

**CAMBRIDGESHIRE  
PENSION FUND**



**Pension Committee**

**Date:** 22 October 2015

**Report by:** Deputy Head of Pensions

<b>Subject:</b>	<b>Employer Admissions and Cessations Report</b>
<b>Purpose of the Report</b>	<p><b>To report on the admission of one scheduled body and to gain approval for five admission bodies to join the Cambridgeshire Pension Fund.</b></p> <p><b>To further report on four cessations from the Fund and their final cessation payments.</b></p>
<b>Recommendations</b>	<p><b>That the Pension Fund Committee</b></p> <ol style="list-style-type: none"> <li><b>1) notes the admission of the following scheduled body to the Cambridgeshire Pension Fund:</b> <ul style="list-style-type: none"> <li>• Greater Peterborough University Technical College (UTC)</li> </ul> </li> <li><b>2) approves the admission of the following admission bodies to the Cambridgeshire Pension Fund:</b> <ul style="list-style-type: none"> <li>• Accent Catering Services Ltd</li> <li>• Alliance in Partnership Ltd</li> <li>• Churchill Contract Services Ltd</li> <li>• Smart Kidz Play and Learn Ltd</li> <li>• Sports Leisure Management Ltd</li> </ul> </li> <li><b>3) Notes the update on the cessation for the following bodies:</b> <ul style="list-style-type: none"> <li>• Hemingford Grey Parish Council</li> <li>• Huntingdonshire Citizens Advice Bureau (CAB)</li> <li>• Mepal Outdoor Centre</li> <li>• ABM Catering</li> </ul> </li> </ol>
<b>Enquiries to:</b>	<p>Mark Whitby, Deputy Head of Pensions  Tel – 01604 368502  E-mail – <a href="mailto:Mwhitby@northamptonshire.gov.uk">Mwhitby@northamptonshire.gov.uk</a></p>

## **1. Background**

- 1.1 The Local Government Pension Scheme Regulations 2013 (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme; scheduled bodies, designating bodies, and admission bodies.
- 1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Committee.

## **2. New Scheduled Body**

- 2.1 Regulation 3 (1) of the Regulations provides for a person employed by a body listed in Schedule 2 to be an active member of the Local Government Pension Scheme. Part 1 of Schedule 2 includes an Academy as being a class of Schedule 2 employer and therefore a Scheduled Body. There is no discretion on the administering authority or the employer as to whether or not employers in Schedule 2 are provided with access to the Fund; it is a requirement.
- 2.2 The LGPS Regulations recognise the proprietor of the Academy as the scheme employer. Where Academies are part of a Multi Academy Trust (MAT), the Trust is the scheme employer and not each individual Academy. Academies joining an existing MAT are not reported as they are therefore not recognised as new scheme employers.
- 2.3 The following became a new scheme employer either as a result of conversion to Academy status or opening as a brand new educational establishment.

<b>Date</b>	<b>New Scheduled Body</b>
01/09/2015	Greater Peterborough UTC – a brand new University Technical College for Peterborough, which is set to open to students on 1 September 2016. Prior to this caretaker and ground staff became members of the LGPS with effect of 1 September 2015.

- 2.4 Actuarial advice will be sought on appropriate employer contribution rates from the Fund actuary and these will be advised to the new Academy.

## **3. New Admission Bodies**

- 3.1 Paragraph 1 of Part 3 of Schedule 2 to the Regulations provides for an Administering Authority making an admission agreement with an admission body, enabling employees of the admission body to be active members of the Local Government Pension Scheme.
- 3.2 A body which falls under paragraph 1(d)(i) of Part 3 of Schedule 2 is an admission body that is providing a service or assets in connection with the exercise of a function of a scheme employer, as a result of a transfer of the service or assets by means of a contract or other arrangement. Though the Regulations effectively provide discretion

on the administering authority as to which bodies become paragraph 1(d)(i) admission bodies, guidance by the Department of Communities and Local Government in December 2009 states “*The administering authority cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the LGPS regulations.*”

- 3.3 The Pension Fund Committee is asked to approve that the following become new admission bodies in the Cambridgeshire Pension Fund.

