

Pensions Committee

2.00 p.m., Wednesday, 30 September 2015

Employers Participating in Lothian Pension Fund

Item number	5.7
Report number	
Executive/routine	
Wards	All

Executive summary

This report provides updates on:

- Employers who are currently looking to join the Fund;
- Employers leaving the Fund; and
- Other current matters affecting employers participating in the Fund.

Links

Coalition pledges

Council outcomes [CO26](#)

Single Outcome Agreement

Employers Participating in Lothian Pension Fund

Recommendations

- 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.

Background

- 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

Employers joining the Fund

- 3.1 As reported previously to Committee, a new special purpose vehicle, LPFE Limited was created and now directly employs certain members of Lothian Pension Fund staff. To provide continuity of employment conditions, LPFE Limited applied to become an admitted body under the Scheme regulations. The application was successful and LPFE joined the Fund with effect from 1 May 2015. The City of Edinburgh Council acts as guarantor for LPFE.
- 3.2 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 has now 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, and the Fund Actuary is currently preparing a valuation of these liabilities on a cessation basis.

Employers leaving the Fund

- 3.3 As previously reported to Committee, following the retirement of their last active member on 30 March 2015, the admission agreement with Mental Welfare Commission came to an end. A cessation valuation has been carried out by the Fund's Actuary and full payment of the cessation deficit of £714,000 has now been received.
- 3.4 Pilton Community Health Project left the Fund on 1 April 2015. A cessation valuation has been carried out. Further information is included in item B1.2 on the agenda.
- 3.5 Following the retirement of their last active member on 1 September 2015, the admission agreement with BAM Construction Ltd has ended. This agreement was made following a transfer of staff from Midlothian Council in October 2003. Midlothian Council acts as guarantor. As required under the Scheme regulations, a cessation valuation will be carried out. An update will be provided to a future Pensions Committee.
- 3.6 Almond Housing Association has given notice that it will be leaving the Fund on 30 September 2015. As required under the Scheme Regulations, a cessation valuation will be carried out at that time. Further information will be provided to a future Pensions Committee.
- 3.7 As part of the Funding Strategy appeals, six other employers are considering leaving the Fund. Further information is included in item B1.2.

Other changes

- 3.8 From 1 August 2015, Heriot-Watt University Students Association changed to a Scottish Charitable Incorporated Organisation, Heriot-Watt University Student Union. A new admission agreement has been agreed, including commitment that the new entity has responsibility for previous pensions liabilities. Heriot-Watt University has agreed to act as guarantor.
- 3.9 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 indicated that it will be applying for admission to the Local Government Pension Scheme. At present, the number of staff involved is still to be confirmed. Some staff who will be transferred to CGI were previously employed by the City of Edinburgh Council and were transferred to BT, whilst others did not. At the time of the outsourcing to BT, pension rights in Lothian Pension Fund were transferred to the BT Pension Scheme. As part of the admission process, the Fund will be liaising with the Council and the Fund Actuary. This may involve a bulk transfer from the BT Pension Scheme.
- 3.10 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 following the introduction of a Single Fraud Investigation

Service. These transfers are part of a UK-wide exercise. In August 2015, the Fund was advised that the Civil Service Pension Scheme was still in discussion with the Government Actuary's Department regarding bulk transfer terms.

Measures of success

- 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

- 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

- 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

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

Sustainability impact

- 8.1 There is no sustainability impact arising from this report

Consultation and engagement

- 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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Links

Coalition pledges

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

Single Outcome Agreement Appendices