

Report to: Pension Committee

Date of meeting: 25 November 2019

By: Chief Financial Officer

Title: Employer Admissions and Cessations Report

Purpose: To report the admission and cessation of employers to the East Sussex Pension Fund

RECOMMENDATIONS: The Pension Board is recommended to:

- 1) note the commencement of proceedings for the admission of 9 admitted bodies to the East Sussex Pension Fund;**
- 2) note the commencement of proceedings for cessation of 8 employers from the East Sussex Pension Fund.**

1. Background

1.1 This report outlines the applications for the admission of new employers to the Pension Fund and Cessation events with the Administering Authority. The Pension Fund Committee is responsible for all aspect in the management of the pension Fund; this includes the admission of new bodies into the Fund, employer covenant and cessations.

2. Supporting Information

2.1 **Regulatory Requirements** - The Local Government Pension Scheme Regulations 2013 (LGPS) (as amended) [the Regulations] provide for the admission of a number of different types of body to the Local Government Pension Scheme (LGPS) comprising scheduled bodies, community bodies, and admission bodies. Scheduled bodies largely comprise of principal local authorities such as District and Borough Councils, Academies, Town and Parish Councils as set out in Part 3 of Schedule 2 of the LGPS Regulations 2013. Admitted bodies largely comprise organisations which become eligible for admission when a service formerly provided by a local authority or another scheduled body is contracted out to the private sector; or, any bodies providing a public service in the United Kingdom approved in writing by the Secretary of State.

2.2 The LGPS Regulations provides for an Administering Authority to admit an employer under an admitted body status provision. This provision enable members of the LGPS to remain in that arrangement under the Transfer of Undertakings Protection of Employment (TUPE) regulations and continue to accumulate benefits under their existing local government pension scheme arrangements whilst their employment is transferred between different contractors and as long as they remain employed in connection with the delivery of the outsourced service.

2.3 The LGPS Regulations 2013 require the prospective admission body to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, taking account of actuarial advice. The risk assessment must be carried out to the satisfaction of the administering authority and any scheme employer in the case of an outsourcing, in so far as the level of indemnity or bond provided is sufficient to cover the identified risk. Consequently the cost of the risk assessment falls upon the prospective admission body. This risk is mitigated by the mandatory requirement for all Admission Bodies to provide

security, such as a guarantee from the letting employer, an indemnity or a bond. Where the guarantee is underwritten by a scheduled body, this needs to be agreed by Full Council for the amounts determined by the actuary.

2.4 Funding Strategy Statement Requirements - From 1 April 2019, the East Sussex Pension Fund's Funding Strategy Statement which governs the terms of which admissions and cessations to the Fund are administered, permits the establishment of new outsourcings under a "pass through" arrangement (although exceptions will be considered on a case-by-case basis at the Fund's discretion).

2.5 Pass through arrangements allow for the pension risks to be shared between the letting employer and new contractor. Typically the majority of the pension risk is borne by the letting employer and thus the liability is retained on their balance sheet. As such the contractor would not be required to pay any deficit or receive any surplus at the end of the contract (subject to any agreed exceptions). However, there is some flexibility within a pass through arrangement. . In particular there are two different routes that the letting employer may wish to adopt. The Fund's default approach will be to set up pass through arrangements using a fixed contribution rate for all new contractors. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor.

2.6 Actuarial costs incurred by obtaining a calculation of employer contribution rates, bond levels and funding positions at commencement are recharged directly to the relevant employer. The employer contribution rates contain an allowance for administration charges, and the employer is charged a fee to recover the Funds administration costs of on boarding new employers and terminating ceased employers. This means that admissions and cessations are cost neutral to the Fund.

3. Applications from Admitted Bodies

3.1 The Fund is in the process of admitting the following employers to the Fund.

Table 2 Admissions to the East Sussex Pension Fund

Employer Name	Outsourcing Employer	Admission Date	Bond or Guarantee £'000
Churchill Services	DCAT Academy	25 Feb 2019	Bond negotiation in progress
Churchill Services	DCAT Academy	25 May 2019	Bond negotiation in progress
Glendale Services	East Sussex County Council	31 Mar 2019	Bond negotiation in progress
Nivro	East Sussex County Council	1 Apr 2019	Bond negotiation in progress
Wave Leisure	East Sussex County Council	1 Apr 2019	Bond negotiation in progress
Compass Contract Services	East Sussex County Council	1 Sept 2019	
Brighton Dome & Festival	East Sussex County Council	2 Sept 2019	East Sussex to provide guarantee to the Fund.

Home Care Direct	Brighton & Hove County Council	15 Jul 2019	Brighton & Hove Council to provide guarantee to the Fund.
Royal Pavilion & Museums Trust	Brighton & Hove County Council	1 Jan 2020	Brighton & Hove Council to provide guarantee to the Fund

4. Cessations

4.1 On cessation of membership of the LGPS by an Employer, the Fund carries out an actuarial valuation of the employer to determine the liabilities that will remain with the Fund on cessation and the final contribution due to or from the Employer (an adjustment to the Rates and Adjustment Certificate) as required under Regulation 64 of the Local Government Pension Scheme Regulations 2013. The Employer's notional shares of assets in the Fund are measured against its liabilities to derive an exit credit or exit deficit.

4.2 In measuring the liabilities the Fund actuary, Hymans Robertson has included an allowance for the McCloud case, which will have the likely effect of causing benefits to be improved, affecting the value of liabilities remaining with the Fund after cessation. This allowance is based on the Government Actuaries' Department (GAD) national estimated of the impact adjusted to fit the profile of the Fund's membership.

4.3 The amendment of the Local Government Pension Scheme Regulations 2013 provides that in the event of a scheme employer exiting the LGPS scheme, if an exit credit is payable to an exiting employer, the administering authority must pay the amount payable to that employer within three months of the date on which that employer ceases to be a Scheme employer, or such longer time as the administering authority and the exiting employer may agree.

4.4 The Employers outlined in Table 1 below, have ceased membership of the East Sussex Pension Fund.

Table 2 Cessations from the East Sussex Pension Fund

Employer Name	Outsourcing Employer	Cessation Date	Exit (Credit) / Exit Deficit £'000
John O'Connor	East Sussex County Council	28 th February 2019	To be calculated
Brighton Dome & Brighton Festival	Brighton & Hove County Council	31st March 2019	To be calculated
Churchill Services	East Sussex County Council	31 st March 2019	(9)
Churchill Services	Seahaven Academy	31 st March 2019	(13)
Churchill Services	University of Brighton Academy Trust	31 st March 2019	(5)

Sussex Community Development Association	East Sussex County Council	31 st March 2019	(366)
KEIR	Wealden District Council	28th June 2019	To be calculated
UTC @ Harbourside (Academy)		31 st August 2019	To be calculated

5. Conclusion and reasons for recommendations

5.1 The Committee is requested to note the Employers Admissions and Cessation's Report regarding the Pension Fund activities.

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