

PENSION FUND COMMITTEE – 5 SEPTEMBER 2014

EMPLOYER UPDATE

Report by the Chief Finance Officer

Introduction

1. This report is to update members on recent employer issues including applications for admission.

Update on Previous Applications for Admission

2. Admission agreements are in progress, but not finally signed / sealed for the following employers:
 - Carillion – a revision to the admission agreement to include the additional 61 staff has been circulated but not yet signed.
 - Carillion – East Oxford Primary School
 - Innovate
 - Proclean Oxford Limited
 - The Cleaning Co-Op
 - D F Williams
 - PAM Wellbeing Limited
3. Applications have been finalised for Hayward Cleaning Services; Civica UK Limited and Cara Cleaning Services.
4. The contract for services with Ecocleen Ltd has been withdrawn.
5. Edwards and Ward have supplied information about all contracts they have taken on in Oxfordshire and Pension Services are working through these.

New Requests for Admission

6. The Service Manager (PIMMS) has given approval for the following admissions, provided that either a bond, or pass through arrangement is put in place: -
 - Regency Cleaning – contract with John Mason
 - Fresh Start Catering – contract with Langford Village Primary School
 - Edwards & Ward – contract with Wolvercote Primary School
 - School Lunch Company – contracts with Chesterton School; Chadlington School; Whitchurch; Kidmore End School; Coombe School; Sacred Heart

School; St Joseph's School Oxford; South Stoke School; St Peters Cassington

- School Lunch Company – cleaning contract with Stonesfield Primary School.
- Oxford Active – contract with West Oxford Primary School to provide after school club.
- Aspens Services – catering contract with the Isis Academy (Iffley Mead).
- Greenwich Leisure Limited (GLL) are taking on leisure services from Vale of White Horse District Council and South Oxfordshire District Council under one contract from 01 September and seeking admission to the fund.

Closure Valuations

7. The Soll Vale Limited contract with Vale of White Horse District Council ceases on 31 August 2014. A closure valuation will be arranged after this date.
8. The Greenwich Leisure Limited contract with South Oxfordshire District Council ceases on 31 August 2014. A closure valuation will be arranged after this date.

Cessation Valuations

9. The present Funding Strategy Statement states that all cessation valuations should be completed on a low risk basis unless another scheme employer has under-written the financial risk or the employer is a member of a pool (where the risk is shared by the other pool members).
10. We have recently been contacted by Actuarial Consultants acting on behalf of Housing Associations to seek our approval to undertaking cessation valuations for Housing Associations on an on-going basis (higher risk), subject to a separate legal agreement being entered which requires the Housing Association to meet the full costs of the on-going liabilities as part of a future payment plan.
11. Such a proposal should work in the best interests of both the Fund and the Housing Associations as the actual payments made to the Fund will be in line with the pension payments paid out by the Fund. The current arrangements of a cessation valuation calculated on a low risk basis means that total payments made by the Housing Association are at risk of being excessive (where investment returns are in line with normal long term trends as opposed to the low risk gilt yield) or fall short of the actual sum required (e.g. if life expectancy of the scheme members is greater than the longevity assumptions made by the Actuary).
12. The Council's Legal Services have been consulted, and believe that with appropriate clauses included to enable the Fund to seek immediate payment of a low risk cessation sum in the event of a fall in the Housing Association's credit rating or takeover/merger/acquisition activity, then such a proposal can be supported.

13. To enable the proposal to be taken forward, the Committee would need to agree to minor changes to the Funding Strategy Statement to include as an exception to low risk cessation valuations the situation where a scheme employer comes to a separate legal agreement with the Administering Authority to meet the full cost of their on-going pension liabilities as part of a future payment plan.

Project – Employer Covenants

14. An initial meeting has been held with the actuary and work has now started on collating data.

RECOMMENDATIONS

15. **The Committee is RECOMMENDED to:**

- (a) note the progress of previously approved applications for admitted body status;**
- (b) note the approved applications for admitted body status by Regency Cleaning; Fresh Start Catering; Edwards & Ward; The School Lunch Company; Oxford Active; Aspens Services and Greenwich Leisure Limited subject to either pass through arrangements or bonds being put in place;**
- (c) note the closure of two scheme admission agreements with Soll Vale and Greenwich Leisure Limited;**
- (d) agree the changes to the Funding Strategy Statement as set out in paragraph 13 above; and**
- (e) note information on employer covenant project.**

Lorna Baxter
Chief Finance Officer

Background papers:
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