

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	27 MARCH 2015	AGENDA ITEM NUMBER
TITLE:	SCHEME EMPLOYERS & ADMISSION BODIES UPDATE	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Exempt Appendix 1 – Community Admission Bodies</p> <p>Exempt Appendix 2 – Transferee Admission Bodies</p> <p>Appendix 3 – List of new Academies</p>		

1 THE ISSUE

- 1.1 The funding pressure facing scheme employers and the creation of academies is increasingly fragmenting the employer base within the Fund. This report provides information about the changes in scheme employers and admission bodies during 2014/15.
- 1.2 It also provides an update on the Transferee Admission Bodies (TABs) and Community Admission Bodies (CABs) in the Fund. Given the significant pressure on their financial position, the admitted bodies, though small in number and in monetary terms, pose a risk to the Fund in terms of recovering the pension liabilities. This report updates the Committee on the admitted bodies and the Fund's policy to managing the risk and recovering outstanding debts in respect of these bodies.

2 RECOMMENDATIONS

That the Committee:-

- 2.1 Notes the information in this report

3 FINANCIAL IMPLICATIONS

- 3.1 There is a significant risk that a few of the CABs may not be able to meet their full liability especially as many of these bodies are primarily funded by local authorities and central government. Where an employer cannot meet their full liability the Regulations allow for the outstanding sum to be recovered from the other bodies in the Fund.
- 3.2 To put this into perspective, the aggregate deficit of the CABs at the 2013 actuarial valuation was £27.3m or 3.1% of the total deficit. Most of this (£21m) relates to one relatively secure entity and a number of the other larger CABs have relatively secure income streams underpinning the deficit.
- 3.3 The pension liabilities of the TABs are guaranteed by the outsourcing scheme employer (which are typically the unitary authorities) so pose no direct funding risk to the Fund.
- 3.4 When an employer exits the scheme and the outstanding debt is paid, the Fund resumes responsibility for any deterioration in the funding position at exit. There is no recourse to the former scheme employer.

4 NEW EMPLOYERS AND EMPLOYER EXITS

- 4.1 The number of employers has increased from 196 at 31 March 2014 to over 215 currently.
- 4.2 **Academies:** The main increase was in academies (which are scheduled bodies and therefore have the right to join the scheme). Appendix 3 lists the academies that have joined during the year. There are now 115 academies in the scheme.
- 4.3 **Transferee Admission Bodies:** Two new TABs joined the scheme during the year. TABs are usually private sector companies where there is a commercial contract in place between them and the outsourcing employer and the pension liabilities are guaranteed by the outsourcing scheme employer. Some outsourcing employers require a TAB to have a bond in place to protect themselves if the TAB becomes insolvent.
- 4.4 Five TABs will have left the scheme during the year as their commercial contracts have expired. In each case the service has been taken back in-house by the outsourcing employer. Exempt Appendix 2 lists the 38 TABs currently in the Fund and those that have left during the year.
- 4.5 **Community Admission Bodies:** A number of CABs have left the scheme or are in the process of leaving. When an employer leaves the scheme any deficit must be paid in full if there is no guarantee from a scheme employer. If the immediate repayment of the deficit will put the financial viability of the organisation at risk, a payment plan is agreed in line with the LGPS Regulations.
- 4.6 During the year the following CABS left, or are in the process of leaving the Fund as they have no active membership:
 - Southern Brooks Community Partnership
 - CURO Group (expected exit effective 31/3/15)
 - CURO Places (expected exit effective 31/3/15)

CURO Choice (expected exit effective 31/3/15)
Off the Record
Centre for the Deaf

5 ADMISSION BODIES UPDATE

- 5.1 There are presently 17 CABs plus 3 controlled entities in the Fund. These bodies can take various forms but one common feature is that their funding generally comes from the public sector and they provide services for the public sector. The security of the funding sources varies which means that, in terms of being able to meet their pension liabilities, some bodies pose a greater risk to the Fund than others.
- 5.2 Since December 2005 the Fund has required all CAB admissions have a guarantee or bond in place and be approved by the Committee. The LGPS Regulations 2013 now require all new admission bodies to be guaranteed or have a bond in place to protect the Fund so they are now in line with the Fund's existing policy.
- 5.3 The Fund has a process in place to monitor the financial strength of the admitted bodies. This process feeds into the valuation in determining the level of contributions set. The reduction in funding from public sector bodies has exacerbated the financial situation for many of these bodies, making it more difficult for them to manage increases in contributions in a sustainable way. Exempt Appendix 1 summarises the key financial and valuation data for the CABs.

6 RISK MANAGEMENT

- 6.1 A key risk to the Fund is the inability of an individual employer to meet its liabilities, especially when it ceases to be an employing body within the Fund. Assessing the strength of an employing body's covenant is a crucial component in managing the potential risk of default to the Fund. Accordingly, a formal covenant assessment process has been prepared. Within the Investments Team there are officers with responsibility for monitoring the employers' financial position and to support the Investments Manager in managing the financial and liability risk.
- 6.2 The overriding concern of the Fund is that these organisations maintain their financial sustainability in order to contribute to their pension obligations over the long term. To support this, the Fund explores a number of options in consultation with the individual bodies to obtain greater security for the liabilities e.g. through a charge on any assets the organisation may have. The aim is to maximise the employer contributions having taken into account the employer's financial situation and at the same time, not unnecessarily increase the financial risk to the organisation represented by the pension liabilities. However, each body is treated on a case-by-case basis as their particular circumstances vary significantly, the relationship with their main funder (usually a local authority or government agency) being a major factor.

In recognition of the risk posed by the liabilities to the Fund, the on-going dialogue with all employers about the risk posed to their operations by the pension deficit has increased.

7 EQUALITIES

7.1 An equalities impact assessment is not necessary.

8 CONSULTATION

8.1 N/a

9 ISSUES TO CONSIDER IN REACHING THE DECISION

9.1 Are contained in the report.

10 ADVICE SOUGHT

10.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Business Support) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Liz Woodyard, Investments Manager 01225 395306
Background papers	
Please contact the report author if you need to access this report in an alternative format	