Derbyshire Pension Fund

Appendix 3

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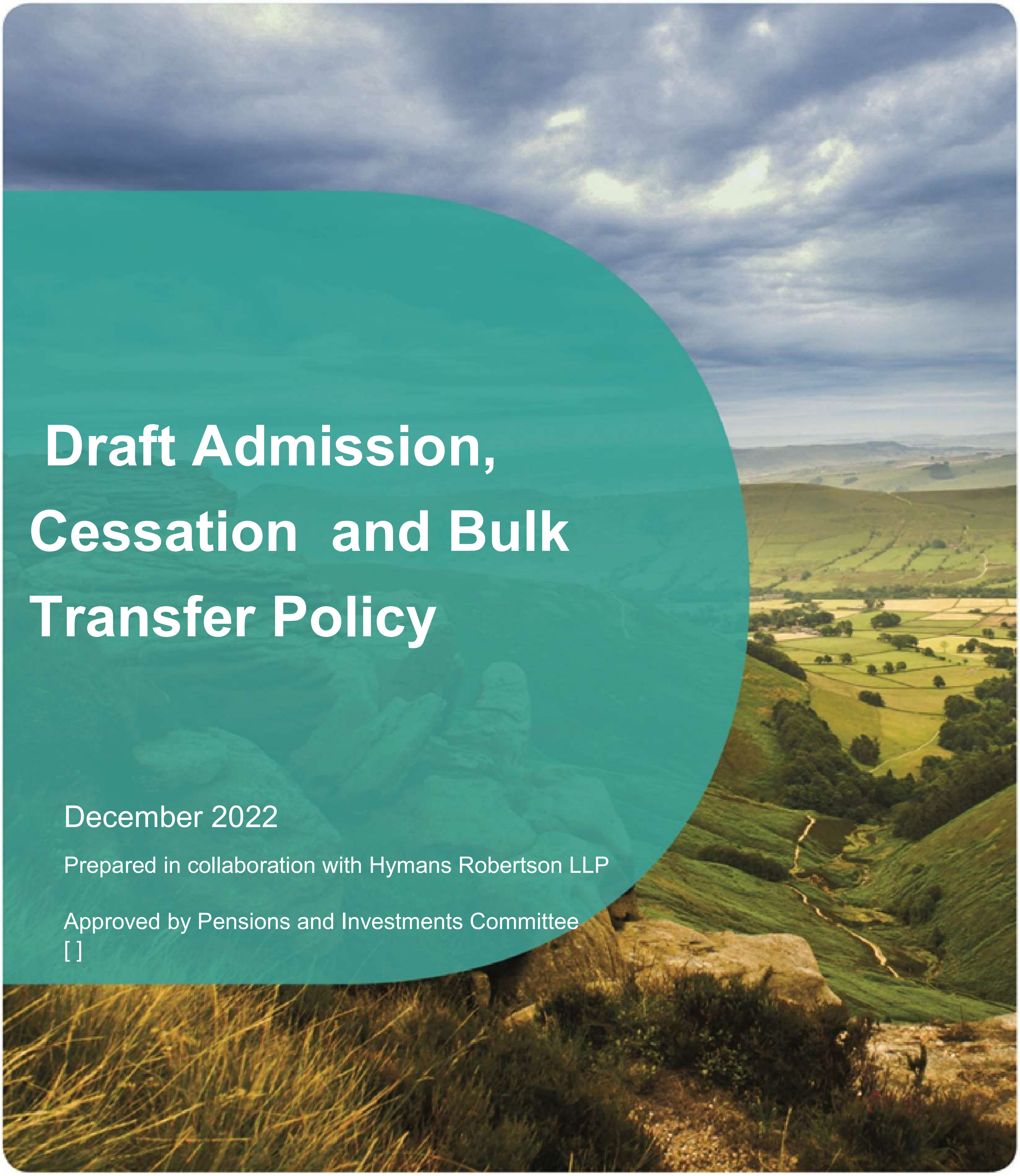

Draft Admission, Cessation and Bulk Transfer Policy

December 2022

Prepared in collaboration with Hymans Robertson LLP

Approved by Pensions and Investments Committee
[ ]

County Hall, Matlock, Derbyshire, DE4 3AH
Administered by Derbyshire County Council

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Admission, Cessation and Bulk Transfer Policy

Introduction

Derbyshire Pension Fund's Admission, Cessation and Bulk Transfer Policy (the Policy) is made up of policies on admissions, cessations, bulk transfers and exit credits. Derbyshire County Council's Pensions and Investments Committee (the Committee), in its role as the Administering Authority of Derbyshire Pension Fund (the Fund) approved the Fund's inaugural distinct policy on admissions, cessations and bulk transfers at its meeting on 22 January 2020.

The Committee subsequently approved the Fund's Exit Credits Policy, which is included in this Policy, at its meeting on 9 September 2020. A minor revision to the Exit Credits Policy was approved by the Committee at its meeting on 21 July 2021.

Further minor adjustments have been made to improve the accessibility of the document.

Further changes are proposed, subject to approval by the Pensions and Investments Committee to reflect the position relating to the funding position of academies in certain situations, [*note – this statement will be adjusted to the past tense, subject to the Committee's approval, prior to publication].*

This Policy has been prepared in compliance with The Local Government Pension Scheme Regulations 2013 and subsequent amendments and in conjunction with the Fund's actuary, Hymans Robertson LLP. It will be reviewed at least every three years as part of the triennial valuation process or following any relevant changes in the LGPS Regulations.

Interaction with Funding Strategy Statement (FSS)

The FSS sets out high level policies in several areas relating to the treatment of scheme employers. The keys areas covered by the FSS are: -

- purpose of the FSS
- aims and purpose of the Fund
- responsibilities of the key parties
- calculation of funding positions and individual employer contribution rates
- link to investment policy set out in the Investment Strategy Statement
- key risks and controls

The information contained with the FSS applies equally to admission bodies as to other participating employers within the Fund.

Admission and cessation policy context

Introduction

It is essential for the Administering Authority to establish its fundamental approach to the risks involved in the admission of new employers to the Fund.

The purpose of this policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the Fund and to other employers in the Fund is identified, minimised, and managed accordingly.

Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013, ('LGPS Regulations') sets out the various types of employer that can participate in the scheme and the different requirements that apply to each. These can be summarised as:

Bodies listed in Part 1 to Schedule 2 – the county council, city council, district and borough councils, further education colleges, academies, police and fire services. These bodies must provide access to the LGPS to their employees (assuming they are not eligible to be members of other pension schemes)

Bodies listed in Part 2 to Schedule 2 – often referred to as designating employers, as they have the right to decide which of their employees are eligible to join the scheme. Includes town and parish councils, as well as entities connected to bodies in Part 1. If a relevant designation is made, the Administering Authority cannot refuse entry into the scheme in respect of that employer.

Bodies listed in Part 3 to Schedule 2 – admission bodies, who can apply to participate in the scheme. Admission bodies can encompass a variety of different types of employer. These are:

- 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);
- a body, to the funds of which a Scheme employer contributes;
- a body representative of any Scheme employers, or local authorities or officers of local authorities;
- 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 (outsourcing),
    - a direction made under section 15 of the Local Government Act 1999,
    - directions made under section 497A of the Education Act 1996;
- 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.

When an administering authority is considering permitting a body to become an admission body, the LGPS Regulations include some discretions relating to the creation and management of admission agreements. These discretions are considered within this Policy. The discretionary areas are:

- Part 3 of Schedule 2 (para 1) – Whether or not to proceed with admission agreements;
- Part 3 of Schedule 2 (para 9(d)) – Whether to terminate the admission agreement
- Regulation 54(1) – If the Fund will set up separate pension funds in respect of admission agreements.

Background

A scheme employer is responsible for any surplus or deficit arising during the period of participation in the Fund so that if or when that participation ceases, it is 100% funded.

Triggers for considering cessation from the Fund are:

- the last active member leaves their eligible employment or opts out of the Fund. The Administering Authority, at its discretion, can defer acting for up to three years by issuing a suspension notice. That means cessation will not be triggered if the employer takes on one or more active members during the agreed time
- insolvency, winding up or liquidation of the admission body
- a breach of the agreement obligations that isn't remedied to the Fund's satisfaction
- failure to pay any sums due within the period required
- failure to renew or adjust the level of a bond or indemnity, or to confirm an appropriate alternative guarantor
- termination of a deferred debt arrangement (DDA)

If an employer fails or ceases to exist and any deficit cannot be met by the employer or claimed from any bond, indemnity or guarantor (where appropriate), the liability will fall to other employers in the Fund (either the awarding authority on the failure of a service provider, any guarantor employer or all other employers, depending on the circumstances and the type of body). It is prudent, therefore, for the Fund to ensure any such risks are minimised and mitigated.

Although the risks may not be able to be eliminated completely, there are a number of options that can be considered to try and mitigate these risks. These are summarised in this section, with the policy positions set out in Appendix A and Appendix B:

- **Entry conditions** – to what extent, if any, the Administering Authority can determine entry conditions for any new employer and the manner in which those applications will be considered and approved.
- **Requirements for a bond/indemnity or guarantor** – understanding the risk that a new employer might place on the Fund, usually through underfunding on exit from the Fund, and the mitigations that can be put in place (in the form of a bond/indemnity or guarantor) to reduce or remove that risk.
- **Risk sharing** – more often adopted with admission bodies, and while not changing the full cost of the pension benefits, the Administering Authority can decide its approach to the sharing of

risk with an established sponsoring employer (for example, fixed employer contribution rates, pooling the admission body with the scheme employer, etc.).

- **Allocating assets on entry** – on admission each new employer will notionally be allocated assets in the Fund, from which time they will be tracked and employer contributions set with a view to achieving solvency should the employer leave the scheme. Depending on the type of employer concerned the Administering Authority will need to decide how that initial asset allocation should be handled (for example, given assets equal to 100% of the liabilities transferred or required to take on a share of any funding deficit at the outset).
- **Matched investment strategy** – the flexibility to offer an employer an investment strategy matched to its participation can reduce the risk of underfunding at exit. This can, however, be a time-consuming exercise, and so the Administering Authority must balance the risk of underfunding on exit with the additional time and cost associated with the matched strategy.
- **Contribution rates and other costs** – the Administering Authority will need to decide how the initial contribution rate is set for any new scheme employers on joining the scheme. Decisions may also be required in relation to other costs, for example, legal or actuarial costs.
- **Pooling** – There may be circumstances where a new employer has strong links to an existing employer, or where there is homogeneity amongst certain groups of employers. In these circumstances there may be a desire on the part of the employers to share some of the pension risk, which can be achieved via a pooling agreement. In simple terms, this will allow the bodies to effectively be treated as if it were one employer. As a result, the same employer contribution rate and other funding arrangements will apply (generally equally) in relation to all members.
- **Ongoing monitoring** – it is important that monitoring of scheme employers is carried out throughout their term of participation and, where considered necessary, appropriate remedial action taken to safeguard all employers within the Fund. This can be achieved via various methods, such as regular funding level reviews, risk assessments and requirements to notify the Administering Authority of any changes in circumstances.
- **Termination/exit requirements** – one of the greatest risks to the Fund (and its participating employers) is that a body ceases to exist with an outstanding deficit that it cannot pay and which will not be met by any bond, indemnity or guarantor. Under the terms of the LGPS Regulations a termination valuation is required to be carried out at the point a scheme employer ceases to participate (for example, as a result of the last active member leaving or the termination of a contractual arrangement with another scheme employer) in order to ascertain the exit payment due in relation to any deficit or payable on account of a funding surplus.
- **Future cessations** – When a scheme employer ceases to participate in the scheme its assets should be equal to its liabilities on an appropriate basis. In these circumstances, the Administering Authority may seek to increase or reduce the scheme employer’s contributions to the Fund in the period leading up to its expected exit (if known) in order to target a position where the employer’s assets are equal to its liabilities on an appropriate basis. To a limited degree, this can also reduce any overfunding at exit.
- **Basis of termination valuation** – as with any actuarial valuation, the purpose of a termination valuation is not so much to predict the cost of providing the Fund benefits of the relevant members (which will not be known until the last benefit payment is made), but to assess how much the Fund should hold now to meet the future expected benefit payments. The amount required is heavily influenced by the basis used for the calculation of the liabilities, which in turn will ultimately depend on the circumstances of the cessation. The range of bases can include the ongoing funding basis, a low risk exit basis and a buy-out basis.

