
Dated:

2018

- (1) LONDON LGPS CIV LIMITED
- (2) THE LONDON BOROUGH OF HACKNEY

Pension Cost Recharge Agreement

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THIS AGREEMENT is made on the

day of

2018

BETWEEN

- (1) **LONDON LGPS CIV LIMITED**, a company incorporated in England and Wales (registered number 09136445) whose registered office is at Eversheds House, 70 Great Bridgewater Street, Manchester M1 5ES (the "**Admission Body**"); and
- (2) **THE LONDON BOROUGH OF HACKNEY** (the "**Authority**")

BACKGROUND

- (A) The Admission Body is an admission body within the meaning of paragraph 1(e) of Part 3 of Schedule 2 to the 2013 Regulations and is admitted to the Fund under the terms of the Admission Agreement.
- (B) The Admission Body has been formed as an entity to act as an alternative investment fund manager to run and operate one or more collective investment vehicles to allow Shareholders in their respective capacities as administering authorities within the Scheme to pool some or all of their respective Scheme investments.
- (C) The Authority is a shareholder in the Admission Body. The Shareholders (as defined below) are the current sole shareholders in the Admission Body following the merger of the pension fund maintained by the London Borough of Richmond upon Thames into the pension fund maintained by the London Borough of Wandsworth pursuant to The Local Government Pension Scheme (Wandsworth and Richmond Fund) Regulations 2016 (SI 2016/1241).
- (D) Under the 2013 Regulations, the Administering Authority must obtain:
 - (i) an actuarial valuation of the assets and liabilities of the Fund as at 31st March 2016 and on 31st March in every third year afterwards;
 - (ii) a report by the Actuary in respect of the valuation; and
 - (iii) a rates and adjustments certificate prepared by the Actuary.
- (E) A rates and adjustments certificate must specify the Admission Body's primary and secondary rate of employer contributions as defined in the Regulations.
- (F) The primary rate is effectively the cost of future accruals in the Fund expressed as a percentage of the pay of employees who are active members of the Fund.
- (G) The secondary rate of the Admission Body is any percentage or amount by which, in the Actuary's opinion, contributions at the primary rate should, in the case of the Admission Body, be increased or reduced by reason of any circumstances peculiar to the Admission Body. For example the secondary rate could include percentage or amount to fund any deficit revealed in respect of the Admission Body by the last actuarial valuation of the Fund.
- (H) A rates and adjustments certificate may be revised between triennial valuations in circumstances prescribed in Regulation 64 of the 2013 Regulations.
- (I) The Admission Body must contribute to the Fund in each year covered by a rates and adjustment certificate. During each of those years the Admission Body must make payments to the Fund on account of the amount required for the whole year. These contributions are referred to as Regular Employer Contributions in this Agreement.
- (J) If the Admission Body was to cease to employ any active members in the Fund or if the Admission Agreement was to terminate then the Administering Authority must, in accordance with Regulation 64(2) of the 2013 Regulations, obtain an actuarial valuation as at the exit date of the liabilities of the Fund in respect of benefits in respect of the Admission Body's current and former employees and a revised rates and adjustments certificate showing the exit payment due from the Admission Body in respect of those benefits. This payment is referred to as the Exit Payment in this Agreement.

- (K) The Admission Body's annual financial statements are prepared in accordance with Financial Reporting Standard 102. In applying the general recognition principle in paragraph 28.3 of the Standard to defined benefit plans such as the Scheme, the Admission Body shall recognise a liability for its obligations under the Fund net of its share of Fund assets. For this purpose, liabilities are calculated on a different basis to the basis used by the Actuary to carry out Fund valuations.
- (L) Under paragraph 28.28 of Financial Reporting Standard 102 if the Admission Body is virtually certain that another party or parties will reimburse some or all of the expenditure required to settle a defined benefit obligation, the Admission Body shall recognise its right to reimbursement as a separate asset in the annual financial statements and shall treat that asset in the same way as Scheme assets.
- (M) The Authority has agreed to reimburse the Admission Body in connection with its participation in the Fund in accordance with the terms of this Agreement.
- (N) This Agreement is intended to act as an asset for the purposes of paragraph 28.28 of Financial Reporting Standard 102.
- (O) The Shareholders may also be required to pay a separate annual service charge in accordance with clause 3.1 of the Shareholders' Agreement. Both the estimated Regular Employer Contribution and the annual service charge may be invoiced at the same time. There shall be no double payment of the same pension costs by Shareholders under this Agreement and the annual service charge.
- (P) This Agreement shall have effect on and from the Effective Date (even if it is dated after that date).