<b>Date</b>	<b>New Admission Body</b>	<b>Background information</b>
01/09/2015	Accent Catering Services Ltd	Transfer of catering services from Cambridgeshire County Council to provide the catering services at Fulbridge Academy. Three employees with LGPS membership have transferred.
01/09/2015	Alliance in Partnership Ltd	Transfer of catering services from Cambridgeshire Catering and Cleaning Services (CCS), a trading division of Cambridgeshire County Council, to provide the catering services at Woodland Academy. Two employees with LGPS membership have transferred. This is a pass through agreement.
15/06/2015	Churchill Contract Services Ltd	The outsourcing of Cambridge City Council's building cleaning services. One employee with LGPS membership has transferred.
01/09/2015	Smart Kidz Play and Learn Ltd	Transfer of nursery services from Cambridgeshire County Council to provide the services at Girton Glebe Primary School. Two employees with LGPS membership have transferred. This is a pass through agreement.
01/06/2015	Sports Leisure Management Ltd (SLM Ltd)	Transfer of part of the leisure services from Cambridgeshire County Council. One employee with LGPS membership has transferred. This is a pass through agreement.

#### **4. Cessations**

- 4.1 The last meeting recorded the suspension of Hemingford Grey Parish Council's cessation due to a potential new clerk joining the LGPS (Agenda item 5: 1.4.3). As yet they have been unable to recruit to the position. Therefore we are extending the suspension and will review the position again on the 30 September 2015 as it is now expected that a new Clerk will be appointed at the Council's September meeting.
- 4.2 Huntingdonshire Citizens Advice Bureau (CAB) was voluntarily liquidised on 31 December 2012, with a deficit payment due of £271,000. The Fund received a final payment from the liquidator, towards the deficit, of £938.05. This represents 0.0035p in the £ sought from the cessation valuation. Huntingdonshire CAB will now be pooled with other ceased employers in the 'No Active Members' pool and monitored

at each valuation along with other employers in that pool, as set out in the “Cessation funding considerations and Orphan liabilities” report.

- 4.3 At the Pension Fund Committee meeting on 25 June 2015, officers reported the cessation of Mepal Outdoor Centre, as an admission body, following their last active member leaving the Fund on 30 September 2012 (Agenda item 5: 1.4.2). A cessation valuation identified a deficit, on exit, of £474,000, calculated on the more prudent gilts based approach. Officers sought approval from the Pension Fund Committee to write off this debt as Mepal Outdoor Centre have, via disclosure of their public accounts, shown that it does not have sufficient assets to make this payment. The Pension Fund Committee did not give such approval and instructed that the money should be recovered over a period of time via affordable instalments.
- 4.4 Officers have investigated this possibility but there is no provision under Clause 38 of The Local Government Pension Scheme (Administration) Regulations 2008 (the relevant regulations under which Mepal Outdoor Centre ceased to be an employer in the Fund), which allows for the recovery of an exit payment over a period of time. This provision was first introduced in the Local Government Pension Scheme Regulations 2013.
- 4.5 Even if the regulations had permitted the recovery of an exit payment over a period of time, the employer would need to contribute a minimum payment of £30,810.000 per annum to simply cover the accumulating interest on the deficit. As the employer has previously shown they do not hold any assets it, clearly, would not have been affordable for them to do so.
- 4.6 As mentioned in the case of Huntingdonshire CAB, above and described in more detail in the “Cessation funding considerations and orphan liabilities” report, we have an actuarially sound approach to dealing with such liabilities by separating them from the rest of the Fund via the “No Active Members” pool.
- 4.7 ABM Catering’s last active member ceased on the 25 August 2015. As a Pass Through admission all liabilities will pass back to the ceding employer, Cambridgeshire County Council. Therefore there is no cessation payment due. As part of the standard process in these cases we have sought confirmation from the Funding Team that all contribution payments are correct and up to date.