- **Payment of cessation debt or exit credit –** When the fund actuary carries out a cessation valuation, they are also required to certify the contributions due to the Fund, or any surplus that might need to be refunded to the exiting employer. The LGPS regulations specify the way in which an exit credit should be made and allows the Administering Authority to determine the level of any exit credit payment, which may be nil, to the exiting employer. The regulations also allow the Administering Authority discretion on whether the payment of any deficit should be paid as a lump sum or whether it can be paid in instalments. There is also a provision which clarifies what should happen if it is not possible to recover the cessation payment, for example due to the exiting employer going into liquidation and no assets being available.

Statement of principles

The drafting of the admission and cessation policies has been based on the following key principles:

- to ensure the long-term solvency of the Fund as a whole and the solvency of each of the notional sub-funds allocated to the individual employers
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment
- not to restrain unnecessarily the investment strategy of the Fund so that the Administering Authority can seek to maximise investment returns (and hence minimise the cost of the benefits) for an appropriate level of risk
- to ensure employers recognise the impact of their participation in the Local Government Pension Scheme, helping them manage their pension liabilities as they accrue and understanding the effect of those liabilities on the ongoing operation of their business
- to minimise the degree of short-term change in the level of each employer's contributions where the Administering Authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and ultimately to the council taxpayer from an employer ceasing participation or defaulting on its pension obligations
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective
- to maintain the affordability of the Fund to employers as far as is reasonable over the longer term

There is also an overriding objective to ensure that the LGPS Regulations and any supplementary guidance (The Best Value Authorities Staff Transfer (Pensions) Direction 2007 and Fair Deal guidance) as they pertain to admission agreements are adhered to.

Policies

The Administering Authority's policies in relation to the admission of new scheme employers and the treatment of scheme employers on cessation are set out in Appendix A and Appendix B respectively.

Bulk transfer policy context

Introduction

The purpose of this policy is to set out the Administering Authority's approach to dealing with the bulk transfer of scheme member pension rights into and out of the Fund in prescribed circumstances.

Bulk transfer requests will be considered on a case by case basis, ensuring that:

- transfers out of the Fund do not allow a deficit to remain behind unless a scheme employer is committed to repairing this; and
- bulk transfers received must be sufficient to pay for the added benefits being awarded to the members, again with the scheme employer making good any shortfall where necessary.

When considering any circumstances where bulk transfer provisions might apply, however, the Administering Authority will always ensure adherence to any overriding requirements set out in the Local Government Pension Scheme Regulations and/or any supplementary or statutory guidance (for example The Best Value Staff Transfers (Pensions) Direction 2007).

Bulk transfer circumstances

Bulk transfers into and out of the Fund can occur for a variety of reasons, namely:

- where an outsourcing arrangement is entered into and active scheme members leave the LGPS to join a broadly comparable scheme;
- where an outsourcing arrangement ceases and active scheme members re-join the LGPS from a broadly comparable scheme;
- where there is a reorganisation of central government operations (transfers in from, or out to, other government sponsored schemes);
- where there is a reorganisation or consolidation of local operations (bought about by, for example, local government shared services, college mergers or multi academy trust consolidations); or
- a national restructuring resulting in the admission of an employer whose employees have LGPS service in another LGPS fund, or vice versa.

Unlike bulk transfers out of the LGPS, there is no specific provision to allow for bulk transfers into the LGPS. As a result, any transfer value received into the LGPS, whether on the voluntary movement of an individual or the compulsory transfer of several employees, must be treated the same way as individual transfers.

Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 contain relevant provisions regarding transfers (including bulk transfers) to and from the scheme, and include the following:

- Regulation 98 – applies on transfer out to non-LGPS schemes. It allows for the payment of a bulk transfer value where at least two active members of the LGPS cease scheme membership and join another approved pension arrangement.
- Regulation 99 - gives the LGPS actuary discretion as to the choice of method of calculation used to calculate the bulk transfer value.

- Regulation 100 – allows an individual who holds relevant pension rights under a previous employer to request to be admitted for past service into the LGPS. Members wishing to transfer in accrued rights from a Club scheme, who request to do so within 12 months of joining their new LGPS employment must be granted their request. For members with non-Club accrued rights the LGPS Fund does not have to grant the request. Any request must be received in writing from the individual within 12 months of active employment commencing or longer at the discretion of the employer and the administering authority.

  Regulation 103 - states that any transfer between one LGPS fund and another LGPS fund (in England and Wales) where 10 or more members elect to transfer will trigger bulk transfer negotiations between Fund actuaries.

Best Value authorities

The Best Value Authorities Staff Transfers (Pensions) Direction 2007, which came into force on 1 October 2007, applies to all 'Best Value Authorities' in England. Best Value Authorities include all county, district, and borough councils in England, together with police and fire and rescue authorities, National Park Authorities and waste disposal authorities. The Direction:

- requires the contractor to secure pension protection for each transferring employee through the provision of pension rights that are the same as or are broadly comparable to or better than those they had as an employee of the authority, and
- provides that the provision of pension protection is enforceable by the employee.

The Direction also requires similar pension protection in relation to those former employees of an authority, who were transferred under TUPE to a contractor, in respect of any re-tendering of a contract for the provision of services (second and subsequent rounds of outsourcing).

Academies and Multi-Academy Trusts

New Fair Deal, introduced in October 2013, applies to academies and multi academy trusts. It requires that, where they outsource services, they ensure pension protection for non-teaching staff transferred is achieved via continued access to the LGPS. As a result, it would not be expected that the Fund would have any bulk transfers out of the LGPS in respect of outsourcings from academies or multi academy trusts.

Other employers

For all scheme employers that do not fall under the definition of a Best Value Authority or are not an academy (town and parish councils, arms-length organisations, further and higher education establishments, charities and other admitted bodies) and, therefore, are not subject to the requirements of Best Value Direction or New Fair Deal, there is no explicit requirement to provide pension protection on the outsourcing or insourcing of services, although any successful contractor is free to seek admission body status in the Fund, subject to complying with the Administering Authority's requirements (for example, ,having a bond or guarantor in place).

