

## **WIRRAL COUNCIL**

### **PENSION COMMITTEE**

**29 OCTOBER 2018**

<b>SUBJECT:</b>	<b>ADMISSION BODY APPLICATION</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF PENSIONS</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	
<b>KEY DECISION?</b>	<b>NO</b>

#### **1.0 EXECUTIVE SUMMARY**

- 1.1 This report seeks the approval of Pension Committee to admit both New Torus 62, and its principal subsidiary ComMutual, as community admission bodies of Merseyside Pension Fund; with effect from 1 December 2018.
- 1.2 The appendix attached to the report contains exempt information. This is by virtue of paragraph 3 of Part 1 of schedule 12A of the Local Government Act 1972, i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

#### **2.0 BACKGROUND AND KEY ISSUES**

- 2.1 Paragraph 1 (a) Part 3 of Schedule 2 of the Local Government Pension Scheme Regulations 2013, provides for an Administering Authority to make an admission agreement, enabling employees of the body to be active members of the Local Government Pension Scheme.
- 2.2 Helena Partnership and Liverpool Mutual Homes (LMH) previously gained access to Merseyside Pension Fund as community admission bodies following the transfer of housing stock from St Helens Council on 1 July 2002 and from Liverpool City Council on 1 April 2008.
- 2.3 Helena Partnership and LMH are registered non-profit making community benefit societies under the Co-operative and Community Benefit Society Act 2014, with Helena Partnership operating as a subsidiary of the parent group Torus 62 Limited.

- 2.4 The intent of the respective boards of each society is to amalgamate the existing Torus and Liverpool Mutual Homes group of companies to form a new, stronger merged organisation, which will retain concentrations of housing stock in Liverpool and St Helens; in order to achieve greater outcomes in social housing for residents and communities in the North West.
- 2.5 As part of the operating model restructure, 403 staff will transfer from Helena Partnerships and Liverpool Mutual Homes into a new legal entity "Torus62 Limited". A new admission agreement with Merseyside Pension Fund will be sought to cover the existing members of the Helena and LMH admission agreements.
- 2.6 In addition 4 staff will transfer from Helena Partnership to ComMutual, which is a charitable company with the principal purpose to advance education and to provide facilities in the interests of social welfare - with the objective of improving conditions of life for residents in Merseyside.
- An admission application has also been sought from ComMutual to enable continued access to the LGPS for the transferred staff.
- 2.7 The Fund solicitor has considered the governance structure of the new Torus 62 Limited and ComMutual, and he is satisfied that the objectives and operations of both organisations align with the regulatory criteria to participate as community interest admission bodies under the LGPS regulations.

### **Financial Implications**

- 2.8 The transfer of staff from the existing Helena Partnership and LMH admission agreements will result in a termination event under Reg. 64 of the 2013 LGPS regulations, with the requirement to crystallise the exit debt for each outgoing organisation.
- 2.9 In conformance with the Fund's termination policy, there is a requirement to seek immediate payment of the exit debt, although the Administering Authority may modify the policy in consideration of the financial strength of the new body and the availability of security to cover the exit debt.
- 2.10 The boards of Helena Partnership and LMH have requested MPF to defer collection of the cumulative exit debt and to allocate the residual assets and liabilities to the new Torus 62 admitted body. This approach would permit the organisation to continue to operate and compete for opportunities in the housing market - to achieve better outcomes for residents.

- 2.11 Fund Officers are mindful of the Pension Regulator’s directive that Pension Scheme Managers should avoid actions which hamper the sustainable growth of an employer’s business operations, whilst also being fully aware of the fiduciary responsibility to protect all employers and the solvency of the Fund.

As such the Fund actuary, Mercer, was engaged to undertake a review of the financial strength of Torus 62, to provide an informed view of the risks in deviating from the default policy to recover the outgoing debts as immediate cash payments.

- 2.12 The opinion of Mercer’s covenant expert was that new “Torus62 Limited” projects strong performance, strong cash generation, strong asset backing and comfortable financing through a period of investment.

- 2.13 The conclusive view is that the provision of security, along with a formal transfer agreement would provide a high level of comfort and mitigate the Fund’s risk exposure in deferring recovery of the exit debt. The recovery of any exit debt would now only materialise upon the subsequent termination of the new admission agreements.

### **3.0 RELEVANT RISKS**

- 3.1 The potential risk of financial loss to the Fund from admittance of the two companies is mitigated by the provision of a surety bond and parent company guarantee. In addition, the monetary value of the risk and employer covenant is reviewed regularly to ensure adequate coverage of the risk exposure.

### **4.0 OTHER OPTIONS CONSIDERED**

- 4.1 Not relevant for this report

### **5.0 CONSULTATION**

- 5.1 Not relevant for this report

### **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

- 6.1 None associated with the subject matter.

### **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 7.1 There are none arising from this report

## **8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 The admission application process is resource intensive and the Pensions Administration Strategy provides the scope to levy an administration charge for the operational processing connected with the on-boarding of new employers.

## **9.0 LEGAL IMPLICATIONS**

9.1 Admitted bodies enter into a legal admission agreement with the administering authority in order to become a constituent employer of Merseyside Pension Fund. This agreement sets out the statutory responsibilities of an employer, as provided for under the Regulations governing the LGPS.

## **10.0 EQUALITIES IMPLICATIONS**

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

No, because the Ministry of Housing, Communities and Local Government undertake equality impact assessments with regard to the regulations governing the admission of community admission bodies to the LGPS.

## **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are none arising from this report

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none arising from this report

## **13.0 RECOMMENDATION**

13.1 It is recommended that Pension Committee:

- approve in principle the applications from New Torus 62 Limited and ComMutual for admission to Merseyside Pension Fund, as community admission bodies, with effect from 1 December 2018; and
- delegate the completion of the detailed terms of the pension transfer agreement, including the statutory guarantees, to the Head of Pension Administration and to the Borough Solicitor.

**14.0 REASON/S FOR RECOMMENDATION/S**

14.1 The applications for admission satisfy all prescribed regulatory and financial requirements under the Local Pension Scheme Regulations.

**REPORT** Yvonne Caddock  
**AUTHOR** Head of Pension Administration  
**Telephone** (0151) 242 1333  
**Email** yvonnecaddock@wirral.gov.uk

Briefing Note	Date