

London Borough of Barnet Pension Fund

Exit Credit Policy

Introduction

The Local Government Pension Scheme (Amendment) Regulations 2020 came into force on 20 March 2020 and are effective from 14 May 2018.

If an employer becomes an exiting employer on or after 14 May 2018 under Regulation 64 of the 2013 Local Government Pension Scheme (LGPS) Regulations (as amended) it may be entitled to receive an exit credit.

In accordance with Regulation 64(2ZAB) of the LGPS Regulations 2013, the Administering Authority, which is London Borough of Barnet, acting through its Pension Fund Committee, will determine the amount of any exit credit (which may be zero) by considering the factors set out in Regulation 64(2ZC):

- a. the extent to which there is an excess of assets in the fund relating to that employer over the liabilities specified in paragraph (2)(a);
- b. the proportion of this excess of assets which has arisen because of the value of the employer's contributions;
- c. any representations to the Pension Fund Committee made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, any body listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 to these Regulations; and
- d. any other relevant factors

In determining whether an exit credit may be payable and the value of such payment, the Pension Fund Committee will in addition to considering factors (a) to (c) above also consider whether any contractual or informal pension risk sharing provisions existed between the exiting employer and the letting authority and/or other relevant scheme employer. Any exit credit payable will be reduced where the pension risks were wholly or partly carried by a party other than the exiting employer. For example, usually no exit credit will be payable to any employer who participates in the Fund via a pass-through agreement. Other relevant factors include:

- The exiting employer did not provide a bond or guarantee required under the admission agreement.
- There are unpaid employer or employee contributions
- The exiting employer has not provided all the data required in accordance with the Administration Strategy Statement.

Exit Credit Policy

The Pension Fund Committee will apply the following principles.

1. If an employer becomes an exiting employer on or after 14 May 2018 under Regulation 64 of the 2013 Local Government Pension Scheme (LGPS) Regulations (as amended) it may be entitled to receive an exit credit.
2. The exit credit will be determined on the same basis as for a cessation deficit as set out in the Funding Strategy Statement.

3. For pre-14 May 2018 admissions, the Pension Fund Committee will take into account the fact that original commercial contracts between admission bodies and letting authorities/guarantors could not have been drafted with regard to the May 2018 regulation changes that implemented exit credits retrospectively. Subject to any representations to the contrary, it will be assumed that the employer priced the contract accordingly and that no subsequent agreements covering the ownership of exit credits have been negotiated.
4. If an employer leaves on the 'gilts exit basis' as set out in the Funding Strategy Statement, any exit credit will normally be paid in full to the employer, subject to consideration of the individual circumstances.
5. If a scheduled body or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, no exit credit will generally be paid.
6. If an admission agreement ends early, the Pension Fund Committee will consider the reason for the early termination, and whether that should have any relevance on the determination of the value of any exit credit payment.
7. If there is any doubt about the applicable LGPS benefit structure at the date of exit (e.g. McCloud remedy), the Pension Fund's actuary may include an estimate of the possible impact of any resulting benefit changes when calculating an employer's pension liabilities to determine the level of any exit credit.

Representations

8. In reaching its determination, the Pension Fund Committee will consider representations from the exiting employer, the scheme employer / letting authority and anyone providing a guarantee or indemnity to the Pension Fund in respect of the exiting employer.

Other Matters

9. If there is any dispute from either party with regards interpretation of contractual, risk sharing or guarantor agreements as outlined above, payment of any exit credit will be withheld until such disputes are resolved by the letting authority and/or other relevant scheme employer and the exiting employer.
10. The Pension Fund Committee will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its exit credit determination under Regulation 64.
11. Should any decisions be disputed, the Pension Fund Committee will make a final determination.
12. There may be some situations that are bespoke in nature and do not fall into any of the categories set out above. In these situations, the decision of the Pension Fund Committee is final in interpreting how any arrangement applies to the value of an exit credit payment.
13. The exiting employer will be advised of the exit credit amount due to be repaid and the Pension Fund will seek to make the payment within six months of the exit date. Meeting the six-month timeframe requires prompt notification of an employer's exit and for all data and relevant information to be provided as requested. The Pension Fund Committee is unable to make any exit credit determination or payment until the Pension Fund has received all data and information

required and if the delay caused by the Pension Fund requiring data means the 6-month date is passed, the parties will work constructively to enable a decision to be reached as soon as possible thereafter.