TERMINATION POLICY

APRIL 2023

West Midlands Pension Fund

CONTENTS

1 INTRODUCTION

1.1 This document details the West Midlands Pension Fund's (the Fund) policy on the methodology for assessment of ongoing contribution requirements and termination payments on the cessation of an employer's participation in the Fund. It supplements the general policy of the Fund as set out in the *Funding Strategy Statement (FSS)* as available on the Fund's website.

The preparation of the Termination Policy has been based on the latest CIPFA guidance in accordance with the regulations issued in September 2016 and also the LGPS (Amendment) Regulations 2020 coming into force on 20 March 2020.

The *Termination Policy* was last updated from 1st March 2020 and reviewed as part of the 2022 Actuarial Valuation. This policy remains under review as expanded upon in section 4.1.

1.2 Scheme admittance, to include employer eligibility, is defined within the 2013 LGPS Regulations: Timeline LGPS Regulations 2013 (lgpsregs.org). Where possible, the Fund require all admission and designated bodies to have a guarantor, which will influence the method used to calculate the termination valuation.

2 PRINCIPLES

2.1 Termination of Admission Agreement/Employer's Participation
An employer's participation within the Fund ceases when they no longer have any active members within the Fund. This could happen for a number of reasons, typically:

- The last active member participating in the Fund leaves, retires or transfers to another employer and ceases to be a member of the Fund and the employer does not wish to admit any more employees to that admission agreement.
- For admission bodies, the contract to which the admission agreement relates, comes to an end or is terminated prematurely.
- The employer ceases to exist, for example it goes into liquidation or is taken over by/merged with another organisation.

When an employer's participation comes to an end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case, the employees will retain pension rights within the Fund, i.e., either deferred benefits or immediate retirement benefits where eligible.

Where an admission agreement is open (or for scheme employers) and the last active member ceases membership of the scheme, the Fund will approach the relevant employer with regards to its intentions for bringing in new active members. Where an intention to allow new active members to join the scheme is identified, the Fund's policy is to allow the employer six months from the date the active member left to admit such members. During this six-month period, the Fund may require payment of a lump-sum amount broadly equivalent to the percentage of contributions calculated by the Fund actuary, based upon the pensionable payroll used in the previous actuarial valuation. It is advised this lump-sum is paid on a monthly basis, or where the period is known until the next active member joins the scheme, a prorated payment can be calculated. In the event an employer with an open admission agreement, or a scheme employer exceeds the six-month period without any active members having joined the scheme under that agreement, the Fund will enforce termination of the employer's participation in the scheme.

2.2 Pre-Funding for Termination

Where the employer does not have a guarantee, and has not been admitted through a pass-through arrangement from a scheme employer participating in the Fund, the employer may choose to pre-fund for termination, i.e., planning for potential exit by amending their funding approach to minimum-risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination. However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the minimum-risk basis.

For any employing bodies funding on such a minimum-risk strategy, a notional investment strategy may be assumed as a match to the liabilities. In particular, the employing body's notional asset share of the Fund may be credited with an investment return in line with the minimum-risk funding assumptions adopted rather than the actual (largely equity related) investment return generated by the actual asset portfolio of the Fund. The Fund reserves the right to modify this approach in any case, whether it might materially affect the finances of the scheme or depending on any case specific circumstances.

3 MANAGEMENT OF TERMINATION OF ADMISSION AGREEMENTS

3.1 Notification of Termination

In many cases, termination of the employing body's participation is an event that can be foreseen, for example in the case of admission bodies, because the organisation's operations may be planned to be discontinued and/or the admission agreement is due to cease. Under the regulations, in the event of the administering authority becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the administering authority that it will cease to be a participating employer. In such cases, employing bodies are requested to open a dialogue with the Fund to commence planning for the termination as early as possible, preferably at least six months in advance of the event.

Where termination is disclosed in advance, the Fund will operate procedures to reduce volatility risks to the debt amount in the run up to actual termination of the employer's participation. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the scheme, or depending on any case-specific circumstances.

