

<b>LONDON BOROUGH OF CAMDEN</b>	<b>WARD: ALL</b>
<b>REPORT TITLE:</b> Employer Register	
<b>REPORT OF:</b> Executive Director Corporate Services	
<b>FOR SUBMISSION TO:</b> Pension Committee	<b>DATE:</b> 03 March 2020
<b>SUMMARY OF REPORT:</b> This report updates the employer register for all the admitted bodies in the Pension Fund and relevant data for the Committee to review in light of their funding positions and scheme status.	
<b>Local Government Act 1972 – Access to Information</b> No documents required to be listed were used in the preparation of this report.	
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<b>RECOMMENDATIONS:</b>  The Committee is requested <ul style="list-style-type: none"> <li>(i) to note the contents of this report.; and</li> <li>(ii) to agree that the Executive Director Corporate Services be given delegated authority, in consultation with the Chair of Pension Committee, to agree the final terms of the substitution of funds for the Improvement and Development Agency</li> </ul>	
<b>Signed by</b>	
Director of Finance	..... <b>Agreed</b> .....
Date	..... <b>20/02/2020</b> .....

## 1 INTRODUCTION

- 1.1 Admitted bodies made up 14% of the Fund's overall liabilities (approximately £238.7m of £1.65bn) at the 2019 triennial valuation. The stability and viability of admission bodies poses a risk to the Fund and Council (as the largest member in the Fund and the administering authority). If an organisation were to fail the Fund would have to assume the Pension Fund liabilities of the failed body.
- 1.2 As part of the review of the then Audit and Corporate Governance (Pensions) Sub-Committee in November 2011 it was agreed to compile, maintain and review a full list of admission bodies and relevant data, in order to ensure that the associated risks are identified.
- 1.3 In February 2012 this Committee considered an employer register containing data relating to the Fund's admission bodies, their funding position and information on employer covenant. It was agreed that the employer register would be maintained and reported back to Committee on an annual basis each November. This year this item has been taken slightly later due to the large agenda at the November Committee.
- 1.4 This report contains key data about each employer including the admission body's status, admission agreements and bonds, as the Fund has sought to address the risks that a failing admitted body would pose.
- 1.5 The Council, as administering authority, has the power to confer admission body status by entering into an admission agreement with an external organisation.
- 1.6 In some circumstances it may be appropriate to obtain guarantees (charges on assets) from employers in the Fund who have valuable assets. This will give the Fund more protection in the event of an admission body ceasing.
- 1.7 This report updates the Employer Register for the latest available financial statement data and membership numbers including triggers for each of the traffic lights, are laid out in **Appendix A (Part II restricted, not for publication)**.

## 2 EMPLOYER REGISTER

- 2.1 There are three categories of employer in this data:
  - **Scheme Employers** – bodies whose employees are automatically entitled to participate in the LGPS also known as scheduled bodies (e.g. council employees in England and Wales, an academy established under the 2010 Academies Act etc.)
  - **Community Admission Bodies (CABs)** – mostly not-for-profit charities but can also be bodies representing local authorities. They can be granted the right to participate in the LGPS at the Council's discretion.
  - **Transferee Admission Bodies (TABs)** – these are organisations who are contractors and provide services to the Council. They

have been granted admission to the Fund by the Council in order to facilitate the contractor's obligation to provide broadly comparable pension rights for Council employees who have transferred employment under TUPE legislation.

- 2.2 The last Community Admission Body admitted to the Fund was in 2006. It was agreed in February 2012 that any further admissions of community admission bodies would be referred to this Committee.
- 2.3 The employer register, forming **Appendix A**, includes refreshed data since the last employer register was reported (November 2018) as set out below:
- Cash flow data has been updated for 2018/19 actual contributions and benefits, and 2019/20 expected contributions.
  - Financial information on individual organisations' accounts has been updated from the latest currently available Financial Statements.
  - An update on active membership numbers (as at November 2019) is provided.
  - A measure of the percentage movement of unrestricted reserve balances over three years has been added
  - A credit rating has been included (scoring employers 1-100), for those entities for which a credit report was available.
  - Disclosure of the auditors' opinion
  - Indication as to whether the organisation has a stated reserves policy and has adhered to it
  - Balance sheet Key Performance Indicators relating to collateral, current assets and working capital
  - Relevant news items relating to the employer
- 2.4 The full list of employers in the Fund and their respective contribution rates can be found in the Rates and Adjustments certificate within the [\*Actuarial valuation of Camden's pension fund as at 31 March 2016\*](#), and can be downloaded from the Pensions website:
- <http://www.camden.gov.uk/ccm/navigation/council-and-democracy/publications-and-finances/pensions/>
- 2.5 The Pensions Shared Service continues to operate effectively with a dedicated and experienced Employer team. Important considerations for the Employers Team are good communications and data integrity. It is for this reason that the PSS has introduced enhanced software called 'i-connect', an online portal assists employers to return accurate and consistent data and the Employer Relationship Module which will hold key contact data and facilitate effective and targeted communications.