It is our understanding that there is no specific provision giving protection to past pension accrual in either the Direction or new Fair Deal (albeit if the individual remains in their original scheme then their past service rights are automatically protected). In the absence of a bulk transfer agreement, therefore, the Administering Authority would not expect to pay out more than individual cash equivalent transfer amounts, in accordance with appropriate guidance from the Government Actuary's Department (GAD)

Statement of Principles

The drafting of the bulk transfer has been based on the following key principles:

- Where a group of active scheme members joins (or leaves) the Fund, the Administering Authority's objective is to ensure that sufficient assets are received (or paid out) to meet the cost of providing those benefits.
- Ordinarily the Administering Authority's default approach for bulk transfers out (or in) will be to propose (or accept) that the transfer value is calculated using ongoing assumptions based on the share of fund assets (capped at 100% of the value of the liabilities). The Fund will retain the discretion to amend the bulk transfer basis to reflect the specific circumstances of each transfer (for example, the use of a low-risk exit basis where unsecured liabilities are being left behind, or where transfer terms are subject to commercial factors).
- The Administering Authority will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members.
- A bulk transfer in may result in a shortfall when assessed using the Fund's ongoing funding basis. This may require the receiving employer's Fund contributions to increase between valuations.
- A bulk transfer out which is greater than the value of the past service liabilities of the transferring members assessed on the Fund's ongoing funding basis, may require the transferring employer's Fund contributions to increase between valuations.
- The Administering Authority will not grant added benefits to members bringing in entitlements from another LGPS Fund or other scheme unless the asset transfer is sufficient to meet the added liabilities.
- Service credits granted to active scheme members should fully reflect the value of the benefits being transferred, irrespective of the transfer value paid or received.

Notes about the bulk transfer policy

There may be situations where a transfer amount accepted in respect of a transfer in is less than is required to fully fund the transferred in benefits on the Fund's ongoing basis. In such cases the Fund reserves the right to require the receiving employer to fund this deficit (either by lump sum or increase in ongoing employer contributions) ahead of the next formal valuation.

Any shortfall between the bulk transfer payable by the Fund and that which the receiving scheme is prepared to accept must be dealt with outside of the Fund, for example by a top up from the employer to the receiving scheme or through higher ongoing contributions to that scheme.

For transfers out, in exceptional circumstances the Fund's policy may be altered to reflect specific issues of the transferring employer (for example, the cessation of the transferring scheme employer).

- **Format of transfer payment**
  Ordinarily payment will be in cash, with discretion delegated to Derbyshire County Council's Section151 officer to agree alternatives.

  A deduction to the bulk transfer will be made for any administration, legal and transaction costs incurred by the Fund on account of having to disinvest any assets to meet the form of payment that suits the receiving scheme.

- **Impact on transferring employer**
  Any transfer of pension rights may impact on the valuation position of the employer and consequently their individual contribution rate.

  The Fund will agree with the transferring authority how this change is dealt with. Though it is likely this will be through adjustments to its employer contribution rate, the Fund may require a lump sum payment or instalments of lump sums to cover this relative change in deficit, for example where the deficit is a large proportion of the total remaining notional assets and liabilities. Where the transfer is small relative to the employer's share of the Fund, any adjustment may be deferred to the next valuation.

- **Consent**
  Where required within the Regulations, for any bulk transfer the Administering Authority will ensure the necessary consent is obtained from each individual eligible to be part of the transfer.

- **Approval process**
  Under the principles of good governance, it is important that a clear and robust approval process is in place when determining whether to pay or receive a bulk transfer.

  The Fund will normally agree to bulk transfers into or out of the Fund where this policy is adhered to.

- **Non-negotiable**
  It should be noted that, as far as possible, the Fund's preferred terms on bulk transfers are non-negotiable. Any differences between the value the Fund is prepared to pay (or receive) and that which the other scheme involved is prepared to accept (or pay) should be dealt with by the employers concerned outside the Fund.

Bulk Transfer Policy

The Administering Authority's policy in relation to bulk transfers is set out in Appendix C.

Appendix A – Admission policy

The following table sets out a summary of the various scenarios that may exist for the admission of scheme employers into the Fund, along with its approach to their on-going monitoring.

A1. Entry conditions and requirements of the Fund

	Scheduled bodies (Part 1 of schedule 2)	**Designating employers (Part 2 of schedule 2)**	**Admission bodies (Part 3 of schedule 2)**
Entry conditions	All new Part 1 employers (including academies) must ensure Fund is aware of their creation.	A designating employer must provide the Fund with a signed copy of its resolution, confirming who is eligible for membership of the Fund.	Will consider applications from bodies: - with links to a scheme employer; or - that provides services or assets on behalf of a scheme employer Agreements can be open or closed, so long as necessary protections are in place. Academies which outsource services to an admission body must comply with Education and Skills Funding Agency (ESFA) requirements in order for the Department for Education's guarantee in respect of LGPS funding to apply.
Bond / indemnity / guarantor	The Fund reserves the right to request a secure and financially durable bond, or other form of security, depending on the employer's financial circumstances. Any bond must be reviewed and renewed on an annual basis. Bonds are not required for academies as a result of the Department for Education's guarantee.		Secure and financially durable bond or guarantor in place (generally with a scheme employer and/or government department). Must be reviewed and renewed on an annual basis.
Risk sharing	Not applicable		Ordinarily the Fund will not be party to any risk sharing arrangements. Any such arrangements would not be included within the admission agreement and managed by the relevant parties. To protect the interests of the Fund, however, it would request sight of any risk sharing arrangements that have been put in place.

A2. Financial aspects of entry

	Scheduled bodies (Part 1 of schedule 2)	Designating employers (Part 2 of schedule 2)	Admission bodies (Part 3 of schedule 2)
Asset allocation	Assets for any new employer will be calculated using the Fund's ongoing funding basis, as set out in the FSS. Academies may be pooled with other academies as part of a Multi Academy Trust (MAT), including, subject to a Direction from DLUHC, those within a different administering authority. Where a new employer is created from an existing scheme employer the initial asset allocation will be based on a share of the ceding employer's assets, with consideration taken of the ceding employer's estimated deficit as at the date of transfer.		Dependent on type of admission body For new service providers = 100% of past service liabilities For all others – to be agreed on a case by case basis In all cases, based on Fund's on-going funding basis and tracked and adjusted during period of admission at each formal valuation.
Investment strategy	Set for the Fund as a whole		
Contributions	Set in accordance with Funding Strategy Statement Will be required to pay additional amounts (strain) in respect of: - non-ill health early retirements; and - employer award of additional pension. Ordinarily payments must be made to the Fund within the year in which the strain cost was incurred		
Other employer costs	May require payment of actuarial. legal and other justifiable costs incurred due to participation in the Fund, together with any additional costs incurred by administering authority resulting from an employer's poor performance		
Pooling	Ordinarily pooling will not be available. The only exception would be academies who can be pooled as part of a MAT or Town and Parish Councils that are currently pooled.		Where it is believed to be advantageous and all parties agree, the administering authority may agree to pooling with contracting scheme employer. Multi-Academy Trusts which operate academies in multiple administering authorities may only consolidate all of their academies into the Fund as a result of a Direction provided by DLUHC.

