

# Pensions Committee

2.00 p.m., Tuesday, 15 March 2016

## Employers Participating in the Lothian Pension Fund and updates to the Funding Strategy Statement

Item number	5.12
Report number	
Executive/routine	
Wards	All

### Executive summary

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This report provides updates on:

- Employers who are currently looking to join the Fund;
- Employers leaving the Fund;
- Other current matters affecting employers participating in the Fund; and
- The Fund's Funding Strategy Statement to reflect decisions made by the Pensions Committee in November 2015.

### Links

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Coalition pledges

Council outcomes [CO26](#)

Single Outcome Agreement

## Employers Participating in the Lothian Pension Fund and updates to the Funding Strategy Statement

### Recommendations

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- 1.1 That Committee invites the Pension Board to raise any relevant matters or concerns which the Committee should consider.
- 1.2 That Committee notes the changes to the employers participating in Lothian Pension Fund.
- 1.3 That Committee approves the change to the Funding Strategy Statement.

### Background

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- 2.1 Responsibilities of both the City of Edinburgh Council, as administering authority of the Fund, and the participating employers are set out in the Funding Strategy statement and the Pensions Administration Strategy.
- 2.2 The Funding Strategy Statement includes the 'Admission Policy' (for employers joining the Fund), the 'Policy on Employers leaving the Fund' (cessation policy) and the 'Charging Policy' outlining when charges will be levied by the Fund.
- 2.3 The Pensions Administration Strategy sets out standards for exchange of information, including the requirement for the employer to keep the Fund informed about planned changes to their pension provision, including bulk transfers of staff and any outsourcing.

### Main report

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#### Employers joining the Fund

- 3.1 As previously advised to Committee, the City of Edinburgh Council has entered into a contract with CGI IT UK Limited (CGI). From 1 April 2016, CGI will provide ICT services for the Council. CGI has applied for admission to the Local Government Pension Scheme. At present, the number of staff involved is still to be confirmed. As required by the Scheme Regulations, the City of Edinburgh Council will act as guarantor.
- 3.2 We have been advised that CGI is likely to outsource part of the contract to another organisation, Dacoll Limited. A further admission agreement will be agreed with Dacoll for the staff involved and again, the City of Edinburgh Council will act as guarantor.

- 3.3 Transferring staff will have the option to transfer their previous pension rights accrued in the BT pension scheme. As required under the Scheme regulations, the transfers will be carried out on a bulk basis and the Fund's actuary will work with the BT actuary to agree transfer terms.

### **Employers leaving the Fund**

- 3.4 As previously reported to Committee, cessation valuations have been carried out by the Fund's Actuary in respect of several employers who left the Fund last year.
- 3.5 Almond Housing Association gave notice to leave the Fund on 30 September 2015. Full payment of the cessation deficit has now been received.
- 3.6 Following the dissolution of the Forth Estuary Transport Authority on 31 May 2015, employees transferred to Amey Services Ltd ('Amey'). From 1 June 2015, Amey become an admitted body in order to provide continuity of pension conditions for these members. The Scottish Government has agreed to act as guarantor for Amey. Legacy pension liabilities (ie deferred and pensioner members) will be the responsibility of the Scottish Government. Full payment of the cessation deficit is expected by the end of the 2015/16 financial year.
- 3.7 Midlothian Council entered into a contract with BAM Construction in 2002 to provide janitorial services for schools in the Dalkeith area. BAM were admitted to the Fund in 2003. The Fund's admission agreement with BAM Construction Ltd ended following the retirement of the last active member on 1 September 2015. An invoice has been raised and full payment of the cessation deficit is expected shortly.
- 3.8 As previously advised to Committee, Pilton Community Health Project left the Fund on 1 April 2015. A cessation valuation has been carried out. Further information is included in item B1.1 on the agenda. A cessation valuation has also been carried out in respect of Age Concern, a former Fund employer. Further information is included in item B1.1.
- 3.9 The Fund has been advised by both the Broomhouse Centre and the National Mining Museum that their last active members will be retiring within the next couple of months. As both employers are closed to new entrants, a cessation valuation will be carried out for each organisation. An update will be provided to Committee at a later date.
- 3.10 As part of the Funding Strategy appeals submitted in 2015, six employers advised that they were considering leaving the Fund. Further information is included in item B1.1.

### **Other changes**

- 3.11 Barony Housing Association has advised that it will enter into a partnership with Wheatley Housing Group. Barony will continue as a separate legal entity and will remain the employer of the staff who are currently members of Lothian Pension Fund. The Fund has carried out appropriate due diligence in consultation with legal advisers and has established that this change will

strengthens Barony's covenant and will thus provide greater protection for the Fund. As Barony was originally admitted to the Fund in 1980, a revised admission agreement has been prepared to ensure consistency with current legislation and documentation.

- 3.12 Edinburgh Cyrenians Trust is changing to a Scottish Charitable Incorporated Organisation from 1 April 2016. A new admission agreement has been prepared to reflect this change in legal status, including commitment that the new entity has responsibility for previous pension liabilities.
- 3.13 The Fund is still awaiting further information from the Department of Work & Pensions regarding employees of the City of Edinburgh Council, East Lothian Council and West Lothian Council who transferred to the Civil Service Pension Scheme in 2014. These transfers were part of a UK-wide exercise to introduce a Single Fraud Investigation Service. Since the last update to Committee, the Fund has responded to further data queries from the Government Actuary's Department, however no further information regarding the terms of the bulk transfer has been received.

#### **Updates to the Funding Strategy Statement**

- 3.14 At the November 2015 meeting of Pensions Committee, several changes to the Fund's Funding Strategy Statement were agreed. These changes have now been incorporated into the Funding Strategy Statement and the amended document has been published on the Fund's website.

### **Measures of success**

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- 4.1 Employers continue to take decisions in full knowledge of Local Government Pension Scheme (LGPS) Regulations and with awareness of policies put in place by the Fund to protect the Fund as a whole.

### **Financial impact**

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- 5.1 There is no financial impact arising directly from this report. However proactive monitoring of employers participating in the Fund and appropriate admission agreements for employers help to protect the financial position of the Fund and other contributing employers.

### **Risk, policy, compliance and governance impact**

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- 6.1 Ongoing monitoring and engagement, together with robust policies on admission and cessation help to mitigate the risks of employer actions having an adverse impact on the Fund. Risks are also regularly reviewed via the Lothian Pension Fund risk register.

## Equalities impact

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7.1 There is no equalities impact as a result of this report.

## Sustainability impact

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8.1 There is no sustainability impact arising from this report

## Consultation and engagement

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- 9.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the Funds.
- 9.2 The Fund engages with participating employers on a regular basis via monthly bulletins highlighting relevant issues and employer events held throughout the year. The Fund continues to remind employers of the importance of keeping the Fund informed of any changes that could have an impact on their pension arrangements.
- 9.3 Changes to relevant regulations and policies and the implications of these changes are communicated to employers, with consultation exercises carried out where appropriate.

## Background reading/external references

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None

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## Links

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### Coalition pledges

**Council outcomes** CO26 - The Council engages with stakeholders and works in partnerships to improve services and deliver agreed

**Single Outcome Agreement**

**Appendices**