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# Document to Support Resolution of a Local Authority Trading Company (LATCO)

**Kent Pension Fund matters to consider when setting up an outsourcing arrangement.**

If you require any assistance, contact kentpensionfundgovernance@kent.gov.uk or call 03000 420 660.

Employers should seek their own legal advice where necessary.

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| **Matter** | **Description** | **Fund Comment** | **Ceding Employer and new Employer Comments** |
| **1.** | **New employer** |  |  |
| 1.1 | The new employing organisation **must** be legally established before it can apply to join the Kent Pension Fund. |  |  |
| 1.2 | As per the 2013 LGPS regulations, employees of the following employing bodies have access to the LGPS :   * Scheduled bodies; * Designation bodies where the employer is a Scheduled body and has designated them, or a class of employees to which they belong, as being eligible for membership of the Scheme; * Admission bodies whose employer has designated them, or a class of employees to which they belong, as being eligible for membership of the Scheme under the terms of the Admission Agreement the employer has with the Pension Fund administering authority; and * A decision has to be made under which sub-paragraph of the Local Government Pension Scheme Regulations 2013 the new employer is planning to join the LGPS. * **Admission body? Go to section 2** * **Scheduled / Designation body? Go to section 3** | Refer to regulation 3 of the regulations at:  <http://www.lgpsregs.org/index.php/regs-legislation/timeline-regulations-2014> |  |
| 1.3 | All new employers will join the Scheme fully funded on an ongoing basis with the ceding employer retaining any historical deficit.  The new employer will not be fully funded at day 1 on a FRS102/IAS19 accounting basis. | See 4.1 below. |  |
| **2.** | **Admission body** |  |  |
| 2.1 | Is the new employer planning to join the Scheme as an admission body under Schedule 2 Part 3 paragraph 1 (d) (i), (ii) or (iii) of the 2013 LGPS regs? | An applicant admission body will be required to complete and upload a data capture and on receipt of the actuary report then complete and upload an admission questionnaire. Further to the agreement of our Pension Fund Committee, the applicant admission body will be required to execute an admission agreement.  The applicant admission body will also be required to provide either a bond via an authorised bond provider or a guarantee will be required as per the 2013 LGPS regs Schedule 2 Part 3 and the Fund’s [Funding Strategy Statement](https://www.kentpensionfund.co.uk/__data/assets/pdf_file/0008/149165/Kent-Pension-Fund-Funding-Strategy-Statement.pdf)    The admission application will be reviewed by the Pension Fund Committee at one of its meetings. Please refer to the [**Admission timetable**](https://www.kentpensionfund.co.uk/local-government/becoming-a-fund-employer/commercial-company-or-charity-admission-body/admission-body-timetable) for more details. |  |
| 2.2 | Has a decision been made as to which members are transferring to the new body and are eligible to join the LGPS? | See 4.2 below |  |
| 2.3 | Are members transferring to the new employer from another Scheme employer? | See 4.2 and 4.3 below |  |
| **3.** | **Scheduled / Designation body** |  |  |
| 3.1 | Is the new employer planning to join the LGPS as a Scheduled / Designation body under Schedule 2 Part 2 paragraph 5 of the 2013 LGPS regs? | The new employer must complete and upload a date capture and make a resolution, duly authorised by whoever or whatever committee has the power under their Scheme of Delegation to do so, to designate those to whom the Scheme will apply.  The employer can designate which employees or class of employees are eligible for membership of the LGPS. |  |
| 3.2 | Has a decision been made as to which members are transferring to the new body and are eligible to join the LGPS? | The scheduled employer may make several resolutions in order to cover all members transferring from existing scheduled employers, as per the 2013 LGPS reg 3 (1) (b).  Also see 4.2 below. |  |

