

Admission Bodies

Procedural change required as a result of change in regulations

There are two distinctive types of admission body that are able to join the Avon Pension Fund.

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| A Community Admission Body [CAB] | As set out in regulations below |
| A Transferee Admission Body [TAB] | |

The new regulations no longer use the terms “community admission body” and “transferee admission body” but in reality the distinction between the two remains and for convenience the Avon Pension Fund will continue to use these terms.

As the pension liabilities of a TAB have to be guaranteed by the outsourcing employer, Committee approval is not required. In these cases the Committee receives a periodic report detailing those which have joined the Fund over the relevant period. There is no change under the new regulations in that the automatic guarantee remains.

However for a CAB, the new regulations require that, if a bond is not provided, a guarantee be provided by a “person who funds the admission body or who owns, or controls the exercise of the functions of, the admission body”. In most cases, it is not feasible for a CAB to provide a bond and, in any event, a guarantee is preferable to a bond from the Fund’s standpoint.

The Committee’s policy is that, in the case of CAB, a guarantee must be provided, or failing that a bond. Under the regulations a bond is permissible provided that it is not deemed to be “undesirable”. A bond could arguably be deemed “undesirable” if the amount proposed is insufficient or if the bond provider is considered to be of insufficient substance. However, as already noted, a bond is less satisfactory from the Fund’s standpoint, the reason being that, unlike a guarantee, it is finite and therefore limited in the protection that it offers.

It should be noted that, under the Funding Strategy Statement, where a Scheme employer elects to take the pension liabilities and associated assets of the community admission body onto its own account with the Fund when the admission agreement ceases, this is tantamount to a guarantee and Committee approval would not be necessary. In this case any bond would simply be protecting the Scheme employer. However, where on termination a Scheme employer elects to leave the pension liabilities and associated assets of the community admission body with the Fund, there is effectively no fool-proof guarantee if a bond or indemnity is offered.

Given the new regulations, it is proposed that all applications to become an admitted body should be accepted if a guarantee or indemnity is provided in accordance with the regulations by a Scheme employer. Where a bond is offered or the guarantee is from a person other than a Scheme employer, it is proposed that the application be subject to Committee approval.

Regulations for Admission Bodies

Regulation 3 (1) (c) states “Subject to Regulation 4, a person is eligible to be an active member of the Scheme in an employment - if employed by an admission body and is designated or belongs to a class of employees that is designated by the body under the terms of an admission agreement, as being eligible for membership of the Scheme.

Regulation 3 (5) states “Where an administering authority enters into an admission agreement with an admission body –

- (a) The admission agreement must comply with the requirements specified in paragraphs 3 to 12 of Part 3 of Schedule 2; and
- (b) these Regulations apply to the admission body and to employment with the admission body in the same way as if the admission body were a Scheme employer listed in Part 2 of Schedule 2.”

The bodies covered by (a), (b) and (c) below are “community admission bodies” and those covered by (d) and (e) below are “transferee admission bodies”.

Part 3 (1) of Schedule 2 states:-

The following bodies are admission bodies with whom an administering authority may make an admission agreement-

- (a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the (body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);
- (b) a body, to the funds of which a Scheme employer contributes;
- (c) a body representative of—
 - (i) any Scheme employers, or
 - (ii) local authorities or officers of local authorities;
- (d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—
 - (i) the transfer of the service or assets by means of a contract or other arrangement,
 - (ii) a direction made under section 15 of the Local Government Act 1999 (a) (Secretary of State’s powers),
 - (iii) directions made under section 497A of the Education Act 1996 (b);
- (e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.