NOW IT IS AGREED as follows:

1. **Interpretation**

This Clause sets out the definitions which apply to the Agreement.

1.1 The following expressions have the following meanings:

"2013 Regulations"	The Local Government Pension Scheme Regulations 2013.
"Actuary"	the actuary appointed from time to time by the Administering Authority in relation to the Fund.
"Additional Contributions"	Employer additional employer contributions other than Regular Employer Contributions or an Exit Payment that the Admission Body is required to pay to the Fund under the Admission Agreement or the Regulations.
"Administering Authority"	the City of London Corporation as the administering authority of the Fund.
"Admission Agreement"	the admission agreement made between the Administering Authority and the Admission Body to allow the Admission Body to be admitted to the Scheme and to participate in the Fund.
"Business Day"	any day other than a Saturday or a Sunday or a public or bank holiday in England.
"Effective Date"	31 March 2018.
"Exit Payment"	a payment required by the Administering Authority in accordance with Regulation 64(2) of the 2013 Regulations.

"Fund"	the City of London Corporation Pension Fund.
"Guarantee Agreement"	the guarantee agreement to be made between the Administering Authority, the Shareholders and the Admission Body pursuant to which the Shareholders will provide a guarantee to the Administering Authority in connection with the Admission Body's participation in the Fund.
"Payment Notice"	a notice substantially in the form of the notice of Schedule 2 (Specimen Payment Notice).
"Proportionate Share"	means the fraction X/Y where X equals one and Y equals the number of authorities listed from time to time in Schedule 1 (List of Shareholders).
"Rates and Adjustments Certificate"	means the rates and adjustments certificate put in place in respect of the Admission Body pursuant to Regulation 67 of the 2013 Regulations.
"Regular Contributions"	Employer the contributions the Admission Body is required to pay to the Fund in accordance with the Rates and Adjustments Certificate comprising of contributions at both the primary and secondary rates.
"Regulations"	the 2013 Regulations and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014.
"Scheme"	the Local Government Pension Scheme established by the Regulations made by the Secretary of State under Sections 7 and 12 of the Superannuation Act 1972.
"Shareholders"	each of those authorities listed from time to time in Schedule 1 (List of Shareholders).
"Shareholders' Agreement"	the agreement dated 6 November 2015 made between certain of the Shareholders and the Admission Body to record the terms of the Shareholders' relationship with each other in relation to the Admission Body and to regulate certain aspects of their affairs and dealings with the Admission Body (as amended or varied from time to time).

- 1.2 Expressions have the same meaning as in the Regulations except where the context otherwise requires.
- 1.3 This Agreement includes a heading and a box at the start of each Clause which outlines its provisions. These are included for information only.
- 1.4 Any reference in this Agreement to any statute or statutory provision will include any subordinate legislation made under it and will be construed as references to such statute, statutory provision and/or subordinate legislation as modified, amended, extended, consolidated, re-enacted and/or replaced and in force from time to time.

2. Pension Cost Reimbursement

This Clause sets out how pension costs will be reimbursed to the Admission Body.

2.1 Reimbursement of Regular Employer Contributions

- 2.1.1 The Admission Body will pay the Administering Authority for credit to the Fund such Regular Employer Contributions as are required from time to time pursuant to the Regulations in accordance with the Rates and Adjustments Certificate in force from time to time. For the avoidance of doubt this shall cover employer contributions at the primary rate for future membership in the Fund and employer contributions at the secondary rate for circumstances peculiar to the Admission Body, including deficits in the Fund relating to accrued membership.
- 2.1.2 The Admission Body will invoice the Authority annually in advance for the Authority's Proportionate Share of the estimated Regular Employer Contributions payable for the next financial year (commencing 1 April to the following 31 March). There shall be a corresponding adjustment in the following year's invoice to the extent that the estimated Regular Employer Contributions for the year in question prove to be higher or lower than the actual Regular Employer Contributions for that year. This may be invoiced at the same time as the annual service charge the Authority is required to pay in accordance with clause 3.1 of the Shareholders' Agreement.
- 2.1.3 The Authority undertakes to the Admission Body that it will pay the Admission Body the amount invoiced to it in accordance with **clause 2.1.2**.
- 2.1.4 The Authority will ensure that any payment made to the Admission Body pursuant to **clause 2.1.2** is made within no more than 10 Business Days of commencement of the financial year in question so that the Admission Body is able to pay the first monthly instalment of the relevant Regular Employer Contribution to the Fund on or before the first due date.

