

Part A

Report to: Cabinet

Date of meeting: 4 July 2019

Report author: Director of Finance

Title: Watford Community Housing Pension Proposal

1 Summary

- 1.1 Watford Community Housing (WCH) currently only have 3 members of staff contributing to the Local Government Pension Scheme (LGPS) and are potentially facing an issue with having to pay a lump sum (cessation debt) to the pension fund. The cost of the cessation debt to WCH is £2,688,000.
- 1.2 A number of discussions have been held between WBC, WCH and Hertfordshire Pension Fund to look at how WCH could avoid having to make the cessation debt. If WCH have to pay the lump sum over this may cause them some financial difficulty.
- 1.3 A proposal has been put forward, following conversations between the three parties, which avoids WCH having to make this payment, whilst not increasing the pension liability to WBC. Further details can be seen at Paragraph 6.
- 1.4 The purpose of this paper is to set out the issues of the cessation risk to WCH and to consider a proposal to support WCH in mitigating this risk.

2 Risks

Nature of risk	Consequence	Suggested Control Measures	Response (treat, tolerate, terminate or transfer)	Risk Rating (combination of severity and likelihood)
WCH will cease to exist.	WBC will be liable for the pensions payments to the Hertfordshire Pension Fund. WBC is already guarantor to the pension fund.	Existing relationships with WCH should identify any issues with the financial standing or otherwise of WCH.	Tolerate	4

WCH fails to make the required payments to WBC under the agreement.	There is a surplus on the fund which will be the first point of call for any additional costs. After this normal procedures for recovery of debt will commence.	Active management of amounts payable will be undertaken.	Treat	4
The future costs exceed the surplus on the fund.	WCH will reimburse WBC for any additional costs.	The surplus on the fund will be monitored on an annual basis and any reimbursements identified and charged to WBC	Treat	4
WCH wish to terminate the agreement.	WBC will have to make a cessation payment on the fund.	Any additional charges incurred on the fund will be recharged to WCH.	Treat	6

3 Recommendation

- 3.1 That Cabinet recommend to Council that the agreements with the Hertfordshire Pension Fund and WCH are entered into.
- 3.2 To delegate minor amendments to the legal agreements to the Director of Finance.

Further information:

Joanne Wagstaffe, Director of Finance
joanne.wagstaffe@watford.gov.uk

4 Background

- 4.1 WCH participates in the Herts Pension Fund as a result of staff transferring from WBC under the LSVT agreement in 2008.
- 4.2 The original pension agreement was signed between three parties:
 - WCH (the admission body)
 - Hertfordshire County Council (administering authority of the Fund); and
 - WBC (as guarantor to the agreement)

- 4.3 Under the Admission Agreement WBC guarantees payment of any contributions due by WCH (i.e. if WCH were insolvent and were unable to meet the contributions due to the Fund then WBC would 'step in')
- 4.4 Around 80 staff (who were LGPS members) initially transferred from WBC to WCH. As at the date of this report, only 3 of these staff are still contributing to the Fund (average age 57 years). All of the other transferring staff have either now left WCH employment or have moved to an alternative WCH contract.
- 4.5 Even though WCH only has 3 remaining active contributing members in the Fund, WCH is still responsible for funding the benefits for the original membership (which now amounts to around 50 deferred members and 25 pensioners).
- 4.6 WCH's contributions to the Fund for the 3 active members are currently at the rate of 31.9% of these members' total salaries. No additional deficit contributions are currently payable as WCH is viewed as having more than enough assets in the Fund to pay the benefits built up to date on a normal ongoing funding basis.
- 4.7 The latest funding estimate disclosed that WCH had surplus assets in the Fund totalling £1,753,000. These contributions are subject to review every three years.
- 4.8 Given the low level of active membership and high average age, there is a significant risk that the last active member may cease LGPS membership soon. The last active member leaving is normally viewed as a "cessation event" by an LGPS fund and results in a significant 'cessation debt' being payable. This 'cessation debt' is calculated using very prudent 'least risk' actuarial assumptions.
- 4.9 The latest estimate of WCH's cessation debt is £2,688,000. This is a 'funding swing' of £4,441,000 compared to the surplus on the normal ongoing funding basis. This debt can go up or down in the future depending on experience, financial conditions and demographics.
- 4.10 This cessation debt (estimated as £2,688,000) would normally be payable by WCH as an immediate cash sum. Accordingly, it would have an immediate cash flow impact on WCH. This may impact on their financial statements and financial covenants.

