

## ABERDEEN CITY COUNCIL

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|---------------------------|------------------------------------|
| <b>COMMITTEE</b>          | Pensions Committee                 |
| <b>DATE</b>               | 25 March 2022                      |
| <b>EXEMPT</b>             | No                                 |
| <b>CONFIDENTIAL</b>       | No                                 |
| <b>REPORT TITLE</b>       | Termination of Admission Agreement |
| <b>REPORT NUMBER</b>      | PC/MAR22/TERM                      |
| <b>DIRECTOR</b>           | Steven Whyte                       |
| <b>CHIEF OFFICER</b>      | Jonathan Belford                   |
| <b>REPORT AUTHOR</b>      | Claire Mullen                      |
| <b>TERMS OF REFERENCE</b> | 5.1                                |

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### 1. PURPOSE OF REPORT

- 1.1 To seek approval for the payment of the calculated surplus refund to First Glasgow as a result of exiting from the Aberdeen City Council Transport Fund (ACCTF) as a participating employer.

### 2. RECOMMENDATIONS

That the Committee: -

- 2.1 approve the recommendation to pay First Glasgow a surplus refund of £11.8m following the termination of the admission agreement between Aberdeen City Council (as administering authority of the ACCTF) and First Glasgow; and
- 2.2 instruct the Chief Officer-Finance to merge the ACCTF into the main Fund in the financial year 2022/23.

See attached main report.

### 3. FINANCIAL IMPLICATIONS

- 3.1 In the event that the Fund was unable to meet the future liabilities held within the ACCTF in respect of First Glasgow the responsibility would land on the other participating employers within the Fund and the administering authority.

- 3.2 The risk is mitigated as follows:

- The prudent approach taken by the Fund and the scheme actuary upon calculating the surplus refund.
- The extremely low risk approach taken by the Fund to the Investment strategy of the ACCTF
- First Aberdeen will subsume the assets and liabilities for First Glasgow upon termination.
- The intercompany guarantee in place between First Glasgow (No.1) Limited, First Aberdeen Limited and Firstbus (North) Limited.

- The intention to merge the ACCTF into the Main Fund to further reduce risk.

#### 4. LEGAL IMPLICATIONS

- 4.1 The Local Government Pension Scheme (Scotland) Regulations 2018 require that the scheme obtain an actuarial valuation of the liabilities held for the exiting employer as at the termination date.
- 4.2 As the remaining participating employer and in accordance with their admission agreement First Aberdeen Limited will subsume the liabilities held for First Glasgow following termination.
- 4.3 A termination summary paper and Termination Certificate will be issued and signed by the scheme actuary to outline the surplus refund due. No further legal agreement will be required.

#### 5. MANAGEMENT OF RISK

| Category                     | Risk   | Low (L)<br>Medium (M)<br>High (H) | Mitigation  |
|------------------------------|--|-----------------------------------|---|
| <b>Strategic Risk</b>        | N/A  | N/A                               | N/A   |
| <b>Compliance</b>            | Failure to comply with regulatory requirements.                            | N/A                               | The Fund will engage with the Scheme Actuary and Legal Team to ensure all requirements are being met. |
| <b>Operational</b>           | N/A  | N/A                               | N/A   |
| <b>Financial</b>             | Liabilities could fall on remaining employers and administering authority. | N/A                               | Intercompany guarantee in place. Prudent, low risk approach being taken working with scheme actuary.  |
| <b>Reputational</b>          | N/A  | N/A                               | N/A   |
| <b>Environment / Climate</b> | N/A  | N/A                               | N/A   |

#### 6. OUTCOMES

- 6.1 This report does not impact on the Council Delivery Plan

#### 7. IMPACT ASSESSMENTS

| Assessment                               | Outcome      |
|--|--------------|
| <b>Impact Assessment</b>                 | Not required |
| <b>Data Protection Impact Assessment</b> | Not Required |

**8. BACKGROUND PAPERS**

None

**9. APPENDICES**

None

**10. REPORT AUTHOR CONTACT DETAILS**

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