



# Report to Pension Fund Consultative Group

**Title:** Indemnity Bonds  
**Date:** 11 March 2008  
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## **Electoral Divisions Affected:**

## **Summary**

Review of the indemnity bonds of the transferee admitted bodies within the pension fund

## **Recommendation**

The fund currently has the following transferee admission bodies:

ASM  
Catermasters  
Connaught  
Cressex School  
Excelcare  
HBS  
Heritage Care  
Penn School  
SERCO

The Local Government Pension Scheme requires transferee admitted bodies to the fund to have in place an indemnity bond to protect the fund should the contract terminate early leaving a funding deficit or pension strain costs.

It is proposed that the funding deficit and strain costs of all transferee admitted bodies be assessed triennially as part of the actuarial valuation.

The transferee admitted bodies status will be reviewed by BCC audit to assess the possible risk of early termination of the contract, the revised indemnity bond amount will be the percentage risk identified of the total funding deficit and strain costs.

## **Supporting information to include the following if a decision is being requested:**

### **Resource implications**

There will be a charge from the pension fund actuaries but this can be contained as part of the total valuation cost.

## **Legal implications**

It is a statutory requirement that an assessment, taking account of actuarial advice, of the level of risk arising on premature termination of the provision of the service or assets by reason of the insolvency, winding up or liquidation of the transferee admission body and where necessary have in place an indemnity bond to protect the fund should the contract terminate early leaving a funding deficit or pension strain costs.

All transferee admitted bodies have in place an indemnity bond, the admission agreement states that the bond amount will be reviewed regularly.

## **Other implications/issues**

Indemnity bonds should be reviewed regularly to ensure the bond amount is sufficient to compensate the pension fund for any deficit or pension strain costs due to early termination of a contract. If the indemnity bond is not sufficient it is the letting authority that will be required to make up any shortfall.

If the amount of indemnity bond required increases significantly, this could have an impact on what the transferee admitted body charges the letting authority for this contract.

## **Feedback from consultation and Local Member views (if relevant)**

N/A

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## **Background Papers**

Regulation 5A of the Local Government Pension Scheme Regulations 1997 (as amended)

Letter from the fund actuary detailing the current funding deficits and strain costs.