

	<h2 style="margin: 0;">Pension Fund Committee</h2> <h3 style="margin: 0;">26 July 2021</h3>
Title	Admitted Body and Bond Status Update
Report of	Director of Finance
Wards	N/A
Status	Public with exempt Appendix D
Urgent	No
Key	No
Enclosures	<p>Appendix A – Update on Admission Agreements and Academy opening positions Appendix B – Update on Cessations Appendix C – Update on Bond renewals Appendix D – Discussion on Fremantle Trust Surplus (exempt)</p> <p>Not for publication by virtue of paragraphs 3 of Part 1 of Schedule 12A of the Local Government Act 1972 as amended (information relating to the financial or business affairs of any particular person (including the authority holding that information)).</p>
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<h2 style="margin: 0;">Summary</h2>	
<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, West Yorkshire Pension Fund (WYPF), Hymans Robertson and HB Public Law to ensure outstanding admission and bond agreements are put in place.</p>	
<h2 style="margin: 0;">Officer Recommendations</h2>	

That the Pension Fund Committee note the progress on outstanding admitted body and bond agreements, including bond renewals and cessation valuations and that the Pension Fund Committee approve the admission into the Fund of JB Riney (as listed in 1.7).

WHY THIS REPORT IS NEEDED

- 1.1 The Report is to update the Pensions Fund Committee on the current position in relation to outstanding admissions, cessations and bond renewals.
- 1.2 Work continues to get the “legacy” Admissions and Cessation completed and work is progressing on this. The main issue in this regard is waiting for information to be provided by the employers. West Yorkshire Pension Fund (WYPF) are proactively chasing employers for this information.
- 1.3 If this data is not provided in a reasonable amount of time, Officers will consider using the appropriate action taking into account the actions permitted in the Pensions Administration Strategy document for the Barnet Fund.
- 1.4 In addition, there has been one new admitted body to the fund.

Admission Agreements

- 1.4 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	Olive Dining (Archer Academy)	01/09/2018
6	Innovate (St James Catholic School)	01/08/2019
7	Olive Dining (St Joseph’s Primary)	01/08/2019
8	MI Homecare	14/12/2018
9	Sancroft Community Care Ltd	01/06/2019
10	Innovate (Blessed Dominic)	01/09/2019

11	Signature Education (Pardes House Primary)	01/04/2021
12	Signature Education (Sacks Morasha)	01/04/2021
13	Signature Education (Beis Yaakov Primary)	01/04/2021
14	Signature Education (Hasmonean Primary)	01/04/2021
15	Signature Education (Menorah Primary)	01/04/2021
16	JB Riney	01/04/2021

- 1.5 Since the last Report to the Committee, the Admission Agreements for Caterlink at Holly Park school has been signed and sealed. Contributions backdated to 1 April 2019 will be paid by Caterlink shortly.
- 1.6 The Admission Agreements for both Atlas Cleaning and Olive Dining's contract at The Archer Academy have been signed by the employer and are pending signed by the school before they are sealed.
- 1.7 Hyman have calculated the employer contribution rate for Caterlink (Queen Elizabeth Girls School) and Officers will shortly send the draft admission agreement to the employer.
- 1.8 For most of the other admissions, WYPF are waiting for data from the employers before submitting to the actuary,
- 1.9 The Committee are asked to approve the admission of JB Riney into the Fund. The actuary has already calculated the employer contribution rate for the three members and the Admission Agreement is with the employer for review and signing.

Cessations

- 1.8 When the last active member leaves the Local Government Pension Scheme a cessation valuation must be calculated. The Actuary 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.
- 1.9 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	Surplus/Deficit
1	Absolute Catering (St James' Catholic School)	31/07/2019	tbc
2	Freemantle Trust	31/05/2019	£1,453,000
3	Independent Jewish Day School	tbc	tbc
4	Ridgecrest	01/09/2018	£9,000
5	Caterlink (Totteridge Academy)	23/02/2020	tbc
6	Mears Group	30/06/2020	-£342,000
7	Ashlyn's (St Andrew's C of E School)	31/07/2020	tbc
8	Cambridge Education 1	31/08/2020	tbc
9	Cambridge Education 2	31/08/2020	tbc
10	Hestia	31/03/2021	tbc

