MINUTES OF A MEETING OF THE
PENSIONS COMMITTEE
Committee Room 3A - Town Hall
17 December 2013 (7.30 - 10.00 pm)

Present:

COUNCILLORS

Conservative Group	Rebbecca Bennett (Chairman), Melvin Wallace (Vice-Chair), Steven Kelly and Roger Ramsey
Residents' Group	Ron Ower
Labour Group	Pat Murray
Trade Union Observers	Andy Hampshire (GMB)
Admitted/Scheduled Bodies Representative	Heather Foster-Byron

Apologies were received for the absence of John Giles.(UNISON)

The Chairman reminded Members of the action to be taken in an emergency.

27 **MINUTES OF THE MEETING**

The minutes of the meeting of the Committee held on 30 October, 2013 were agreed as a correct record and signed by the Chairman.

28 **PENSION FUND PERFORMANCE MONITORING FOR THE QUARTER ENDED 30 SEPTEMBER, 2013.**

Officers advised the Committee that the net return on the Fund's investments for the quarter to 30 September, 2013 was 3.3%. This represented an out performance of 1.1% against the combined tactical benchmark and an out performance of 1.2% against the strategic benchmark.

The overall net return for the year to 30 September, 2013 was 16.1%. This represented an out performance of 3.7% against the annual tactical combined benchmark and an out performance of 17.9% against the annual strategic benchmark.

1. Hymans Robertson (HR)

HR advised that the quarter contained a mix of positive economic news and more nuanced financial events. The Eurozone had emerged from recession, although there remained a wide divergence in the performance of individual members. In the UK, data published in July indicated strong economic growth, prompting the Chancellor of the Exchequer to comment that the economy was 'turning a corner' and to cite 'signs of a balanced, broad based and sustainable recovery.' Positive economic developments were also evident in the US and, to a lesser extent, in Japan.

Notwithstanding positive economic data, action by central banks tended to reflect a more cautious attitude. Short-term interest rates in the UK, Eurozone and US were held at record lows. In the US, the Federal reserve indicated there would be no immediate unwinding of monetary support (currently $85bn a month) a step back in tone from the preceding quarter. In addition, both UK and European central banks provided forward guidance on monetary policy for the first time. The underlying message from the major central banks was, and remained, that economic conditions, whilst improving, still needed very careful management.

Global ten year bond yields rose (Prices fell) but then stabilised. At the end of the quarter, investors were unsettled by concerns that the US might not renew its debt ceiling by the mid October deadline.

The key events during the quarter were:

Global Economy

- Forecasts for UK economic growth were revised upwards by the Bank of England and IMF;
- Global economic growth forecasts were revised down by the IMF;
- China announced a series of measures to boost economic growth;
- Short-term interest rates were unchanged in the UK, US and Eurozone; and
- The Eurozone economic recovery from recession, after four consecutive quarters of economic contraction.

Equities

- The best performing sectors relative t the 'All World' Index were Basic Materials (+3.9%) and Industrials (+2.8%); the worst were Utilities (-3.6%) and Consumer Goods (-2.2%);
- Barclays Bank announced a £5bn rights issue (and a £2bn bond issue) to meet new capital requirements;

- Vodaphone sold its 45% stake in Verizon for $130bn (one of the largest deals in corporate history).

Bonds and Currencies

- UK government bonds (All Stocks) returned +0.5%;
- Corporate issues outperformed government counterparts by a comfortable margin; and
- Sterling strengthened against all major currencies.

The Committee were given details of the performance of the Fund Managers, a summary of which is given in the Exempt minutes. State Street Global Advisors, Baillie Gifford and UBS Triton attended the meeting and presented details of their performance in the third quarter of 2013.

Standard Life had performed well in the quarter producing a return of 10.2% (net of fees). Over the past year the fund had performed well outperforming the benchmark, with a relative return of 10%. However, in line with our decision to invest in dynamic, multi asset mandates, we have now disinvested from Standard Life. The funds have now all been transferred to Barings Dynamic Asset Allocation Fund.

Ruffer continued to perform as expected, returning 11.3% over the past 12 months.

