

Pensions Committee

2.00 p.m., Monday, 20 March 2017

Employers Participating in Lothian Pension Fund

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| Item number | 5.9 |
| Report number | |
| Executive/routine | |
| Wards | All |

Executive summary

This report provides updates on:

- Employers leaving the Fund; and
- Other current matters affecting employers participating in the Fund.

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Employers Participating in Lothian Pension Fund

Recommendations

Committee is requested to:

- 1.1 Invite the Pension Board to raise any relevant matters or concerns which the Committee should consider; and
- 1.2 Note 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 leaving the Fund

- 3.1 Following the retirement of the last active member in August 2016, a cessation valuation has been carried out in respect of Edinburgh Rape Crisis Centre. The Fund is currently in discussion with the employer regarding repayment of cessation debt in accordance with the principles established and agreed by Committee in November 2015 following the 2014 Actuarial Valuation process. Further information is included in item B1.3.
- 3.2 As previously reported to Committee, cessation valuations have been carried out for the National Mining Museum, the Broomhouse Centre and Pilton Community Health Project. Further information is included in item B1.3.
- 3.3 As reported to Committee in September 2016, the Fund has continued discussions with Age Scotland, a former Fund employer in respect of the cessation valuation. Further information is included in item B1.3.

Other changes

- 3.4 Citadel Youth Centre has advised that it is changing status to become a Scottish Charitable Incorporated Organisation from 1 April 2017. 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.
- 3.5 As previously reported to Committee, employees of the City of Edinburgh Council, East Lothian Council and West Lothian Council 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, payment of £173,335 in respect of staff transferred from West Lothian Council has been made to the Department and Work and Pensions. The Fund is awaiting further information in respect of the other two transfers.
- 3.6 The City of Edinburgh Council has recently announced a change to current arrangements for city development which will impact on its arms-length companies currently delivering these services. These include EDI Group which is an admitted body to the Fund. Fund officers are in discussion with EDI Group and the City of Edinburgh Council on the treatment of pension liabilities for EDI Group and a verbal update will be provided to Committee.
- 3.7 Two admitted bodies have approached the Fund to advise that they wish to merge. Further information is included in item B1.3.

Transferee Admission Body status

- 3.8 Into Work Ltd was admitted to the Fund in 1998. Into Work submitted a request that they be treated as Transferee Admission Body under Section 8.4 of the Fund's Funding Strategy Statement as staff were previously employed by the City of Edinburgh Council. As required, agreement to this change has been sought and obtained from the City of Edinburgh (as ceding employer). Any future cessation valuation for Into Work will now be carried out on the ongoing basis. A revised admission agreement to reflect this arrangement has been prepared and will be finalised shortly.
- 3.9 ELCAP was admitted to the Fund in 1991 following the transfer of several hostels from East Lothian District Council (as was) into ownership of ELCAP. Staff employed in these hostels also transferred to ELCAP and ELCAP has now requested that it be treated as a Transferee Admission Body. Fund officers have attended meetings with representatives of both East Lothian Council (as ceding authority) and ELCAP in order to provide information on the implications of such a change. The Fund is awaiting an update on the outcome of further discussions between the two organisations.
- 3.10 Youthlink Scotland was admitted to the Fund in 2002 following the dissolution of Community Learning Scotland (at that time an admitted body to the Fund) by the then Scottish Executive. Half of the Community Learning Scotland staff transferred to the Scottish Executive, becoming members of the Civil Service Pension Scheme, with the remaining staff transferred to Youthlink Scotland who had no previous interest in the Fund. No other employees of Youthlink Scotland

have joined the Local Government Pension Scheme. Youthlink Scotland now only has one active member remaining and has made representation to the Fund that it should be treated as a Transferee Admission Body on the grounds that:

- Community Learning Scotland was a non-departmental public body for which the Scottish Ministers were ultimately responsible,
- it was the Scottish Executive which forced through the closure of Community Learning Scotland and subsequent transfer of staff to Youthlink Scotland; and
- Youthlink Scotland agreed to join the Fund in good faith to maintain terms and conditions for the relevant staff.

Fund officers passed the request to the Scottish Government and at their request met with policy officers from the Scottish Public Pensions Agency. However, the employer has now been advised by the Scottish Government that it will not act as guarantor for Youthlink Scotland nor agree to the change in funding and cessation basis.

Employer Covenant

- 3.11 As previously reported to Committee, work has begun on a review of all employers participating in the Fund. A survey was sent to all employers within the Fund in November 2016 to request financial and other data. This will be used as part of the 2017 Actuarial Valuation to help set employer contribution rates and in the review of the Funding Strategy Statement. At time of writing, responses have been received from 63 of 96 employers and work is ongoing to obtain outstanding information.

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

None

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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 objectives

Single Outcome Agreement

Appendices None