

	<p>Pension Fund Committee</p> <p>7 October 2020</p>
<p>Title</p>	<p>Admitted Body and Bond Status Update</p>
<p>Report of</p>	<p>Director of Finance</p>
<p>Wards</p>	<p>N/A</p>
<p>Status</p>	<p>Public</p>
<p>Urgent</p>	<p>No</p>
<p>Key</p>	<p>No</p>
<p>Enclosures</p>	<p>Appendix A – Update on Admission Agreements and Academy opening positions Appendix B – Update on Cessations Appendix C – Update on Bond renewals</p>
<p>Officer Contact Details</p>	<p>Mark Fox, Pensions Manager 0208 359 3341</p>
<p>Summary</p>	
<p>This report provides the Pension Fund Committee with a status update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations, that need arranging.</p> <p>The Council has been working with relevant employers, Capita, Hymans Robertson and HB Public Law to ensure outstanding admission and bond agreements are put in place.</p>	
<p>Recommendations</p>	
<p>That the Pension Fund Committee note the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations.</p>	

WHY THIS REPORT IS NEEDED

- 1.1 The Report is to update the Pensions Fund Committee on outstanding work in relation to admissions, cessations and bond renewals. Following the last Committee meeting in July 2020 and the completion of the 2019 actuarial valuation, progress has been made on issuing of outstanding admission agreements and bond renewals. Two cessation valuations have also been completed.

Admission Agreements

- 1.2 The employers listed below are seeking to participate in the Local Government Pension Scheme. An update on the progress of completing the Admission Agreements is attached in Appendix A.

	Employer	Contract Start Date
1	Caterlink (Holly Park School)	01/04/2019
2	Caterlink (Queen Elizabeth Girls School)	01/08/2016
3	Atlas Cleaning (Claremont)	19/01/2015
4	Atlas Cleaning (St Michaels)	01/09/2014
5	HCL (Cophall School)	01/09/2018
6	Olive Dining (Archer Academy)	01/09/2018
7	Ashlyn's (St Andrew's C of E School)	01/04/2017
8	Innovate (St James Catholic School)	01/08/2019
9	Olive Dining (St Joseph's Primary)	01/08/2019
10	MI Healthcare	14/12/2018
11	Barnet Education and Learning Services	01/09/2020

- 1.3 Ashlyn's (St Andrew's C of E School) ceased to be an admitted body on 31 July 2020. Officers are working with both the employer and the school to ensure that the correct contributions are paid before progressing with a cessation valuation
- 1.4 In addition, there are a two new Academies (listed below) where a calculation of the Initial Asset Allocation & Contribution Rate is required from the fund Actuary. This is to determine the initial liabilities and assets for an Academy that has converted from a local education authority school and the initial contribution rate for all academies. An update on progress is also included in Appendix A.

	Academy	Academy Start Date
1	Ark Pioneer Academy	24/07/2019
2	Childs Hill Primary	01/02/2020

Cessations

- 1.6 When the last active member leaves the Local Government Pension Scheme a cessation valuation must be calculated. The Fund actuary, Hymans, calculates both assets and liabilities in relation to the Employer to understand if there is a surplus or deficit at the end of the contract.
- 1.7 Progress has again been made in completing cessation valuations for the employers listed below. An update on progress is included in Appendix B

	Employer	Contract End Date	Deficit
1	Absolute Catering (St James' Catholic School)	31/07/2019	tbc
2	Housing 21	30/09/2015	tbc
3	Allied Healthcare	13/12/2018	tbc
4	Freemantle Trust (2)	30/05/2019	None
5	Rimon Jewish Primary School	31/03/2019	tbc
6	Ridgecrest	01/09/2018	tbc
7	Caterlink (Totteridge Academy)	23/02/2020	tbc
8	Mears Group	30/06/2020	tbc
9	Ashlyn's (St Andrew's C of E School)	31/07/2020	tbc
10	Cambridge Education (1)	31/08/2020	tbc
11	Cambridge Education (2)	31/08/2020	tbc

- 1.8 In March 2020, the Local Government Pension Scheme (Amendment) Regulations 2020 came into force, effective from 14 May 2018, and allows administering authorities to take account of an employer's exposure to risk when calculating an exit credit payment should the cessation valuation produce a surplus of assets against liabilities. The period for exit credit payments to be

made has also increased from three to six months from the cessation date, or such longer time as the administering authority and exiting employer agree.