Royal London had enjoyed similar success outperforming the benchmark by 0.6% for the quarter and outperforming the benchmark over the last 12 months, three years and since inception.

2. Baillie Gifford (BG)

James Mowat and Fiona MacLeod attended the meeting on behalf of Baillie Gifford to discuss performance in quarter 3. Performance since inception had been good with the fund (Global Alpha Strategy) outperforming the benchmark by 4%.

The Committee were advised that the transition of funds to the new mandate the Baillie Gifford Diversified Growth Fund had proceeded smoothly and the £70m had been received in three instalments. These funds had been disinvested from State Street, £50m from the global equity portfolio and £20m from the Sterling Liquidity Fund.

The presentation was **noted** and the Chairman thanked James and Fiona for their presentation.

3. UBS Triton Fund (UBS)

   Howard Meaney (HM) (Head of Global Real Estate attended the meeting to deliver a presentation on quarter 3 performance. Since the last meeting with UBS there had been significant inward investment of £197.5m from 3 UK Pension Funds.

   The fund currently comprised 32 assets with a net asset value of £594.4m. The fund was being repositioned through sales and purchases, and there was no redemption queue.

   HM indicated he expected the fund to return 9.5% p.a. The fund had £45m to invest in new assets and some poor performing assets were to be sold.

   The Committee welcomed the turnaround in fortune for this fund and thanked Howard for his presentation.

4. State Street Global Advisors (SSGA)

   Kevin Cullen (Local Authority Relationship Manager) and Ana Paula Harris (Portfolio Strategist) attended the meeting to deliver a presentation on behalf of SSGA.

   The Pension Fund monies were invested in a pooled structure to give the best return with the lowest cost. Since inception the fund had delivered as expected giving a return of -0.02% as compared to the FTSE* All World Index.

   In response to a question from the Committee SSGA advised that whilst the government's proposals for larger /joint pension funds would lead to savings they would not be of the size envisaged by the Government.

   The Committee thanked Kevin and Ana for their contribution.

29 THE ADMISSION OF TRANSFEREE ADMISSION BODIES TO THE LONDON BOROUGH OF HAVERING PENSION FUND

Officers submitted a report concerning the proposed admittance of two Transferee Admission Bodies to the London Borough of Havering's Pension Fund. Under the terms of the Local Government Pension Scheme (Administration) Regulations 2008 where a transferee admission body and the scheme employer undertake to meet the relevant requirements of Regulation 6, an administering authority must admit to the Local Government Pension Scheme (LGPS) the eligible employees of the transferee admission body, and where it does so, the terms on which it does are noted in the admission agreement for the purposes of these Regulations.

Officers advised that investigations had been made to ensure that each body falls within the definition contained in Regulation 6 (2)(a)(i) of the Local Government Pension Scheme (Administration) Regulations 2008 and as such would be eligible to become a transferee admission body. Legal engrossment of the admission agreement is subject to the service transfer taking place.

1. **Sodexo UK and Ireland Ltd**.

   Sodexo are to be appointed Catering Services Contractor to Oasis Pinewood Academy, with the contract due to commence on 1 January, 2014 to 31 August, 2015, with the option to renew for a further 5 years.
   When the contract starts two employees are to be transferred from the London Borough of Havering to Sodexo. The Transfer of Undertakings (Protection of Employment Regulations (TUPE) apply.

   Sodexo intends to allow continuity of LGPS membership for the employees through a transferee agreement with the London Borough of Havering Pension Fund. The agreement will be a closed agreement. Sodexo will be required to provide a bond of £26K. The employer rate will be set at 22.4%.

   This contract is impacted by the New Fair Deal Policy published by HM Treasury on 4 October, 2013.

   The admission of Sodexo UK and Ireland Ltd as transferee body into the London Borough of Havering Pension Fund be **noted** subject to:
      a. All parties signing up to an Admission Agreement; and
      b. An Indemnity or Insurance Bond in an approved form with an approved insurer or relevant institution, being put in place to protect the letting authority/pension fund.

