

Pensions Committee

2.30pm, Monday, 24 March 2014

Update on Employers participating in Lothian Pension Fund

Item number	5.8
Report number	
Wards	All

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Executive summary

Update on Employers participating in Lothian Pension Fund

Summary

This report provides updates on:

- employers who are currently looking to join the Fund;
- employers leaving the Fund; and
- other current matters including an update on the review the covenant of individual employers.

Recommendations

To recommend that the Pensions Committee:

1. note the changes to the employers participating in Lothian Pension Fund; and
2. note the work carried out to review employers' covenants.

Measures of success

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

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 helps to protect the financial position of the Fund and the other employers in the Fund.

Equalities impact

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

Sustainability impact

There is no sustainability impact arising from this report.

Consultation and engagement

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 employers highlighting relevant issues;
- employer events are held throughout the year; and
- dedicated resource in the Fund 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.

The Fund has written to employers with less than five active members to remind them of the provisions which will apply if/when their last member leaves the Fund. In these circumstances, as required by the Scheme regulations and the Fund's Funding Strategy Statement, a cessation valuation will be carried out to establish the value of any surplus or deficit.

We continue to remind employers at events and via the employer bulletin of the importance of this keeping the Fund informed of any changes that could have an impact on their pension arrangements.

Background reading / external references

None.

Update on Employers participating in Lothian Pension Fund

1. Background

- 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 and the Pensions Administration Strategy. Both these documents have been previously approved by Committee.
- 1.2 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.
- 1.3 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.

2. Main report

Employers joining the Fund

- 2.1 Previous reports to Committee 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. Since the last report to Committee in September 2013, an acceptable form of guarantee has been agreed with Queen Margaret University. Arrangements are now being made with BaxterStorey to update membership records and for outstanding contributions to be paid.

Employers leaving the Fund

- 2.2 The only member employed by Mitie (PFI) under their contract with West Lothian Council has left employment. The admission agreement was set up as a 'closed' admission agreement and therefore no further members will join. With no active members, the admission in the Fund will therefore terminate. The Fund's Actuary is currently preparing a cessation valuation to establish the funding position and any deficit payment due to the Fund. An update will be provided at a future Committee meeting.

Forth Estuary Transport Authority (FETA)

- 2.3 Fund officers recently met with Transport Scotland to discuss the ongoing situation with regard to the dissolution of FETA from June 2015. The Scottish Government have previously agreed to act as guarantor for legacy pension liabilities and a draft agreement is with solicitors acting for Transport Scotland for review.
- 2.4 A new contractor will be appointed to operate both the Forth Bridge and the new Forth crossing. Current employees of FETA will transfer to this organisation under TUPE and the contractor is expected to apply for admission on a 'closed' basis (that is, no other employees working on the contract will be permitted to join the Fund). Again, the Scottish Ministers have indicated that they will act as guarantor for the new contractor.

Canongate Youth Project YTS

- 2.5 As noted in a previous report to Committee, Canongate Youth Project YTS (an admitted body to the Fund) has been wound up, with all employees, assets and liabilities being transferred to Canongate Youth Project – also an admitted body. Canongate Youth Project's admission agreement has now been updated to reflect this change.