A3. Employer monitoring

	Scheduled bodies (Part 1 of schedule 2)	Designating employers (Part 2 of schedule 2)	Admission bodies (Part 3 of schedule 2)
Ongoing monitoring	The Fund reserves the right to review a scheme employer's funding position annually, or more frequently. Where it appears that liabilities have increased by more than expected at the last funding valuation the employer contribution rate may be subject to review during the inter-valuation period.		The Fund will ensure the ongoing assessment of risk related to each admitted body, to ensure the level of bond/indemnity cover remains appropriate. Employer contribution reviewed no less frequently than as part of formal valuations (inter-valuation may be undertaken if required if it appears liabilities have increased by more than allowed for at preceding formal valuation, or where the employer may become an exiting employer).

Appendix B – Cessation and exit credit policy

B1. Introduction

The purpose of these policies is to set out the Administering Authority's approach to dealing with circumstances where a scheme employer leaves the Fund and becomes an exiting employer (a cessation event).

It should be noted that this policy is not exhaustive. Each cessation will be treated on a case-by-case basis, however certain principles will apply as governed by the regulatory framework (see below) and the Fund's discretionary policies (as described in Section 3 - Policies).

B2. Aims and Objectives

The Administering Authority's aims and objectives related to these policies are as follows:

- To confirm the approach for the treatment and valuation of liabilities for employers leaving the Fund.
- To provide information about how the Fund may apply its discretionary powers when managing employer cessations.
- To outline the responsibilities of (and flexibilities for) exiting employers, the administering authority, the actuary and, where relevant, the original ceding scheme employer (usually a letting authority).

B3. Background

As described early, a scheme employer may become an exiting employer when a cessation event is triggered, e.g. when the last active member stops participating in the Fund. On cessation from the Fund, the Administering Authority will instruct the Fund actuary to carry out a valuation of assets and liabilities for the exiting employer to determine whether a deficit or surplus exists. The Fund has full discretion over the repayment terms of any deficit, and the extent to which any surplus results in the payment of an exit credit.

B4. Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contain relevant provisions regarding employers leaving the Fund (Regulation 64) and include the following:

- Regulation 64 (1) – this regulation states that, where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the termination date. Further, it requires the Rates & Adjustments Certificate to be amended to show the revised contributions due from the exiting employer

- Regulation 64 (2) – where an employing authority ceases to be a scheme employer, the administering authority is required to obtain an actuarial valuation of the liabilities of current and former employees as at the exit date. Further, it requires the Rates & Adjustments Certificate to be amended to show the exit payment due from the exiting employer or the excess of assets over the liabilities in the Fund.

- Regulation 64 (2ZAB) – the administering authority must determine the amount of an exit credit, which may be zero, taking into account the factors specified in paragraph (2ZC) and must:
  a) Notify its intention to make a determination to-
     (i) The exiting employer and any other body that has provided a guarantee to the Exiting Employer
     (ii) The scheme employer, where the exiting employer is a body that participated in the Scheme as a result of an admission agreement
  b) Pay the amount determined to that exiting employer within six months of the exit date, or such longer time as the administering authority and the exiting employer agree.

- Regulation (2ZC) – In exercising its discretion to determine the amount of any exit credit, the administering authority must have regard to the following factors-
  a) The extent to which there is an excess of assets in the fund relating to that employer 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 administering authority 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 of the Regulations: and
  d) Any other relevant factors

- Regulation 64 (2A) & (2B)– the administering authority, at its discretion, may issue a suspension notice to suspend payment of an exit amount for up to three years, where it reasonably believes the exiting employer is to have one or more active members contributing to the fund within the period specified in the suspension notice.

- Regulation 64 (3) – in instances where it is not possible to obtain additional contributions from the employer leaving the Fund or from the bond/indemnity or guarantor, the contribution rate(s) for the appropriate scheme employer or remaining fund employers may be amended.

- Regulation 64 (4) – where it is believed a scheme employer may cease at some point in the future, the administering authority may obtain a certificate from the fund actuary revising the contributions for that employer, with a view to ensuring that the assets are expected to be broadly equivalent to the exit payment that will be due.

- Regulation 64 (5) – following the payment of an exit payment to the Fund, no further payments are due to the fund from the exiting employer.

- Regulation 64 (7A-7G) – the administering authority may enter into a written deferred debt agreement, allowing the employer to have deferred employer status and to delay crystallisation of debt despite having no active members.

- Regulation 64B (1) – the administering authority may set out a policy on spreading exit payments.

In addition to the 2013 Regulations summarised above, Regulation 25A of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the

Transitional Regulations") give the Fund the ability to levy a cessation debt on employers who have ceased participation in the Fund (under the previous regulations) but for whom a cessation valuation was not carried out at the time. This Policy document describes how the Fund expects to deal with any such cases.

This Policy also reflects **statutory guidance** from the Department for Levelling Up, Housing and Communities on preparing and maintaining policies relating to employer exits. Interested parties may want to refer to an accompanying **guide** that has been produced by the Scheme Advisory Board.

These regulations relate to all employers in the Fund.

B5. Statement of Principles

This Statement of Principles covers the Fund's approach to exiting employers. Each case will be treated on its own merits but in general:

- It is the Fund's policy that the determination of any surplus or deficit on exit should aim to minimise, as far as is practicable, the risk that the remaining, unconnected employers in the Fund have to make contributions in future towards meeting the past service liabilities of current and former employees of employers leaving the Fund.
- The Fund's preferred approach is to request the full payment of any exit debt (an exit payment), which is calculated by the actuary on the appropriate basis (as per Section 7 of the FSS and Section B6.1 below). This would extinguish any liability to the Fund by the exiting employer.
- The Fund's key objective is to protect the interests of the Fund, which is aligned to protecting the interests of the remaining employers. A secondary objective is to consider the circumstances of the exiting employer in determining arrangements for the recovery of the exit debt.

B6. Policies

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus as defined in Section 4.3 of the FSS.

Where there is a deficit, payment of this amount in full would normally be sought from the exiting employer. The Fund's normal policy is that this cessation debt is paid in full in a single lump sum within 28 days of the employer being notified.