2. **Breyer Group PLC**

   Breyer Group PLC is to be awarded the contract with the London Borough of Havering to provide responsive repairs and maintenance services to Council owned and managed housing stock. The service transfer was scheduled to take place from 6 January, 2014. The contract is initially for a five year period with the option to extend for a further two years.

   The arrangement will involve a second wave TUPE transfer of 30 employees of Morrison Facilities Services, of which 16 are currently members of the LGPS.

   Breyer intends to allow continuity of LGPS membership for the employees through a transferee agreement with the London Borough of Havering Pension Fund. The agreement will be a closed agreement. Breyer will be required to provide a bond of £1,494,000. The employer rate will be set at 23.8%.

The admission of Breyer Group PLC as transferee body into the London Borough of Havering Pension Fund be **noted** subject to:

a. All parties signing up to an Admission Agreement; and
b. An Indemnity or Insurance Bond in an approved form with an approved insurer or relevant institution, being put in place to protect the letting authority/pension fund.

30 **MINISTERIAL STATEMENT REGARDING ACADEMIES AND ACADEMY POOLING**

On 2 July, 2013 the Secretary of State for Education, Michael Gove, presented a Written Ministerial Statement and laid a Parliamentary Minute in the House of Commons, and the House of Lords, setting out details of a guarantee that any outstanding Local Government Pension Scheme liabilities on an Academy's closure would be met by the Department of Education. This guarantee, in the event of an Academy failure, would have a positive impact on other employers in the Fund as it would mean that there was a method for recovering liabilities rather than passing costs on to other fund employers.

The need for the guarantee had arisen as many Academies employer contribution rates were significantly higher than the rate which they were previously paying when under Local Education Authority (LEA) control. This increase might be accounted for by the age and other profile factors of each Academy's membership, but could also be impacted by variations in salary scales.

Some LGPS funds had introduced shorter deficit recovery periods for Academies to reflect that funding from the Department of Education is only guaranteed for 7 years.

Havering Academies have been granted the same pooled assumptions and deficit repayment terms as the Council (over 20 years), the impact of this is to reduce the employer contribution rate for the academies.

Officers advised that the Department of Education and HM Treasury have reserved the right to 'withdraw the guarantee at any time.'

We have:

1. **noted** the ministerial statement and the positive impact it has for other employers in the fund; and
2. **agreed** that there should be no changes to the current academy arrangements for assessing the employer contribution rates.

31 HM TREASURY NEW FAIR DEAL GUIDANCE

We have been advised that the HM Treasury had published, on 4 October, 2013, new guidance setting out a reformed Fair Deal policy. This was a non-statutory policy which set out how pension issues were to be dealt with when staff were compulsorily transferred from the public service to independent providers delivering public services.

Where Best Value and Fair Deal obligations exist – the outsourcing Employer should ensure that staff who were either current members of the Local Government Pension Scheme (LGPS), or who had an entitlement to become a member, on being transferred under TUPE had access to either:

- Continuing membership of the LGPS; or
- A Government Actuary's Department-certified Broadly Compatible Pension Scheme (the outsourcing contract would normally be expected to include a bulk transfer arrangement for accrued LGPS membership), or
- Where Fair Deal only was applied the provisions allow for:
    - Membership of the LGPS through an admission agreement;
    - A Final Salary Defined Benefit pension scheme; or
    - A Defined Contribution/Stakeholder pension scheme where members contributions were matched by the employer up to 6%.

The question for us was what was the likely impact of the New Fair Deal?

- Previously two Academies, neither of whom were Best Value authorities, had outsourced public sector employees to private sector contractors. In the first case the Academy did not seek to tender with the provision of providing the LGPS for transferred public sector employees and it was not known what pension provision had been put in place for the staff who were TUPE'd from the Council. The former council employees were moved to deferred status in the pension fund, which means that the fund liabilities for the former scheme employer are growing, although without increased years, but there is a cash flow impact on the fund due to the loss of the employee and employer contributions. Due to pension increases being greater than salary increases deferred benefits could potentially be greater than continued earned benefits.

    - The second Academy had sought an Admission Arrangement, which we had approved, but this had not been fulfilled by the admission body to date.

