



## Pension Fund Committee

16 October 2018

<b>Title</b>	<b>Update on Admitted Bodies Organisations</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix 1 – Admitted Bodies Monitoring Sheet
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### Summary

This report updates the Committee on the Admitted Bodies participating in the Local Government Pension Scheme administered by the London Borough of Barnet.

### Recommendations

That the Pension Fund Committee:

- note the update concerning admissions, cessations, bonds and the monitoring of contributions as detailed below and in Appendix 1.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Report is to update the Pensions Fund Committee on the current position in terms of admitted bodies to the London Borough of Barnet Pension Fund. The report is divided into sections on admissions, cessations, bonds and the monitoring of contributions.

### **Admissions**

- 1.2 There are no new employers seeking to participate in the pension scheme. Discussions are continuing with Elior (approved June 2018) to agree the terms of the admission agreement.

### **Cessation**

- 1.3 When an employer ceases to have active members a cessation valuation is triggered. The Actuary values the pension assets and liabilities allocated to that employer. Should there be a deficit of assets, a payment is demanded from the employer of the deficit value. Historically, any surplus of assets is retained within the fund. The basis of the valuation is set out in the admission agreement. There are two employers for whom cessation valuations are required – Housing 21 and GLL. In both cases the Actuary requires data from the administrator.
- 1.4 The Regulations covering cessations have recently been changed to require a surplus on a cessation to be repaid to the employer. This addresses what was seen as an anomaly with deficits being recoverable from the employer but surpluses retained within the fund. This acted against employers paying off deficits quickly if this could result in a surplus that was not recoverable. Discussions are currently ongoing with the Actuary to identify the implications of the change in Regulations e.g. the continued appropriateness of the assumptions used to calculate the cessation funding position.

### **Bonds and Guarantees**

- 1.5 The attached schedule sets out the current provision of bonds for all admitted employers (those that are not schools or colleges). Listed below are the employers whose bonds have (or will soon) expire and have not been renewed.

Awaiting bond value evaluation by the Actuary (information provided by Administrator)

Mears Group – expired 30 Sept 2017  
NSL – expired 30 April 2017  
OSC Group – expired 31 May 2017  
Viridian Housing – expired 16 August 2016  
Barnet Educational Trust – 28 February 2016  
Capita CSG – expires 24 Nov 2018  
Capita RE – expires 24 Nov 2018

### Information provided to Actuary, Awaiting Calculations

Servest (Henrietta School) – expires 1 November 2018

Hestia – expiry date not known

Ridgecrest Cleaning – expires 30 September 2018

### **Monitoring of Contributions**

- 1.6 Previously, these quarterly reports have indicated that all contributions due by employers had been paid. This is not correct. The monitoring of contributions by the Administrator has been limited to checking that the amounts paid by each employer are consistent with the payroll returns submitted by that employer. No checks have been undertaken that the rates of contributions are in accordance with those set by the Scheme Actuary. The Administrator is reviewing their processes with the objective of including checks that the contributions paid are at the correct rate.
- 1.7 For two employers, deficit contributions due in 2017-18 have not been paid. These are Capita RE and Capita CSG. In aggregate, deficit contributions of £1.179 million remain unpaid for the year to 31 March 2018. This sum was provided for within the Pension Fund Accounts. A further £1.208 million is due for the year to 31 March 2019. Capita were aware that the payments are due and had sought supporting information when the schedule of contributions was first issued (March 2017). The lack of monitoring of contributions has resulted in the failure to pay not being identified until April 2018. Capita have indicated that payment will be made before the Committee meeting.
- 1.8 The Committee will wish assurance that no other contributions are being underpaid. The audit of the pension fund accounts included testing of contributions received and did not identify any employers paying the incorrect rate of contributions. This provides some assurance that the rates being paid are in line with the schedule of contributions. However, a procedure that checks rates for all employers is required.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 There is no action required of the Committee.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable

## **4. POST DECISION IMPLEMENTATION**

- 4.1 When bond values have been calculated, employers will be required to provide evidence that bonds or guarantees are in place.

## **5. IMPLICATIONS OF DECISION**

- 5.1 **Corporate Priorities and Performance**

5.1.1 To maintain the integrity of the Pension Fund by monitoring of admitted body organisations and ensuring all third parties comply fully with admission agreements and bond requirements. This ensures that pension fund liabilities are covered by the responding admitted bodies; this in return protects Barnet's liabilities and supports the Council's corporate priorities as expressed through the Corporate Plan.

## **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 Appendix 1 notes the bond levels required for each admitted body which will act as guarantee for the Pension Fund liabilities.

5.2.2 The lack of adequate monitoring of contributions paid results in a risk that errors, including underpayments will not be identified.

5.2.3 The administration strategy statement provides the right to charge interest on late payments of contributions on the basis set out within Regulation 71 of The Local Government Pension Scheme Regulations 2013. Interest can be charged from a date one month after the payment was due, calculated at one per cent above base rate on a day to day basis from the due date to the date of payment.

## **5.3 Social Value**

5.3.1 Membership of the Pension Fund ensures the long term financial health of the contributing employees on retirement.

## **5.4 Legal and Constitutional References**

5.4.1 Schedule 2 of the Local Government Pension Scheme Regulations 2013 provide that a Local Authority, as an 'Administering Authority' for the Fund, may admit an organisation into the Local Government Pension Scheme, subject to that organisation, or the contractual arrangement between that organisation and the Council, meeting the criteria set out in the Regulations.

5.4.2 With respect to an admission agreement, the Regulations further provide for an assessment of the level of risk arising on premature termination of the provision of the service or assets by reason of insolvency, winding up or liquidation of the admission body. The assessment must be with the benefit of actuarial advice and, where the level of risk is such as to require it, the transferee admission body shall enter into an indemnity or bond to meet the level of risk identified. However, the Regulations do allow in some circumstances for the scheme employer to act as guarantor.

5.4.3 The Council's standard admissions agreement makes provision for the admitted body to maintain a bond in an approved form and to vary the level of risk exposure under the bond as may be required from time to time.

5.4.4 The Council's Constitution (Article 7) – includes within the responsibilities of the Pension Fund Committee. This report is in line with this.

## **5.5 Risk Management**

5.5.1 The ongoing viability of the Pension Fund is dependent on acquiring assets that match the pension liabilities. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels in order to mitigate against any risk to the financial viability of the pension fund

5.5.2 There is a possibility of financial losses to the Pension Fund where arrangements around admitted bodies, bond agreements and contributions are not sufficiently robust. Monitoring arrangements are in place to ensure that Admissions Agreements and bonds (where relevant) are in place and that bonds are renewed, as appropriate, during the lifetime of the relevant Admission Agreement.

## **5.6 Equalities and Diversity**

Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

## **5.7 Consultation and Engagement**

5.7.1 Not Applicable

## **5.8 Insight**

5.8.1 Not applicable

## **6. BACKGROUND PAPERS**

6.1 None

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