However, the Fund will consider written requests from employers to spread the payment over an agreed period, in the exceptional circumstance where payment of the debt in a single immediate lump sum could be shown by the employer to be materially detrimental to the employer's financial situation (see B6.2 Repayment flexibility on exit payments below).

In circumstances where there is a surplus, the administering authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the exiting employer (see B6.3 Exit credits below).

B6.1 Approach to cessation calculations

Cessation valuations are carried out on a case-by-case basis at the sole discretion of the Fund depending on the exiting employer's circumstances. However, in general the following broad principles and assumptions may apply, as described in Section 7.2 of the FSS and summarised below:

Type of employer	Cessation exit basis	Responsible parties for unpaid or future deficit emerging
Local Authorities, Police, Fire	Low risk basis[1]	Shared between other Fund employers
Arm's Length Management Organisations, Peak District National Park and Chesterfield Crematorium	Low risk basis or ongoing basis (depending on each employer's security or guarantee position)	Shared between other Fund employers or dependent on each employer's security or guarantee position
Colleges & Universities	Low risk basis	Shared between other Fund employers
Academies	Low risk basis	DfE guarantee may apply, otherwise see next section below this table
Admission bodies (TABs)	Ongoing basis[2]	Letting authority (where applicable), otherwise shared between other Fund employers
Admission bodies (CABs)	Low risk basis	Shared between other Fund employers (if no guarantor exists)
Designating employers	Low risk basis	Shared between other Fund employers (if no guarantor exists)

[1]Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (e.g. machinery of Government changes), these cessation principles would apply.

[2]Where a TAB has taken, in the view of the administering authority, action that has been deliberately designed to bring about a cessation event (e.g. stopping future accrual of LGPS benefits), then the cessation valuation will be carried out on a low-risk basis.

B6.1.1 Risk-based cessation approach

The Fund uses a risk-based approach to set employer funding strategy, including within cessation calculations. In particular, the likelihood of the Fund's assets achieving particular future investment returns is analysed.

Where appropriate, the Fund will use this approach to set an upper and lower amount (or "corridor") in order to consider the amount of assets a ceasing employer must leave behind to pay for its members' benefits.

Under this approach, an employer is deemed to have a deficit if its assets are below the lower amount and a surplus if its assets are above the higher amount (i.e. there will be no deficit or surplus if a ceasing employer's assets fall within the "corridor").

B6.1.2 Cessation of academies and multi-academy trusts (MATs)

A cessation event will occur if a current academy or MAT ceases to exist as an entity or as an employer in the Fund.

The cessation treatment will depend on the circumstances:

- If the cessation event occurs due to an academy or MAT merging with another academy or MAT within the Fund, all assets and liabilities from each of the merging entities will be combined and will become the responsibility of the new merged entity.
- If the MAT is split into more than one new or existing employers within the Fund, the actuary will calculate a split of the assets and liabilities to be transferred from the exiting employer to the new employers. The actuary will use their professional judgement to determine an appropriate and fair methodology for this calculation in consultation with the administering authority.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

B6.2 Repayment flexibility on exit payments

B6.2.1 Debt spreading arrangement (DSA)

Where there is a debt, payment of this amount in full would normally be sought from the ceasing employer. The Fund's normal policy is that this cessation debt is paid in full as a single lump sum and this remains the Fund's default position. However, subject to actuarial, covenant, legal and any other advice as necessary, in line with the Regulations and when in the best interests of all parties, the Fund may agree for this payment to be spread over an agreed period.

The decision on whether to enter into an exit debt spreading agreement with an employer rests with the Administering Authority; it will be evidence based and take into account advice from the Fund's actuary and any other relevant professional advice.

Repayments may be subject to an interest charge and any spreading would always be discussed in advance and agreed with the employer. Such agreement would only be permitted at the Fund's discretion, where the employer can demonstrate that payment of the debt in a single immediate lump sum could be shown to be materially detrimental to its normal operations.

The employer would need also to provide all the necessary information requested by the Administering Authority to determine the strength of the employer's covenant over the term of the Debt Spreading Agreement.

The Fund will provide a timetable for carrying out a debt spreading review on receipt of the relevant evidence from the employer.

In cases where payment is spread, the Fund reserves the right to require that the ceasing employer provides some form of security (such as a charge over assets, bond indemnity or guarantee) relating to the unpaid amount of debt at any given time. The length of any spreading period will depend on the employer's financial circumstances and on the strength of any security provided, and ordinarily would not exceed 5 years. The Fund will confirm the spreading period, annual repayments including any interest, and any other costs (for example, actuarial or legal) payable by the employer prior to the repayments starting. The Fund will monitor the employer’s circumstances regularly during the spreading period and may request updated financial information that could trigger a review of the arrangement and repayments.

B6.2.2 Deferred debt agreement (DDA)

As an alternative, where the ceasing employer is continuing in business, the Administering Authority may enter into a written agreement with the employer to defer its obligations to make an exit payment and continue to make Secondary contributions (a ‘Deferred Debt Agreement’ as described in Regulation 64 (7A)). The adoption of this approach will continue to expose the employer to stock market and other funding risks during the deferment period, leading to changes in the size of the debt, rather than crystallising the size of the debt at the point of cessation.

The deferred employer must meet all requirements on Scheme employers and pay the Secondary rate of contributions as determined by the Fund Actuary until the termination of the DDA. Any such agreement would always be discussed in advance with any letting employer or guarantor and the ceasing employer, whether at its request or not.

The decision on whether to enter into a deferred debt agreement with an employer rests with the Administering Authority; it will be evidence based and take into account advice from the Fund’s Actuary and any other relevant professional advice.

The Fund will provide a timetable for considering a DDA on receipt of all relevant evidence from the employer as outlined below.

The Administering Authority will consider DDA’s in the following circumstances:

- The employer requests the Fund to consider a DDA;
- The employer is expected to have a deficit when the cessation valuation is carried out;
- The employer is expected to be a going concern; and
- The covenant of the employer is considered sufficient by the Administering Authority. Evidence may be required from the employer to back this up for example, report and accounts, financial forecasts and budgets.

The Administering Authority will normally require:

- Security to be put in place covering the employer’s deficit on its cessation basis;
- Regular monitoring of the contribution requirements and security requirements;
- All costs of the arrangement to be met by the employer, such as the cost of actuarial or legal advice to the Fund, ongoing monitoring of the arrangement and correspondence on any ongoing contribution and security requirements. Estimates of these would be notified to the employer.