The future impact of the New Fair Deal guidance, which came into immediate effect, would be to increase the volume of smaller admission bodies to the fund. Managing admission bodies was resource intensive, together with managing the admission process to ensure correct compliance by contracting authorities. Any potential increase in smaller admitted bodies would impact on the costs of administering the fund, although recent system improvements and future plans to move to self-service should release resources to mitigate any additional resource requirements arising from the guidance.

We have **noted** the new Guidance setting out a reformed Fair Deal Policy published by HM Treasury.

32 THE LOCAL GOVERNMENT PENSION SCHEME (MISCELLANEOUS) REGULATIONS 2012

The Local Government Pension Scheme (Miscellaneous) Regulations 2012 were made on 27 July, 2012 and came into force from 1 October, 2012 but there was a provision made in Regulation 1 for various sub-sections within the regulations to have effect from different dates.

The Miscellaneous Regulations affect the following legislation:

- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006;
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007;
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008; and
- The second set of regulations, the Local Government Pensions Scheme (Administration) Regulations 2008.

The Miscellaneous Regulations covered a wide range of mainly unrelated amendments to the Local Government Pensions Scheme Regulations. Whilst some amendments were necessary to remove old provisions and align with legislative changes (automatic enrolment), there were some key changes to the provisions relating to admission agreements in particular.

We were informed of some key changes. The key changes arising from the Miscellaneous Regulations 2012 that required policy change decisions were:

- Early release of benefits;
- Third tier ill health pension; and
- Changes to admission agreements.

The Funding Strategy Statement would need to be reviewed in line with the regulatory changes to ensure that any future approved Funding Strategy Statement was fully compliant with the regulations.

The proposed policy changes relating to admitted bodies would be set out in a new guidance document to be produced for scheme employers. The guidance document would ensure all policies relating to the process for admission to the London Borough of Havering pension scheme were clearly set out, which would aid regulatory compliance by scheme employers and improve administrative procedures.

(a) Early Release of Benefits.

These regulations required the administering authority to introduce a discretionary policy for instances where a scheme member wished to apply for the early release of their deferred benefits but their former employer was no longer an active scheme employer, and there was no successor body. A draft policy would be developed and brought back to the next Committee meeting. The policy would be based on the premise that no costs would fall upon other employers in the Fund, unless there were special factors that justify a departure from this policy.

(b) Third-tier ill Health Pensions.

Previously when someone was awarded a third-tier (temporary) ill-health pension and this pension was stopped, if that individual wanted to bring their benefits back into payment they would suffer full early retirement reductions even if they have enough pensionable service to meet the 'rule of 85'. The Miscellaneous Regulations corrected this unintended unfairness.

Deferred and suspended third-tier ill health retirement members who were aged between 55 and 60 and who wished to opt for early payment were required to obtain the permission of their previous employer. If the employer no longer existed then the member's request could not be considered. To address this, the regulations would now allow the administering authority to exercise the employer discretion where the member's former employer had ceased to be a Scheme employer.

To facilitate this, employers would be required to publish their policy for dealing with applications from deferred members and suspended third-tier ill health members aged between 55 and 60 who were wishing to opt for early payments. Administering authorities would also need to have a policy, as they would be required to deal with applications where the member's employer no longer exist.

When considering this policy we would need to take into account that the early retirement reductions applying where a member was allowed to access their benefits early might not fully address the cost of allowing early payment. In this case the residual cost would fall back on the other employers in the Fund. A policy would be developed based on the approach that every case would be considered upon its merits but applications would normally only be approved where there was no cost to the employer or other Scheme employers in the Fund.

The existing power to bring a deferred benefit into payment where the member was now suffering permanent ill health was extended to cover suspended third-tier ill health cases, providing that the member was permanently incapable of any gainful employment.

(c) Changes to admission agreements.

The amendments made through the Miscellaneous Regulations would apply to admission agreements entered into after 1 October 2012 and there were a number of changes to regulations 6 and 7 of the Local Government Pension Scheme (Administration) Regulations 2008. Admission agreements made before this date were not affected by the amendments.

