

COST OF SETTING UP AN ADMISSION AGREEMENT

LEGAL COSTS

The standard admission agreement requires the admitted body to meet the Fund's cost of the admission agreement. It would then be up to the admission body to negotiate with the transferring body which of them bears the cost. The fees for issuing a draft agreement are £1,350 exc VAT and any further costs on top at hourly rates (e.g. Negotiation costs).

The extent to which any legal costs are incurred after the draft agreement has been prepared will depend on whether the transferring employer and the admission body have any comments on the agreement and/or require guidance from the pension fund (including sometimes on the contractual terms agreed between them). This is usually dependant on the sophistication of the admission body's knowledge of the LGPS and/or whether it is taking actuarial and legal advice. You will appreciate that these costs are not in the control of the pension fund. That being said, we would usually anticipate some additional costs for minor negotiation and for advising the transferring employer and the admission body regarding effective execution of the document perhaps between £750 to £1000 (exc. VAT). Ultimately, the extent to which additional costs are incurred usually depends on how efficiently the transferring employer and the admission body can expedite signing the agreement. In addition, the pension fund may also incur actuarial fees if the enquiries of the transferring employer or the admission body require the pension fund to seek actuarial advice.

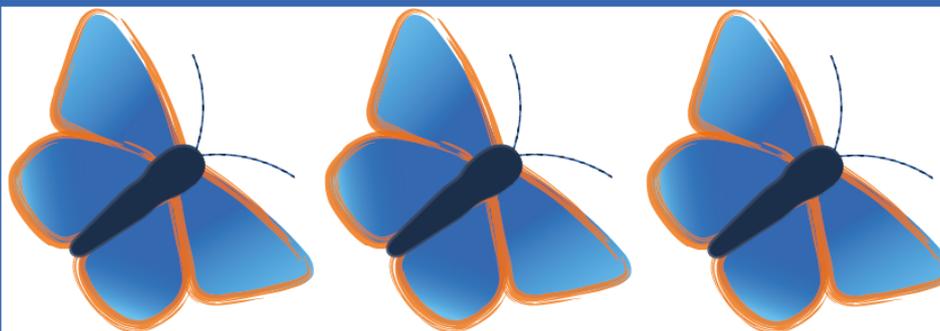
Please note that all costs quoted throughout this document are approximate and based on our understanding at the date of production.



POTENTIAL FUTURE COSTS

Please note that in the future when the last LGPS member, (or potential member as noted on the original transfer schedule) in your employ leaves, the admission agreement is terminated and a formal cessation valuation would be done to assess if the funding levels are in surplus, neutral or in deficit. So there is the potential for further costs in the future if the funding during the contract has not been adequate.

If you terminate the employment of one of your LGPS members who is over the age of 55 on the grounds of redundancy/efficiency/flexible retirement, there may be one off costs charged to you.



ON-GOING COSTS OF PROVIDING THE LGPS

The employer would have to pay a contribution rate set by the Actuary. Data relating to the transferring individuals would need to be provided to the actuary in order to establish the rate.



BOND OR PARENT COMPANY GUARANTEE

The cost of this would depend on how many members are transferring, their ages and how much they are earning. The Pension Fund Actuary will calculate the bond amount required. The bond would be taken out with a financial institution and is a bit like an insurance policy where the contractor would pay a sum to set it up and possibly an annual fee to service the bond.

Responsibility for putting a bond in place lies with the admission body. Technically, the LGPS regulations require the admission body to carry out an actuarial assessment to the satisfaction of the pension fund and the transferring scheme employer to establish whether a bond is required but in practice this will usually be done by the pension fund. If any actuarial fees are incurred these would in the first instance be met by the admission body. If a bond is required, admission bodies can source these from insurance company or corporate banking bond providers. Examples of providers in this market include HSBC, Lloyds TSB and HCC Insurance but there may be other providers which the admission body could source using a broker. If a bond is required there may be legal costs incurred by the pension fund if the admission body's chosen bond provider seeks to negotiate of the pension fund's standard bond terms. Alternatively, the pension fund can request the admission body to put in place a guarantee (e.g. from a parent company or from the transferring employer) which would also incur additional legal costs.

ACTUARIAL COSTS

Pension Fund Actuaries would normally process the full calculations and the fee is £1,750 for a medium sized employer, £1,400 for a small employer and £1,925 for a large employer. There are some circumstances where the contract might start before we get the full data so an interim contribution rate along the lines of 15% might be appropriate until the calculations are completed.

POINT OF CONTACT

We advise and support employers in their task of dealing with members in the LGPS, but you will need someone at your end who is responsible for pensions to be a point of contact. You will also need to ensure that your payroll provider can accommodate the LGPS provisions.

Please contact us: Dorset County Pension Fund, County Hall, Dorchester, Dorset. DT1 1XJ

Telephone: 01305 221546 / 221547

Email: lgpsemployers@dorsetcouncil.gov.uk

Website: www.yourpension.org.uk/Dorset/Employers

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