

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	28 September 2010
DIRECTOR	Stewart Carruth
TITLE OF REPORT	Admitted bodies within the Aberdeen City Council Pension Fund with links to Aberdeen City Council
REPORT NUMBER:	CG/10/181

1. PURPOSE OF REPORT

To provide elected members with details of those organisations that have admitted body status within the Pension Fund and have links to Aberdeen Council in terms of grants or service contracts.

2. RECOMMENDATION(S)

It is recommended that the Committee note this report

3. FINANCIAL IMPLICATIONS

Confirmation of the guarantee commitments to the Pension Fund by the City Council for several of the admitted bodies is detailed in the report.

4. OTHER IMPLICATIONS

Other implications may include the impact that funding these deficits by the individual bodies could have on the services delivered by them, which could have a knock on effect to the Council. It has the potential to affect the way that services are delivered and will also impact upon the individuals employed in those bodies.

5. BACKGROUND/MAIN ISSUES

5.1 Introduction

The Convener of the Finance and Resources Committee instructed officers to bring forward a report to a future meeting of the Committee detailing those organisations which are defined as admitted bodies in the Aberdeen City Council Pension Fund, and have financial links to the City Council.

6.2 Local Government Pension Scheme Regulations (LGPS)

6.2.1 Aberdeen City Council is the administering authority for the Aberdeen City Council Pension Fund. The Scheme was established under the Superannuation Fund Act 1972, it is a statutory scheme and is contracted out of the Second State Pension. The scheme is open to all employees of the scheduled bodies, except for those whose employment entitles them to belong to another statutory pension scheme (e.g. Police, Fire and Teachers). Employees of admitted bodies can join the scheme subject to their individual admission criteria which are out with the control of Aberdeen City Council.

There are 14 scheduled bodies, including: Aberdeen City Council, Aberdeenshire Council, The Moray Council, Grampian Police and Fire non uniform staff, Aberdeen College and several other organisations.

The Local Government Pension Scheme (LGPS) regulations further allows an administering authority (Aberdeen City Council) to admit into the Pension Funds bodies as 'admitted bodies' which either can be defined as community of interest body or transferee body:

6.2.2 A **Community of Interest Body** is defined as an organisation which is:

- (a) a body, which provides a public service in the United Kingdom otherwise than for the purposes of gain and which either–
 - (i) has 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 body are dependent on the operations of the Scheme employer or otherwise); or
 - (ii) is approved by the Scottish Ministers for the purposes of admission to the Scheme;
- (b) a body to the funds of which a Scheme employer contributes;
- (c) a body representative of–
 - (i) local authorities;
 - (ii) local authorities and officers of local authorities;
 - (iii) officers of local authorities where it is formed for the purpose of consultation on the common interests of local authorities and the discussion of matters relating to local government; or
 - (iv) Scheme employers;
- (d) A voluntary organisation engaged in the provision of services under–
 - (i) Part III of the National Health Service (Scotland) Act 1978(a);
 - (ii) Part III of the National Assistance Act 1948(b);
 - (iii) The Disability Discrimination Act 1995(c);
 - (iv) The Mental Health (Scotland) Act 1984(d) or the Mental Health (Care and Treatment) (Scotland) Act 2003(e); or
 - (v) Section 14 of the Social Work (Scotland) Act 1968 (which places a duty on local authorities to provide domiciliary services and laundry facilities to certain households)(f).

5.2.3 A **Transition Body** is defined as an organisation which provides:

- (a) a service or assets in connection with the exercise of a function of a Scheme employer as a result of–
 - (i) the transfer of the service or assets by means of a contract or other arrangement; or
 - (ii) guidance provided under section 2 of the Local Government in Scotland Act 2003(a) (requiring a local authority to have regard to guidance provided by the Scottish Ministers on performance of its duties) or a statement of findings under section 3 of that Act (which allows Audit Scotland to take certain actions following a report on a local authority by the Controller of Audit); or (b) a public service and which is approved by the Scottish Ministers for the purposes of admission to the Scheme.

5.3 Guarantee and Bonds

5.3.1 Recent changes to the LPGS require that surety is put in place when a body is admitted to the Fund.

In the instance of a community of interest body the regulations require a guarantee from a Scheme employer (i.e. Aberdeen City Council), by which the guarantor agrees to meet the liabilities (calculated at the time of transfer) of the admission body, should that body cease to exist.

In the instance of a Transferee body the regulations require that, “where the level of risk identified by the assessment (prepared by the Scheme Actuary) is such as to require it, the transferee admission body shall enter into an indemnity or bond to meet the level of risk identified.”

5.4 Admitted Bodies

5.4.1 The Pension Fund currently has a total of 46 Community of Interest or Transferee Bodies within the Fund of which 33 have been identified as having links to Aberdeen City Council.

Appendix A breaks down those organisations with financial links to the City Council into either Community of Interest Bodies or Transferee Bodies.

The major of bodies shown in Appendix A are not covered by either a guarantor or an indemnity body as they were admitted to the Fund prior to the recent regulatory changes.

Those bodies which are covered either by a guarantor or a bond are highlighted separately at Appendix A,

The City Council acts a guarantor for the following bodies:

- Aberdeen Performing Arts
- Aberdeen Heat and Power
- Station House Media Unit
- Regional Sports Village (split 50% with the University)
- Sport Aberdeen

5.4.2 Several of the organisations detailed at Appendix A met with the Scheme Actuary and the Convener of the Pensions Panel, Councillor Fletcher in June of this year and then separately with the Scottish Executive to raise their concerns regarding the costs of the LGPS and the resultant on-going costs in tendering for Local Government contracts.

For the year 2010/11 employers contributions to the Aberdeen Fund are 19.2% of Pensionable Payroll in comparison to 6% to the average defined contribution scheme.

5.5 Scheme Deficit Position and 2011 Actuarial Valuation

5.5.1 As at 31 March 2008 the Pension Fund Actuary estimated that the Fund was 83% funded with an overall Scheme deficit of £372.3 million. This valuation is based upon a number of actuarial assumptions. Each admitted body within the Fund carries a portion of the deficit dependant on their employee profile and history.

Details of the deficit are specific to each employer and are not publicly available to other employers within the Fund. However as at 31 March 2008, the total deficit figure in respect of those admitted bodies with ties to Aberdeen City Council was £24 million.

5.5.2 Discussions are currently taking place with the Pension Fund scheme actuary with regard to the possible grouping of employers ahead of the 2011 actuarial valuation. Calculation of their employer contribution rate may dependant on their covenant, i.e the length or strength of the contract with a scheme employer. For example, in the event that an employer may not have security of contract with Aberdeen City Council this may result in a higher employer contribution rate to protect the Pension Fund from any potential loss in the event that the employer ceases to exist.

6. IMPACT

Corporate – There are links to the 5 year costed business plan in relation to the potential for cost increases relating to the funding required to continue the delivery of services with employers having to contribute additional funding, as determined by the Fund actuaries every three years. In delivery of services it is important to recognise the partnership working and involvement with other organisations in finding and securing the most effective service delivery model for the Council

7. BACKGROUND PAPERS

None.

9. REPORT AUTHOR DETAILS

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