

AGENDA ITEM: 10

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Meeting	Pension Fund Committee
Date	1 September 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.

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	Appendix A - LB Barnet Admitted Body Update
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 note the update to issues in respect of Admitted Body Organisations within the Pension Fund.**
- 1.2 For ease of reference, the admitted body information for future committee meetings may be displayed in a tabular format, as shown below in appendix A. Committee approval is requested for this amendment.**
- 1.3 That the Committee approve admitted body status for Housing 21 (new contract).**

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 Pursuant to the Equalities Act 2010, the council is under an obligation to have due regard to eliminating unlawful discrimination, advancing equality and fostering good relations in the contexts of age, disability, gender reassignment, pregnancy, and maternity, religion or belief and sexual orientation.
- 5.2 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.
- 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. This report provides a further update on issues previously reported at the Committee meeting held in June 2011.
- 10. UPDATE OF CURRENT ISSUES:**
- 10.1 **Connaught Partnership**
The legal service is continuing to deal with KPMG regarding the recovery of 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. As an unsecured creditor, it is unlikely that LBB will recover this debt.
- 10.2 **Housing 21**
Housing 21 is an Adults Service contract. The old contract has expired, and the service has now been split. Housing 21 has secured a new contract for the Enablement part of the service, with 56 staff. 10 other contractors have secured contracts to provide Home Care and Community Service. Of these 10 contractors, Amonet have 5 staff in the LGPS;

Goldsborough have 2 staff in the LGPS; and Allied have 2 members of staff in the LGPS.

Housing 21 (new contract) – As part of the contract negotiations, the Council has entered into a risk sharing arrangement with Housing 21, and will fund increases (and receive benefit of decreases) in the contribution rate as a result of investment performance and actuarial fluctuations. This is considered to be the most appropriate and cost effective way of managing this risk. The committee is asked to approve admitted body status for Housing 21 (new contract).

Amonet (5 employees – staff already transferred)

The Council's legal team are in the process of drawing up the required Admissions Agreement.

Goldsborough (2 employees – staff already transferred)

The Council's legal team are in the process of drawing up the required Admissions Agreement.

Allied (2 employees already transferred and put into contractor's scheme)

The new contractor has proposed a government actuary department (GAD) scheme for the transferring employees. The Pension's team is investigating if this scheme meets the requirements of relevant legislation.

10.3 **Viridian Housing**

The bond expired on 20/04/2011. An updated Bond figure has been obtained from the Actuaries and supplied to Viridian. Viridian is currently liaising with the Bondsman (Euler Hermes) to renew the Bond.

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

Officers are giving consideration to the question of pension requirements, with respect to this arrangement.

10.5 **Freemantle Trust**

An admissions agreement and bond are in place.

10.6 **Birkins Cleaning Services**

An admissions agreement and bond are in place. Bond is due to expire 31/08/2011. The pension's team have written to Birkins to arrange renewal of the Bond.

10.7 **Go Plant**

An admissions agreement and bond are in place. Bond due to expire 02/10/2011. The Pensions Team are liaising with the actuary for a re-assessment of the Bond level.

10.8 **Turners Industrial Cleaning Systems LTD.** (2 members of staff)

An Admissions Agreement and bond are in place. The Council's legal team are investigating if a new admissions agreement is required as a result of the extension of the service contract.

10.9 **Greenwich Leisure Ltd**

An admissions agreement and bond are in place.

10.10 **Friends of Moat Mount**

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

10.11 **Y-Gen**

An admissions agreement and bond are in place for the one year extension of the contract to 31/03/2012.

Legal: SS

CFO: JH

Appendix A

LB BARNET ADMITTED BODY UPDATE

Committee Date: 01/09/2011

ADMITTED BODY	ADMISSION START DATE	BOND EXPIRY DATE	COMMENTS
Fremantle	02/04/2001	08/02/2012	