

## COST OF SETTING UP AN ADMISSION AGREEMENT

### LEGAL COSTS

The standard admission agreement requires the admitted body to meet the pension fund's cost of the admission agreement. The fees for issuing a draft agreement are £2,325.00 (exc VAT) and any further costs on top at hourly rates (e.g. negotiation costs). In addition there could be a further cost of £1,250.00 (exc VAT) if a bond or guarantee is required.

Legal costs may be incurred after the draft agreement has been prepared, dependent on whether the transferring employer and the admission body have any comments on the agreement and/or require guidance from the pension fund. This is usually dependent on the sophistication of the admission body's knowledge of the LGPS and/or whether it is taking actuarial and legal advice. These costs are not in the control of the pension fund.

Ultimately, the extent to which additional costs are incurred generally depends on how efficiently the transferring employer and the admission body can expedite signing the agreement.

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



### POTENTIAL FUTURE COSTS

If the admission agreement being set up is based on the scheme being closed to employees not on the original transfer schedule, you will be referred to as a 'closed' employer.

When the last LGPS member, (or potential member as noted on the original transfer schedule) in the closed employment leaves, the admission agreement is terminated and a formal cessation valuation would be calculated to assess if the funding levels are in surplus, neutral or in deficit.

This results in the potential for further costs in the future if the funding during the contract has not been adequate.

### ACTUARIAL COSTS

The Pension Fund Actuary would normally expect to process the full calculations and the fee is £1,930.00 (exc. VAT) for an employer with between 5 and 250 members. A discount of 20% will apply if there are fewer than 5 members and the fee is increased by 10% for more than 250 members.

In circumstances where the contract might start before the Dorset County Pension Fund gets the full data, an interim contribution rate along the lines of 20% might be appropriate until the calculations are completed.

### STRAIN COST

If an employer terminates the employment of an LGPS member who is over the age of 55 on the grounds of redundancy / efficiency / flexible retirement, there may be a one off cost charged.



## ON-GOING COSTS OF PROVIDING THE LGPS

The employer would have to pay a contribution rate set by the fund actuary. Data relating to the transferring individuals would need to be provided to the fund actuary in order to establish the rate. Each month the employer would need to send The Dorset County Pension Fund (DCPF) the agreed percentage of their employee's actual pay; this is the employer contribution rate.

The employer contribution rate is reassessed every three years, following the fund triannual valuation.



## BOND OR PARENT COMPANY GUARANTEE

The amount of the bond depends on how many members of staff are transferring, their ages and how much they are earning. If more than 10 are transferring the pension fund Actuary will calculate the bond amount required. If there are less than 10 the bond will be the greater of 20% of pensionable pay or 1 times the pay of the over 55s. The bond would be taken out with a financial institution and resembles 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 companies or corporate banking bond providers. 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 the pension fund's standard bond terms. Alternatively, the pension fund can request that the admission body put in place a guarantee (e.g. from a parent company or from the transferring employer) which would also incur additional legal costs.

## POINT OF CONTACT

The Dorset County Pension Fund will advise and support employers in their task of dealing with members in the LGPS, but the employer will need a nominated person to be responsible for pensions and to act as a point of contact. The employer will also need to ensure that their 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](mailto:lgpsemployers@dorsetcouncil.gov.uk)

Website: [www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)

Published November 2025

# Glossary of Terms

<b>Actuarial Assessment</b>	An assessment of an admitted body undertaken by Actuaries in order to establish their financial state, and decide on future employer contribution rates
<b>Actuarial Costs</b>	Costs due to the fund Actuaries as a result of using their services
<b>Admission Agreement</b>	The means by which a private contractor, to whom former local government employees transfer under TUPE, can participate in the LGPS as an admission body
<b>Admission Body</b>	An organisation that chooses to be admitted to the LGPS in order to provide access to the scheme for some or all of its employees
<b>Bond Company Guarantee</b>	An agreement for use by an administering authority of the LGPS (in this case DCPF), and a guarantor of the obligations owed to the relevant LGPS fund by an admission body.
<b>Parent Company Guarantee</b>	A guarantor considered by DCPF and found to be strong, secure and financially durable
<b>Strain Costs</b>	Pension strain costs (often also called capital costs) occur when there is a shortfall in the assumed level of funding needed to provide a particular pension benefit. Often these strain costs occur when a member draws their benefits earlier than expected