5 Cessation Debt – Default Option

- 5.1 The 'default option' for a cessation debt to be dealt with in an LGPS fund is for it simply to be payable immediately (either as a single payment or via a repayment plan over a short period + interest).
- 5.2 WCH has the option of simply allowing the cessation debt to crystallise when the last active member leaves and paying the debt assessed as at that date.
- 5.3 As WCH cannot predict the actual date of cessation with certainty then the debt that crystallises could be higher or lower than the above estimate. Estimates of the cessation debt have ranged from around £2m to £4m over the last few years.
- 5.4 Under the above default option, the full value of the debt would be expected to be recognised in WCH's financial statements in the year that the cessation was triggered (regardless of whether it is paid as a one-off amount or spread over a period).

6 Cessation Debt – Alternative Proposal

- 6.1 WCH has been working with its advisors to develop an alternative proposal for managing its liabilities in the Pension Fund. This proposal relies on WBC's cooperation to amend the current admission agreement and enter into new agreements both with the Herts Fund and WCH.
- 6.2 At a high level, the proposal is to:
 - a) Transfer all of WCH's assets held in the Herts Fund to WBC.
 - b) As part of the above transfer, WBC would accept responsibility for all of WCH's liabilities in the Herts Fund (for all current active, deferred and pensioner members).
 - c) WCH would then have no further links to the Herts Fund and so would have no further obligation to pay any contributions to the Fund. This would mean that WCH would no longer be required to pay any % salary or debt payments.
 - d) WBC would take on the assets and liabilities transferred across and so gain the benefit of the funding surplus that currently exists (on an ongoing basis). This would effectively 'boost' WBC's overall funding position in the Fund (i.e. reduce its current deficit).
 - e) As a scheduled employer in the Fund (i.e. a tax raising body), WBC's liabilities in the Herts Fund are only ever expected to be assessed on an

ongoing funding basis. Accordingly, a cessation debt will never apply to WBC.

- f) WBC would be required to pay any future contributions to the Herts Fund (i.e. future % salary contributions while active members remain and any future funding deficits). However, given the current ongoing funding surplus of around £1.7m, WBC has a 'buffer' against any deficit payments ever being required.
- g) As part of a 'side agreement' between WBC and WCH, WCH would reimburse WBC for the % of salary contributions paid in respect of its active members (i.e. the current 3 active members or such number as this reduces to over time). This could be arranged on (say) a quarterly basis.
- h) Under the 'side agreement', WCH would reimburse WBC if any deficit contributions were required in respect of its transferred liabilities (i.e. if the funding surplus 'buffer' proved insufficient at any time in the future). This reimbursement could be assessed every 3 years in conjunction with the main LGPS valuation.
- i) WCH would continue to recognise the potential deficit liability in its financial statements each year assessed on an accounting basis.

6.3 The draft legal structure can be seen at Appendix A.

6.4 The above proposal removes the current cessation debt risk for WCH. Accordingly, based on current estimates it saves around £2.7m in pension costs.

6.5 WCH would still retain a risk of future deficit contributions being required if the current £1.7m funding surplus 'buffer' proves insufficient in the future. However, the risk of the more expensive cessation debt payment has been eliminated.

6.6 WBC do take on more pension risk as part of this strategy and so it relies on WBC's cooperation for it to proceed. However, WBC gets the benefit of the funding surplus and is protected against any additional payments through the side agreement. Accordingly, it is believed that WBC is protected against any future risk as long as WCH is solvent. This is effectively the same risk as they currently have as the guarantor.

6.7 WBC is gaining by have the funding surplus (with no extra risk) and WCH is gaining by not have to pay the cessation debt (with only normal funding payments required), the proposal gain could be regarded as a 'win win' for both parties.