Citadel Youth Centre

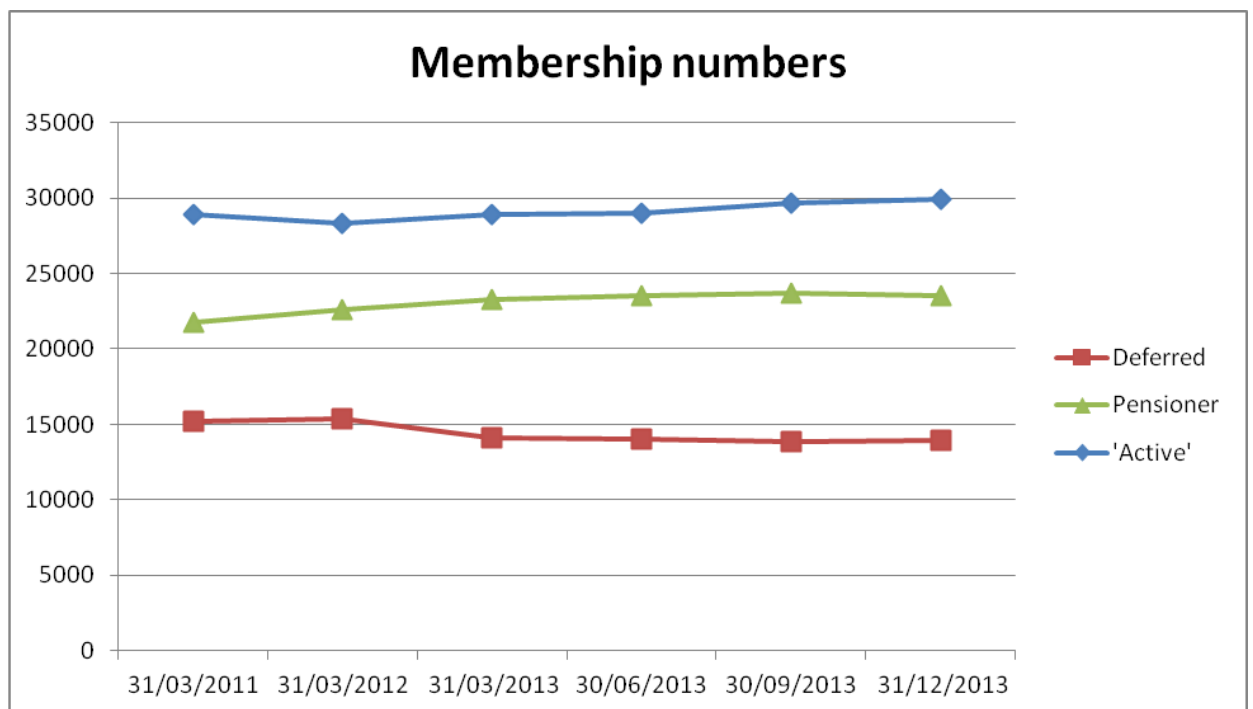
- 2.6 Discussions continue with Citadel Youth Centre over a revision to their admission agreement to take into account their imminent change from an unincorporated body to a Scottish Charitable Incorporated Organisation (SCIO).

Review of Employer Covenant

- 2.7 In preparation for the actuarial valuation and as part of ongoing risk management, the Fund will be carrying out a review of the covenant for employers who are part of the Fund.
- 2.8 A survey was issued to all employers in September 2013 requesting information about their status, sources of funding, and any plans to make changes to their pension provision. In addition, annual report and accounts have been requested with key details recorded for use in future analysis. 26 employers have yet to respond and the Fund is currently following up with these employers.

Membership of the Fund

- 2.9 Membership monitoring is an important part of the Fund's risk management process. Membership numbers for the 2013 calendar year are shown below, together with numbers at 31 March 2011 and 31 March 2012.
- 2.10 It should be noted that these numbers show number of member records, rather than number of individuals. Some members have more than one employment/membership in the Fund and each is held as a separate record for pension purposes. Also, the reliability of the Fund's membership at any point in time is dependent on the speed at which employers provide details of changes. Information at the financial year would be expected to be more reliable given the additional checks undertaken at that time.



- 2.11 The graph shows the impact of voluntary early release exercises carried out by the larger employers in recent years with the number of pensioners increasing and the number of active members decreasing between 2011 and 2012.
- 2.12 Between March 2012 and March 2013 changes to Scheme regulations relating to pensions auto-enrolment allowed employees with contracts of employment of less than three month's duration can elect to join the Scheme. The number of active members increased over the year and has continued to rise over the financial year 2013/14. The number of pensioners at 31 December 2013 has only marginally increased since 31 March 2013.

- 2.13 The number of deferred members has marginally decreased over recent years. This is partly due to a change in the regulations which introduced a time-limit on the option for members to combine previous periods of Local Government Pension Scheme membership.

3. Recommendations

To recommend that that the Pensions Committee note

- 3.1 the changes to the employers participating in the Fund, and;
- 3.2 the work being carried out to review the covenant of employers.

Alastair Maclean

Director of Corporate Governance

Links

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