

# London Borough of Barnet Pension Fund

## Policy on academy funding

Effective date of policy	1 <sup>st</sup> October 2025
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Next review	31 <sup>st</sup> March 2028

### 1 Introduction

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

#### 1.1 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, 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

#### 1.2 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 (eg newly established academies, Free Schools, etc).

It is expected that new academies will join an existing MAT and so, upon joining the fund, academies will join an existing MAT pool for funding purposes. Where a new academy does not join an existing MAT pool, asset allocation and contribution rates will be determined by the Fund Actuary based on policy set out in the FSS.

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.

#### 1.3 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 (DfE) and the Ministry of Housing, Communities & Local Government (MHCLG) may also be relevant.

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### 2 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 councils, MATs and individual academies.
- the fund's current approach is to treat all academies within a MAT as a single employer (operating as a funding pool where all pension risks are shared).
- academies must consult with the fund prior to carrying out any outsourcing activity.

### 3 Policies

#### 3.1 Admission to the fund

##### *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%. The council's estimated funding level will be based on market conditions on the day before conversion.

For new academies joining a MAT, assets calculated using the approach outlined in the previous paragraph will be transferred from the ceding council to the MAT.

##### *Asset tracking*

The Fund's policy is to pool assets (and liabilities) of all academies within a MAT. Once an academy joins a MAT, the individual asset share of that academy is merged into the MAT. All funding risks within the MAT pool are shared with other academies within the MAT pool. As such, only the MAT pool asset and liability share is tracked.

##### *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.

The default approach is that the MAT is treated as a 'full funding risks' pool meaning that all academies within the MAT pay the same contribution rate to the fund and all membership experience is shared across the MAT (i.e. full cross-subsidy exists).

If an academy is joining an existing MAT within the Fund then it will pay the MAT contribution rate.

If the new academy is not part of a MAT, or if the MAT does not already participate in the London Borough of Barnet Pension Fund, the new academy's contribution rate will be determined based on the current funding strategy (set out in section 2 of the FSS) and the transferring membership.

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### 3.2 Academy transfers

#### *Academy leaves a MAT and joins another MAT*

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 (determined based on the value of the transferring liabilities and the funding level of the MAT pool) will be transferred to the new MAT, noting that this may be more (or less) than 100% of the transferring liabilities.

The academy will pay the new MAT pool rate.

#### *Merging of MATs*

If two MATs merge during the period between formal valuations, all assets and liabilities will be combined to form a new MAT pool.

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 (NB where one or both MATs are paying a monetary secondary contribution rate these will be converted to a % of pay for the purposes of determining the new merged contribution rate).

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.

#### *Standalone Academy joins a MAT*

If an existing standalone academy joins a MAT, all active deferred and pensioner liabilities, along with the full asset share for the existing standalone academy, will transfer to the MAT.

The academy will pay the existing MAT pool rate.

### 3.3 Cessations of academies and multi-academy trusts

A cessation event will occur if a current academy or MAT ceases to exist as an entity or an employer in the fund.

The cessation treatment will depend on the circumstances:

- In the event of a MAT closure (or the closure of a standalone academy), where individual academies may be subsequently transferred to another MAT (or several MATs), a formal cessation valuation would be carried out. Assets transferred to any new MAT(s) would be set based on the value of the transferring active liabilities, but these may be adjusted to ensure that the legacy MAT deferred and pensioner liabilities are fully funded on the low-risk cessation basis.
- If an academy or MAT merges 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. A formal cessation valuation would then be carried out in respect of the former entities (on the basis of their being nil assets and liabilities remaining).

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If a single academy operating within a MAT ceases to exist, the legacy assets and liabilities of the academy will remain the responsibility of the MAT. This is not a cessation event (as defined in Regulation 64 of the LGPS Regulations), and a cessation valuation will not be required.

### 3.4 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.

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.

Following the transfer of an academy or a MAT from another LGPS Fund, the Fund will assess if a revision to the contribution rate is required to allow for impact of the academy transfer.

### 3.5 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 remain with the academy (or MAT) during and after the contract period.

It is critical for any academy (or MAT) considering any outsourcing to contact the fund initially to fully understand the administrative and funding implications.

It is the fund's preference for the contractor to participate under a pass-through basis of admission, where the contribution rate is set equal to the Primary Rate paid by the letting academy (or MAT). The fund's policy on pass-through is [here](#).

### 3.6 Accounting

Academies (or MATs) may choose to prepare combined FRS102 disclosures (eg 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 disclosures, or vice versa).

## 4 Related Policies

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?"

- Contribution review policy
- Cessation policy