3.2 Ongoing Review

The Fund operates an employer risk management framework aimed at reducing its exposure to risk through termination of employer participations in conjunction with monitoring of the strength of employer covenant. As part of this review, the Fund endeavors to anticipate when participation might cease and analyses member movements with a view to the last active member of an employing body ceasing membership of the Fund. In addition, aligned to the evaluation of employer covenant strength, the Fund considers where there might be employers with funding difficulties in order to attempt to pre-empt circumstances culminating in termination of an employing body's participation.

Where the Fund's review highlights areas for concern, the policy is for a proactive approach whereby dialogue is opened with the employer and, if appropriate, a meeting is scheduled to discuss the issues facing both parties. The aim of such meetings is to widen employers' awareness of the implications upon termination of an admission agreement and where possible to attempt to take steps designed to alleviate funding issues.

It should be noted that the Fund adopts such an approach in the interest of both the Fund and outgoing bodies. It is, however, reliant upon the information available, particularly in assessing the strength of covenant. It is, therefore, vital that organisations contact the Fund at the earliest instance once they become aware that termination of an employer's participation may be a possibility.

4 IMPLEMENTATION

4.1 Exiting the Fund

When an employer's participation in the Fund terminates and the employer becomes an 'exiting employer', the LGPS Regulations require that a termination valuation is carried out. The purpose of this valuation is to determine the level of any surplus or deficit in an exiting employer's share of the Fund as at the exit date and whether the exiting employer is liable to pay an exit payment or is entitled to receive an exit credit in such circumstances. On the cessation of an employer's participation in the Fund, the actuary will be asked to make a termination assessment unless the ceasing employer is a pass-through employer.

A deficit upon termination of an employer's participation might arise in the following scenarios (please note that this list is not exhaustive):

- Non-payment of contributions to the Fund by an employing body prior to closure.
- Premature termination of an employing body's participation where market values are depressed relative to the liabilities in respect of the employing body.
- The actual experience is less favourable than the assumptions used in setting contribution rates for that employer – for instance, higher than expected rates of early retirement on favourable terms or pay increases.
- Additional liabilities created as a result of the employing body closing, in particular the possible payment of immediate retirement benefits to all those over age 55 at that time.

The method used to calculate the termination valuation will ultimately depend on the characteristics of the exiting employer and in particular whether there is another scheme employer within the Fund that is prepared to act as a guarantor or succession employer for any residual liabilities and also in the context of the materiality of any impact on other participating scheme employers' contributions.

Where liabilities are "orphaned" without sufficient assets to cover the liabilities all remaining scheme employers that have active members in the Fund will have to cover any deficit arising from these liabilities via their own employer contributions, as assessed at each actuarial valuation (as required under Regulation 62 of the LGPS Regulations) or sooner if the liability profile of the employer is materially changed.

This policy will be reviewed as a matter of course at each actuarial valuation but will also be reviewed in times of extreme events, such as a material shift in market conditions or shift in economic/fiscal policy, which may affect the assets or liabilities of the exiting employer. This is to ensure that the approach remains appropriate, given the risk associated with funding the orphaned liabilities left behind by an exiting employer is being passed to other Fund employers, and ultimately the taxpayer. This means that the assumptions (both financial and demographic) can be changed if circumstances warrant it and this could mean that the discount rate may not be linked to the market yield on gilts in future. Employers would be notified of any change (and the rationale for the change) and the policy would be updated.

The Fund also has the discretion to apply a different approach on a case-by-case basis taking into account all factors (financial and non-financial) pertaining to the exiting employer. See appendix 1 for the Fund's termination flowchart.

4.2 a) Policy for Employers With a Guarantor Participating in the Fund
Where the exiting employer has either:

- a guarantee from a scheme employer participating in the Fund with tax-raising powers;
- a guarantee from a central government department;
- or a guarantee from a scheme employer participating in the Fund, which benefits from a central government guarantee

then the default policy of the Fund is for the exit funding position to be based on a minimum-risk basis, with the discount rate based upon government gilt yields of appropriate duration to the liabilities. In this instance, the scheme employer providing the guarantee will subsume all assets and liabilities from the exiting employer. No exit credit will be paid to, or any exit debt required from, the exiting scheme employer, unless the exiting employer is in surplus on the minimum-risk valuation basis. The assets and liabilities will be subsumed within those of the guarantor employer, with future contribution requirements reassessed at each actuarial valuation.

