

Bath & North East Somerset Council

MEETING:	Avon Pension Fund Committee	
MEETING DATE:	26 JUNE 2015	AGENDA ITEM NUMBER
TITLE:	Application for Writhlington Trust to be admitted as a Community Admission Body	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1: LGPS Regulations 2013 regarding admission bodies		
Appendix 2: Background information about Writhlington Trust		

1 THE ISSUE

- 1.1 Under the Local Government Pension Scheme Regulations 2013, an administering authority may make an admission agreement with a community admission body.
- 1.2 An application to become a community admission body ("CAB") of the Avon Pension Fund has been received from Writhlington Trust ("the Trust"). The Trust will not be guaranteed by a scheme employer so the Committee is asked to approve the admission in line with the Fund's policy on admissions.

2 RECOMMENDATION

The Pension Committee agrees that:

- 2.1 Writhlington Trust is allowed entry into the Avon Pension Fund as a Community Admission Body subject to a bond being in place to protect the Fund and subject to completion of the Admission Agreement.**

3 FINANCIAL IMPLICATIONS

- 3.1 In allowing any community admission body to join the fund there is always a need to consider the financial risk which such a body may present. This is because it may at some point either become insolvent or, if it ceases to operate, may have insufficient resources to meet any outstanding pension liability.
- 3.2 This risk is mitigated in the regulations which permit funds to require that either the CAB's pension liabilities are guaranteed by a scheme employer or the CAB puts a bond in place to protect the Fund in the event the CAB is unable to meet its liabilities.
- 3.3 In the case of Writhlington Trust there is no guarantee from a scheme employer. Therefore the Trust is required to provide a bond to cover the potential pension liabilities in the event of insolvency.

4 THE REPORT

- 4.1 A Community Admission Body without a guarantee from a scheme employer can only join the Fund with the Committee's approval.
- 4.2 Writhlington Trust is a company limited by guarantee that was established by Writhlington School in 2003 to manage the school's sports facilities.
- 4.3 Bath & North East Somerset Council ("the Council") is proposing to transfer the assets of South Wansdyke Sports Centre (SWSC) to the Trust on 1 July 2015 with the intention that the Trust provides sports facilities for the community. There is no service contract (i.e. an outsourcing of the service) accompanying the transfer of the assets. In the event that the Trust no longer manages the sports centre, the assets will transfer back to the Council.
- 4.4 There will be 8 staff transferring and the scheme will be "closed" to new members. The liabilities will transfer from the Council, fully funded on the on-going basis.
- 4.5 The Trust is required to provide a bond to cover the potential loss to the Fund if the Trust is unable to meet its liabilities. The value of the bond will be assessed at least every three years in line with the actuarial valuation. As the Fund is at risk, the liabilities will be calculated using the corporate bond funding basis. As this is a more prudent assessment of the liabilities, it will result in a higher contribution rate for future service. Also at the date of admission, a deficit will arise given the liabilities will be assessed using the more prudent basis. This deficit will initially be recovered over the average working life of the members.
- 4.6 Appendix 2 contains background information about the Trust (provided by B&NES Council and the Trust) and the extract from the Trust's Board minutes agreeing to the bond. The Trust's financial status is sound and their bank has confirmed financial support for the refurbishment of SWSC.
- 4.7 Writhlington Trust is eligible to join the Fund as a Community Admission Body under the 2013 Regulations Schedule 2 Part 3 (1) (a), viz. "(it) 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)”.

5 RISK MANAGEMENT

- 5.1 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. 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 bond and a more prudent assessment of the liabilities. 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.
- 5.2 In line with the Avon Pension Fund policy, officers have ensured that this application is supported by a bond in the absence of a guarantee from a scheme employer.

6 EQUALITIES

- 6.1 There are no direct equality implications from this process.

7 CONSULTATION

- 7.1 No consultation is appropriate.

8 ADVICE SOUGHT

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

Contact person	Liz Woodyard, Investments Manager x 5306
Background papers	
Please contact the report author if you need to access this report in an alternative format	