

# **London Borough of Hounslow Pension Fund TUPE Transfers and Outsourcing of Services – a Guide for Schools/Academies**

This guide is intended to inform schools/Academies who are part of the Local Authority in the London Borough of Hounslow of what needs to be considered and the action required in the outsourcing process in respect of employees eligible to contribute to the Local Government Pension Scheme (LGPS).

## **Introduction**

The LGPS is a statutory scheme meaning that it is governed and administered in line with certain legislation and scheme regulations issued by Government. Included in those regulations is the way in which employees' pension rights are to be protected where their employer, the school or academy in this case, has decided to outsource a service to a private company. Typical examples that are seen in the Hounslow Pension Fund (HPF) arise when schools/academies outsource their catering and cleaning services to a private contractor.

Whilst pensions are not specifically covered by TUPE, schools/academies are still required to ensure that employees either retain membership of the LGPS through an admission agreement with the Pension Fund or have access to an alternative pension arrangement that provides broadly equivalent pension rights to those offered in the LGPS.

The availability of a broadly comparable pension scheme to the LGPS is extremely rare and this guide only concerns those contractors who wish to offer the LGPS provision via an admission agreement. Where the new employer is able to provide a broadly comparable scheme then it should contact [pensions@hounslow.gv.uk](mailto:pensions@hounslow.gv.uk) to discuss further as different considerations will apply.

## **Admitted body status**

The school/academy has a legal requirement to protect an employee's LGPS entitlement and are responsible for ensuring the staff transferred have continued membership in the scheme.

Continued membership of the LGPS is achieved by the contractor becoming an admitted body of the Hounslow Pension Fund by entering into an admission agreement. This is a legal arrangement between the Pension Fund and the contractor, separate to the commercial contract of services between the school/academy and the contractor. The commercial contract between the school/academy and the contractor should not be signed until the admission agreement has been finalised.

## **The process of becoming an admission body**

Prior to the school/academy outsourcing a service it is necessary to obtain, from the Pension Fund Actuary, a report which details both the employer pension contribution

rate and the risk value associated with this admission. To start this process the school/academy should contact the pension fund at [pensions@hounslow.gov.uk](mailto:pensions@hounslow.gov.uk). It is important to note that the employer contribution rate payable by the contractor will be different to that being paid by the school/academy. The risk value associated with the admission is the level of indemnity that the contractor will need to provide to the pension fund. This is normally in the form of a bond, but other options are available. The indemnity needs to be in place before the admission can be finalised.

It is important that the report is obtained from the Actuary as soon as possible and it is vital therefore that the school/academy makes contact with the pension fund at the start of a tender process to allow sufficient time for its production. Contractors will not be able to provide accurate bids for the service without knowing the full pension costs.

The cost of report from the Actuary is recharged to the school/Academy.

The school/Academy should remain actively involved in the process until the admission agreement has been finalised. This is when the transfer of pension liability is passed on to the contractor. Until this time the school/academy remains responsible for ensuring the continued pension entitlement of the employees who are part of this transfer of service.

Once the admission has been finalised the pension fund and the scheme administrators will liaise directly with the contractor for all further day to day issues. However, the school/academy should remain involved and have oversight of the service and be satisfied that the contractor is meeting all of its pension scheme obligations throughout the duration of the contract.

### **Contract changes and re-tenders**

The school/academy is required to inform the pension fund of any changes to the contract of services such as cessation or an extension at the earliest possible time. If an existing contract is being re-let the same process needs to be followed as if the contract is being let the first time, so starts with the school/academy making contact with the pension fund and the actuary providing the required report.

### **Summary**

The consequences of ignoring pensions when outsourcing services can be frustrating and costly. Please get in touch with the pensions office as a priority when considering letting a contract. If the tender process has begun, it is already too late, and all parties will be playing catch up and may result in the pension fund refusing the contractor admitted body status.

### **Contact details**

London Borough of Hounslow Pension Fund  
Hounslow House, 7 Bath Road, Hounslow, TW3 3EB  
Email: [pensions@hounslow.gov.uk](mailto:pensions@hounslow.gov.uk)  
Tel: 020 8583 4051