However, for Schedule 2, Part 3 employers, where the service or contract is due to be transferred to another scheme employer participating in the Fund, subject to agreement from the guarantor, the Fund will consider the transfer of active member liabilities to the new employer based on the funding level of the previous exiting employer, as assessed in line with the assumptions consistent with the most recent actuarial valuation basis (ie, partially-funded upon commencement). This is based on the premise that the new employer has a reasonable prospect of retaining contributing employees and/or there is likely to be a succession employer to inherit liabilities.

In this instance the exiting employer will not be required to pay any exit debt and the scheme employer providing the guarantee subsumes all deferred and pensioner liabilities in respect of the exiting employer. In line with the "pass-through" arrangements outlined below, the new employer will pay the same contribution rate (primary rate only) as the scheme employer providing the guarantee scheme employer until next review.

b) Policy for Employers Without a Guarantor Participating in the Fund
Where the exiting employer does not have a guarantee as outlined in ('a.') above this means that there will not be any future scheme employer or guarantor to make good any shortfall between assets and liabilities. In order to protect other scheme employers from having to meet these liabilities in the future the Fund will need to ensure that there are enough assets in the Fund that are unlikely to fall in value and provide certainty to pay benefits. Where liabilities are "orphaned" without sufficient assets to cover the liabilities all remaining scheme employers that have active members in the Fund will have to cover any deficit arising from these liabilities via their own employer contributions, as assessed at each actuarial valuation (as required under Regulation 62 of the LGPS Regulations) or sooner if the liability profile of the employer is materially changed.

This is on the basis that, upon cessation, employers in this category are no longer subject to ongoing funding but have instead exited the Fund and do not have a scheme employer to subsume their assets and liabilities.

Accordingly, the policy of the Fund is for assessment of the exit funding position to be based on a minimum-risk basis, with the discount rate based upon government gilt yields of appropriate duration to the liabilities.

4.3 Pass-Through Arrangements
The Fund's policy from April 2019 is for the default arrangement to be for all new Schedule 2, Part 3 employers to pay the same primary contribution rate as the guarantor employer.

The Fund will not obtain an actuarial assessment upon termination, instead the scheme employer providing the guarantee employer must accept full responsibility for the Schedule 2 Part 3 scheme employer's ("contractor's") assets and liabilities in the Fund, and will correspondingly be entitled to benefit from any surplus within the Fund relating to those liabilities. This arrangement is known as a pass-through arrangement.

The contribution rates for all employers will be reviewed at each subsequent actuarial valuation in line with Regulation 62 of the LGPS Regulations.
The Fund's policy is for these pass-through arrangements to be documented in the service contract between the guarantor employer and the Schedule 2, Part 3 scheme employer, but where not agreed, the default will be for these arrangements to be included in the Fund's tripartite admission agreement.

As an alternative to the pass-through arrangement, if the guarantor employer and contractor agree to a standard admission agreement and notify the Fund within one month of the contract commencement date, the Fund may, at its discretion, implement such an admission agreement without reference to pass-through.

The Administering Authority reserves the right to modify this approach on a case-by-case basis, at its sole discretion, if the circumstances warrant it based on the advice of the Fund actuary and taking into account the risk associated with an employer in the context of the Fund as a whole. For instance, in the highly unlikely event that parties insisted upon access to the Fund through a statutory route but did not wish to participate on a pass- through arrangement then the Fund would need to consider funding the new employer on a least risk basis.

4.4 Recovery of Deficits

In the event that an employer's participation in the Fund terminates, a number of varied scenarios will arise for the recovery of deficits, most commonly:

- Employees transfer to a new employer body within the Fund and the successor body takes responsibility for any associated pension liabilities (including those for former employees) and any funding deficits that exist on cessation of the original employing body.
- Where an employer ceases to participate in the Fund and there is no successor body involved, the recovery of deficit initially focuses on the employing body itself and the Fund requires that body to make full and final payment of the least risk deficit.
- In the final event of failure to recover any deficit payment from the employing body, the Fund would place responsibility for the payment of deficit upon any guarantor, which might already exist under the terms of the employer's participation or could be sought to cover the deficit, usually as the original guarantor employer.
- In the event of the employing body going into liquidation, the liquidators would be contacted with a view to extracting as much of the termination deficit from the proceeds of the business as possible. The Fund would act as a creditor and reserves the right to appoint an agent to reclaim monies owed by whatever means necessary.