6.8 WBC has taken legal advice from Bevan Brittan. The other parties to the agreements (i.e. Hertfordshire County Council and WCH) have also taken their

own legal advice. An agreement has been drafted and reviewed by all parties and can be seen at Appendix B.

6.9 WCH have agreed to pay WBC's costs in relation to this proposal.

Implications

7 Financial

7.1 The financial comments are contained in the report.

8 Legal Issues (Monitoring Officer)

8.1 The Head of Democracy and Governance comments that the legal implications are set out in the body of the report. The Council has taken legal advice from Bevan Brittan solicitors.

9 Equalities, Human Rights and Data Protection

9.1 There are no Equalities, Human Rights and Data Protection issues.

10 Data Protection

10.1 Any personal details will be managed in accordance with Watford Borough Council's retention policy.

11 Staffing

11.1 No additional requirements

12 Accommodation

12.1 No additional requirements

13 Community Safety/Crime and Disorder

13.1 There are no Community safety/Crime and Disorder implications.

14 Sustainability

14.1 There are no implications for sustainability.

Appendices

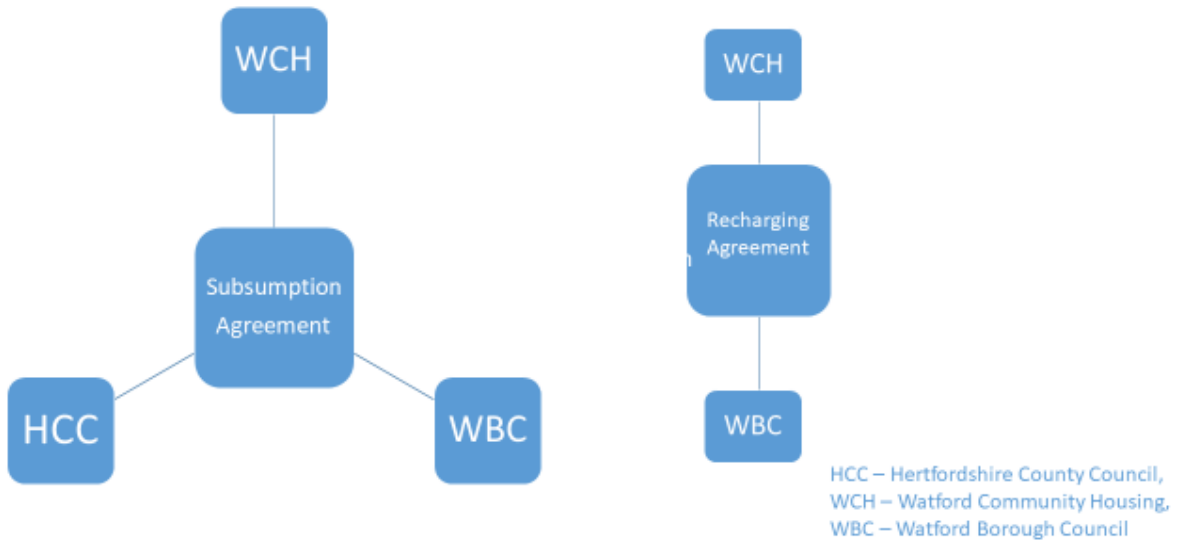
Appendix A: Structure

Appendix B: Proposed Agreement

Appendix 1

Legal structure

Pensions Agreement Structure



Appendix 2

Legal Documents

Dated

2019

(1) Watford Community Housing Trust

And

(2) Watford Borough Council

RECHARGING AGREEMENT



30 Finsbury Circus

London EC2M 7DT

Tel: 020 7880 4281
JER/WAT33.213

THIS AGREEMENT is made this the _____ day of _____ 2019

BETWEEN:

- (1) **WATFORD COMMUNITY HOUSING TRUST** (a registered society under the Co-operative and Community Benefit Societies Act 2014, registered number 30183R) whose registered office is at Gateway House, 59 Clarendon Road, Hertfordshire WD17 1LA (**WCH**).
- (2) **WATFORD BOROUGH COUNCIL** of Town Hall, Hempstead Road, Watford WD17 3EX (the **Council**);

RECITALS:

- A. Hertfordshire County Council (the **Administering Authority**) is an administering authority within the meaning of the Local Government Pension Scheme Regulations 2013 (as

amended or supplemented from time to time including any regulations, statute or other legislation amending, superseding or re-enacting them) (the **2013 Regulations**) and in that capacity administers the Local Government Pension Scheme (the **Scheme**) and maintains the Hertfordshire County Council Pension Fund (the **Fund**).