## 5. Relevant Pension Fund Objectives

Perspective	Outcome
<b>Funding and Investment</b>	<ul style="list-style-type: none"> <li>• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.</li> <li>• To ensure that sufficient resources are available to meet all liabilities as they fall due.</li> <li>• To maximise the returns from its investments within reasonable risk parameters. Provide a high quality, friendly and informative administration service to the Funds' stakeholders.</li> <li>• Administer the Funds in a cost effective and efficient manner utilising technology.</li> <li>• Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds.</li> <li>• Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary.</li> <li>• Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount.</li> <li>• Maintain accurate records and ensure data is protected and has authorised use only.</li> <li>• Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.</li> <li>• Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.</li> </ul>

## 6. Finance & Resources Implications

- 6.1 Actuarial costs in obtaining employer contribution rates, bond levels and funding position at commencement are recharged directly to the relevant employer.
- 6.2 The employer contribution rates contain an allowance for administration charges, meaning the new admissions should be cost neutral.
- 6.3 The failure to recover the full exit payments from the exiting employer, Mepal Outdoor Centre, will result in unpaid liabilities being borne by the whole Fund. An employer risk register was prepared as part of the triennial valuation process.

## 7. Risk Implications

### a) Risk(s) associated with the proposal

<b>Risk</b>	<b>Mitigation</b>	<b>Residual Risk</b>
A company admitted to the Fund as an admission body may become financially unviable.	A surety bond or guarantor is required to cover the potential risk of the admitted body becoming insolvent and the monetary value of this risk is reviewed regularly to ensure it provides adequate cover for the financial risks involved.	Green
Future pension liabilities that cannot be supported by an academy.	There is a Secretary of State guarantee if an academy fails.	Green

### b) Risk(s) associated with not undertaking the proposal

<b>Risk</b>	<b>Risk Rating</b>
Non compliance with CLG guidance that, an application by an admission body falling under paragraph 1(d)(i) of Part 3 Schedule 2 of the regulations, cannot be declined where the requirements of the LGPS Regulations are met.	Red
Non compliance with the mandatory requirement to allow academies admission to the Pension Fund.	Red
If we continue to pursue payment of the exit payment by Mepal Outdoor Centre, it is likely that this will make the charity insolvent and therefore require them to enter into liquidation. Forcing the closure of a popular local charity to be damaging to the reputation of the Pension Fund and the Administering Authority.	Red

## 8. Communication Implications

<b>Direct Communications</b>	Direct communications will be required to facilitate employer start up in the LGPS.
<b>Newsletter</b>	Regular pension bulletins are issued to the scheme employers on topical matters.
<b>Induction</b>	New employers require an introduction to their employer responsibilities under the LGPS.
<b>Seminar</b>	Employers will be entitled to attend an annual Employer Forum.
<b>Training</b>	Generic and bespoke training courses will be made available.
<b>Website</b>	New employers are given access to the employer's guidance available on the pension's website.

## 9. Legal Implications

- 9.1 Admitted Bodies enter into an admission agreement with the administering authority in order to become an employer within the Cambridgeshire Pension Fund. This

agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

## **10. Consultation with Key Advisers**

- 10.1 Contribution rate and bond assessments are undertaken by Hymans Robertson, the Fund Actuary.
- 10.2 A precedent admission agreement has been drafted by Eversheds, specialist pension legal advisers in consultation with LGSS Law.

## **11. Alternative Options Considered**

- 11.1 None available.

## **12. Background Papers**

- 12.1 N/A

## **13. Appendices**

<b>Checklist of Key Approvals</b>	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Sarah Heywood – 29/09/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 22/09/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 29/09/2015
Has this report been cleared by Legal Services?	Copy sent to Quentin Baker – 13/10/2015