A DDA will normally terminate on the first date on which one of the following events occurs:

- the deferred employer enrols new active Fund members;
- the period specified, or as varied, under the DDA elapses;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the Administering Authority serves a notice on the deferred employer that the Administering Authority is reasonably satisfied that the deferred employer’s ability to meet the contributions

payable under the DDA has weakened materially or is likely to weaken materially in the next 12 months;

- the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover all (or almost all) of the exit payment due if the employer becomes an ceasing employer on the calculation date (that is the ceasing employer is now largely fully funded on its cessation basis); or
- The deferred employer requests early termination of the agreement and settles the exit payment in full as calculated by the Fund Actuary on the calculation date (meaning that the employer pays its outstanding cessation debt on its cessation basis).

On the termination of a DDA, the deferred employer will become an exiting employer and a cessation valuation will be completed in line with this FSS.

B6.3 Exit credits

The Local Government Pension Scheme Regulations 2013 (the 2013 Regulations) were amended in 2018 to allow exit credits to be paid for the first time. The amendment came into effect on 14 May 2018 but had retrospective effect back to 1 April 2014. Further amendment regulations came into force on 20 March 2020 which were also deemed to have effect from 14 May 2018.

If an employer becomes an exiting employer under Regulation 64 of the 2013 Regulations, it may be entitled to receive an exit credit if its pension liabilities have been overfunded at its date of exit.

B6.3.1 Exit Valuation

When an employer becomes an exiting employer, Derbyshire Pension Fund (the Fund) must obtain from the Fund actuary:

- an actuarial valuation as at the exit date of the liabilities of the Fund in respect of benefits in respect of the exiting employer's current and former employees
- a revised Rates and Adjustments certificate showing the exit payment due from the exiting employer; or the excess of assets in the Fund relating to that employer over its liabilities as calculated by the valuation

When commissioning the valuation from the actuary, the Fund will also request the actuary to confirm the proportion of any excess of assets which has arisen because of the value of the employer's contributions. This a factor the Fund must have regard to when making its determination as to the amount of the exit credit.

B6.3.2 Notification

The Fund will notify its intention to make a determination on whether to pay an exit credit to:

- the exiting employer
- the scheme employer in connection with that body (the letting authority) where the exiting employer is a ‘transferee’ admission body
- any other body that has given a guarantee in respect of the admission body where the exiting employer is an admission body of any type,

B6.3.3 Determination

In accordance with Regulation 64 (2ZAB) of the 2013 Regulations (as amended), the Fund will determine the amount of any exit credit (which may be zero) taking into account the following factors:

- the extent to which the exiting employer's assets in the Fund are more than its liabilities (in relation to benefits in respect of the exiting employer's current and former employees)
- the proportion of this excess of assets which has arisen because of the value of the exiting employer's contributions
- any representations made by the exiting employer and, where the employer participates in the scheme by virtue of an admission agreement, any organisation which has acted as a guarantor for the employer's pension liabilities (in many cases this will be the letting authority)
- any other relevant factors

In determining whether an exit credit may be payable, Derbyshire Pension Fund will review each case on its own merits and will apply the following guidelines:

1. For admissions before 14 May 2018, the Fund 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.
2. The basis for calculating an employer's pension liabilities to determine the level of any exit credit, will generally be as set out in the Fund's Funding Strategy Statement (FSS).
3. An exit credit will not normally be payable to an admission body which participates in the Fund via an agreed fixed contribution rate throughout its participation in the Fund as in this case the pensions risk normally 'passes through' to the letting authority.
4. The Fund may undertake an exit credit calculation which reflects any contractual pension risk sharing provisions between the exiting employer, the letting authority/guarantor and/or any other relevant body with respect to pension risk sharing. This information, including confirmation of which party is responsible for which funding risk should be provided to the administering authority within one month of the exiting employer ceasing participation in the Fund.
5. Where a guarantor or similar arrangement is in place, but no formal risk sharing arrangement exists, the Fund will take into consideration how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This may inform the determination of the value of any exit credit.
6. If an employer leaves on the 'low-risk exit basis' as set out in the FSS, any surplus will normally be paid in full as an exit credit to the employer, subject to consideration of the individual circumstances (and if the assets are above the upper "corridor" amount – see "Risk-based cessation approach" above).
7. If an admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment.
8. 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.
9. If there is any doubt about the applicable LGPS benefit structure at the date of exit (for example, McCloud remedy), the 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.

10. The Fund will take into account whether any outstanding contributions or other payments are due to the Fund at the cessation date. Any outstanding payments will be notified to the exiting employer and will be deducted from any exit credit payment.
11. Costs associated with the determination of an exit credit may be deducted from any exit credit payment at the Fund's discretion.
12. The Fund will consider any representations made by the letting authority and/or any other relevant scheme employer regarding monies owed to them by the exiting employer in respect of the contract that is ceasing. Representations regarding any such outstanding payments should be made to the Fund within one month of the exiting employer ceasing participation in the Fund.
13. The Fund's final decision will be made by the Director of Finance and ICT with advice from the Head of Pension Fund, and where necessary with advice from the Fund's actuary, and/or legal advisors, in consideration of the guidelines set out in this policy.
14. There may be some situations which are bespoke in nature. In these situations, the Fund will take into account the factors it considers to be relevant in determining whether an exit credit is payable, including representations from relevant parties. The Fund's decision on how to make an exit credit determination in these instances will be final.
15. The Fund will inform the exiting employer of any exit credit amount due to be paid and seek to make payment within six months of the exit date. To meet the six-month timeframe, the Fund will require prompt notification of an employer's exit and all data and relevant information as requested. The Fund will be unable to make an exit credit payment until all the requested data and information has been received. Agreement to an extension of the timeframe will be deemed where data and information have not been provided on time.

B6.3.4 Appeals

If a party involved in the exit credit process set out in this Policy wishes to dispute the Fund's determination, this must be routed through the Fund's internal dispute resolution procedure (Application for Adjudication of Disagreements Procedure - AADP). A copy of the AADP is available on the Fund's website: [Application for the Adjudication of Disagreements Procedure]

If the relevant party is still unhappy with the exit credit determination, having gone through all the stages of the AADP, they may be able to take a complaint to the Pensions Ombudsman.

B6.3.5 Review

This Exit Credits Policy will be reviewed at least every three years as part of the triennial valuation process or following any relevant changes in the LGPS Regulations.