4.5 Multi-Academy Trusts

Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the regulations for the administering authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than be coming orphaned liabilities. The administering authority may direct the Fund actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT at the next triennial actuarial valuation. The administering authority may also direct the Fund actuary to carry out a valuation of the liabilities of the exiting academy in the Fund at the date of exit in order to assess the effect of its failure on the remaining employers within the MAT and ensure the remaining MAT employers (and any new employers joining the MAT) are aware to the extent of these liabilities.

Where employers within a MAT are individual scheme employers for the purpose of the regulations, and an academy within the MAT leaves or fails, an exit valuation will be carried out as at the date of exit. Where there is no successor body and the Department for Education guarantee does not make good any shortfall on exit, the administering authority would seek to recover any unpaid deficit from the remaining employers within the MAT where those employers participate in the Fund. Rather than requiring a lump sum payment, the administering authority may instead act on the assumption that the remaining MAT employers will subsume the unpaid deficit which would then fall to be recovered from ongoing contributions. In that case the administering authority will instruct the Fund actuary to allocate the assets and liabilities of the outgoing academy across the remaining employers in the MAT.

Where academies move between multi-academy trusts, for example where a MAT winds up and its academies transfer into different MATs (whether existing MATs within the Fund or newly-established MATs), the administering authority may direct the Fund actuary to carry out a valuation of the liabilities of any academy moving between MATs and of all academies within the exiting MAT. Where the exiting MAT is the scheme employer, and hence an individual funding position has not been maintained for the constituent academies, the assets notionally allocated to each of its academies will be derived by assuming each has the same funding level as the MAT as a whole. The calculation of the assets and liabilities in these circumstances is to ensure that both the former and new MAT are aware of the value of the assets and liabilities transferring and to ensure that the residual position of the exiting MAT (if any of its liabilities are not transferring to a new academy or MAT) is correctly assessed for the purpose of the Department for Education guarantee.

4.6 Payment of Any Deficit

If it is determined there is a deficit and the employer is required to make a payment to the Fund, the administering authority will confirm to the employer the amount payable.

Unless the likely cost of doing so negates the amount that can be recovered by the Fund, the administering authority will pursue an outgoing body (including the liquidator, receiver, administrator or successor body if appropriate) for any deficit. The administering authority will also pursue any indemnity provider or guarantor for payment where applicable.

The Fund's policy is for any deficit upon termination to be recovered through a single lump-sum payment to the Fund (unless agreed otherwise by the administering authority at their sole discretion). In circumstances of late payment, the Fund will request payment of the appropriate interest amount and expenses, in addition to the termination deficit identified, as calculated by the Fund actuary. The Fund may consider permitting an exiting body to spread payment over a short period, where it considers that this does not pose a material risk to the solvency of the Fund. In such instances, the Fund may request the organisation provides appropriate security to support consideration of a payment plan and, if this is not satisfactory, consideration will be given to an independent financial and governance review.

Any payment plan implemented will need to be legally documented with any associated costs covered by the exiting employer.

4.7 Payment of Any Surplus

In the instance it is determined by the Fund actuary, based on the parameters set out in 4.5, that a surplus exists upon employer exit, in accordance with LGPS Regulation 64, the Fund will pay this surplus, to the exiting employer. Any payment to or from the Fund may need to be adjusted for expenses incurred by the Fund. In addition, there will be no interest applied to exit credits unless agreed with the administering authority.

The Fund may determine, at their absolute discretion, the amount of any exit credit payment due, having regard to any relevant considerations. The payment of any exit credit due will be made within six months from the point at which the Fund received written confirmation of the employer's exit. Whilst the Fund will take into account representations made by the parties involved, it will not be obliged to enquire into precise risk-sharing mechanisms adopted.

The administering authority also reserves the right to modify this approach on a case-by-case basis at its sole discretion, if circumstance warrant it based on the advice of the Fund actuary.

4.8 Notification

If any employer is considering exiting the Fund please email the Fund at: wmpfemployerliaison2@wolverhampton.gov.uk.

To ensure you can plan accordingly, there is currently a lead in time of typically at least 6 months for the Fund to undertake governance/due diligence on termination cases (including the employer consultation you are likely to need to carry out with any remaining active members). Therefore, early engagement with the Fund is recommended.

