

Academy Pooling Policy

This document is an addendum to the current Funding Strategy Statement (“FSS”) of the Surrey Pension Fund (“the Fund”). It sets out the Fund’s policy on how Employer contribution rates will be determined and reviewed for academies who agree to join a Multi-Academy Trust (MAT) or an Umbrella Trust either at the triennial valuation date or during the period between the Fund’s triennial actuarial valuations.

The policy is effective from 1 April 2017 and will be reviewed and revised as necessary at each formal valuation of the Fund.

The three different groups of academies covered by this policy are set out below:-

- Standalone academies - these are LEA schools who have elected to convert to Academy status;
- Multi-academy Trusts – these are academies who have given written agreement to the Fund that they wish to join a Multi-Academy Trust; and
- Umbrella Trusts – these are academies who have given written agreement to the Fund to pool together for setting LGPS employer contribution rates purposes only.

Categorisation under risk based approach

As set out in the FSS, the Fund has established risk covenant categories for the purpose of determining contribution rates payable. Within this framework, academies fall into one of two categories as follows:

- Category 1B if they are part of a Multi-Academy Trust or an Umbrella Trust. This category reflects the improved security that being part of a Trust brings as risks are shared by the individual academies of the Trust.
- Category 2 if they are a standalone academy. This category reflects the third party guarantee provided by the Department for Education.

This results in a lower contribution rate than for a participating employer without a guarantor or other form of security. All else being equal, the contribution rate for a category 1B academy will be lower than for a category 2 academy. Further details are provided in the Fund’s Funding Strategy Statement.

The Fund’s policy to calculating an academy’s contribution rate for the different groups are summarised below:-

Standalone Academies

Schools that elect to convert to Academy status will have their opening assets and liabilities and their contribution rate calculated at the date of their conversion by the Fund’s actuarial advisers, based on the members that are employed by the Academy at the date of conversion and who are also members of the Surrey Pension Fund. Full details of how these will be assessed are set out in Section 3 of the Fund’s FSS. The calculated contribution rate will be paid by the Academy until the 31 March of the year following the Fund’s next triennial actuarial valuation, where the Academy’s funding position and contribution rate will be reassessed by the Fund’s actuary, in accordance with the LGPS Regulations. A revised contribution rate will be effective from the 1 April of the year following the triennial valuation.

Multi-Academy Trusts

Standalone academies who elect to join a Multi-Academy Trust (MAT) during the three year period between the Fund’s triennial actuarial valuations, will pay contribution rates as set out below:-

1.1 Existing Multi-Academy Trust

If the Academy elects to join an existing MAT, the Academy will pay the MAT's certified rate from the previous triennial actuarial valuation until the MAT contribution rate is reassessed at the next triennial actuarial valuation. Academies who have elected to join a MAT will still have their assets and liabilities individually tracked between triennial actuarial valuations.

Should the underlying constituent academies that form the MAT change materially over the intervaluation period, the Fund may ask the Fund's actuaries to reassess the MAT's contribution rate to ensure the MAT is contributing at an appropriate level.

1.2 New Multi-Academy Trust

If two or more standalone academies elect to form a new MAT during the intervaluation period, the Fund will ask the Fund's actuary to calculate a revised contribution rate for the new MAT based on the membership of the combined academies at the date the MAT was formed. Again, academies who have joined a MAT will have their assets and liabilities individually tracked.

In assessing the MAT contribution rate, the Fund's actuary will take into account the additional security the Fund receives from the risk sharing mechanism within the MAT. In summary, by signing up to the pooling agreement, constituent academies in a MAT agree to act as guarantor to the other academies in their MAT.

The pooled academy MAT rate is calculated by the Fund's actuary as a weighted average of the individual contribution rates of all the academies in the MAT, however, allowing for a lower likelihood of meeting the funding target which results in a lower contribution rate. Further details are provided in section 3.3 of the FSS. As this is an average, this pooled contribution rate may be higher or lower than the individual, constituent academy rates had these been calculated separately and certified by the Fund actuary.

Umbrella Trusts

Standalone academies who elect to join an Umbrella Trust during the three year period between the Fund's triennial actuarial valuations, will pay contribution rates as set out below:-

1.3 Existing Umbrella Trusts

If the Academy elects to join an existing Umbrella Trust, the Academy will pay the Umbrella Trust's certified rate from the previous triennial actuarial valuation until the Umbrella Trust's contribution rate is reassessed at the next triennial actuarial valuation. Academies who have elected to join an Umbrella Trust will have their assets and liabilities individually tracked between triennial actuarial valuations.

Should the underlying constituent academies that form the Umbrella Trust change materially over the intervaluation period, the Fund may ask the Fund's actuaries to reassess the Umbrella Trust's contribution rate to ensure the Trust is contributing at an appropriate level.

1.4 New Umbrella Trust

If two or more standalone academies elect to form a new Umbrella Trust during the intervaluation period, the Fund will ask the Fund's actuary to calculate a revised contribution rate for the new Umbrella Trust based on the membership of the combined academies at the date the Umbrella Trust was formed.

In assessing the Trust's contribution rate, the Fund's actuary will take into account the additional security the Fund receives from the Trust. By signing up to the Umbrella agreement, constituent academies in a Trust agree to act as guarantor to the other academies in their Trust for LGPS pension purposes only.

The pooled academy Trust rate is calculated by the Fund's actuary as a weighted average of the contribution rates of all the academies in the Trust, however, allowing for a lower likelihood of meeting the funding target which results in a lower contribution rate. Further details are provided in section 3.3 of the FSS. As this is an average,

this pooled contribution rate may be higher or lower than the individual, constituent academy rates had these been calculated separately and certified by the Fund actuary.

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