



As administering authority for Isle of Wight Pension Fund

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**Isle of Wight Council**  
**As administering authority for the**  
**Isle of Wight Pension Fund**  
**POLICY ON ACADEMY**  
**FUNDING**  
**November 2023**

## 1 Document Information

<b>Title:</b>	<b>Policy on academy funding</b>
<b>Status:</b>	<b>FINAL</b>
<b>Current Version:</b>	<b>1.0</b>
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<b>Consultation:</b>	Pension Services Financial Management Legal Services Local Pension Board Pension Fund Committee
<b>Approved by:</b>	Pension Fund Committee
<b>Approval Date:</b>	<i>22 November 2023</i>
<b>Review Frequency:</b>	Every three years, unless significant change
<b>Next Review:</b>	2026

Version	Date	Description
0.0	5 June 2023	First version from Hymans Robertson
1.0	31 August 2023	IW template, for discussion at LPB Sep23, and sent to employers for consultation
1.0 final	06 November 2023	Final for adoption

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### 3 Introduction

Isle of Wight Council is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the employers participating in the LGPS through the Isle of Wight Pension Fund (the fund). The LGPS is governed by statutory regulations.

The purpose of this policy is to set out the Administering Authority's funding principles relating to Academies and Multi-Academy Trusts (MATs).

#### 3.1 Aims and Objectives

The Administering Authority's objectives related to this policy are as follows:

- to state the approach for the treatment and valuation of academy liabilities and asset shares on conversion from a local maintained school, if establishing as a new academy or when joining or leaving a MAT.
- to state the approach for setting contribution rates for MATs.
- to outline the responsibilities of academies seeking to consolidate.
- to outline the responsibilities of academies when outsourcing.

#### 3.2 Background

As described in Section 5.2 of the Funding Strategy Statement (FSS), new Academies join the fund on conversion from a local authority school or on creation (e.g. newly established Academies, Free Schools, etc). Upon joining the fund, for funding purposes, Academies may become stand-alone employers or may join an existing MAT.

Funding policy relating to Academies and MATs is largely at the fund's discretion, however guidance on how the fund will apply this discretion is set out within this policy.

#### 3.3 Guidance and regulatory framework

The Local Government Pension Scheme Regulations 2013 (as amended) contains general guidance on Scheme employers' participation within the fund which may be relevant but is not specific to academies.

There is currently a [written ministerial guarantee of academy LGPS liabilities](#), which was [reviewed](#) in 2022.

Academy guidance from the Department for Education and the Department for Levelling Up, Housing and Communities may also be relevant.

## 4 Statement of Principles

This statement of principles covers the fund's approach to funding academies and MATs. Each case will be treated on its own merits but in general:

- the fund will seek to apply a consistent approach to funding Academies that achieves fairness to the ceding council, MATs and individual Academies.
- the fund's current approach is to treat all Academies within a MAT as individual employers for asset tracking purposes but does permit pooling for contribution rates, reported funding positions and accounting purposes.
- Academies must consult with the fund prior to carrying out any outsourcing activity.
- the fund will generally not consider receiving additional academies into the fund as part of a consolidation exercise.

## **5 Policies**

### **5.1 Admission to the fund**

As set out in section 5.2 of the FSS:

#### **5.1.1 Asset allocation on conversion**

New Academies will be allocated an asset share based on the estimated funding level of the ceding council's active members, having first allocated the council's assets to fully fund its deferred and pensioner members. This funding level will then be applied to the transferring liabilities to calculate the Academy's initial asset share, capped at a maximum of 100%.

#### **5.1.2 Contribution rate**

New Academy contribution rates are based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership. If an Academy is joining an existing MAT within the fund, then it may pay the MAT contribution rate (which may or may not be updated as a result - see below). The Academy will also have the option of paying the Isle of Wight Council contribution rate.

### **5.2 Multi-academy trusts**

#### **5.2.1 Asset tracking**

The Fund's current policy is to individually track the asset shares of each Academy within the fund. Where a MAT exists, the individual asset shares may be pooled together to provide a pooled funding level or for setting a pooled contribution rate.

#### **5.2.2 Contribution rate**

If an Academy is joining an existing pooled MAT (within the fund), in general, the transferring Academy will pay the certified contribution rate of the MAT it is joining.

At the discretion of the fund, a new contribution may be calculated by the fund actuary to allow for impact of the transferring Academy joining the MAT.

#### **5.2.3 Academies leaving a MAT**

As set out in section 5.2 of the FSS, if an Academy leaves one MAT and joins another, all active, deferred and pensioner members transfer to the new MAT. The individual asset share of that Academy (as tracked individually) will be transferred to the new MAT in full, noting that this may be more (or less) than 100% of the transferring liabilities.