### **3 EMPLOYER ISSUES**

- 3.1 The Improvement and Development Agency (IDeA) are the second largest employer in the Fund after the Council. It is an agency set up to

support Councils and is treated as a Community Admission Body within the Fund. They had liabilities of £184m and assets of £158m as at March 2019 meaning they were 86% funded as at the last valuation.

- 3.2 They have been in provisional discussions with the Fund over the years about a possible substitution of Funds. This is where an employer asks the Secretary of State to move funds. IDeA are part of two funds: Merseyside and Camden.
- 3.3 They will have to apply to the Secretary of State for a direction to substitute Merseyside Pension Fund for Camden Pension Fund in respect of the pension obligation for their employees. The IDeA Company Board have recently met and considered a proposal to move forward on the transfer of the administration of the IDeA LGPS from Camden to Merseyside, and have approved the process to continue, with a target date of 1 April 2020. There are many things to do before this transfer can take place however all parties including, our actuary, Merseyside's actuary, both Funds and IDeA are working to try and make this process work.
- 3.4 Our actuary has set out the next steps in the process as follows:
  - Initial membership data is collected and shared
  - the actuaries liaise with a view to getting the principles of the approach agreed
  - a formal letter will be signed regarding the transfer
  - The ceding Fund's actuary (i.e. Hymans) does their calculations of asset share at date of transfer and proposes a provisional transfer value amount
  - This provisional amount is then checked and agreed by the receiving Fund's actuary
  - At this point, the actuaries bring in their respective Funds to agree the mechanics of the actual payment (date and form of payment)
  - On an agreed date, post transfer date, the final figure is signed off early on by the actuaries, the payment made by the ceding Fund and receipt acknowledged by the receiving Fund

- 3.5 The transfer requires that all active, deferred and pensioner members are transferred to the new fund (913 members in this case including actives, deferreds and pensioners) and a bulk payment would be made from Camden to Merseyside. Based on March 2019 assets valuations this payment will be c£158m (plus asset growth since then).
- 3.6 Our administrators, the Pensions Shared Service, have relatively recently been involved with a substitution for another fund and comment that the process could take at least six months and will require careful preparation and engagement or resources across a number of disciplines.
- 3.7 IDeA will need to consult their staff and the Secretary of State will need to consult affected bodies. IDeA will need to commit to fund all costs arising from this substitution and these are likely to be legal, actuarial, investment consultancy and other costs including any transition costs associated with selling any of the assets to liquidate cash to pay over to Merseyside. The timing of this fits in well with the Investment Strategy Review that our investment consultant is conducting for us. They have been asked to consider this transfer as part of their work.
- 3.8 This report therefore requests that authority be given to the Executive Director Corporate Services in consultation with the Chair of Pension Committee to make a decision on the final terms of the substitution.

#### **4 FINANCE COMMENTS OF THE EXECUTIVE DIRECTOR CORPORATE SERVICES**

- 4.1 The finance comments of the Executive Director Corporate Services are contained within the report.

#### **5 COMMENTS OF THE BOROUGH SOLICITOR**

- 5.1 The Local Government Pension Scheme Regulations 2013 states an employer with the scheme can apply to the Secretary of State for a transfer to another pension scheme for their employees. The Secretary of State will need to undertake a consultation of those affected, and can make directions regarding the adjustments between the funds, the transfer of assets and liabilities, and any other matters.

#### **APPENDICES**

**Appendix A** – Employer Register – Part II (not for publication)