

	<h2>Pension Fund Committee</h2> <h3>26 June 2018</h3>
Title	Update on Admitted Bodies
Report of	Director of Finance
Wards	N/A
Status	Public
Urgent	No
Key	No
Enclosures	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:

- Approve the admission of Greenwich Leisure Limited, Elior and Churchill Catering, subject to the signing of admission agreements and provision of bonds / guarantors as calculated by the scheme actuary,
- Note the update concerning cessations and bonds as detailed below and in Appendix 1.

1. WHY THIS REPORT IS NEEDED

- 1.1 The Report is to update the Pension 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 and bonds.

Admissions

- 1.2 When an existing participating employer transfers staff to a new employer, the staff have a right to remain in the pension scheme unless the new employer wishes to offer alternative comparable pension benefits. Most employers opt to join the local government pension scheme. The Committee is asked to approve the employers noted below who have requested participation in the scheme. This are no grounds for refusal provided that the new employer:

- Signs an admission agreement approved by the legal team
- Agrees to pay the contribution rate calculated by the scheme actuary, Hymans Robertson
- Provides a bond, guarantee or alternative security against the risk of default (the value is calculated by the actuary).

- 1.3 Three employers are seeking admission to the Pension Fund

Greenwich Leisure Ltd

GLL was re-appointed to operate Council leisure centres (January 2018) and has 16 active members of the pension scheme. A new admission agreement has been negotiated; signing awaits Committee approval. A bond for £162,000 is in place. GLL were already a participating employer. The new contact to operate Council leisure centres involves a cessation of the old contract / scheme membership and new admittance. The employer's contribution rate is 38.5%.

Elior

Elior was awarded catering contracts for two schools in September 2017, involving four staff at each. The draft admission agreements have been reviewed by HB Public Law. The administrator has been asked to provide the actuary with the information required to calculate the rate of contributions. The UK holding company will provide a parent company guarantee.

Churchill Catering

Churchill Catering was awarded the catering contract for Queenswell School commencing May 2016. There are four active staff. The contractor is reviewing the admission agreement. The employer's contribution rate used will remain the same as the previous contractor.

- 1.4 The Committee's agreement to admit these employers is subject to the formalities being agreed i.e. admission agreement, agreement of the contribution rate and a bond / guarantee being in place.

Cessation

- 1.5 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. Any surplus of assets is retained in the fund. The basis of the valuation is set out in the admission agreement. There have been five cessations, of which two require cessation valuations.

Housing 21

Ceased August 2016, when staff transferred to Aqualfo. As at March 2016, there were 29 active members and surplus of £1,065,000 (liabilities £5,322,000). It is unlikely that a cessation payment will be required. The actuary is awaiting information from the administrator.

GLL

As discussed above, there was a cessation when a new contract was signed in January 2018. As at March 2016 there was a surplus of £519,000 (assets £4.541 million, liabilities £4.021 million), which suggest that no deficit payment will be required.

- 1.6 There are three other cessations of non-material employers:

Aqualfo – This was a short-lived contract. Staff transferred to Your Choice Barnet. The employer never signed an admission agreement and paid no contributions. Barnet Council have agreed to pay missing contributions and the assets and liabilities will be added to Council's pool.

Absolutely Catering (Queenswell School Contract) – had one active member and was fully funded (gross assets and liabilities of £8,000) as at March 2016. Liabilities will be held as part of the 'dead' employers pool, which currently has a small surplus.

APCOA – listed as commenced November 2016 and ceased soon after, with one active member. Details are being checked with the administrator.

Bonds and Guarantees

- 1.7 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 expired and have not been renewed. These are listed by current position / action required:

Awaiting bond value evaluation by the actuary

Mears Group
NSL
OSC Group
Viridian Housing
Barnet Educational Trust

The actuary is currently awaiting information from the administrator to undertake the bond value calculations.

Employers not responding

Birkin Cleaning Services

Previous Bond £13,000 – expired 30 August 2015

Six active members and actuarial surplus of £9,000 (liabilities £77,000) as at March 2016.

Have been informed by one school (St James) that the contract ceased in Sept 2016. Checking with the second school that a contract remains in place.

Green Sky

Two school catering contracts

Bonds expired January 2015 (£23,000) and September 2014 (£16,000)

Currently eight active members across both contracts and a deficit of £4,000 (liabilities £123,000) as at March 2016.

Checking with the schools that contracts remain in place.

- 1.8 It is expected that the new bond values for the above employers will be finalised soon and bonds or alternative security provided.

2. REASONS FOR RECOMMENDATIONS

- 2.1 That the Committee notes the update to the issues detailed in Appendix 1

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable

4. POST DECISION IMPLEMENTATION

4.1 Once any recommendations in terms of admitted bodies have been approved, the Pension Fund will take appropriate action to update records and obtain bond information.

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 All organisations that have been paying their contributions in a timely way in line with the terms of their admittance to the Pension Fund have been rated green in Appendix 1 apart from the newest admissions that are in the process of setting up payments. Backdated contributions have been requested and are expected shortly.

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 previous

employer (often the Council) 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

5.5 **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 and bond agreements 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**

- 5.6.1 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