### **5.3 Merging of MATs (contribution rates)**

If two MATs merge during the period between formal valuations, the new merged MAT will pay the higher of the two certified individual MAT rates until the rates are reassessed at the next formal valuation.

Alternatively, as set out in the fund's contribution review policy and per Regulation 64 A (1)(b) (iii) the MAT may request that a contribution review is carried out. The MAT would be liable for the costs of this review.

#### **5.4 Cessations of academies and multi-academy trusts**

A cessation event will occur if a current Academy or a MAT ceases to exist as an entity or 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 as described in 3.2 above.
- In all other circumstances, and following payment of any cessation debt, section 7.5 of the FSS would apply.

#### **5.5 Academy consolidations**

If an Academy or MAT is seeking to merge with another MAT outside of the fund they would need to seek approval from the secretary of state to consolidate their liabilities (and assets) into one LGPS fund. It is the fund preference that Academies do not seek to consolidate within the Isle of Wight Fund.

The fund will provide the necessary administrative assistance to Academies seeking to consolidate into another LGPS fund, however the Academy (or MAT) will be fully liable for all actuarial, professional and administrative costs.

#### **5.6 Outsourcing**

An Academy (or MAT) may outsource or transfer a part of its services and workforce via an admission agreement to another organisation (usually a contractor). The contractor becomes a new participating fund employer for the duration of the contract and transferring employees remain eligible for LGPS membership.

The contractor will pay towards the LGPS benefits accrued by the transferring members for the duration of the contract, but ultimately the obligation to pay for these benefits will revert to the Academy (or MAT) at the end of the contract.

It is the fund's preference for the contractor's contribution rate to be set equal to the letting Academy's (or MAT's) total contribution rate.

It is critical for any Academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications. The Academy should also read and fully understand the fund's admissions / pass-through policy.

In some limited cases, it is necessary to seek approval from the Department for Education before completing an outsourcing (to ensure that the guarantee provided to Academies will remain in place for the transferring members). Further details can be found on [www.gov.uk](http://www.gov.uk) within the policy paper titled 'DfE local government pension scheme guarantee for academy trusts: pensions policy for outsourcing arrangements'.

## **5.7 Accounting**

Academies (or MATs) may choose to prepare combined FRS102 disclosures (e.g. for all academies within a MAT). Any pooling arrangements for accounting purposes may be independent of the funding arrangements (eg Academies may be pooled for contribution or funding risks but prepare individual accounting disclosures, or vice versa).



## 6 Practicalities and process

Schools looking to convert to Academy status, or any existing Academy or MAT considering outsourcing decisions, should in the first instance contact the Pension Fund Manager, Jo Thistlewood, by email at [pension.accounts@iow.gov.uk](mailto:pension.accounts@iow.gov.uk).

Questions in respect to provision of membership data, including i-connect setup, should be addressed to the Pension Services team by email at [pensions@iow.gov.uk](mailto:pensions@iow.gov.uk).

Further information on the fund, including strategic documents and policies, can be found on the fund's website: <https://www.isleofwightpensionfund.org/>.

## 7 Related Documents

The fund's approach to admitting new Academies into the fund is set out in the Funding Strategy Statement, specifically "Section 5 – What happens when an employer joins the fund?"

Other related policies include;

- Contribution review policy (appendix E of the fund's FSS)
- Cessation policy (appendix F of the fund's FSS)

Funding Strategy Statement	<a href="https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/">https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-funding-strategy-statement/</a>
Pension Administration Strategy	<a href="https://www.isleofwightpensionfund.org/resources/administration-strategy-statement-november-2018/">https://www.isleofwightpensionfund.org/resources/administration-strategy-statement-november-2018/</a>
2022 valuation report	<a href="https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-valuation-report/">https://www.isleofwightpensionfund.org/resources/isle-of-wight-council-pension-fund-2022-valuation-report/</a>

## 8 Definitions

### **Academy**

A state-funded school which is directly funded by the Department for Education and independent of local authority control.

### **Administering Authority**

A body responsible for administering a Local Government Pension Scheme (LGPS) fund on behalf of its members who may be drawn from a number of local authorities and other public service employers.

### **Funding Strategy Statement (FSS)**

Statutory document whose purpose is to 'establish a clear and transparent fund-specific funding strategy which would identify how employers' pension liabilities are best met going forward'.

### **Multi Academy Trust (MAT)**

An academy trust that operates more than one academy school.