- B. The 2013 Regulations together with the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended or supplemented from time to time including any regulations, statute or other legislation amending, superseding or re-enacting them) (the **Transitional Regulations**) are collectively referred to in this Recharging Agreement as “the **Scheme Regulations**”.
- C. WCH is an admission body as specified in Schedule 2 Part 3 Paragraph (1)(d)(i) of the 2013 Regulations. WCH was admitted to the Fund by an Admission Agreement dated 10 September 2007 (the **Admission Agreement**). The Admission Agreement is guaranteed by the Council.
- D. WCH and the Council have entered into an agreement with the Administering Authority which appears at Appendix 1 (the **Subsumption Agreement**) which provides that the WCH Assets and Liabilities in the Fund shall be Subsumed by the Council. WCH and the Council now wish to enter into this Agreement to confirm that the Council can recharge WCH in respect of certain costs that arise under the Subsumption Agreement.
- E. In this Agreement words and expressions used shall, unless defined herein or the contrary is stated, bear the meanings set out in the 2013 Regulations.

NOW THIS DEED WITNESSES as follows:

- 1. In respect of the expression used in this Agreement, and unless otherwise specified, the following words and expressions have the meanings set out below:

"Cessation Valuation" means an actuarial valuation of the liabilities in respect of WCH's current and former employees under Regulation 64(2) of the 2013 Regulations (as amended or supplemented from time to time including any regulations, statute or other legislation amending, superseding or re-enacting them).

"Cessation Valuation Basis" the valuation basis recommended from time to time by the Fund Actuary to be used when an employer ceases to be a Scheme employer for the purposes of the 2013 Regulations and as set out under the Fund's cessation policy and Funding strategy statement from time to time in force.

"Effective Date" Means the date of this Agreement

"Fund Actuary" Means an actuary appointed by the Administering Authority

“Ongoing Valuation Basis”	Means the Fund’s ongoing valuation basis as recommended from time to time by the Fund Actuary and applied for scheduled bodies in accordance with the Regulations
“R&A Certificate”	means a rates and adjustment certificate setting out employer’s contributions as per Regulations 62 and 64 of the 2013 Regulations (as amended or supplemented from time to time including any regulations, statute or other legislation amending, superseding or re-enacting them).
“Special Event”	Means the ill health retirement of a WCH Active Member or a WCH Deferred and Pension Member or the termination of a WCH Active Members employment on the grounds of redundancy or business efficiency in accordance with regulation 30(7) of the 2013 Regulations.
“Subsumption” “Subsumed” and “Subsume”	means the act of taking responsibility for a defined set of liabilities, notionally allocated assets and the future funding of those liabilities.
“WCH Active Members”	Means any employee of WCH who immediately before the Effective Date participated as an active member in the Fund and who remains an active member in the Fund.
“WCH Deferred and Pensioner Members”	Means any employee or former employee of WCH who previously participated in the Fund whilst employed by WCH.
“WCH Assets and Liabilities”	Means the assets and liabilities of WCH in the Fund that on the Effective Date will be Subsumed by the Council which as at 31 March 2016 were assessed to be in surplus on an Ongoing Valuation Basis.

2. EFFECTIVE DATE

This Agreement will take effect on and from the Effective Date.

3. SUBSUMPTION AGREEMENT

3.1 On the Effective Date, under the Subsumption Agreement the WCH Assets and Liabilities will be Subsumed and the Council will take on responsibility for the liabilities, notionally allocated assets and the future funding of those liabilities from WCH. This will include the liabilities in respect of the WCH Active Members and the WCH Deferred and Pensioner Members.