4.9 Policy in Relation to Flexibility for Exit Debt Payments and Deferred Debt

Most relevant for those employers without a guarantor participating in the Fund, the Administering Authority's policy for termination payment plans is as follows:

- The default position is for exit payments to be paid immediately in full (adjusted for interest where appropriate)
- At the discretion of the administering authority, Debt Spreading Arrangements (DSA) over an agreed period or a Deferred Debt Arrangement (DDA) may be agreed subject to the policy in relation to any flexibility in recovering exit payments.

Debt Spreading Arrangement (DSA) - Allows the Fund and the employer to enter into agreement which spreads the payment of the final exit debt calculated by the Fund actuary over an agreed period of time (the amounts and frequency of the payments in the payment plan will be agreed at the outset along with any early payment terms).

Deferred Debt Arrangement (DDA) - Allows the employer to defer its obligation to make an exit payment and continue to make past service deficit (secondary rate) contributions to the Fund. Contribution requirements will continue to be reviewed as part of each actuarial valuation under this option, which is essentially an employer continuing ongoing participation, but with no contributing members.

The default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). If an employer requests that an exit debt payment is recovered over a fixed period of time or that they wish to enter into a DSA or DDA with the Fund, they must make a request in writing covering the reasons for such a request. Any deviation from this position will be based on the Administering Authority's assessment of whether the full exit debt is affordable and whether it is in the interests of other participating employers and in accordance with the Administering Authority's fiduciary duty to adopt either of the approaches. In making this assessment the Administering Authority will consider the covenant of the employer and also whether any measures to strengthen covenant are required and available to support the arrangements.

Any reasonable costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the employer and will be charged up front as a default but may be included in the contribution plan or exit debt payment at the sole discretion of the Administering Authority. This policy and processes have been established in line with the principles set out in the statutory guidance issued by the Department for Levelling Up, Housing and Communities (DLUHC) and more detailed guidance prepared by the LGPS Scheme Advisory Board.

4.10 Policy for Eligibility on Spreading Exit Payments (DSA)

The following process will determine whether an employer is eligible to spread their exit payment over a defined period. Employers with a DSA are deemed to be exiting the Fund and such arrangements may be appropriate for an employer with no active members, no intention of returning to active employer status in the future and they wish to crystallise any debt to the Fund. Employers have an obligation to make good on the payments due under the DSA, which when completed will finalise their exit.

1) The Administering Authority will request updated covenant information from the employer including (but not exclusively) management accounts and financial forecasts. If this information is not provided then the default policy of immediate payment may be adopted.

2) Once this information has been provided, the Administering Authority (in conjunction with the Fund actuary, covenant and legal advisors where necessary) will review the covenant of the employer to consider the appropriateness of allowing the employer to spread the exit debt over a period of time. Depending on the length of the period and also the size of the outstanding debt, the Fund may request security to support the payment plan before entering into an agreement to spread the exit payments.

3) The form of the Debt Spreading Arrangement will be determined by the Fund in discussion with the employer. The payments required will include allowance for interest to reflect later payment.

4) The initial process to determine whether an exit debt should be spread may take up to three months from the later of date of exit or receipt of required information, therefore it is important that employers who request to spread exit debt payments notify the Fund early. There is also an expectation that any agreement to spread exit debt payments and the supporting legal documentation will be completed within twelve months of the date of exit, with a default of immediate payment falling due where arrangements are not concluded within this timeframe.

5) If it is agreed that the exit payments can be spread then the Administering Authority will engage with the employer regarding the following:

   a) The spreading period that will be adopted (note in general it is expected that the spreading period for a DSA will be shorter than that of a DDA). The initial and annual payments due and how these will change over the period.

   b) The initial and annual payments due and how these will change over the period.

   c) The interest rates applicable and the costs associated with the payment plan.

   d) The level of security required to support the payment plan (if any) and the form of that security e.g., bond, escrow account etc.

   e) The responsibilities of the employer during the exit spreading period including the supply of relevant information and events which would trigger a review of the situation.

f) The covenant information that will be required on a regular basis to allow the payment plan to continue.

g) The circumstances under which the payment plan may be reviewed or terminated to potentially include immediate payment of outstanding debt (e.g., where there has been a significant change in covenant or circumstances).

