAT to pay an aggregate contribution to the Fund (across all its constituent academies) where this is the MAT's preference, while at the same time enabling the Fund to establish the assets and liabilities attributable to an individual academy if it were to move from one MAT to another (for whatever reason).

In summary, this means that only the future service contribution rate payable by a MAT would be "pooled" on an average basis. The past service deficit lump sums payable will be the aggregate across each academy under the MAT's control, and from an administrative perspective, staff will continue to be allocated to individual academies rather than one pooled group (except for staff employed on central functions – see 3 (ii) below).

3. The Pooling Option in Detail

(i) There will continue to be separate employer numbers for individual academies, because of the need to assign the correct pension liability to an academy in case of transfers from one MAT to another.

(ii) Academies will be able to establish **a separate employer number for staff employed on central functions.** However, staff based at individual academies should always be allocated to the employer number relating to the academy set out in their contract of employment.

(iii) Where staff move from one academy to another within the same MAT on a permanent basis this change should be recorded in the records of the Fund even though, in law, there would be no change of employer. The Fund will supply forms for this information to be supplied to it without the need for starter and leaver forms. Where a member of staff is moved from one academy to another on a temporary basis only, this should not be recorded in the Fund's records.

(iv) At each triennial actuarial valuation, the actuary will calculate an "average" future service rate (also known as the primary contribution rate) for all the academies for which the MAT is responsible plus the central staff. Where an academy is added within the three-year valuation period, the existing average rate will apply to the new academy; where an academy is lost, the average rate will not be changed until the subsequent actuarial valuation. An earlier rate review could still be completed if deemed necessary by the Administering Authority or requested by the MAT - for example, if there were a material number of Academies joining the MAT in the inter-valuation period.

(v) The actuary will also calculate a past service deficit for each academy individually and the deficit recovery payment for the MAT over the three-year valuation period will be the aggregate of the deficit recovery payments for the individual academies plus the central staff. Where an academy is added during the three-year valuation period, the actuary will calculate the additional past service deficit lump sums that will become payable in addition to the previous aggregate figure. Where an academy is lost, the aggregate figure will be reduced to reflect the removal of the exiting academy's share (see **vi** below).

(vi) The actuarial valuation will prescribe a single primary contribution rate per MAT, i.e. the average future service rate, and the aggregate deficit recovery payment. Details of the underlying split of the total deficit payment across each constituent academy will be notified to the MAT separately from the formal valuation. This split can be used to determine the required adjustment to the aggregate deficit recovery payment should an academy leave during the three-year valuation period.

(vii) When the monthly contributions are paid to the Fund, whether in respect of future service or deficit recovery, they will need to be allocated to the relevant employer number, as per the splits advised by the Fund Actuary (see **vi** above for deficit recovery).

(viii) For FRS/IAS reporting, the actuary can provide a single statement per MAT (covering all constituent academies) or, if requested, individual statements for each constituent academy and central functions.

(ix) At the present time, where a MAT lets a contract for services which relates to a number of academies, the Fund requires a separate admission agreement for each academy. An alternative approach, whereby only one admission agreement would be required, will be available where a MAT has requested a separate employer number for outsourcings to be established i.e. for the purposes of an outsourcing the MAT becomes a participating employer within the Fund in its own right.

The issue here is the Fund's policy that the outsourcing employer becomes responsible for the assets and liabilities left behind by the contractor on contract termination (this applies whether those liabilities are fully funded or partially funded). Currently the assets and liabilities would revert to the individual academies from which the staff were transferred. Where a separate employer number for outsourcings is used, the assets and liabilities would be linked to this number i.e. the MAT essentially becomes the guarantor within the Fund for the outsourcing.

Any residual surplus or deficit identified by the Fund Actuary as part of the triennial actuarial valuation assessment following the end of a particular contract would simply be added to or subtracted from the MAT's aggregate deficit/surplus and would be identifiable as a separate amount for the purposes of paying contributions.

For completeness, the above option would only be available in respect of contracts for services relating to academies participating in the Avon Pension Fund.

(x) Where an academy moves from one MAT to another, as referred to above the aggregate deficit contribution identified for the ceding MAT at the preceding actuarial valuation would then be reduced accordingly in line with the share of the aggregate deficit contributions previously calculated up to the next actuarial valuation. The aggregate deficit contribution for the receiving MAT would be increased in the same way. The assets, liabilities and deficit attributable to the academy would need to be assessed at the point of transfer by the Fund Actuary and the effect would come through at the next valuation.

However, depending on the materiality of the transferring academy to the old and new MAT, an approximate assessment of the position would be needed to complete the accounting disclosures. Any staff transferring from the central function of one MAT to the central function of another MAT at this time would normally transfer fully funded depending on the circumstances of the transfer (i.e. on an individual rather than a bulk basis).

(xi) Any MAT opting for pooling should be aware of the cross-subsidy element inherent in it, given that the future service rate will be an average of the rates applicable to each academy within the MAT.

4. Choices

In summary, MATs are invited to make the following decisions:

(a) Do you want to pay an aggregate contribution rate across all your constituent academies on the basis set out above?

and, independently of (a),

(b) Do you need to separately identify staff employed on central functions and allocate a separate employer number to them (you may wish to consider whether this assignment of staff be reflected in their contract of employment)?

(c) Do you want a combined set of accounting figures providing for the year-end 31 August 2017 and thereafter, which will reflect new/exiting academies over each accounting period?

(d) If you are letting a contract for services, do you want a single admission agreement for a MAT on the terms set out in **Paragraph (ix)**?

Avon Pension Fund
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