



Pension Fund Committee

Title	Admissions, Cessations and Bond Status Update
Date of meeting	2 November 2023
Report of	Executive Director of Strategy & Resources (S151 officer)
Wards	All
Status	Public, with exempt appendices Exempt enclosure – appendices E, F, G and H - Not for publication by virtue of paragraphs 3 of Schedule 12A of the Local Government Act 1972 as amended (Information relating to the financial or business affairs of any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)).
Urgent	No
Appendices	Appendix A – Update on Admission Agreements Appendix B – Update on Cessations Appendix C – Update on Bond renewals Appendix D – Recommendation from the LBB Pensions Team for new admissions to the Barnet Pension Fund Appendix E – Draft Policy on Admissions and pass-through (Exempt) Appendix F – Update on the admission of Tenon (St Michaels School) to the Barnet Pension Fund. (Exempt) Appendix G – Update on cessation payment to Caterlink (Totteridge Academy) (Exempt) Appendix H - Update on cessation payment Caterlink (Holly Park School) (Exempt)
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Summary	

This report provides the Pension Fund Committee with a status update on the outstanding admissions, cessations and bond agreements/renewals.

The LBB Pensions Team has been working with employers, West Yorkshire Pension Fund (WYPF), Hymans Robertson and HB Public Law to ensure the outstanding admissions and cessations are completed and that bond agreements are put in place.

The report also details the proposal from the LBB Pensions Team for a new admissions policy to the Barnet Pension Fund for approval by the Committee.

The report also includes recommendations for approval by the Committee on one admission and three cessations from the Barnet Pension Fund.

Recommendations

1. That the Pension Fund Committee note the progress on outstanding admissions, cessations and bond agreements/renewals.
2. That the Pension Fund Committee approve the admission into the Barnet Pension Fund of Olive Dining (Holly Park School), Olive Dining (Danegrove School), Nourish Contract Catering Ltd (Whitefield School), LBL After School Club (Manorside School) and Harrison Catering Services (Compton School) as detailed in paragraph 1.5.
3. That the Pension Fund Committee approve the recommendation by the LBB Pensions Team in relation to the admission of Tenon into the Barnet Pension Fund, as detailed in Appendix F.
4. That the Pension Fund Committee approve the recommendation by the LBB Pensions Team in relation to the exit credit payments for Caterlink (Totteridge Academy), and Caterlink (Holly Park School) as detailed in Appendices G and H respectively.
5. That the Pension Fund Committee approve the new draft admissions policy outlined in appendix E with effect from 1 January 2024

1. Reasons for the Recommendations

- 1.1 The Report is to update the Pensions Fund Committee on the current position in relation to outstanding admissions, cessations and bond renewals.

Admission Agreements

- 1.2 An update on the completion of Admission Agreements is attached as **Appendix A**.
- 1.3 There are currently three Admission Agreements with HB Law to arrange signing and sealing on behalf of the Council. A further four Admission Agreements have been drafted and are with the admitted bodies for signing.
- 1.4 The LBB Pensions Team has set target dates for the outstanding work to complete the Admission Agreements. An update will be provided at the meeting where the deadlines have passed between the date that this report was written and the meeting.
- 1.5 There have been five new admitted bodies to the Fund since the last update to the Committee, and we now ask the Committee to approve the admission of following employers into the Fund:
 - Olive Dining (Holly Park School)
 - Olive Dining (Danegrove School)

- Nourish Contract Catering Ltd (Whitefield School)
- LBL After School Club (Manorside School)
- Harrison Catering Services (Compton School)

- 1.6 **Tenon** became an admitted body following their contract at St Michaels School in April 2021. To date, the Pensions Team have been unable to get Tenon to sign an admission agreement. Tenon have subsequently requested that their admission to the Barnet Fund be on a pass-through basis.
- 1.7 A pass-through agreement is a way that admission bodies can participate in the Fund with certain risks being shared with the letting authority. Further details are shown in **Appendix D**. This would replace the need for an admission body to provide a bond, which Tenon are unable to do.
- 1.8 The Pensions Team asked Tenon to make representations to the Pensions Fund Committee as to why they would like their admission to be on a pass-through basis. Their representation is attached in **Appendix F**, along with the Pension Team recommendation. The Pensions Team request that the Committee approve their recommendation.
- 1.9 **Sancroft Community Care** became an admitted body in June 2019 and have also not signed their admission agreement. The LBB Pensions Team have been working with Sancroft to get the admission agreement signed with the main issue that Sancroft are unable to provide a bond or guarantee for their one employee in the Fund. The bond value required is £101,000.
- 1.10 The LBB Pensions Team invited Sancroft to make a representation to the Committee to be admitted to the Barnet Fund on a pass-through basis, but to date this has not been received.
- 1.11 The LBB Pensions Team will provide further updates to the Committee at future meetings.