2.2 Reimbursement of Additional Employer Contributions

- 2.2.1 The Admission Body will provide the Authority with a Payment Notice for the Authority's Proportionate Share of any Additional Employer Contributions that the Admission Body is required to pay to the Fund (together with the due date(s) for payment in accordance with the demand).
- 2.2.2 The Authority undertakes to the Admission Body that it will pay the Admission Body an amount equal to its Proportionate Share of the Additional Employer Contributions notified to it by the Admission Body pursuant to **clause 2.2.1**.
- 2.2.3 The Authority will ensure that any payment made to the Admission Body pursuant to **clause 2.2.2** is made at least 5 Business Days in advance of the due date for payment so that the Admission Body is able to pay the relevant Additional Employer Contribution to the Fund on or before the due date.

2.3 Reimbursement of Exit Payment

- 2.3.1 The Admission Body will provide the Authority with a Payment Notice for the Authority's Proportionate Share of any Exit Payment that the Admission Body is required to pay to the Fund (together with the due date(s) for payment in accordance with the demand).
- 2.3.2 The Authority undertakes to the Admission Body that it will pay the Admission Body an amount equal to its Proportionate Share of the Exit Payment notified to it by the Admission Body pursuant to **clause 2.3.1**.
- 2.3.3 The Authority will ensure that any payment made to the Admission Body pursuant to **clause 2.3.2** is made at least 5 Business Days in advance of the due date for payment so that the Admission Body is able to pay the Exit Payment to the Fund on or before the due date.

2.4 **Service of Invoice or Payment Notice**

The service of an invoice under **clause 2.1.2** or a Payment Notice by the Admission Body shall be accepted by the Authority as conclusive evidence for all purposes that the amount claimed is due to the Admission Body.

2.5 **Obligations and Liabilities**

The Authority's obligations and liabilities under this Agreement shall not be reduced, discharged, impaired or affected by the giving of time or any other indulgence, forgiveness or forbearance by the Admission Body.

3. **Guarantee Agreement**

This Clause refers to the Guarantee Arrangement to be entered into between the Administering Authority, the Shareholders and the Admission Body.

The Authority and the Admission Body acknowledge and agree that they (together with the other Shareholders and the Administering Authority) shall enter into the Guarantee Agreement.

4. **Effective and Expiry Dates**

This Clause sets out the circumstances in which this Agreement shall be effective from and shall expire.

4.1 This Agreement shall have effect on and from the Effective Date. Where the Agreement is dated after the Effective Date it shall be deemed to have retrospective effect on and from the Effective Date.

4.2 This Agreement shall expire (and the obligations and liabilities of the Authority shall cease and determine absolutely) on the full payment of the Exit Payment by the Admission Body (or by the Shareholders under the Guarantee Agreement) which fully discharges the Admission Body's obligations and liabilities to the Fund.

5. **Change in Status**

This Clause deals with issues relating to changes in the status of the Admission Body and what happens if a Shareholder ceases to be a shareholder in the Admission Body.

5.1 This Agreement shall remain in operation notwithstanding any variation made in the terms of the Admission Agreement or the Regulations and notwithstanding the insolvency, winding-up or liquidation of the Admission Body (compulsory or otherwise) or it otherwise ceasing to exist or function. This Agreement shall not be affected by any disclaimer of the Admission Body's contracts or liabilities by a liquidator.

5.2 The obligations and liabilities of the Authority under this Agreement shall continue even if the Authority ceases to hold the legal and/or beneficial entitlement in any or all of its shares in the Admission Body notwithstanding any provision in the Shareholders' Agreement. The Authority shall only cease to be liable under this Agreement if the Authority is removed from the list at **Schedule 1** (List of Shareholders) of this Agreement in accordance with **clause 7**.