- 1.9 Since the last Committee update, four employers have ceased to be active employers within the Fund – Mears Group, Cambridge Education (1) and (2) and Ashlyn’s (St Andrews C of E School)
- 1.10 Officers continue to work with Capita to get the data required by the Actuary sent to them, so the cessation valuations can be finalised.

Bonds and Bond Renewals

- 1.10 The table below sets out the Employers that are required where a renewed bond has been or is being calculated. Following the completion of the 2019 actuarial valuation, the Actuary has calculated the bond renewal amounts and bond indemnities required for new admitted bodies.

1	Atlas Cleaning (St Michaels)	£7,000
2	Greenwich Leisure Limited	£570,000
3	Optivo	£174,000
4	NSL Limited	£1,446,000
5	BEAT	£76,000
6	Capita Re	£2,759,000
7	Capita CSG	£3,162,000
8	OCS Group	£103,000
9	Atlas Cleaning (Claremont)	£64,000
10	Hestia (Domestic Violence Service)	£15,000
11	Innovate (St James)	tbc
12	Olive Dining (Archer Academy)	£25,000
13	Caterlink (The Compton School)	£74,000
14	HCL Catering - Copthall School	£73,000
15	Caterlink (Queen Elizabeth Girls)	tbc
16	Churchill Catering (Queenswell School)	£8,000
17	Caterlink (Holly Park School)	£8,000
18	ISS	£1,539,000
19	Hartwig 1 & 2	£164,000

- 1.11 Officers continue to work with Employers for the outstanding bonds and also chasing Capita for the data required by the Actuary to calculate the bond values.
- 1.12 Officers are working with Capita Re and Capita CSG on obtaining a bond by the renewal date at the end of October 2020.

2. REASONS FOR RECOMMENDATIONS

2.1 Not applicable.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1 Not applicable.

4. POST DECISION IMPLEMENTATION

4.1 Not applicable

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 By monitoring admitted body organisations and ensuring all third parties comply fully with admission agreements and bond requirements, good management of the Pension Fund is maintained. This is because the cost of providing benefits will be equitably split between all employers, thus enabling funds to be directed to Council priorities as set out in the Council's Corporate Plan for 2019-2024.

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

5.2.1 There are no immediate financial implications from the report. However, it is important that admitted bodies have their contribution set by the Actuary to ensure that employers can commence membership in the Scheme with an equitable contributions rate and that cessation values are calculated to ensure that any deficits from ceasing employers are paid for..

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 Regulation 3 and 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 because 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 obtain an indemnity or bond to meet the level of risk identified.

The Council's Constitution – Article 7 – includes within it the responsibilities of the Pension Fund Committee. It is therefore considered appropriate for the Pension Fund Committee to receive this report.

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 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. The Council is improving internal controls to ensure the Fund is protected.

5.6 Equalities and Diversity

- 5.6.1 Pursuant to the Equality Act 2010, the Council is under an obligation to have due regard to 1) eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; 2) advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and 3) 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. The Council also has regard to the additional protected characteristic of marriage and civil partnership even though this does not apply to parts 2) and 3) (above) of the public-sector equality duty.
- 5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public-sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010.

Good governance arrangements will benefit everyone who contributes to the fund.

5.7 Corporate Parenting

- 5.7.1 Not applicable in the context of this report.

5.8 **Consultation and Engagement**

5.8.1 Not required.

5.9 **Insight**

5.9.1 Not applicable

6. **BACKGROUND PAPERS**

6.1 See Admissions, Bonds and Cessation paper and minutes of the Committee meeting on 27 July 2020.