1 Introduction and Background

1.1 At present, the Pension Fund has a number of Admitted Bodies, some of which have been members of the London Borough of Barking and Dagenham Pension Fund (“the Fund”) for a number of years.

1.2 As Administering Authority, the Council cannot decline to admit a contractor if the contractor and the letting authority agree to meet the relevant requirements of the Local Government Pension Scheme (LGPS) regulations. In cases where the requirement of the LGPS regulations have been met, the Pension Panel can agree to retrospectively agree an admission agreement.

1.3 At the March and June 2017 Pension Panel, Members were advised that the Council was looking to create several different service delivery vehicles including, transferring
its Leisure Services and establishing a company, Be First, to manage the implementation of its investment and regeneration strategy. In addition, a number of Traded Services will be set up.

2 Sports & Leisure Management Admission Agreement

2.1 The Council has now completed the tender for leisure services to run its two Leisure Centres and the Jim Peters Sports Arena and has now appointed Sports & Leisure Management (SLM) from 1 September 2017 on a ten-year contract, with options to extend the contract by a further five years.

2.2 SLM will be a Transferee Admission Bodies (TAB) within the LGPS. These are typically private sector companies or charities. They take on staff from a scheduled body as a result of an outsourcing of services and the transferring employees had a right to remain in the LGPS or a “broadly equivalent” scheme.

2.3 The contract with SLM will be based on passthrough arrangement. With passthrough SLM will be responsible for:

- pay increases above local government levels
- redundancies
- early retirements including due to ill health
- discretions and augmentations

The Council retain risk around the assumptions below:

- actuarial assumptions
- mortality rates
- inflation
- regulatory change
- discount rates

2.4 This means that the Council will be responsible for any additional contribution caused by the contribution rate increasing due to changes in the actuarial assumptions. To secure the liability transferred across, SLM will be required to take out a bond, which will be reviewed annually.

2.5 The transfer of the staff from the Council to SLM was completed on a fully funded basis, with the pension deficit remaining with the Council. The contribution rate calculated by the actuary for SLM is provisionally 21%.

2.6 This Admission Agreement is a ‘closed’ agreement covering those employees currently working on the contract and will not include new staff. A total of 388 staff employed by the Council were TUPE transfer from the Council to SLM. Of the 388 staff, 282 are currently members of the Fund.

2.7 A review of the admitted body’s accounts will occur on an annual basis with a summary of the results for all Admitted Bodies taken to Panel.
3. Consultation

3.1 None.

4. Financial Implications

*Implications completed by: Kathy Freeman, Director of Finance*

4.1 It is now usual when considering requests for Admitted Body status to consider the financial risks that can fall upon the fund should the Admitted Body fall into financial difficulties. In order to mitigate these risks a form of financial guarantee or an indemnity bond is required.

5. Legal Implications

*Implications completed by: Dr. Paul Feild, Senior Governance Solicitor*

5.1 As outlined in the report, there is the potential for the fund to carry a risk if the organisation which seeks admission defaults in its obligation. As a result, additional measures need to be taken in the form of an agreement back by a guarantor or a bond to cover possible losses if the organisation cannot meet its liabilities so as to ensure that the admission of the body does not present additional risks to the fund.

5.2 In the current application a bond will need to be executed to cover any potential losses.