

PENSIONS PANEL

14 March 2018

| | |
|---|---|
| Title: Application for Admitted Body Status – Home and Traded Services | |
| Report of the Chief Operating Officer | |
| Public Report | For Information |
| Wards Affected: None | Key Decision: No |
| Report Author: David Dickinson, Group Manager Pensions and Treasury | Contact Details: Tel: 020 8227 2722 E-mail: david.dickinson@lbbd.gov.uk |
| Accountable Strategic Director: Claire Symonds, Chief Operating Officer | |
| Summary: To consider the application for Admitted Body status from Home and Traded Services(H&Ts) to the Local Government Scheme (LGPS). | |
| The Panel is asked to agree: <ul style="list-style-type: none">• the application for Admitted Body Status by H&TS on 1 April 2018, as a ‘closed’ agreement. | |

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 Home and Traded Services Admission Agreement

- 2.1 As part of the Council's transformation process, several arms-length service delivery units have been established – with Home & Traded Services (H&TS) following Be First. The setting up of each delivery unit will require the TUPE (Transfer of Undertakings - Protection of Employment) transfer of staff and as a result, each delivery unit needs to be admitted as a separate employer to the Fund
- 2.2 H&TS 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 All staff will be TUPE transferred across to H&TS fully funded, with the accrued deficit retained by the Council. As administering authority, the Council is responsible for deciding the admission requirement to the Fund, with the overriding requirement being that the body meets the entry requirements outlined within the LGPS Regulations.
- 2.4 Currently the final list of staff who will be TUPE transferred is being agreed but it is likely that approximately 500 currently LGPS members will transfer.
- 2.5 An actuarial valuation was requested from the pension fund's actuary, based on Traded Services (Catering and Cleaning) and Homes Services (We Fix) and then a combined contribution rate.
- 2.6 Analysis by the actuary highlighted the fact that H&TS are very different in terms of salaries and staffing numbers. Home services has significantly less staff, but the value of its assets and liabilities is four times bigger than Traded services, due to the length of service of the staff and higher salaries.
- 2.7 Overall, the average combined rate calculated by the actuary is 25.2%, with a 2% past deficit contribution also included. The contribution will be split into 17.8% for H&TS, with a deficit contribution of 9.4% paid by the Council. This split will be reviewed at the next triennial valuation.
- 2.8 The H&TS Board has agreed that the scheme can be a closed scheme, with a Council guarantee and that will be responsible for the deficit contribution, with H&TS responsible for actuarial assumption changes.
- 2.9 Prior to any TAB being admitted to the scheme, the Pension Fund will seek to ensure there is security over the liabilities and this is either provided by a bond or a guarantee. In H&TS's case the Council will provide the guarantee and therefore if H&TS were to go into administration, the Council would be liable for any shortfall in funding.
- 2.10 Although staff will transfer across fully funded, H&TS will be liable for any changes in actuarial assumptions and management decisions that impact the pension scheme. The main assumptions include:

- pay increases above local government levels;
- redundancies;
- early retirements including due to ill health;
- discretions and augmentations;
- investment returns;
- mortality rates;
- inflation;
- regulatory change; and
- discount rates

2.11 The transfer of the staff from the Council to H&TS will be completed on 1 April 2018 on a fully funded basis, with the pension deficit remaining with the Council. 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: Claire Symonds, Chief Operating Officer

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.