B7. Practicalities and process

B7.1 Responsibilities of ceasing employers

An employer which is aware that its participation in the Fund is likely to come to an end must:

- Advise the Fund, in writing, of the likely ending of its participation (either within the terms of the admission agreement in respect of an admission body (typically a 3 month notice period is required) or otherwise as required by the Regulations for all other scheme employers). It should be noted that this includes closed employers where the last employee member is leaving (whether due to retirement, death or otherwise leaving employment).

- Provide any relevant information on the reason for leaving the Fund and, where appropriate, contact information in the case of a take-over, merger or insolvency.
- Provide all other information and data requirements as requested by the Administering Authority which are relevant, including in particular any changes to the membership which could affect the liabilities (e.g. salary increases and early retirements) and an indication of what will happen to current employee members on cessation (e.g. will they transfer to another Fund employer, will they cease to accrue benefits within the Fund, etc.).

B7.2 Responsibilities of Administering Authority

The Administering Authority will:

- gather information as required, including, but not limited to, the following:
    - details of the cessation - the reason the employer is leaving the Fund (i.e. end of contract, insolvency, merger, machinery of government changes, etc.) and any supporting documentation that may have an effect on the cessation
    - complete membership data for the outgoing employer and identify changes since the previous formal valuation
    - the likely outcome for any remaining employee members (e.g. will they be transferred to a new employer, or will they cease to accrue liabilities in the Fund)
- identify the party that will be responsible for the employer's deficit on cessation (i.e. the employer itself, an insurance company, a receiver, another Fund employer, guarantor, etc.)
- commission the Fund actuary to carry out a cessation valuation under the appropriate regulation
- where applicable, discuss with the employer the possibility of paying adjusted contribution rates that target a 100% funding level by the date of cessation through increased contributions in the case of a deficit on the cessation basis or reduced contributions in respect of a surplus
- where applicable, liaise with the original ceding employer or guarantor and ensure it is aware of its responsibilities, in particular for any residual liabilities or risk associated with the outgoing employer's membership
- having taken actuarial advice, notify the employer and other relevant parties in writing of the payment required in respect of any deficit on cessation and pursue payment

B7.2.1 Payment of an exit credit

- If the actuary determines that there is an excess of assets over the liabilities at the cessation date, the administering authority will act in accordance with the exit credit policy above. If payment is required, the administering authority will advise the exiting employer of the amount due to be repaid and seek to make payment within six months of the exit date. However, in order to meet the six month timeframe, the administering authority requires prompt notification of an employer's exit and all data requested to be provided in a timely manner. The administering authority is unable to make any exit credit payment until it has received all data requested.

- At the time this policy was produced, the Fund has been informed by HMRC that exit credits are not subject to tax, however all exiting employers must seek their own advice on the tax and accounting treatment of any exit credit.

B7.3 Responsibilities of the actuary

Following commission of a cessation valuation by the administering authority, the Fund actuary will:

- calculate the surplus or deficit attributable to the outgoing employer on an appropriate basis, taking into account the principles set out in this policy
- provide actuarial advice to the administering authority on how any cessation deficit should be recovered, giving consideration to the circumstances of the employer and any information collected to date in respect to the cessation
- where appropriate, advise on the implications of the employer leaving on the remaining Fund employers, including any residual effects to be considered as part of triennial valuations

B8. Related Policies

The Fund's approach to exiting employers is set out in the FSS, specifically 'Section 7 – What happens when an employer leaves the Fund?'

The approach taken to set the actuarial assumptions for cessation valuations is set out in Appendix D of the FSS.

Appendix C – Bulk transfer policy

The following table sets out a summary of the various scenarios for the transfer in to and out of the Fund, together with the Administering Authority's policies relating to bulk transfers. In the remainder of this section the Administering Authority's policies are set out in relation to several subsidiary areas associated with bulk transfers.

Scenario		Bulk transfer mechanism	Policy	Methodology
Machinery of Government from a Club Scheme	Transfer In	Club Memorandum	The Club mechanism ensures the pension credit in the Fund provides actuarially equivalent benefits	The pension credit awarded to members transferring in will be calculated in line with the Club transfer-in formulae.
	Transfer Out	Regulation 98 of the Local Government Pension Scheme Regulations 2013 or Club Memorandum	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to the Club transfer out formulae in accordance with GAD guidance.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the share of Fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.
Broadly Comparable scheme **Or** **Machinery of Government where scheme is treated as a non-Club scheme**	Transfer In	GAD guidance	Non-Club transfer in formulae in accordance with GAD guidance	The pension credit awarded to members transferring in will be calculated in line with the non-Club transfer-in formulae.
	Transfer Out	< 2 members – GAD guidance	Cash equivalent transfer values (CETV) in accordance with GAD guidance	The transfer value paid to the receiving scheme will be calculated in line with the CETV transfer-out formulae.
		2 or more members – Regulation 98 of the Local Government Pension Scheme Regulations 2013	Where agreement can be reached, the Fund and the receiving scheme (and their two actuaries) may agree to a negotiated bulk transfer arrangement. Or Where agreement cannot be reached, revert to cash equivalent	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the share of Fund assets (capped at 100% of the value of the liabilities). Discretion exists to amend this to reflect specific circumstances of the situation.

			transfer values under GAD guidance	
Scenario		**Bulk transfer mechanism**	**Policy**	**Methodology**
Inter-fund transfer (transfer between the Fund and another LGPS fund)	Transfer In	< 10 members – GAD guidance	Cash equivalent transfer values in accordance with GAD guidance	On receipt of a transfer value (calculated in line with the CETV transfer-out formulae), the Fund will award the member a pension credit on a day-for-day basis.
		10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	The Fund and the transferring fund (and their two actuaries) should agree to a negotiated bulk transfer arrangement.	The Fund's default policy is to accept an amount calculated using ongoing assumptions based on the share of Fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation. Pension credits will be awarded to the transferring members on a day-for-day basis.
	Transfer Out	< 10 members – GAD guidance	Cash equivalent transfer values in accordance with GAD guidance	The transfer value paid to the receiving fund will be calculated in line with the CETV transfer-out formulae.
		10 or more members – Regulation 103 of the Local Government Pension Scheme Regulations 2013	The Fund and the receiving Fund (and their two actuaries) should agree to a negotiated bulk transfer arrangement.	The Fund's default policy is to offer the receiving scheme transfers out calculated using ongoing assumptions based on the share of Fund assets (capped at 100% of the liability value). Discretion exists to amend this to reflect specific circumstances of the situation.