

ABERDEEN CITY COUNCIL

COMMITTEE	Urgent Business Committee
DATE	5 August 2009
CITY CHAMBERLAIN	Susan Cooper
TITLE OF REPORT	Aberdeen Sports Village – Pension Fund Guarantee

1. PURPOSE OF REPORT

This report seeks approval for Aberdeen City Council to act as ultimate guarantor in respect of future potential liabilities which arise from the admitted body status of the Aberdeen Sports Village in the Aberdeen City Council Pension Fund. Staff members are due to transfer to Aberdeen Sports Village in August 2009.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- a) Agree to act as ultimate guarantor in respect of the transferring employees employed by the Aberdeen Sports Village
- b) Instruct the City Chamberlain to report to the Finance and Resources Committee in the autumn of 2010 regarding any potential liability arising from the transferee employees transferring previous scheme benefits into the Aberdeen City Council Pension Fund.

3. FINANCIAL IMPLICATIONS

There are no initial financial implications for the Council.

Aberdeen Sports Village will be responsible for employer contributions to the Aberdeen City Council Pension Fund.

In the event that the body should cease to exist all further liabilities would be met jointly by the City Council and University on a 50/50 basis with past service costs met solely by the University. However, only Aberdeen City Council can act as ultimate guarantor in the event that the University should default on the joint guarantor commitment. Full details of the Sports Village liability will only be known in autumn 2010 following a review by the Pension Fund actuary.

4. SERVICE & COMMUNITY IMPACT

The recommendations within this report will contribute to the following Vibrant, Dynamic and Forward Looking commitments:

“Recognise the contribution of Sport, Culture and Arts to promoting the area as a tourist destination.”

“Recognise the role of Sport and the Arts in tackling anti-social behaviour.”

5. OTHER IMPLICATIONS

There are no other legal, resource, personnel, property, equipment, environmental or health and safety implications. The approval of this report will result in improved delivery of national and local Sports objectives.

6. REPORT

6.1 Introduction

Aberdeen City Council and Aberdeen University have entered into a Joint Venture Agreement (the Aberdeen Sports Village) in order to construct and operate a regional sports facility in Aberdeen. As part of the Joint Venture Agreement staff from the University will transfer to the new body. These staff members are due to transfer to the new body on 1 August 2009.

The University staff are transferring under TUPE terms and conditions and as such are eligible to participate in a Pension Fund which provides comparable benefits to their existing arrangements. In order to provide comparable benefits for the transferring University staff, the Aberdeen Sports Village sought admitted body status in the Aberdeen City Council Pension Fund.

6.2 Aberdeen City Council Pension Fund

As the administering authority for the Aberdeen City Council Pension Fund, the City Council is responsible for the prudent governance and management of the Pension Fund in the interest of all scheduled and admitted bodies.

As the administering authority, Aberdeen City may admit a body to the Pension fund as ‘an admitted body’ providing:

- i.) The organisation can confirm that they have sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest, whether because the operations of the admission body are dependent on the operations of the Scheme employer or otherwise.

ii.) The Scheme employer is prepared to act as a Guarantor in the event that the admitted body should cease to exist. If this situation were to occur and staff were made redundant, the staff over age 50 would become entitled to immediate payment of their pension benefits. This would create a cost to the pension fund as the pension benefits would have to be paid prior to normal retirement age. This cost is known as the "strain on the fund" and as from 1 April 2001 has become a charge to the scheme employer.

At a meeting of the Pension Panel on 12 March 2008 admitted body status was granted to the Aberdeen Sports Village, for transferring employees subject to Aberdeen City Council acting as ultimate guarantor in the event that the Sports Village ceases to trade and benefits became payable.

6.3 Guarantee

An admission agreement has been drafted in respect of the Aberdeen Sport Village membership of the Pension Fund with both the University and City Council acting as joint guarantors for future pension fund liabilities in the event that the Sports Village should cease to exist. It is further drafted to state that the University will accept full liability for past service costs for the transferring employees in the event the Sports Village should cease to exist.

Both the Aberdeen City Council legal services department and the University have reviewed and agreed the terms of the admission agreement.

However the Pension Fund regulations require that the guarantor is a scheme employer and therefore ultimate liability would rest with Aberdeen City Council as the scheme employer in the event that the Aberdeen Sports Village should cease to exist and the University failed to meet its costs as 50% guarantor.

6.4 Financial Impact

The Pension Fund actuary was requested to review the potential liability costs which may arise in the event that the Aberdeen Sports Village ceased to exist. There is currently only one member of staff who could potentially be eligible to receive early retirement in the event that the employer ceased to exist and therefore the current liability is minimal and this would be reduced to nil from 1 April 2010 as a result of a change in regulations from 2009.

There are expected to be less than 10 staff transferring to the pension fund under admitted body status.

Each transferring employee however, has the right under the scheme regulations to transfer into the Aberdeen City Council Pension Fund benefits in respect of past service and will have 12 months from the date of transfer to the Aberdeen Sports Village to request a transfer of benefits. It will only be at the end of the 12 month transfer window, that the actuary will be in a position to advise what any potential liability may exist for the City Council.

It is therefore recommended the Actuary be asked to review the membership of the Aberdeen Sports Village and associated liability in the Pension Fund in autumn 2010.

7. REPORT SIGNATURE

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9. BACKGROUND PAPERS
Pensions Panel 12 March 2008 – Request from Employer for Admitted Body
Status to the Pension Fund