In the case of potential transferee admission bodies, the letting authority had been required to take actuarial guidance on the potential costs that would arise if the transferee body's admission ceased in circumstances where that body could not address those costs. The letting authority was liable for any pension costs that could not be recovered from the transferee body and so they decided on the level of bond required, we had normally been accepted the highest bond level to minimise risk to the Fund.

The Miscellaneous Regulations required that all new transferee and community admissions entered into on or after 1st October 2012 should have an indemnity or bond, which was our normal practice.

If, however, for any reason it was not desirable that an admission body be required to enter into an indemnity or bond then a guarantee could be provided but only by:

- A person who funds the admission body in whole or in part,
- A person who owns or controls the exercise of the functions of the admission body, or
- The Secretary of State where an admission body was established under an enactment and the enactment empowered the Secretary of State to make financial provisions for the admission body.

It was not clear whether the decision on this requirement was made by the admission body or the administering authority. This would need to be specified in the admission agreement but we presumed it to be a decision of the administering authority. The letting authority would clearly have an interest in the proposed transferee admission body using the means of security which added the least cost to the provision of the services, particularly Academies who tender for catering services. However where the letting authority was not also the administering authority it might be more difficult for the admission body to persuade the pension fund to accept a guarantee in place of a bond or indemnity.

As administering authority, we would need to consider what our policy and procedure would be in relation to guarantees, particularly what their requirements would be and what methods of assessment would be required to ensure we were satisfied that the guarantors were able to afford the commitment. Officers would report back to a future meeting on these issues.

In addition, the Miscellaneous Regulations required that the prospective admission body carried out the assessment, taking account of actuarial advice, of the level of risk exposure arising on insolvency, winding up or liquidation. The assessment must, however, be to the satisfaction of the administering authority, and in the case of a transferee admission body, the letting authority.

The Miscellaneous Regulations go on to require that "where the level of risk identified by the assessment WAs sufficient to require it" the admission body would need to enter into an indemnity or bond to the required value. The existing limitations on who could provide an indemnity or bond were retained.

The new requirements, which were substantially different from the previous provisions, would cause a significant increase in the work involved in admitting new bodies.

The Miscellaneous Regulations did not require that the prospective admission body obtain their actuarial valuation from the Fund Actuary. It was likely that some would use other actuaries whose methodologies and assumptions differed from those of the Fund Actuary.

In order to ensure that the assessment was acceptable, the Fund would also still have to obtain advice from the Fund Actuary. It would be an unacceptable loss of cash from the Fund and an impact on existing employers if the costs of obtaining actuarial advice in order to satisfy itself with regards to the assessments were not passed on to the prospective admission body.

Actuarial assessments carried out by other firms of actuaries, or by the Fund Actuary if the admission body had specified different assumptions, were likely to result in very different outcomes from the figures calculated by the Fund Actuary using the assumptions from the last triennial valuation (or even the current triennial valuation).

There was a risk that the potential admission body's assessment was materially different from the assessment calculated by the Fund Actuary. The prospective admission body might not be willing to accept a higher figure calculated by the Fund Actuary and any ensuing dispute could delay admission. Further, the admission body might dispute that the level of risk was sufficient to require them to put in place a bond or indemnity.

The Regulations required that the assessment was to be carried out to the satisfaction of the administering authority. It would be necessary for the Committee to ensure that it was satisfied with the value of bond in place and that the position of other employers in the Fund was protected.

Issues over bond value could emerge at the stage that bonds were reassessed, even where they were originally successfully agreed. If an issue arose over bond value when the admission was in place the only sanction the Fund would have, if the admission body refused to renew the bond or indemnity, or was unwilling to put in place a bond or indemnity of adequate value, was to terminate the admission.

Letting Authorities might have to review their contract terms and conditions to ensure that this situation was included as a breach of contract, although ceasing contracts during the agreed period of operation would definitely create major service provision continuity issues and Administering Authorities could be placed in conflict with their service provision and Pension Fund responsibilities. If an admission agreement was terminated early there would be additional costs to obtain closing valuations, difficulties might arise in collecting any deficits and administration work and costs for the Fund would increase.

