

## **Appendix 1 - Exempt Information and implications**

### **SUMMARY**

1. There are 7 Fund employers who have ceased in London Borough of Hammersmith Pension Fund, where cessation calculations have been processed by the Actuary and the Actuary has identified a funding surplus or deficit at cessation. The recent Funding Strategy Statement (FSS) covering the last Valuation period stated that LBHF Pension Fund would retain any cessation surplus's to mitigate against adverse future funding conditions.
2. However, guidance from the Actuary and the Funds legal advisors have both stated that the FSS fettered the Fund's discretionary responsibilities under Regulation 64 of the LGPS 2013 regulations. Therefore cessations are reviewed on a case on a case by case basis and recommendations made to the Committee.
3. There are 2 cessations due from the Hammersmith & Fulham Pension Fund that requires a decision on exit credits from the Committee.
4. Recommendation is made after consultation with both the Fund actuary, fund employer and a review of the respective admission agreement.

### **Financial Implications**

The financial implications are met by the Pension Fund.

Sukvinder Kalsi, Director of Finance 10th October 2023.

### **Legal Implications**

1. The Council's external legal advisers, Eversheds, have advised that each of the proposals set out below is lawful.
2. The Pension Fund Committee is the appropriate decision maker.

Legal implications verified by Angela Hogan, Chief Solicitor (Contracts and Procurement), Legal Services, 6<sup>th</sup> October 2023.

### **Proposals and Analysis of Options**

- 1 HCT ceased in the Fund on 26 August 2022 due to the Schools Transport contract being terminated. HCT entered into administration on 23 September

2022. There is a surplus of £173,000 at cessation. The admission agreement states that HCT are responsible in the event of an exit deficit. The agreement is silent in the event of a surplus. The admission agreement also states that HCT must maintain a pension bond. However, the bond expired 31 August 2021 which was a breach of the admission agreement. As there was no bond security for the Fund and HCT entered administration, LBHF bore the pension risk.

The Fund will retain the surplus of £173,000 in the Fund.

- 2 Medequip ceased in the Fund on 31 March 2023 due to contract expiry. There is a surplus of £74,000 at cessation. The admission agreement states that Medequip are responsible in the event of an exit deficit. The agreement is silent in the event of a surplus. The admission agreement also states that Medequip must put in place and maintain a pension bond. However, the bond expired many years ago, which was a breach of the admission agreement. Medequip were advised to put a bond or Guarantee in place but failed to do so. LBHF bore the pension risk.

The Fund will retain the surplus of £74,000 in the Fund.

- 3 Serco ceased in the Fund on 29 January 2023 due to the Waste contract expiring. There is a surplus of £10,110,000 at cessation partly due to the Fund's investment returns. The admission agreement states that LBHF are responsible in the event of an exit deficit. The agreement is silent in the event of a surplus. The service contract also states that LBHF will reimburse Serco in the event of an exit deficit. LBHF bore the pension risk associate.

The Fund will retain the surplus of £10,110,000 in the Fund.

- 4 The Disabilities Trust (TDT) ceased from the Fund on 31 October 2022 due to the last active member ceasing employment. There is a surplus of £21k at cessation. The admission agreement states that TDT are responsible for paying any exit deficit. The agreement is silent in the event of a surplus. There are no other agreements recorded due to TDT being a very long-standing employer which entered the Fund in 2002 as a community admission body.

The recommendation is to pay an exit credit of £21k to The Disabilities Trust.

- 5 Caterlink ceased in the Fund on 31 May 2023 due to the LBHF secondary schools contract expiring. There is a surplus of £215,000 at cessation. The admission agreement states that Caterlink are responsible in the event of an exit deficit. The agreement is silent in the event of a surplus. However, the service contract states that LBHF will reimburse Caterlink in the event of an exit deficit and this supersedes the admission agreement. LBHF bore the pension risk.

The Fund will retain the surplus of £215,000 in the Fund.

- 6 Pinnacle ceased in the Fund on 30 June 2023 due to the LBHF housing management contract expiring. There is a surplus of £2,173,000 at cessation, partly due to the Fund investment returns. The admission agreement states that LBHF are responsible in the event of an exit deficit. The agreement is silent in the event of a surplus. LBHF bore all the pension risk associated with this admission.

The Fund will retain the surplus of £2,173,000 in the Fund.

7. London Hire ceased in the Fund in April 2023. There is a surplus of £19,000 at cessation. The admission agreement states that London Hire are responsible in the event of an exit deficit and they maintained a bond during their time in the Fund.

The recommendation is that the Fund pays the £19K exit credit to London Hire.

- 8 Once the recommendations have been agreed by the Committee the employer will be written to confirm the Committee decisions and where applicable payments made from the Fund.