

# CAMBRIDGESHIRE PENSION FUND



## Pension Committee

**Date:** 25 June 2015

**Report by:** Deputy Head of Pensions

<b>Subject:</b>	<b>Employer Admissions and Cessations Report</b>
<b>Purpose of the Report</b>	<p>To report on the admission of one scheduled body and to gain approval for four admission bodies to join the Cambridgeshire Pension Fund.</p> <p>To further report on three cessations from the Fund and their final cessation payments.</p>
<b>Recommendations</b>	<p>That the Pension Fund Committee</p> <ol style="list-style-type: none"> <li>1) notes the admission of the following scheduled body to the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> <li>• UTC Cambridge</li> </ul> </li> <li>2) approves the admission of the following admission bodies to the Cambridgeshire Pension Fund: <ul style="list-style-type: none"> <li>• Carers Trust</li> <li>• Cambridge Live</li> <li>• Cambridgeshire and Peterborough NHS Foundation Trust (CPFT)</li> </ul> </li> <li>3) approves the reduction in the final cessation figure claimed for the following bodies: <ul style="list-style-type: none"> <li>• Red 2 Green</li> <li>• Mepal Outdoor Centre</li> </ul> </li> <li>4) notes the current withdrawal from the Cambridgeshire Pension Fund of the following body: <ul style="list-style-type: none"> <li>• Hemingford Grey Parish Council</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

- 1.1.1 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.

- 1.1.2 This report provides an update on admissions to the Cambridgeshire Pension Fund since the last meeting of the Pension Fund Board.

## **1.2 New scheduled admission**

- 1.2.1 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.
- 1.2.2 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.
- 1.2.3 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 prospective designating body</b>
23/06/2014	UTC Cambridge – a brand new University Technical College for Cambridge, which opened to students on 1 September 2014. Prior to that administration and ground staff became members of the LGPS.

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

## **1.3 New admission bodies**

- 1.3.1 Paragraph 1(d)(i) 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.
- 1.3.2 A paragraph 1(d)(i) admission body is a 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.*”
- 1.3.3 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>
01/04/2015	Carers Trust	Transfer of services from Cambridgeshire County Council for providing services and support for family carers and their families across the county. 6 employees with LGPS membership have transferred. This is a pass through agreement.
01/04/2015	Cambridge Live	Transfer of the Arts services from Cambridge City Council to form a new company providing the same service. 37 employees with LGPS membership have transferred.
01/04/2015	Cambridgeshire and Peterborough NHS Foundation Trust (CPFT)	Transfer of 16 employees who are in the LGPS from Cambridgeshire and Peterborough Clinical Commissioning Group (CCG).

## 1.4 Cessations

- 1.4.1 The charity Red 2 Green ceased as an admission body following the last active member leaving the Fund on 30 June 2011. A cessation valuation identified a cessation deficit of £60,000 based on the more prudent gilts based approach. A meeting was recently held with Red 2 Green at which trustees and their Chief Financial Officer expressed their opinion that this exit payment was inappropriate and unaffordable. Red 2 Green will be providing written representation as to why they feel they should not and cannot pay the exit payment as currently calculated. This will include a request for consideration by the Fund of acceptance of a lower exit payment, including a suggested figure that Red 2 Green would be willing to pay. If the cessation deficit has been calculated on an ongoing basis, the exit payment would have been £13,000. We will provide you with a further update once we have received representation from Red 2 Green.
- 1.4.2 Mepal Outdoor Centre ceased as an admission body following the last active member leaving the Fund on 30 September 2012. A cessation valuation identified a cessation deficit of £474,000. It is not likely that any monies will be recovered from Mepal Outdoor Centre, other than very small amounts over an extended period of time as they have no material capital assets or liquid funds to make this exit payment. Mepal Outdoor Centre has provided evidence, in the form of financial statements and a recent bank statement, to show that they do not have the required funds to pay this exit payment. They have also provided and Title Deed and Licence to Assign to show that the building and property they currently occupy is owned by East Cambridgeshire District Council and leased to them for a peppercorn rent. It is recommended that this exit payment is not pursued as allowed by the Admission Bodies, Scheme Employers and Bulk Transfers Policy.
- 1.4.3 Hemingford Grey Parish Council's last member of the LGPS retired on 1 January 2015. Whilst the cessation process initially commenced with effect from 2 January 2015, new legislation was introduced with the Local Government Pension Scheme (Amendment) Regulations 2015 that allow administering authorities the discretion to suspend an employer's liability to pay an exit payment, for a period of up to 3 years, where that employer exits the Fund due to having no more active members in the Fund. This discretion can be exercised where the administering authority is of the

opinion that the employer is likely to have one or more active members with the period of the suspension. The administering authority has decided to suspend the requirement for an exit payment in this case as a new clerk will be joining the Council in June 2015 and may wish to commence contributing to the LGPS. Hemingford Parish Council has indicated that it would make a new designation to allow this, if the new Clerk so wishes. The position will be reviewed by the 30<sup>th</sup> June 2015 and if there are no active members at this time, the exit payment will be required.

## 2. 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>

### 3. Finance & Resources Implications

- 3.1 Actuarial costs in obtaining employer contribution rates, bond levels and funding position at commencement are recharged directly to the relevant employer.
- 3.2 The employer contribution rates contain an allowance for administration charges, meaning the new admissions should be cost neutral.
- 3.3 The failure to recover the full exit payments from the exiting employers, Mepal Outdoor Centre and Red 2 Green, will result in unpaid liabilities being borne by the whole Fund.. An employer risk register was also prepared as part of the triennial valuation process.

### 4. 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 admission body application 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 do not negotiate an alternative exit payment with Red 2 Green it is possible that we will not recover any amount and future pension liabilities in relation to Red 2 Green will not be pre funded and will need to be met by the whole Fund.	Red

### 5. 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 employers guidance available on the pensions website.

## **6. Legal Implications**

- 6.1 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.

## **7. Consultation with Key Advisers**

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

## **8. Alternative Options Considered**

- 8.1 None available.

## **9. Background Papers**

- 9.1 N/A

## **10. Appendices**

- 10.1 N/A

<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?	Chris Malyon – 09/06/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 29/05/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Count – 09/06/2015
Has this report been cleared by Legal Services?	Laurie Gould on behalf of Quentin Baker – 15 June 2015 Pending Laurie Gould on behalf of Quentin Baker (CPF)