- 3.2 Pursuant to the Subsumption Agreement the WCH Assets and Liabilities will be allocated to the Council on and from the Effective Date but will continue to be referenced separately with the same employer code as WCH had prior to the Effective Date.

4. WCH ACTIVE MEMBERS

From the Effective Date:

- i. the Council shall become the deemed employer of the WCH Active Members for the purposes of liabilities under the Fund however the legal contractual employer of the WCH Active Members (for employment purposes) will remain as WCH;
- ii. the WCH Active Members shall continue to be members of the Scheme and to participate as active members of the Fund; and
- iii. WCH shall notify the Council and the Administering Authority if any of the WCH Active Members cease to participate in the Scheme or cease to be eligible to participate in the Scheme.

5. COST RECHARGE

- 5.1 WCH shall reimburse the Council in respect of such contributions and payments as they are required to pay under the Scheme Regulations and as are determined by the Administering Authority on the advice of the Fund Actuary in respect of the WCH Active Members and the WCH Deferred and Pensioner Members.
- 5.2 WCH shall reimburse the Council in respect of the ongoing employer contribution rate payable in respect of the WCH Active Members which as at the Effective Date shall be 31.9% of pay (within the meaning of the Regulations) or such amount as is determined by the Fund Actuary from time to time.
- 5.3 WCH shall continue to deduct the employee contribution rate from the salaries of the WCH Active Members and shall pay these to the Council monthly in arrears.
- 5.4 WCH shall reimburse the Council in respect of any sum paid by them as an actuarial strain on the Fund arising out of a Special Event.
- 5.5 WCH will reimburse the Council under clause 5.1, and 5.4 on production of written evidence of payment to the Administering Authority within ten (10) working days of the receipt of the written evidence to WCH. For the avoidance of doubt, an emailed copy of a document or any other electronic method of transmission is acceptable.

- 5.6 Should any sum under this clause 5 that the Council pays to the Fund, and of which it provides evidence if necessary to WCH, differ from that which WCH has paid monthly to the Council under clauses 5.2 or 5.3 or otherwise, or calculated or reserved in expectation of reimbursement, then the figure which the Council has paid to the Fund in respect of WCH shall be taken to be correct, and WCH shall pay on demand using the mechanism set out at clause 5.5 any additional sum which the Council has paid on WCH's behalf.

6. VALUATION OF ASSETS AND LIABILITIES

- 6.1 The Fund Actuary will carry out a valuation on a triennial basis (or more frequently if required by the Administering Authority) of the Council's assets and liabilities including the WCH Assets and Liabilities for which a separate R&A Certificate will be produced.
- 6.2 In circumstances where the results of a triennial valuation reveal that the WCH Assets and Liabilities are in deficit on an Ongoing Valuation Basis the Council shall make such payment as certified by the Fund Actuary as being required to ensure that the WCH Assets and Liabilities are no longer in deficit.
- 6.3 On production of the R&A Certificate, WCH will reimburse the Council for the deficit payments made to the Fund on such repayment terms to be agreed between the Parties.

7. TERMINATION OF THIS AGREEMENT

- 7.1 WCH can elect to bring this Agreement and the Subsumption Agreement to an end on 3 months written notice in circumstances where there are no remaining WCH Active Members.
- 7.2 Where WCH elect to bring this Agreement to an end under clause 7.1 the Council shall request that the Fund Actuary carries out a valuation of the WCH Assets and Liabilities. Where this valuation shows that the WCH Assets and Liabilities are in deficit on a Cessation Valuation Basis the Council shall make any required deficit payments to the Fund which on production of the R&A Certificate will be reimbursed by WCH to the Council. The repayment terms shall be agreed between the Parties. In circumstances where this valuation shows that the WCH Assets and Liabilities are in surplus on a Cessation Valuation Basis, any surplus shall be retained by the Council.
- 7.3 Following termination of this Agreement, and repayment of any deficit payments made by the Council under Clause 7.2, WCH shall have no further liability to the Council in respect of the WCH Assets and Liabilities.

8. COSTS

WCH covenants with and undertakes to the Council that it will pay all the related and reasonable administrative and actuarial costs associated with this Agreement provided these are approved in advance.