Cessations

- 1.12 When the last active member leaves the Fund or if the contract of an admitted body ends, is terminated or the admitted body ceases trading, the Actuary will calculate a cessation valuation where both the value of the assets and liabilities for the employer are calculated. The result will be either a surplus (or exit credit) or deficit for the ceasing employer.
- 1.13 An update on progress is on cessation valuations is included as **Appendix B**.
- 1.14 Since the last update to the Committee, Optivo have paid the deficit payment due.
- 1.15 The LBB Pensions Team are currently arranging payment of the exit credit agreed at the last Committee meeting for OCS and this should have been by the date of the Committee meeting.
- 1.16 There have been two new cessations since the last update to the Committee – Enigma CCTV Limited and Caterlink (Holly Park School).
- 1.17 Updates of the cessations of Caterlink (Totteridge Academy) and Caterlink (Holly Park School) are shown in **Appendices G and H**.

Bonds and Bond Renewals

- 1.18 An update on Bonds and Bond renewals is provided as **Appendix C**.
- 1.19 There are eight bond renewals due before the end of the year. The LBB Pensions Team have agreed with Hymans Robertson that it would be both more administratively and cost efficient to arrange for the revised bond values to be calculated at the same date. Therefore, for these

eight employers, the bonds will all be calculated as of 1 July 2023. Hymans are currently calculating the updated bond values required and these will be provided to the employers in due course.

1.20 Bonds are put in place for a three period before being recalculated.

1.21 There are six new admissions where we are waiting for the admitted body to provide a bond or guarantee.

Proposal from the LBB Pensions Team for new admissions to the Barnet Pension Fund

1.22 The current admissions process has a high governance burden for Pensions Team, relies on proactive action from third parties and is potentially onerous for employers. All this creates risk around completing the admission process in a timely fashion.

1.23 As an example of this, it is usual for the Pensions Team to be notified at a late stage of new admissions (in most cases after the new employer has started the contract) and getting admission agreements signed and sealed and arranging for bonds to be put in place takes longer than it should, which increases the governance risks to the Fund. A recent example of this are the issues with Signature Dining.

1.24 **Appendix D** sets out the Pensions Team's proposal, together with the new policy, following a review of the admissions process, to improve governance and make this more efficient for admitted bodies, letting authorities and the Pensions Team.

1.25 The proposal is that for all new admissions with an active membership of less than 100 people, they are admitted to Barnet Pension Fund on a 'pass-through' basis. This would be effective for new admissions from 1 January 2024.

1.26 Pass-through is a way that admitted bodies can participate in the Fund with certain risks being shared between the letting authority (e.g. the Council – including where contractors are employed by LEA schools, Middlesex University, Barnet & Southgate College and Academies) and the new contractor.

1.27 Whilst a pass-through basis increases risk for the letting authority, the nature of new admitted bodies means that the number of members (and hence costs involved) are very small. This means that any additional risk is more than likely to be offset against the governance risks to the Pension Fund of not getting admissions and bonds signed off in good time.

1.28 A pass-through agreement will mean that admitted bodies will no longer be required to provide a bond or guarantee. On cessation of the admitted body, any surplus will be retained in the Fund in the letting authorities "pool" and not paid back to the admitted body.

1.29 The proposal will mean that the admitted body will still be liable for additional pension costs resulting from the award of additional pension/augmented benefits, the award of unreduced early retirements (non ill-health) and excessive pay rises awarded by the admitted body.

1.30 The Pensions Team, in collaboration with Hymans have drafted a new Admissions Policy to reflect these new proposals. This policy has been reviewed by Bevan Brittan and is included within Appendix D.

1.31 The Section 151 Officer has agreed to the Pensions Team recommendation and as such, we would ask the Pensions Fund Committee for approval of the new approach.

1.32	If approved, the Pensions Team will communicate this with all employers over the next couple of months.
2. Alternative Options Considered and Not Recommended	
2.1	Not applicable in the context of this report.
3. Post Decision Implementation	
3.1	Not applicable in the context of this report.
4. Corporate Priorities, Performance and Other Considerations	
Corporate Plan	
4.1	The Pension Fund Committee supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, by careful monitoring of the Pension Fund activities with a view to ensuring the overall sustainability of the Pension Fund.
4.2	Sustainability of the Pension Fund is a crucial pillar in allowing the council to fulfil its wider objectives.
4.3	The Pension Fund is also developing its NetZero and Stewardship policies which feed into the wider objectives around Planet, Places and People.
Corporate Performance / Outcome Measures	
4.4	Not applicable in the context of this report.
Sustainability	
4.5	Not applicable in the context of this report.
Corporate Parenting	
4.6	Not applicable in the context of this report.
Risk Management	
4.7	Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.
Insight	
4.8	Not applicable in the context of this report.
Social Value	
4.9	Not applicable in the context of this report.
5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)	
5.1	Risks that are not mitigated or managed can have a financial penalty to the Fund.

6. Legal Implications and Constitution References

- 6.1 Regulation 2 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.
- 6.2 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.
- 6.3 The Council's Constitution – Part 2B section 16 includes within the responsibilities of the Pension Fund Committee. The Committee has responsibility for all aspects of the governance, investment and administration of the LB Barnet Pension fund. This specifically includes 'to approve admissions agreements with any admission body'.

7. Consultation

- 7.1 Not applicable in the context of this report.

8. Equalities and Diversity

- 8.1 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.
- 8.2 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.

9. Background Papers

- 9.1 Not applicable in the context of this report.