6. **Notices**

This Clause sets out how any written notices are to be served.

All notices under this Agreement shall be in writing and shall be served by sending the same by first class post, facsimile or by hand or leaving the same at the registered office or headquarters address (as appropriate) of the Admission Body or the Authority.

7. **Amendment**

This Clause sets out how the Agreement may be amended.

7.1 The parties to this Agreement may, with the agreement of all of them in writing, amend this Agreement by deed.

7.2 This Agreement may be amended by the Admission Body alone to add or remove shareholders in the Admission Body to or from **Schedule 1** (List of Shareholders) where the addition or removal of that shareholder for the purposes of this Agreement has been agreed in writing by the Shareholders and notified to the Admission Body.

8. **More than one Counterpart**

This Clause sets out how the Agreement can be executed in counterparts.

This Agreement may be executed in more than one counterpart, which together constitute one agreement. When each signatory to this agreement has executed at least one part of it, it will be as effective as if all the signatories to it had executed all of the counterparts. Each counterpart Agreement will be treated as an original.

9. **Assignment and Restructuring**

This Clause sets out when the Agreement may be assigned.

No party shall assign the benefit or burden of the whole or any part of this Agreement without the prior written consent of the other parties (such consent not to be unreasonably withheld or delayed).

10. **Laws**

This Clause sets out the legal framework which governs the Agreement.

10.1 This Agreement shall be governed by and interpreted in accordance with the laws of England and Wales.

10.2 Any rights that a third party may have under the Contracts (Rights of Third Parties) Act 1999 are excluded.

11. **Warranty of Authority**

This Clause confirms that the Authority has the relevant authority power and capacity to enter into this Agreement.

The Authority warrants and represents to the Admission Body that it has all necessary authority, power and capacity to enter into and perform its obligations under this Agreement, that all necessary actions have been taken to enter into this Agreement properly and lawfully, and that this Agreement constitutes obligations binding on it in accordance with its terms.

EXECUTED as a deed and delivered on the date stated at the beginning of this Agreement.

EXECUTED as a deed by **LONDON LGPS CIV LIMITED** acting by a director

Signature of Director

in the presence of:

Witness signature:

Witness Name:

Witness Address:

Witness Occupation:

EXECUTED as a deed when the seal of the **LONDON BOROUGH OF HACKNEY** was affixed

in the presence of:

Authorised Signatory

SCHEDULE 1

List of Shareholders

1. City of London Corporation
2. London Borough of Barnet
3. London Borough of Barking and Dagenham
4. London Borough of Bexley
5. London Borough of Brent
6. London Borough of Bromley
7. London Borough of Camden
8. London Borough of Croydon
9. London Borough of Ealing
10. London Borough of Enfield
11. London Borough of Hackney
12. London Borough of Haringey
13. London Borough of Harrow
14. London Borough of Havering
15. London Borough of Hammersmith and Fulham
16. London Borough of Hounslow
17. London Borough of Islington
18. London Borough of Lambeth
19. London Borough of Lewisham
20. London Borough of Merton
21. London Borough of Newham
22. London Borough of Redbridge
23. London Borough of Southwark
24. London Borough of Sutton
25. London Borough of Tower Hamlets
26. London Borough of Waltham Forest
27. London Borough of Hillingdon
28. Royal Borough of Greenwich
29. Royal Borough of Kensington and Chelsea

30. Royal Borough of Kingston upon Thames
31. Wandsworth London Borough Council
32. Westminster City Council

SCHEDULE 2

Specimen Payment Notice

To: **[Shareholder]**

From: **[Admission Body]**

[DATE]

PENSION COST REIMBURSEMENT AGREEMENT REF: []

We refer to the Agreement and certify that [Additional Employer Contributions]/[an Exit Payment] is/are due to the Fund. We attach a copy of [INSERT] confirming that these contributions/payments are due and the due date(s) for payment.

The sum of [] pounds sterling (£) is properly due in respect of your Proportionate Share (x%) of the above contributions/payments.

We demand payment of the above amount at least within 5 (Business Days) in advance of the due date(s).

The above amount should be paid to us by transfer to the following account:

Account Number []

Sort Code []

Account Name []

Bank []

Bank Address []

.....

Duly authorised for and on behalf of the Admission Body