A further change in the Regulations also required a separate admission agreement to be in place where a transferee admission body was performing functions of a scheme employer in more than one contract (for contracts entered into from 1 October 2012). This was so it was clear when separate admission agreements were entered and to make sure that there was an obligation on the contractor to make a cessation payment when one contract ended. The start and end dates of different contracts would not be the same and there might otherwise be no obligation on the contractor to make a cessation payment where the existing admission agreement would continue by virtue of another contract.

(d) Open or closed agreements.

Admission agreements might be open, nominated or closed.

The status of open, restricted or closed admission agreements had not changed within the 2012 regulation changes, but currently we seek to agree admission for only closed agreements. This policy does not comply with the Pension Administration regulations. An employer guide to aid bodies seeming admitted body status was currently being produced. In order to ensure the guidance document complied with the Regulations this issue was being brought to our attention. An admitted body guidance document would aid overall compliance by all scheme employers with the regulations.

An open agreement potentially allowed any employee of the contractor involved in the provision of the outsourced services (and only the outsourced services) to become a member of the Scheme i.e. new recruits the contractor employed in the provision of the outsourced service.

A nominated agreement allowed a specified group of employees, named in the admission agreement, eligibility to become a member of the Scheme at any time.

A closed agreement related only to a fixed group of employees. Only those employees who transferred to the contractor from the outsourcing employer could remain or be members of the Scheme. This included staff not currently in the Scheme at the contract start date but who would retain the right to join the Scheme once they were transferred.

A review of the Administration Regulations indicated that the decision whether an admission agreement was open or closed rested with the admission body and not with the administering authority. This was for the following reasons: -

- Transferee admission bodies were defined in Regulation 6(2)(a) of the Regulations.
- Regulation 6(11) provided that where the admission body agreed to meet the requirements of Regulation 6 and Regulation 7 and the scheme employer agreed to meet the requirements of regulation 6 (i.e. to be a party to the admission agreement) the administering authority <u>must admit</u> to the Scheme <u>the eligible employees</u> of the transferee admission body <u>designated by that body</u> (i.e. designated by the admission body). Regulation 6(12) provided that only employees employed in connection with the provision of a service were eligible to be designated.
- Regulation 7(2) provided that "A person employed by a community admission body or <u>an eligible person employed by a transferee admission body</u> <u>may only be a member if the person, or class of employees to which the person belongs, is designated in the admission agreement by the body as being eligible for membership of the Scheme.</u>
- Paragraph 5 of Schedule 3 (contents of admission agreements required the admission body to give an undertaking and warranty that all its employees who were members of the scheme were employed in the provision of the service (the warranty would relate to employees admitted at the date of the agreement and the undertaking would relate to employees admitted at a future date.

Taking these provisions together it was clear that future employees providing the service were eligible to be designated as members of the pension scheme. Whether they were in fact able to join the scheme would depend on whether their employer designated them, or designated the class of employees to which they belong, for admission to the scheme. The administering authority had no discretion in this matter as it <u>must admit eligible employees designated by the admission body</u>.

The consequence of this was that although we might have a policy only to accept closed admission agreements, this policy could not be enforced as it did not comply with the obligations of administering authorities under the regulations. There might be financial and other reasons why admission bodies might prefer closed agreements, but this was entirely a matter for the admission body and not a matter for the council.

The impact of the review of the regulations regarding closed or open agreements was that the current policy needed to be reviewed to fall in line with regulations. The policy and impact of accepting open admission agreements would need to be included in any future Funding Strategy Statement.

1. We have **noted** the changes contained in the Miscellaneous Regulations.

2. We have **noted** that a further paper would be brought back to Committee with a draft Administering Authority discretion policy on Early Release of Benefits for deferred scheme members where a scheme employer was no longer an active body and there was no successor.

3. We have **agreed** that an Administering Authority discretion policy for applications from deferred members and suspended Tier 3 ill health members aged between 55 and 60 who are wishing to opt for early payment will be submitted to the next meeting of the Committee. Such policy should be based upon applications being considered individually and a decision made on the merits of each case, and that normally applications would only be approved where there would be no cost falling upon other employers in the Fund.