9. COUNTERPARTS

This Agreement may be executed in any number of counterparts and this shall have the same effect as if the signatories on the counterparts were on a single copy of this Agreement.

IN WITNESS WHEREOF WCH and the Council hereto have executed and delivered this Agreement as a deed the day and year first before written.

EXECUTED AS A DEED by _____)
WATFORD COMMUNITY HOUSING TRUST _____)
acting by a Director _____)

.....

In the presence of

Signature of witness:

Name of witness:

Address of witness:

.....

.....

.....

.....

Occupation of witness

.....

EXECUTED AS A DEED by affixing the

)

COMMON SEAL of **WATFORD**

)

BOROUGH COUNCIL

)

Authorised Signatory

Seal No.

APPENDIX 1 – SUBSUMPTION AGREEMENT

Dated

2019

**(1) Hertfordshire County Council as administering authority for the Hertfordshire
County Council Pension Fund**

and

(2) Watford Community Housing Trust

And

(3) Watford Borough Council

SUBSUMPTION AGREEMENT



30 Finsbury Circus

London EC2M 7DT

Tel: 020 7880 4281

JER/WAT33.213

THIS AGREEMENT is made this the _____ day of _____ 2019

BETWEEN:

- (1) **HERTFORDSHIRE COUNTY COUNCIL** acting in its capacity as the administering authority of the Hertfordshire County Council Pension Fund whose principal office is at County Hall Hertford SG13 8DE (the **Administering Authority**);

- (2) **WATFORD COMMUNITY HOUSING TRUST** (a registered society under the Co-operative and Community Benefit Societies Act 2014, registered number 30183R) whose registered office is at Gateway House, 59 Clarendon Road, Hertfordshire WD17 1LA (**WCH**).

- (3) **WATFORD BOROUGH COUNCIL** of Town Hall, Hempstead Road, Watford WD17 3EX (the **Council**);

Each a “Party” together the “Parties”

RECITALS:

- A. The Administering Authority is an administering authority within the meaning of the Local Government Pension Scheme Regulations 2013 (as amended or supplemented from time to time including any regulations, statute or other legislation amending, superseding or re-enacting them) (the **2013 Regulations**) and in that capacity administers the Local Government Pension Scheme (the **Scheme**) and maintains the Hertfordshire County Council Pension Fund (the **Fund**).
- B. The 2013 Regulations together with the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended or supplemented from time to time including any regulations, statute or other legislation amending, superseding or re-enacting them) (the **Transitional Regulations**) are collectively referred to in this Subsumption Agreement as “the **Scheme Regulations**”.
- C. WCH is an admission body as specified in Schedule 2 Part 3 Paragraph (1)(d)(i) of the 2013 Regulations. WCH was admitted to the Fund by an Admission Agreement dated 10 September 2007 (the **Admission Agreement**). The Admission Agreement is guaranteed by the Council.
- D. In anticipation of the retirement of the WCH Active Members the Parties agree to transfer the WCH Assets and Liabilities to the Council on an Ongoing Valuation Basis to the mutual benefit of WCH and the Council.
- E. In this Agreement words and expressions used shall, unless defined herein or the contrary is stated, bear the meanings set out in the 2013 Regulations.

NOW THIS DEED WITNESSES as follows:

1. In respect of the expression used in this Agreement, and unless otherwise specified, the following words and expressions have the meanings set out below:

"Cessation Valuation"	means an actuarial valuation of the liabilities in respect of WCH's current and former employees under Regulation 64(2) of the 2013 Regulations (as amended or supplemented from time to time including any regulations, statute or other legislation amending, superseding or re-enacting them).
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“Cessation Valuation Basis”	the valuation basis recommended from time to time by the Fund Actuary to be used when an employer ceases to be a Scheme employer for the purposes of the 2013 Regulations and as set out under the Fund’s cessation policy and Funding strategy statement from time to time in force.
“Effective Date”	Means the date of this Agreement
“Fund Actuary”	Means an actuary appointed by the Administering Authority
“Ongoing Valuation Basis”	Means the Fund’s ongoing valuation basis as recommended from time to time by the Fund Actuary and applied for scheduled bodies in accordance with the Regulations
“R&A Certificate”	means a rates and adjustment certificate setting out employer’s contributions as per Regulations 62 and 64 of the 2013 Regulations (as amended or supplemented from time to time including any regulations, statute or other legislation amending, superseding or re-enacting them).
“Recharging Agreement”	Means the Agreement to be entered into between WCH and the Council on the same date as this Agreement.
“Special Event”	Means the ill health retirement of a WCH Active Member or a WCH Deferred and Pension Member or the termination of a WCH Active Member’s employment on the grounds of redundancy or business efficiency in accordance with regulation 30(7) of the 2013 Regulations.
“Subsumption” “Subsumed” and “Subsume”	means the act of taking responsibility for a defined set of liabilities, notionally allocated assets and the future funding of those liabilities.
“WCH Active Members”	Means any employee of WCH who immediately before the Effective Date participated as an active member in the Fund and who remains an active member in the Fund.
“WCH Deferred and Pensioner Members”	Means any employee or former employee of WCH who previously participated in the Fund whilst employed by WCH.
“WCH Assets and Liabilities”	Means the assets and liabilities of WCH in the Fund that on the Effective Date will be Subsumed by the Council which as at 31 March 2016 were assessed to be in surplus on an Ongoing Valuation Basis.

2. EFFECTIVE DATE

This Agreement will take effect on and from the Effective Date.

3. SUBSUMPTION OF LIABILITIES

- 3.3 On the Effective Date, the WCH Assets and Liabilities will be Subsumed and the Council will take on responsibility for the WCH Assets and Liabilities from WCH. This will include the liabilities in respect of the WCH Active Members and the WCH Deferred and Pensioner Members.
- 3.4 The Administering Authority agrees that it will allocate the WCH Assets and Liabilities to the Council on and from the Effective Date but agrees these will continue to be referenced separately with the same employer code as WCH had prior to the Effective Date for reporting purposes in accordance with clause 5.1.
- 3.5 This Subsumption Agreement is a continuing agreement, and the Council acknowledges that its covenant to Subsume any past, present and future obligations owed by WCH will continue until such time as the Subsumption Agreement is terminated under Clause 7 this Subsumption Agreement.

4. ARRANGEMENTS FROM EFFECTIVE DATE

PARTICIPATION

- 4.1 From the Effective Date:
- i. the Administering Authority shall permit the WCH Active Members to continue to be members of the Scheme and to participate as active members of the Fund; and
 - ii. the Council shall become the deemed employer of the WCH Active Members for the purposes of liabilities under the Fund however the legal contractual employer of the WCH Active Members (for employment purposes) will remain as WCH; and
 - iii. WCH shall notify the Council and the Administering Authority if any of the WCH Active Members cease to participate in the Scheme or cease to be eligible to participate in the Scheme.

PAYMENTS

- 4.2 The Council shall pay to the Administering Authority for credit to the Fund such contributions and payments as are due under the Scheme Regulations and as

are determined by the Administering Authority on the advice of the Fund Actuary in respect of the WCH Active Members and the WCH Deferred and Pensioner Members in accordance with the provisions of this clause 4.

- 4.3 The initial rate of employer contribution as at the Effective Date shall be 31.9% of pay (within the meaning of the 2013 Regulations) of the WCH Active Members. This contribution rate to be subject to review by the Fund Actuary from time to time.
- 4.4 The Council shall pay to the Administering Authority for credit to the Fund the ongoing contributions on a monthly basis in arrears each payment to reach the Administering Authority by the fourteenth day of the month following (provided that if this is not a business day the contribution shall be received on the last business day before this date).
- 4.5 The Council shall pay to the Administering Authority for credit to the Fund any sum notified to them in writing by the Administering Authority as an actuarial strain on the Fund arising out of a Special Event.
- 4.6 The Council shall recover such costs from WCH arising under this clause 4 in accordance with the Recharging Agreement.