6) Once the Administering Authority has reached its decision, having consulted with relevant advisors, the arrangement will be legally documented (any supporting documents will be included) and a revised Rate and Adjustment Certificate issued by the Fund actuary.

In the event that the Administering Authority believes that the exiting employer may be at increased risk of being able to honour remaining payments, the Administering Authority will initiate a review and may terminate the DSA to ensure arrangement remain appropriate for the Fund and do not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding debt, as set out in the schedule to the DSA will be payable.

Once the exit debt payment has been made in full, the exiting employer has no further obligation to the Fund.

4.11. Policy for Eligibility on Deferred Debt Exit Payments (DDA)

As opposed to triggering and paying an immediate exit debt an employer may request to participate in the Fund with no contributing members – noting the employer may return to active status in the future – and utilise a "Deferred Debt Arrangement" (DDA) at the sole discretion of the Administering Authority. This would be at the request of the employer in writing to the Administering Authority ahead of exit. Alternatively, a DDA can be used for employers who do wish to exit, but do not wish to crystallise their debts to the Fund. In this instance the employer would continue to have exposure to funding risk for the duration of the DDA.

The following process will determine whether the Fund and employer will enter into such an arrangement:

1) The Administering Authority will request updated covenant information from the employer including (but not exclusively) management accounts and financial forecasts. If this information is not provided then a DDA may not be entered into by the Administering Authority.

2) Once this information has been provided, the Administering Authority will firstly consider whether it would be in the best interests of the Fund and participating employers to enter into such an arrangement with the employer. This decision will be informed by review of covenant, affordability and potential funding risk to the employer and other employers within the Fund (based on advice from the Actuary, covenant and legal advisor where necessary).

3) The initial process to determine whether a DDA could apply may take up to three months from receipt of the required information. Any employer considering a DDA request to the Administering Authority must inform the Fund in advance of the exit (or potential exit) date.

4) Noting the steps above, if the Administering Authority deems that a DDA is appropriate it will base discussions with the employer about the potential format of the agreement upon the principles set out in the LGPS Scheme Advisory Board's guidance, issued March 2021. As part of this, the following will be considered and where relevant, recorded within the legal agreement:

   a) Any security the employer can offer whilst the employer is participating within the Fund. As a general principle, the Administering Authority will not enter into such an agreement unless they are confident that the employer can support the arrangement over the duration of the agreement.

   b) The categorisation that would be applied to the employer for funding purposes.

   c) Any upfront cash payment payable to the Fund at the outset to reduce the outstanding debt.

   d) The updated secondary rate of contributions (payment plan) required up to the next valuation.

   e) The financial information that will be required on a regular basis to allow the employer to remain in the Fund and online monitoring that will be undertaken by the Fund.

   f) The advice of the Fund actuary, covenant, legal and any other specialists necessary.

   g) The responsibilities that would apply to the employer while they remain in the Fund.

   h) Conditions that may trigger the implementation of a review of the DDA and revised payment plan.

   i) Potential triggers might include the removal or loss of any security or a significant change in covenant assessed as part of the regular monitoring.

   j) The circumstances under which the employer may be able to vary the arrangement e.g., a further cash payment or change in security underpinning the agreement.

   The Administering Authority make a final decision on whether it is in the best interests of the Fund and other participating employers to enter into a DDA with the employer and confirm the terms that are required. Where a DDA is entered into, a revised Rates and Adjustment certificate will be issued by the Fund actuary.

5) For employers who enter into a DDA, their deficit will be re-calculated as part of each actuarial valuation and new contribution rates will be certified by the Fund actuary and included in the Rates and Adjustment certificate. Contributions may be reviewed earlier in line with the DDA if any of the agreed triggers are met.

