

LONDON BOROUGH OF CAMDEN	WARD: All
REPORT TITLE: Cessation Policy	
REPORT OF: Executive Director Corporate Services	
FOR SUBMISSION TO: Pension Committee	DATE: 2 December 2025
SUMMARY OF REPORT: <p>This report presents the Cessation Policy for approval. The policy sets out the administering authority's approach to managing the cessation of employers participating in the Camden Pension Fund. It clarifies how liabilities are calculated when an employer exits the Fund, how any resulting surplus or deficit is treated, and how the Fund exercises its discretionary powers under the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended).</p> <p>The policy has been prepared by the Fund Actuary, Hymans Robertson, in line with Regulation 64 of the LGPS Regulations 2013 and statutory guidance from the Ministry of Housing, Communities and Local Government (MHCLG). It complements Section 7 of the Fund's Funding Strategy Statement (FSS) and provides operational detail on the Fund's treatment of cessation events.</p>	
Local Government Act 1972 – Access to Information <p>No documents required to be listed were used in the preparation of this report.</p> <p>Contact Officer: Saul Omuco Head of Finance Treasury & Pensions Finance Corporate Services 5 Pancras Square London N1C 4AG</p> <p>Telephone 0207 974 7116 Email saul.omuco@camden.gov.uk</p>	
RECOMMENDATIONS: <p>The Committee is asked to:</p> <p>(a) Approve the Cessation Policy attached as Appendix A</p> <p>(b) Delegate authority to the Director of Finance (S151 Officer), after consultation with the Fund Actuary, to make minor updates to the policy as required to reflect future regulatory or guidance changes.</p>	
Signed by Director of Finance Agreed Date xx/11/2025	

1. INTRODUCTION

- 1.1 This report introduces the Fund's first standalone Cessation Policy, prepared by the Fund Actuary in line with LGPS Regulations and statutory guidance from MHCLG.
- 1.2 The policy formalises Camden Pension Fund's approach to managing the cessation of scheme employers, providing a transparent and consistent framework for assessing exit payments, exit credits, and deferred debt agreements.
- 1.3 The development of this policy forms part of a wider review of the Fund's employer management framework, alongside the Admissions Policy and Contribution Reviews Policy, to ensure full regulatory compliance ahead of the 2025 Triennial Valuation.

2. BACKGROUND

- 2.1 The Fund's actuary is required under LGPS Regulation 64 to undertake a valuation when an employer ceases to participate in the Fund, to determine whether a cessation debt or exit credit is due.
- 2.2 Cessation events typically arise when:
 - An employer no longer has active members in the Fund (e.g. contract end, school closure, merger, or reorganisation);
 - An admission agreement terminates; or
 - An employer becomes insolvent or is taken over.
- 2.3 While cessation valuations are carried out on a case-by-case basis, a clear policy framework helps ensure consistent, transparent, and equitable treatment across employers.
- 2.4 The Fund's Funding Strategy Statement provides the overarching principles, whereas this standalone policy establishes the detailed process, discretionary considerations, and governance arrangements for managing cessations.

3. POLICY OVERVIEW

- 3.1 The draft policy sets out the Fund's key principles and procedures, including:
 - Valuation Approach: The actuary will determine cessation liabilities based on employer type (e.g. low-risk basis for scheduled/designating bodies; ongoing basis for admission bodies with guarantees).
 - Exit Payments: Normally payable as a single lump sum within 28 days; exceptional cases may be eligible for Debt Spreading Arrangements (DSA) (up to 3 years, extendable in extreme circumstances).
 - Deferred Debt Agreements (DDA): May be used only in exceptional cases to avoid insolvency, allowing the employer to remain in the Fund while paying secondary contributions.
 - Exit Credits: The Fund retains full discretion under Regulation 64 (2ZAB)–(2ZC) to determine whether any surplus is payable to an exiting employer, considering the existence of guarantees, risk-sharing arrangements, and funding history.

- Roles and Responsibilities: The policy clearly sets out the duties of ceasing employers, the administering authority, and the actuary, ensuring compliance with LGPS Regulations and safeguarding Fund assets.

4. RATIONALE AND OBJECTIVES

4.1 The policy aims to:

- Ensure a consistent and fair approach to managing cessation events
- Minimise the risk that remaining employers bear costs arising from the withdrawal of another employer
- Provide flexibility for employers in financial distress while safeguarding the Fund's solvency
- Improve transparency and governance around cessation and exit credit determinations.

4.2 The inclusion of repayment flexibility (via DSA or DDA) reflects the Fund's balanced approach to protecting its interests while enabling proportionate support to exiting employers where appropriate.

5. CONSULTATION AND ACTUARIAL ADVICE

- 5.1 The draft policy was prepared by the Fund Actuary, Hymans Robertson, and reviewed by officers.
- 5.2 The policy will be shared with participating employers for information following Committee approval, in line with the Fund's governance framework and Funding Strategy Statement.

6. FINANCE COMMENTS OF THE DIRECTOR OF FINANCE

- 6.1 The financial impact of this policy will vary depending on the circumstances of each cessation event. The policy strengthens the Fund's position by reducing the risk of unpaid liabilities being passed to other employers.

7. LEGAL COMMENTS OF THE BOROUGH SOLICITOR

The attached policy summarises some of the detailed provisions governing cessation payments in law. The Guidance on preparing and maintaining policies on review of employer contributions, employer exit payments and deferred debt agreements dated 2 March 2021 states that any policy should be included in the funding strategy statement. The guidance states that 'The FSS is a high-level statement of an administering authority's approach to funding strategy. It must be kept under review and revised whenever there is a material change in the authority's policy on the matters covered by the document. However, supporting information or detail may be set out elsewhere rather than in the FSS itself, in order to avoid frequent minor changes. Where authorities choose to do this, clear and up-to-date links to and means of accessing such documentation or information should be included.

APPENDICES

APPENDIX A – Cessation Policy