

# Pensions Committee

10am, Wednesday, 13 March 2013

## Update on Employers' participation in Lothian Pension Fund

Item number	5.7
Report number	
Wards	All

### Links

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Coalition pledges

Council outcomes [CO26](#)

Single Outcome Agreement

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# Executive summary

## Update on Employers' participation in Lothian Pension Fund

### Summary

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This report provides updates on:

- Employers who have recently joined the Fund and employers currently looking to join;
- Employers leaving the Fund;
- Mergers of Colleges;
- Other current matters.

### Recommendations

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To recommend that the Pensions Committee note the changes to the employers participating in the Lothian Pension Fund.

### Measures of success

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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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There is no financial impact arising directly from this report. Proactive monitoring of employers participating in the Fund and appropriate admission agreements for new employers helps to protect the financial position of the Fund and the existing employers.

### Equalities impact

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

### Sustainability impact

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There is no sustainability impact arising from this report.

## Consultation and engagement

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The Consultative Panel for the Lothian Pension Funds, comprising employer and member representatives, is integral to governance.

The Fund engages with employers on a regular basis as follows:

- monthly bulletins are issued to employer contacts highlighting relevant issues;
- employer events are held throughout the year;
- by providing dedicated resource in the form of an Employer Relations Officer.

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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The Fund's consultation response to the Forth Road Bridge Bill is available on the Fund's web-site

[http://www.lpf.org.uk/downloads/file/470/forth\\_road\\_bridge\\_bill\\_financial\\_memorandum](http://www.lpf.org.uk/downloads/file/470/forth_road_bridge_bill_financial_memorandum)

## Update on Employers' participation in Lothian Pension Fund

### 1. Background

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- 1.1 Responsibilities of both the Council, as administering authority of Lothian Pension Fund ('the Fund') and the participating employers are set out in the Funding Strategy Statement (FSS) and the Pensions Administration Strategy (PAS). Both these documents have been previously approved by Committee.
- 1.2 The FSS 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.
- 1.3 The PAS 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.

### 2. Main report

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#### **Employers joining the Fund**

- 2.1 The report to Committee in October 2012 noted that BaxterStorey had applied for admission to the Fund under Regulation 5 of the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 following the transfer of nine staff from Queen Margaret University (QMU). The admission process has yet to be completed. The Fund is working with QMU and BaxterStorey to finalise this as quickly as possible.

#### **Mergers of Colleges**

##### **Scotland's Rural College**

- 2.2 Oatridge College was a Scheduled body with the Fund (i.e. a Scheme employer under Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008). On 1 October 2012, staff employed by Oatridge College transferred to the Scottish Agricultural College. This followed the merger of three land-based colleges (Oatridge College, Barony College and Elmwood College) with the Scottish Agricultural College to form a new merged organisation: Scotland's Rural College (SRUC).

- 2.3 In order to ensure continuity of pension provision for current members employed by Oatridge College, SRUC applied for admission to the Fund as a community admission body. This application is on a 'closed' basis – that is, no new employees of SRUC will be offered membership of the LGPS with the Fund. The admission agreement also requires that SRUC will accept liability for former members of Oatridge College. The Scottish Government have agreed to act as the guarantor for SRUC.

### **Edinburgh College**

- 2.4 Three further education colleges (Telford College, Stevenson College and Jewel and Esk College) merged on 1 October 2012 to form a new body – Edinburgh College. All three colleges contributed to the Fund as Scheduled Bodies. Edinburgh College is also a Scheduled Body therefore an admission agreement is not required.
- 2.5 Article 3 of the Jewel and Esk College and Stevenson College Edinburgh (Transfer and Closure) Scotland Order 2012 states that 'All property, rights, liabilities and obligations of each of the Jewel and Esk Board and the Stevenson Board are transferred to and vested in the Telford Board'.
- 2.6 A change of name from Telford College to Edinburgh College is currently with the Scottish Government awaiting parliamentary approval. However, the board of management of Telford College wrote to the Fund to confirm that the Board of the new body accepts liability for the Funding of past pension liabilities for the three predecessor colleges.
- 2.7 A revised employer contribution rate to reflect the combined membership and liabilities of the new body is being calculated by the Fund's actuary.

### **Employers leaving the Fund**

- 2.8 As required under the Scheme Regulations, Children 1<sup>st</sup> (an admitted body with the Fund) has given three months notice of their intention to leave the Fund. They currently have one active member. Following the expiry of this notice period, the Fund will instruct the Fund's actuary, to carry out a cessation valuation as required under the Fund's cessation policy. Arrangements will then be made for payment of any deficit to be made.
- 2.9 As noted to Committee in October 2012, Lothian Centre for Inclusive Living has now left the Fund. A cessation valuation has been carried out by the Fund's actuary and arrangements are being made for the employer to pay the deficit identified in the valuation.

2.10 The Fund is in discussion with Canongate Youth Project Training Services Ltd (an admitted body with the Fund). It is expected to be wound up with all assets and liabilities transferred to its parent company, the Canongate Youth Project Ltd (also an admitted body in the Fund). Canongate Youth Project Ltd has indicated that they would guarantee the pension liabilities for Canongate Youth Project Training Services Ltd.

### **Forth Estuary Transport Authority (FETA)**

2.11 As a result of the new Forth Crossing, FETA will be dissolved and all remaining employees are expected to transfer to the contractor who will operate the bridge. This contractor is expected to apply for admission to Lothian Pension Fund in due course.

2.12 FETA pension liabilities remain in respect of former members. Discussions regarding fund have been held with Transport Scotland and the Scottish Government. It has been agreed in principle that the Scottish Ministers will guarantee in full both the legacy pension liabilities and the new contractor. Appropriate legal documentation is being drawn up. Further updates on FETA will be provided to Committee over the coming year.

2.13 The Scottish Government's Finance Committee wrote to stakeholders affected by the Forth Road Bridge Bill in January 2013. This letter included a questionnaire requesting comments on issues relating to the consultation process, costs and wider issues. The Fund's response (sent to the Scottish Government on 30 January 2013), welcomed the Scottish Ministers agreement in principle to act as guarantor and provided requisite clarity and context to pension liabilities quoted in the Financial Memorandum to the Bill. The consultation response is available on the Fund's website.

## **3. Recommendations**

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3.1 To recommend that the Pensions Committee note the changes to the employers participating in the Lothian Pension Fund.

### **Alastair Maclean**

Director of Corporate Governance

### **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 objectives.

**Single Outcome  
Agreement**

**Appendices**

None