6) The costs associated with the advice sought and drafting of the DDA will be passed onto the employer as part of the arrangements and contribution requirements. Unless otherwise agreed, a DDA will terminate on the first of the following events:

   a) the deferred employer enrols new active members;

   b) the duration of the agreement has elapsed;

   c) the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;

   d) having monitored the employer's ongoing ability to support its obligations, the Administering Authority is satisfied that the DDA may cease with no further obligation from the employer.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the Administering Authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

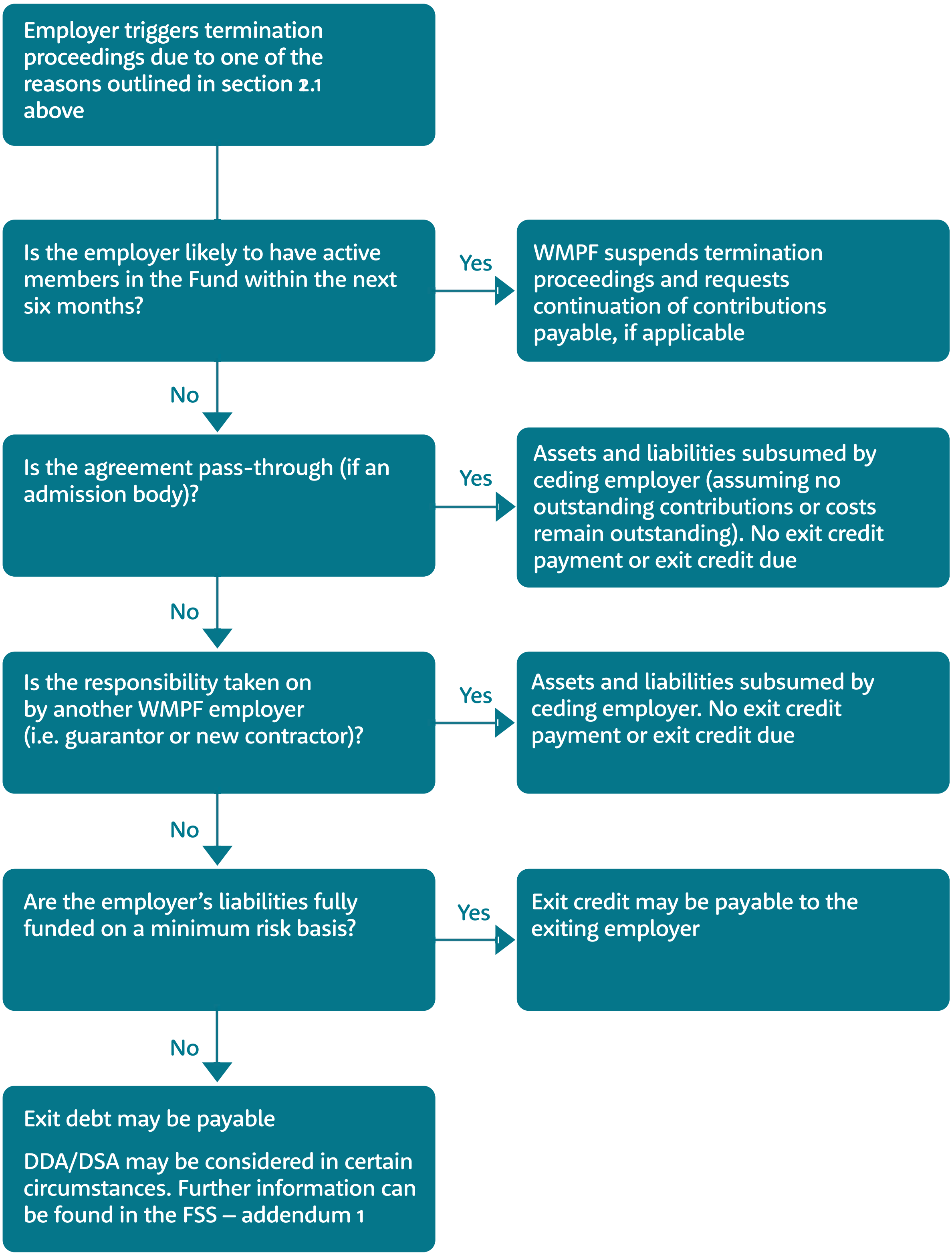
Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The administering authority will obtain from the Fund actuary an exit valuation calculated at the date the DDA terminates and advise the employer of any further payments due.

Once the exit debt payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised Rates and Adjustments Certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's *Funding Strategy Statement (FSS)*.

Detailed terminology outlined within the termination policy can be found within the FSS policy.

APPENDIX – WMPF TERMINATION PROCESS FLOWCHART



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