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| 3.3 | Are members transferring to the new employer from another Scheme employer? | The scheduled employer may make several resolutions in order to cover all members transferring from existing scheduled employers, as per the 2013 LGPS reg 3 (1) (b).  Also see 4.2 and 4.3 below |  |
| **4.** | **Actuarial matters** |  |  |
| 4.1 | Has the new Scheme employer requested a pensions information report from the Fund’s actuary?  Has it been agreed who will pay for the Pension Fund actuary’s report? | The Fund’s actuary prepares, as at the anticipated date of the new employer joining the Scheme, a pensions information report which sets out:   1. the employer contribution payable, 2. the value of bond or guarantee required if applicable, 3. an estimated opening statement of liabilities on a FRS102/IAS19 basis.   The employer contribution rate calculated by the actuary is based on members transferring to the new employer being transferred fully funded on an ongoing basis i.e. the employer’s pension liabilities are fully funded by Pension Fund assets. |  |
| 4.2 | If the decision has been made regarding which staff are transferring to the new employer, has a ‘data capture’ been completed and uploaded to the [Fund website](https://www.kentpensionfund.co.uk/local-government/becoming-a-fund-employer/academies/completion-notes-for-the-data-capture-spreadsheet) | This is required for the actuary’s report. |  |

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| 4.3 | Does the transfer of scheme members result in an existing Scheme employer becoming an exiting employer i.e. are all its LGPS active members leaving the Scheme? | The actuary will calculate the value of the exit payment payable to the Fund and the Fund will seek settlement from the exiting employer.  The Fund will also seek to recover the cost of the actuary’s report from the exiting employer. |  |
| 4.4 | Is the new Scheme employer aware that it should consider an annual account for its pension liabilities on a FRS102/IAS19 basis? | This is likely to be necessary in order to produce the new employer’s year end accounts.  The new employer may commission a FRS102/IAS19 report from the Fund’s actuary or engage their own actuary to provide a report.  Disclosure of pension liabilities must be agreed with the employer’s auditors. |  |
| 4.5 | The new Scheme employer is liable to reimburse the Pension Fund for the costs of any reports it commissions from the Pension Fund’s actuary. | The Fund charges for the actuary’s reports on a user pays basis. |  |

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| **5.** | **Early retirement costs/premature retirement compensation/ fall in local authority payroll** |  |  |
| 5.1 | The new employer reimburses costs incurred by the Pension Fund relating to the early retirement of members. Has it been agreed who is responsible for paying outstanding instalments relating to staff transferring from the ceding employer **pre** the date of transfer? | The Ceding employer(s) and the new employer must agree who is liable to pay the Fund for the outstanding strain cost instalments. |  |
| 5.2 | Staff who were employed by the Ceding employer(s) who retired prior to 1997 may have been awarded premature retirement compensation on redundancy / efficiency. Has it been agreed who will be responsible for bearing the future cost of this compensation? | The Ceding employer(s) and the new employer **must** agree who will pay. |  |
| 5.3 | Has it been agreed that the new employer is responsible for reimbursing the Fund for costs associated with the early retirement of its members **post** the date of transfer? | The Ceding employer(s) and the new employer **must** agree who will pay. |  |
| 5.4 | What action, if any, is required as a result of the fall in the local authority payroll re maintaining the level of historical employer deficit contributions? |  |  |
| 5.5 | Is there a cap and collar arrangement in place? |  |  |

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| **6.** | Agreement between Ceding employer and new Scheduled / Designation body |  |  |
| 6.1 | This schedule been drawn up formalising all arrangements for the Ceding employer(s) and the new Scheme employer including responsibilities in relation to the above matters. | A schedule must be drawn up and signed by the Ceding employer(s) (e.g. A District or Borough Council) Section 151 Officer and the Finance Director (representing the Board of the new Scheme employer) prior to transfer. |  |

* 1. Signed [in real ink] for and on behalf of the \*(Enter new Local Authority Trading Company (LATCO) name\* ……………………………………………….

Name of above signatory in capitals……………………………………………………………

Title of signatory…………………………………………………………………………………..

Date…………………………………………………………………………………………………

* 1. Signed [in real ink] for and on behalf of Ceding employer (insert name) ……………………………………………….

Name of above signatory in capitals……………………………………………………………

Title of signatory…………………………………………………………………………………..

Date…………………………………………………………………………………………………