

AGENDA ITEM: 10

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Meeting	Pension Fund Committee
Date	22 June 2011
Subject	Update on admitted body organisations issues and revised monitoring arrangements
Report of	Deputy Chief Executive
Summary	This report updates the Committee on admitted body organisation issues previously reported at the March meeting, and requests approval from the Committee for admitted body status for the contractors Goldsborough, Amonet and Woodhouse as set out in the report.

Officer Contributors	John Hooton, Assistant Director of Strategic Finance Hansha Patel, Pension Services Manager Mark Rudd, Head of HR Service Delivery
Status (public or exempt)	Public
Wards affected	All
Enclosures	None
For decision by	Pension Fund Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: John Hooton, Asst Director Strategic Finance, 020 8358 2460

1. RECOMMENDATIONS

1.1 That the Committee notes the update to issues in respect of admitted body organisations within the Pension Fund;

1.2 That the Committee grants approval to the admission of Goldsborough, Amonet and Woodhouse as an 'Admission Body' to the Local Government Pension Scheme Fund, administered by the council.

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 Maintain the integrity of the Pension Fund by ensuring robust monitoring of admitted body organisations and ensuring all third-parties comply fully with admission agreements and bond requirements. The principle supports the corporate priority of getting the best value from our resources.

4. RISK MANAGEMENT ISSUES

4.1 The ongoing viability of the Pension Fund is dependent on maximising contributions to the Fund. All admitted bodies are subject to reviews and actuarial assessments 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.

4.2 There is a possibility of financial losses on the Pension Fund where arrangements around admitted bodies and bond agreements are not sufficiently robust. The new monitoring arrangements are being put in place to ensure that Admissions Agreements and, where relevant, bonds, are in place and that bonds are renewed, as appropriate, during the lifetime of the, relevant, Admission Agreement.

5. EQUALITIES AND DIVERSITY ISSUES

5.1 Ensuring the long term financial health of the pension fund will benefit everyone who contributes to it.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

6.1 Paragraph 4, above, deals with the financial implications of this report.

6.2 There are no procurement, performance & value for money, staffing, IT, Property or Sustainability implications.

7. LEGAL ISSUES

7.1 The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) provide that a Local Authority may admit a contractor into the

Local Government Pension Scheme. The, relevant, contractors meet the criteria for admission to the Fund

- 7.2 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 admission body shall enter into an indemnity or bond to meet the level of risk identified.
- 7.3 The Council's standard Admissions Agreement makes provision for the admission 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.

8. CONSTITUTIONAL POWERS

- 8.1 The Council's constitution, Part 3 – Responsibility for Functions, Pension Fund Governance Compliance Statement, paragraph 2.2.13 empowers the Pension Fund Committee to “approve applications from organisations wishing to become admitted bodies into the Fund where legislation provides for discretion, including the requirements for bonds.”

9. BACKGROUND INFORMATION

- 9.1 Officers have undertaken a review of all admitted body arrangements, following the administration of Connaught Partnership Limited (Connaught). This report provides a further update on issues previously reported at the Committee meeting held in December.
- 9.2 This report also sets out revised monitoring arrangements to ensure that sufficient control and management oversight is in place over the risks associated with bodies admitted to the Pension Fund.

9.3 UPDATE OF CURRENT ISSUES:

9.3.1 Connaught Partnership

Payment for outstanding contributions has now been received. With respect to the, outstanding, Pension Fund deficit, on 19th May a letter was received from KPMG confirming that the deficit ranks as an unsecured debt and not as a preferential debt. KPMG, also, informs that LBB has been added to the list of unsecured creditors in the administration. KPMG is of the view that the distribution to unsecured creditors, pursuant to the prescribed provisions of the Insolvency Act 1986, will be less than one penny in the pound.

9.3.2 Housing 21

Housing 21 is an Adults Social Services contract. The old contract, with Housing 21, having expired, contracts for the provision of the service were awarded (following a procurement process) to: Housing 21 (new contract) with 56 staff; Amonet (5 staff); Goldsborough (2 staff); and Allied (2 staff).

Housing 21 (new contract) – an admission agreement and bond, for the new contract, are being put into place. Housing 21 have agreed to pay the pension deficit (£193k) and the pension strain (£70k) arising from the old contract.

Amonet (5 employees – staff already transferred)

The pension team is liaising with the council's actuaries for assessment of the employer contribution rate and the bond level.

Goldsborough (2 employees – staff already transferred)

The pension team is now liaising with actuaries for assessment of employer rate and bond level.

Housing 21 – Allied (staff already transferred and put into contractor's scheme)

The new contractor has proposed a government actuary department (GAD) scheme for transferring employees.

The Pensions Committee are asked to approve the new contractors, Amonet and Goldsborough, as admitted bodies to the pension fund.

9.3.3 **Viridian Housing**

The bond expired on 20/04/2011. An updated Bond figure has been obtained from the Actuaries and supplied to Viridian. Viridian are currently in the process of securing a bond.

9.3.4 **Woodhouse – Caterlink** (2 employees – staff already transferred)

There is no bond or admission agreement in place. This is being pursued by the pension's team. The financial risk is low on this body, as there are only 2 staff.

The Pensions Committee are asked to approve Woodhouse as an admitted body to the pension fund.

9.3.5 **Open Learning Partnership (OLP)**

OLP ceased to be an admitted Body with effect from 31/03/2011. All liabilities have been cleared by OLP.

9.3.6 **Freemantle Trust**

An admissions agreement and bond are in place.

9.3.7 **Birkins Cleaning Services**

An admissions agreement and bond are in place.

9.3.8 **Go Plant**

An admissions agreement and bond are in place.

9.3.9 **Greenwich Leisure Ltd**

An admissions agreement and bond are in place.

9.3.10 **Friends of Moat Mount**

An admissions agreement is in place. A bond is not required as this is a community admissions agreement.

9.3.11 Y-Gen

An admissions agreement and bond are in place for the one year extended contract.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: SS

CFO: JH