- 1.10 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.
- 1.11 The draft Exit Credit Policy for the Barnet Fund is pending approval by the Committee in a separate agenda item at this meeting.
- 1.12 In addition, the Committee are also being asked to approve the draft Deferred Debt and Debt Spreading Policy at this meeting.
- 1.13 Both above policies have an effect on the how surplus and deficit arising on cessation will be dealt with by the Fund.
- 1.14 Details regarding Fremantle Trust are included in the exempt Appendix D.
- 1.15 For Ridgecrest, Officers have offered the employer a payment of £3,000 based on an estimate of the contributions paid by Ridgecrest whilst participating in the Fund. The total surplus is £9,000. The employer has contacted Officers to discuss this offer and a call with them will take place shortly.
- 1.14 Since the last Committee update, the cessation valuation has been completed for the following two employers:
- 1.14.1 Mears Group - resulting in a deficit of £342,000. Officers have contacted the employer requesting payment and will consider the

Deferred Debt and Debt spreading Policy, which is subject to the approval by the Committee.

- 1.14.2 Rimon Jewish Primary School – resulting in a deficit of £42,000. Officers contacted the employer requesting payment and will consider the Deferred Debt and Debt spreading Policy, which is subject to the approval by the Committee.

The Schools Trust has subsequently confirmed that an error has been made relating to pension provision for their non-teaching employees and that they will be enrolling all non-teaching staff back into the Barnet Fund from July.

As such, no deficit payment is due at the current time.

- 1.16 Similarly, Officers are working with Independent Jewish Day School, who longer have any active members in the Fund, to determine if they will be their offering non-teaching staff membership in the Fund. Officers have asked the Actuary to commence with a cessation valuation until a further update is received from the School.
- 1.17 Officers continue to work with WYPF and the actuary to get outstanding cessation valuations finalised.

Bonds and Bond Renewals

- 1.18 The table below sets out the Employers where a renewed bond is required or is being calculated. An update is provided in Appendix C.

	Employer	Bond required	Bond in place
1	Atlas Cleaning (St Michaels)	£7,000	No
2	OCS Group	£103,000	No
3	Atlas Cleaning (Claremont)	£64,000	No
	Hestia (Domestic Violence Service)	£15,000	No
4	Innovate (St James)	tbc	No
5	Olive Dining (Archer Academy)	£25,000	No
6	Caterlink (Queen Elizabeth Girls)	tbc	No
7	Churchill Catering (Queenswell School)	£8,000	No
8	Caterlink (Holly Park School)	£8,000	No
9	Hartwig	£164,000	No
10	Innovate (Blessed Dominic)	tbc	No

11	Signature Education (Pardes House Primary)	tbc	No
12	Signature Education (Sacks Morasha)	tbc	No
13	Signature Education (Beis Yaakov Primary)	tbc	No
14	Signature Education (Hasmonean Primary)	tbc	No
15	Signature Education (Menorah Primary)	tbc	No
16	Sancroft Community Care Ltd	tbc	No
17	JB Riney	£1,000	N/A

1.19 Since the last update to the Committee, JB Riney has requested admitted body status in the Barnet Fund. The actuary has calculated the employer contribution rate and the bond required, which was £1,000. Officers have determined that no bond should be provided for this amount, but have requested a letter from the parent company agreeing to cover a deficit from the Fund, should this arise on cessation, due to insolvency.

1.20 For ISS Group, their admission to the Fund was approved by the Committee at the July 2016 meeting and the guarantor was the London Borough of Barnet. Officers have written to the Council confirming that they are still liable for the risk of ISS failing to meet their pension obligations.

1.21 For OCS Group, the employer had previously agreed to provide a parent company letter providing a guarantee for the pension liability in accordance with the Admission Agreement. This has not been received despite this being agreed by Officers in late 2020. If this is not received by the end of July, Officers will determine whether to use the provision set out in the Contribution Review policy which is again subject to approval by the Committee.

1.22 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.

2. REASONS FOR RECOMMENDATIONS

2.1 The Committee should be notified and approve the admittance of new employers who require Admitted Body status in the Fund.

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 – sets out the responsibilities of the Pension Fund Committee which are to have responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund including to approve admissions agreements with any admission body. 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 None