4. We have **agreed** that a further paper be brought back to Committee with a draft policy on accepting guarantee agreements, together with a draft ‘Guarantee Admission Agreement’.

5. We have **agreed** a policy that prospective admission bodies must be prepared to meet the actuarial costs and administrative costs incurred by the Fund in assessing the required bond or indemnity, delivering the administration service in processing admission

agreements, assessing guarantors, reviewing bond and indemnity levels and triennial valuation.

6. We have **agreed** a policy that a bond or indemnity that was satisfactory to the Fund, or if so agreed by us, a guarantee, must be in place before the admission agreement was made.

7.
8. We have **agreed** a policy that the admission agreement might cease at the discretion of the Committee if:

   - A replacement bond or indemnity that was satisfactory to the Pensions Committee was not in place at the time the existing bond or indemnity expired;
   - If a guarantee was not in place at the point when the existing guarantee was reviewed.

9. We have **noted** the Regulations which required us to accept open, nominated or closed admission agreements.

33 THE LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2014

The Local Government Pension Scheme (LGPS) 2014 was due to come in to effect on 1 April, 2014. The main design of the new scheme was as follows:

- To be a Career Average Re-valued Earnings (CARE) scheme;
- The accrual rate to be $1/49^{th}$ for the main section;
- Each members Normal Pension Age (NPA) to be in line with State Pension Age (SPA);
- New salary bandings to be introduced extending the current 7 bands to 9, with an increase to the % paid for those earning over £43,000 per year;
- Employee contributions to be paid on all salary received, which would include additional hours for part timers, and any non-contractual overtime for full timers;
- Part time scheme members would also only pay contributions on their actual pay and not the whole time equivalent;
- There was the introduction of a 50:50 section for those members thinking of opting out;
- Retirement benefits for all membership prior to 1 April 2014 were protected, including any remaining “rule of 85” protection; and
- Scheme members outsourced under a TUPE arrangement had the right to stay in the LGPS on the first and any subsequent transfers. Currently this was the choice of the new employer.

We have **noted**:

1. The report and its contents, and the potential financial impact the scheme could have on the Havering Pension Fund;
2. That some final details of the scheme were awaited; and
3. A further report will be brought forward regarding impact and implications when further guidance was released.

34 **EXCLUSION OF THE PUBLIC**

The Committee resolved to excluded the public from the meeting during discussion of the following item on the grounds that if members of the public were present it was likely that, given the nature of the business to be transacted, that there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 which could reveal information relating to the financial or business affairs of any particular person (including the authority holding that information) and it was not in the public interest to publish this information.

35 **ADMISSION OF TRANSFEREE ADMISSION BODY TO THE LONDON BOROUGH OF HAVERING PENSION FUND**

Officers in formed the Committee that matters had changed with regard to the third organisation seeking admission to the London Borough of Havering's Pension Fund. Further details are contained in the minute of the exempt part of the meeting.

36 **PENSION FUND ILL HEALTH LIABILITY INSURANCE**

We have be advised of the details of an insurance product developed by Legal and General in association with Hymans Robertson to offer Ill Health Liability Insurance that seeks to minimise the impact of an Ill health Early Retirement costs on participating employers in the Havering Pension Fund.

In 2008 the Local Government Pension Scheme introduced new rules that changed the level of enhancements paid to employees when they retire due to ill health. The new rules meant that benefits were targeted to those whose needs were greater, criteria and levels of benefit are shown below:

a) Tier 1 – If there was no reasonable prospect of being in gainful employment before the age of 65 employees would receive an immediate payment with service enhanced to Normal Pension Age.
b) Tier 2 – If it was unlikely that an employee would be capable of gainful employment within three years of leaving they would receive an immediate payment with 25% service enhancement to Normal Pension Age.

c) Tier 3 – If it was likely that an employee would be capable of gainful employment within three years of leaving they would receive a temporary payment of pension for up to three years.

Should any of the other employers who are members of the Pension Fund wish to take up this insurance they should be reminded that the Council are not involved in this venture and do not promote its use.

We have **agreed** not to adopt the proposed Ill Health Liability Insurance.

Chairman