

## **PENSION FUND COMMITTEE – 8 MARCH 2013**

### **EMPLOYER UPDATE**

#### **Report by Assistant Chief Executive and Chief Financial Officer**

##### **Introduction**

1. This report is to update members on recent employer issues including applications for admission and the closure of a scheme employer.

##### **Admission Agreements**

2. The admission agreement for Care Outlook has now been sealed.
3. The admission agreements for Fresh Start Catering and Hayward Services Limited are as yet unsigned. This is being followed up with the schools / companies.

##### **Pabulum**

4. Oxford Spires Academy (OSA), which is sponsored by CfBT, is outsourcing four catering staff to a new service provider from 1 April 2013. As an Academy, OSA are not required to comply with the Fair Deal guidance, which stipulates that staff should be offered a comparable pension scheme by their new employer.
5. However, in line with best practice, OSA is asking their contractor (Pabulum) to seek admission to the Oxfordshire County Council Pension Fund, so that staff can continue to contribute to the Local Government Pension Scheme. OSA has also stipulated that this agreement will be modelled on the OCC pass through arrangement so that the Academy will be underwriting the pension costs for these staff.
6. Pabulum, has therefore requested admission to the Oxfordshire County Council Pension Fund.
7. The admission agreement will be a three way agreement between the Academy, Contractor and the Fund, thereby ensuring that any pension liabilities are underwritten by the Academy.

Carillion

8. The contract to outsource cleaning staff to Carillion in July 2012 included various work streams one of which was for Carillion to provide a managed service in instances where the staff that had remained as direct employees of schools.
9. Oxfordshire County Council has recently consulted with the schools to review this arrangement, with the result that two thirds of the schools now want to subscribe to the Carillion Cleaning Service. Therefore, 61 of the 86 staff will be transferred to Carillion on 1 April 2013.
10. This will require an amendment to the existing admission agreement.
11. The admission agreement will be a three way agreement between Oxfordshire County Council, Contractor and the Fund. As a pass through arrangement pension costs will be underwritten by Oxfordshire County Council.

Banbury Museum Trust

12. Cherwell District Council are transferring Banbury Museum to Banbury Museum Trust on 1 July 2013 and are seeking community admission body status for the new Banbury Museum Trust.
13. This transfer affects a total of 27 staff, 12 of whom are permanent and 15 who are casual employees.
14. It is intended that the Banbury Museum Trust will be grant funded by Cherwell District Council with the ability to generate income. The admission agreement will be a three way agreement between the Pension Fund, Cherwell District Council and the Banbury Museum Trust. In line with new regulatory requirements a bond assessment will be undertaken and is likely to be put in place.

Employer Cessation

15. AAA NORCAP has been a scheme employer since 2003. During the past year officers have had discussions with the charity about falling membership numbers and the pension liabilities, although the situation seemed stable with one active member remaining in the scheme.
16. Email notification was received on 16 January to inform all parties that AAA NORCAP had ceased trading on 14 January 2013. The fund's actuaries have calculated the charity's pension liabilities to be £316,000. A written claim has now been sent to the insolvency administrators.
17. Pension Services have also been approached by two other scheme employers, both housing associations, to discuss how their withdrawal from the fund can be managed without initiating an immediate cessation valuation of liabilities.

18. Neither company wishes to avoid payment of their liabilities but wishes to manage the situation in view of falling scheme membership. The proposal is that the company would continue to make payments, as assessed by the Fund Actuary, even if there were no longer any active scheme members.
19. Legal and actuarial advice has been sought on whether it is permissible, under the regulations, for an employer to continue to make payments whilst having no active scheme members. The advice received is that there is no reason why an admission agreement could not remain in place and that providing the appropriate financial safeguards are put in place such an arrangement would then ensure that the fund is receiving the monies due.

### **RECOMMENDATION**

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

- a) note the progress of previously approved applications for admitted body status;**
- b) approve the application for admitted body status by Pabulum;**
- c) approve the amendment to the admission agreement with Carillion;**
- d) approve the application for admitted body status by The Banbury Museum Trust;**
- e) note the information regarding the cessation of AAA NORCAP as a scheme employer; and**
- f) agree the approach being proposed in respect of certain cessation situations, whereby subject to adequate safeguards, employers with no active members can still contribute towards a past service deficit, rather than be charged an immediate cessation valuation.**

Sue Scane  
Assistant Chief Executive and Chief Finance Officer

Background papers: None

Contact Officer: Sally Fox, Pensions Administration Manager  
Tel: (01865) 797111

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