


<p>Non-Executive Report of the:</p> <p>Pension Board</p> <p>Monday, 24 June 2024 Monday 8th July 2024</p>	 <p>TOWER HAMLETS</p>
<p>Report of: Julie Lorraine, Corporate Director, Resources</p>	<p>Classification: Open</p>
<p>Admissions Policy</p>	

Originating Officer(s)	Paul Audu, Head of Pensions and Treasury (Interim)
Wards affected	All

Reasons for Urgency

The report was not published five clear days in advance of the meeting. Therefore, before this item can be considered at this meeting, the Chair of the Board would need to be satisfied that it is necessary to consider Admissions Policy at this meeting, the Board may also take the view that it is important that there should not be an extended period without any member oversight.

Executive Summary

This report reviews the Tower Hamlets Pension Fund Admissions Policy.

Recommendations:

The Pension Board is recommended to:

1. Note the current TH Pension Fund Admissions Policy included in this report at **Appendix 1**.
2. Note the current TH Pension Fund's standard Admission Agreement template included in this report at **Appendix 2 (Confidential)**.
3. Note that Officers have identified 10 outstanding legacy Admission Agreements with employers and are working in collaboration with the employers, TH legal and procurement services and the Fund Actuary to resolve any issues and complete them if possible.

1. REASONS FOR THE DECISIONS

- 1.1 London Borough of Tower Hamlets as Administering Authority for Tower Hamlets Pension Fund ("The Fund") is required to establish its approach to the risks involved in admitting new employers to the Fund.
- 1.2 A Scheme Employer is responsible for any deficit arising during its membership in the Fund, so that if it ceases participation, it is fully (100%) funded. However, if the Scheme Employer fail or cease to exist and any deficits cannot be met by the Employer or claimed from any bond, indemnity

or guarantor (where appropriate), the liability will fall to other Employers in the Fund (either the awarding authority on the failure of a service provider, any guarantor employer or all other employers, depending on the circumstances and type of employer). Therefore, it is prudent for the Fund to ensure that any such risks are minimised and mitigated.

2. ALTERNATIVE OPTIONS

2.1 None.

3. DETAILS OF THE REPORT

3.1 The Local Government Pension Scheme Regulations 2013 sets out various types of employer that can participate in the Scheme and the requirements that apply to each employer type:

- Scheduled Bodies in Part 1 to Schedule 2 include County, District and Borough Councils, further education colleges, academies, Police and Fire services. They must provide access to the LGPS to their employees (if they are not eligible for membership of other schemes).
- Designating Employers in Part 2 to Schedule 2 include Town and Parish Councils, as well as entities connected to Scheduled Bodies in Part 1. Designating Employers have the right to decide who of their employees are eligible for membership of the LGPS. The Administering Authority cannot refuse membership in respect of Designating Employers.
- Admission Bodies in Part 3 to Schedule 2 are entities that can apply to join the Scheme. These include:
 - Not-for-profit providers of public services in the UK with sufficient links to Scheme employers to be regarded as having a community of interest;
 - Providers of services or assets in connection with the exercise of Scheme employers' functions via outsourcing;
 - Directions made under section 15 of the Local Government Act 1999;
 - Directions made under section 497A of the Education Act 1996; and
 - Providers of public services in the UK approved in writing by the Secretary of State for admission to the Scheme.

3.2 Under the Regulations, Administering Authorities have some discretions relating to the creation and management of admission agreements – whether or not to proceed with Admission Agreements, whether or not to terminate Admission Agreements, and whether or not to set up separate pension funds in respect of Admission Agreements.

- 3.3 The Admissions Policy is effective from the date of approval by the Pensions Committee and the Policy will be reviewed at least once every three years following the triennial actuarial valuation or following changes in the Regulations relating to employers leaving the Fund.
- 3.4 The purpose of the Admission Policy is to ensure that only appropriate bodies are admitted to the Fund and that the financial risk to the Fund is identified, minimised, and managed accordingly setting out the Fund's default position in relation to the admission of new employers. Any deviation from the stated default position must mitigate the risk to other Scheme employers and will be at the discretion of the Fund.
- 3.5 The Admissions Policy supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS) and should be read in conjunction with the FSS together with the Bulk Transfer and Cessations Policies, Administration Strategy, Governance and Compliance Statement and Communications Policy.
- 3.6 The Fund uses a standard Admission Agreement template for all employers wishing to be admitted to the Pension Fund attached to this report at **Appendix 2 (Confidential)**. The template Admission Agreement is used for admissions under the Fund's Admissions Policy covering all the agreed matters relating to employer contribution rate, employer funding responsibilities, and exit conditions. Only in exceptional circumstances, and only with the prior agreement of the Administering Authority, will the wording within the template Agreement be changed. All Admission Agreements must be reviewed (including any changes) by the Fund and its legal advisers.
- 3.7 The Fund's default position is that it will not amend its standard Admission Agreement template. In all cases, Admission Bodies are expected to accept and agree to meet the conditions of participation provided within Tower Hamlets Pension Fund's standard Admission Agreement.
- 3.8 In exceptional circumstances, an Admission Body may wish to enter into discussions with the Fund regarding amending clauses in the Admission Agreement. This will involve additional costs (at the discretion of the Fund) charged to the Admission Body. Any agreement on amendments will be at the discretion of the Administering Authority and properly authorised by the relevant person in line with the Authority's Scheme of Delegation set out in the Governance and Compliance Statement.
- 3.9 The Fund monitors Admission Bodies throughout the term of their membership, and where appropriate. Actions taken to protect all employers include:
- Regular reviews of employer funding level;
 - Regular reviews of the value of any bond and/or other security provided by employers;
 - Requirements for Admission Bodies to notify the Fund of any changes in circumstances; and
 - Regular reviews of the potential risk of early termination.

3.10 It is unclear when the Fund's current Admissions Policy was approved by the Pensions Committee on. Officers will update the Admissions Policy in consultation with the Fund Actuary and provide the draft updated Policy to the next Board meeting and Committee meeting in September 2024 for consideration and approval respectively.

3.11 Officers have identified about 10 outstanding legacy cases of unfinished employer admissions and are working collaboratively with the employers seeking admission to the Scheme, TH's legal and procurement services, and the Fund Actuary to resolve all outstanding cases, ensure that there is complete alignment between the Fund's standard Admission Agreement and the current Admissions Policy.

4. EQUALITIES IMPLICATIONS

4.1 There are no specific equalities implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

5. OTHER STATUTORY IMPLICATIONS

5.1 There are no specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration.

Risk Management

5.2 Section 249A of the Pensions Act 2004 requires the administering authority to manage risk by establishing and operating internal controls which are adequate for the purpose of securing that the scheme is administered and managed:
(a) in accordance with the scheme rules
(b) in accordance with the requirements of the law.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

6.1 This is a noting report. There are no direct financial implications arising as a result of this report.

7. COMMENTS OF LEGAL SERVICES

7.1 The Local Government Pension Scheme Regulations 2013 sets out the types of employer that can participate in the Scheme and the relevant criteria for each type. Regulations set out the provisions by which an employer can be admitted to the scheme.

7.2 The report asks the Board to note the current Admissions Policy and standard agreement and the steps being taken to deal with the legacy agreements within the Fund.

2.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1 – Tower Hamlets Pension Fund Admissions Policy
- Appendix 2 – TH Pension Fund’s standard Admission Agreement template

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report.

- <https://www.towerhamletspensionfund.org/resources/>

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