5. VALUATION OF ASSETS AND LIABILITIES

- 5.1 The Fund Actuary will carry out a valuation on a triennial basis (or more frequently if required by the Administering Authority) of the Council's assets and liabilities including the WCH Assets and Liabilities for which a separate R&A Certificate will be produced.
- 5.2 In circumstances where the results of a triennial valuation reveal that the WCH Assets and Liabilities are in deficit on an Ongoing Valuation Basis the Council shall make such payment(s) as certified by the Fund Actuary as being required to ensure that the WCH Assets and Liabilities are no longer in deficit. The Council to recover such payments in relation to WCH Assets and Liabilities as under Clause 4.

6. ADMISSION AGREEMENT

- 6.1 On and from the Effective Date, until such time as the last WCH Active Member ceases to participate in the Fund, the Admission Agreement will continue and WCH shall continue to be an admission body in the Fund.
- 6.2 On and from the date the last WCH Active Member ceases to participate in the Fund (**the Termination Date**), WCH will cease to be an admission body

participating in the Fund under the Admission Agreement which will come to an end.

- 6.3 On the Termination Date the Scheme Regulations will require the Administering Authority to obtain a Cessation Valuation in respect of WCH. The Cessation Valuation will give rise to an R&A Certificate requiring WCH to pay any deficit that is revealed by the Cessation Valuation. The Administering Authority shall provide that the R&A Certificate will certify that no deficit is payable by WCH as the WCH Assets and Liabilities have been Subsumed by the Council pursuant to the terms of this Agreement.
- 6.4 It is agreed that on and from the Effective Date WCH's liability to the Fund is discharged and the Parties agree that notwithstanding the Admission Agreement continuing until such time as the last WCH Active Member ceases to participate in the Fund, WCH shall have no liability to the Fund arising under the Admission Agreement.

7. TERMINATION OF THIS AGREEMENT

- 7.1 In circumstances where there are no remaining WCH Active Members, WCH is permitted to bring this Agreement to an end provided it gives 3 months written notice to the Administering Authority and the Council.
- 7.2 In circumstances where this Agreement is brought to an end when the WCH Assets and Liabilities are assessed to be in deficit on a Cessation Valuation Basis, the Fund Actuary will carry out a valuation and the Council will make any payment required to the Administering Authority for credit to the Fund to ensure the WCH Assets and Liabilities are not in deficit on a Cessation Valuation Basis. The repayment terms shall be agreed between the Parties.
- 7.3 In circumstances where the valuation shows that the WCH Assets and Liabilities are in surplus on a Cessation Valuation Basis, any surplus shall be retained by the Council.
- 7.4 On termination of this Agreement the employer code associated with the WCH Assets and Liabilities will be cancelled and the WCH Assets and Liabilities will no longer be subject to separate reporting.
- 7.5 Following termination under this Clause and clause 7.3 of the Recharging Agreement being satisfied, WCH shall have no further liability to the Fund and have no further liability to the Council, and following termination WCH shall be released from its obligations under this Agreement.

8. COSTS

WCH covenants with and undertakes to the Administering Authority and the Council that it will pay all the related and reasonable administrative and actuarial costs associated with this Subsumption Agreement provided these are approved in advance.

9. COUNTERPARTS

This Subsumption Agreement may be executed in any number of counterparts and this shall have the same effect as if the signatories on the counterparts were on a single copy of this Subsumption Agreement.

IN WITNESS WHEREOF the Administering Authority, WCH and the Council hereto have executed and delivered this Subsumption Agreement as a deed the day and year first before written.

EXECUTED AS A DEED by affixing the)

**COMMON SEAL of HERTFORDSHIRE
COUNTY COUNCIL**)

acting in its capacity as the administering authority)

of **THE HERTFORDSHIRE COUNTY
COUNCIL PENSION FUND**)

in the presence of: -)

Chief Legal Officer

EXECUTED AS A DEED by _____)
WATFORD COMMUNITY HOUSING TRUST _____)
acting by a Director _____)

.....

In the presence of

Signature of witness:

Name of witness:

Address of witness:

.....

.....

.....

.....

Occupation of witness

.....

EXECUTED AS A DEED by affixing the)

**COMMON SEAL of WATFORD
BOROUGH COUNCIL**)

)

Authorised Signatory

Seal No.