Avon Pension Fund

Your pension, your future

Facility for a Multi-Academy Trust Pooled Contribution Rate

Avon Pension Fund

Contents

1. Background

The 2016 actuarial valuation saw the introduction of a facility for Multi-Academy Trusts (MATs) to have a pooled contribution rate for the academies under their control. The existence of this facility was underpinned by its inclusion in the Avon Pension Fund's Funding Strategy Statement (FSS).

2. Methodology for Pooling Contributions

While appreciating the rationale for having pooled contribution rates, the Fund has to allow for the possibility of individual academies leaving one MAT and joining another. This means that, whatever pooling facility is put in place, the methodology must enable the Fund to establish the assets and liabilities attributable to an individual academy if it were to join another MAT or exit the MAT and the Fund.

The Fund's Actuary therefore advises that whilst separate assets and liabilities should be calculated for each academy, the future service contribution rates payable by a MAT's constituents can be averaged and "pooled" so that one future service contribution rate is payable within each MAT. Pooling of rates is a decision to be taken by each MAT during the valuation process.

The past service deficit lump sums payable will only be pooled in the sense that they will be aggregated across each academy under the MAT's control. An average recovery period will be used based on the principles agreed in the FSS.

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 who can, at the MAT's discretion, be pooled under a "central functions" employer number).

3. The Facility 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 which transfers from one MAT to another or an academy that exits from the Fund.

ii. Academies will be able to establish a separate employer number for staff employed at Trust central functions. If central function staff are placed under one academy, there is an underlying risk that part of their pension position will include assets and liabilities for staff working at the Trust; this would pose an actuarial issue if the academy moved Trust as the assets and liabilities transferred will include that of the Trust central function staff. In normal circumstances, the Fund will insist that a central function code is established to record these members correctly and to avoid issues relating to academy transfers. Please note, 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. All academies will be set up on I-Connect and they will record the leaver of the academy they are leaving and a joiner of the academy they are joining. 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) as a % of pay 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 (including any interim review of contribution rates in line with the FSS). An earlier rate review could still be completed if deemed necessary by the Administering Authority or as requested by the MAT - for example, if there were a material number of Academies joining/leaving the MAT in the inter-valuation period, or significant membership changes within the academies.

v. If pooling is requested, a common deficit recovery period will apply for all academies within the MAT (based on the principles set out in the FSS). The Actuary will calculate a past service deficit and deficit recovery payment for each academy individually. The deficit recovery payment for the MAT over the inter-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 inter-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. If pooling is requested, the actuarial valuation will set a single primary contribution rate per MAT, i.e. the average future service rate, and the aggregate deficit recovery payment. Member contributions will be remitted as normal in line with the Regulations. 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 (in the case of deficit recovery, the splits advised by the Fund Actuary can be used).

viii. For FRS 101/102 year-end 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. This will have implications for the cost of producing the information which will be communicated separately. Please note, the combined report facility is also available to MAT's that have not pooled, but it is suggested that any reporting requirements are checked with the Trusts auditors in the first instance.

ix. Where an academy moves from one MAT to another, the aggregate deficit contribution identified for the ceding MAT at the preceding actuarial valuation would be reduced in line with the share of the aggregate deficit contributions previously calculated for that academy and this would apply up to the date of the next actuarial valuation. The aggregate deficit contribution for the receiving MAT would be increased in the same way.

As part of the FRS 101/102 reporting, the assets, liabilities and deficit attributable to the academy will need to be assessed at the point of transfer by the Fund Actuary (apart from in exceptional circumstances). Whether the transfer is allowed for within the accounting process will depend on its materiality e.g. the impact that the transferring academy would have on both the old and the new MAT. If the transfer is material, an assessment of the position would be needed to complete the accounting disclosures. Any individual 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).

The full effect of the transfer between MATs would come through as part of the next actuarial valuation, where full calculations will be performed based on updated membership data.

x. Any move from the current system to an aggregate approach in line with the proposal above is entirely at the MAT's discretion. 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. If a MAT had a high number of academies join or leave during the three-year valuation period, this average rate could be materially affected; the case for an intra-period rate revision in these circumstances would be a strong one (with an attendant actuarial cost) to avoid material over or under payment of ongoing future service costs. Additionally, if after pooling the MAT opted to 'de-pool' (return to individual contribution rates) this is likely to incur significant actuarial costs, as such it is advisable that the decision to pool is only taken when the MAT is confident it is feasible in the long-term.

4. Outsourcing

A pooling facility is also available for outsourcing services but this is separate from the facility for pooling a MAT's contribution rates and can be used even if the MAT continues to have individual rates for its constituent academies. Details of the pooling facility for outsourcings are set out in the Appendix at the end of this document.

Appendix - Outsourcing

Where a MAT lets a contract for services which relates to a number of academies, the Fund previously required a separate admission agreement for each academy. An alternative approach, whereby only one admission agreement is required, has been available since the 2016 actuarial valuation. In this case a separate employer number for outsourcings has been established i.e. for the purposes of an outsourcing, the MAT becomes a participating employer within the Fund in its own right and will act as guarantor to the contractor who will be admitted in the usual way.

The key issue here is the Fund's policy that the guaranteeing employer i.e. the MAT 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). Previously 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 actuarial valuation following the end of a particular contract would simply be added to or subtracted from the deficit/surplus on the employer number for the MAT and would be identifiable as a separate amount if requested.

Any residual deficit / surplus therefore would impact on the aggregate deficit contributions payable following the actuarial valuation. In the interim any contributions relating to deficit (or surplus) payable by the contractor would automatically revert to the MAT up to the next formal review of the contributions required.

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

Avon Pension Fund

8th March 2024