
PROPOSED ADMISSION TO THE LOCAL GOVERNMENT PENSION SCHEME

Report by Chief Officer Human Resources

JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD

15 September 2016

1 PURPOSE AND SUMMARY

- 1.1 This report seeks approval for the admission of CGI into the Local Government Pension Scheme to provide access to the scheme for those members transferring from Scottish Borders Council to CGI.**
- 1.2 The current provision of Information Technology Services by the Council is scheduled to transfer to CGI on 1 October 2016. The Council agreed as part of the contract signed on 25 March 2016 that staff who are currently members of the Council's Pension Scheme will remain members following the TUPE transfer to CGI and they would apply for membership of the Local Government Pension Scheme, entering into the appropriate admission agreement.
- 1.3 The admission agreement reflects that those employees who are transferring and are not currently pension scheme members will retain the right to opt in to the Local Government Pension Scheme at any point in the future.
- 1.4 Included within the Admission Agreement is the requirement for CGI to provide a Bond to underwrite the risk of CGI membership of the Pension Fund should the company cease to trade.
- 1.5 It should be noted that CGI under the terms of the service provision agreement is precluded from varying the terms of the admission agreement without the approval of Council and the Pension Fund.

2 STATUS OF REPORT

- 2.1 This report has been circulated to consultees later than the recommended timeframe and as a result their comments have not been able to be included in the report, but will be presented to the Joint Committee and Board meeting. The late preparation of the report is related to the additional actuarial advice that was sought in relation to the contribution rate and bond value being representative of the finalised list of employees subject to TUPE transfer.

3 RECOMMENDATIONS

3.1 It is recommended that the Pension Fund Committee and Pension Board:-

- (a) Agree to enter into an appropriate agreement with CGI to admit the body to membership of the pension fund on terms and conditions to the satisfaction of the Chief Executive and Chief Financial Officer.**

4 BACKGROUND

- 4.1 In terms of the Local Government Pension Scheme (Scotland) Regulations 2014 the Council, as administering authority of the Scottish Borders Pension Fund, may on such terms and conditions as they think proper, admit employees of bodies that satisfy the statutory criteria to participate in benefits of the Pension Fund.
- 4.2 Any admitted body must also satisfy HM Revenue and Customs requirement that it is associated with at least one of the employers already in the Pension Fund. This is normally achieved by establishing a permanent community of interest or interdependence with another employer or where 50% of the employer's funding comes from local authorities.
- 4.3 In accordance with the contract signed by the Council and CGI on 25 March 2016, CGI will continue to provide membership of the Local Government Pension Scheme for transferring employees, included in the contract is the requirement for CGI to apply for membership of the Scottish Borders Council Pension Fund.
- 4.4 The admission agreement will permit those employees who are not currently members of the Local Government Pension Scheme to opt in to the scheme at any point in the future. Any new employees will not be permitted to join the scheme, therefore, the scheme is classed as being on a closed basis.

5 CGI

- 5.1 CGI were appointed by the Council on 25 March 2016 to provide the IT service for the Council for an initial period of 13 years, with the option to extend the agreement for a period of up to 19 years. Employees of the Council who will be transferring to CGI on 1 October 2016, whether they are currently member of the Local Government Pension Scheme or not, will be covered by the admission agreement.
- 5.2 The Pension Fund's Actuary, Barnett Waddingham, has determined an appropriate employer's contribution rate, 19.8%, taking account of the age profile and service of the staff involved. The contribution rate agreed from 1 October 2016 will apply until the results of the next triennial valuation of the Fund in 2017 are known, at which time it will be subject to the same review as other employer rates as part of the actuarial valuation process.
- 5.3 When the Council signed the contract with CGI on 25 March 2016 a valuation had been carried out by the Fund Actuary and had determined the employer contribution rate at 19.8% based on the age profile and service of staff involved. This was set as the fixed employer contribution rate within the contract, with the Council liable for any subsequent increase in the contribution rate on a straight pass through basis via CGI to the Pension Fund.
- 5.4 Included within the Admission Agreement is the requirement for CGI to provide a Bond to underwrite the risk of CGI membership of the Pension Fund should the company cease to trade. The value of the Bond has been determined by the Fund Actuary and is set at £813k for the first three years. This will be reviewed on a three yearly basis.

- 5.5 No changes can be made to the status of the Fund, pension benefit for employees or employer contribution without the written agreement of the Council and Pension Fund.

6 IMPLICATIONS

6.1 Financial

The Actuary, Barnett Waddingham, has estimated that the potential liability in relation to premature risk is £813k at current valuation assumptions. In accordance with the Admission Agreement CGI are required to provide a Bond to underwrite this risk in the event of premature termination.

6.2 Risk and Mitigations

If CGI were to cease trading and prematurely terminate its admission agreement the Bond that is being put in place will minimise the risk to the Pension Fund.

6.3 Equalities

It is anticipated that there are no adverse impacts due to race, disability, age, sexual orientation or religion/belief arising from the proposals in this report. Continued membership of the Local Government Pension Scheme ensured that employees are not disadvantaged.

6.4 Acting Sustainably

There are no direct economic, social or environmental issues with this report which would affect the Council's sustainability policy.

6.5 Carbon Management

There are no direct carbon emission impacts as a result of this report.

6.6 Rural Proofing

It is anticipated that there will be no adverse impact on the rural area from the proposals contained in this report.

6.7 Changes to Scheme of Administration or Scheme of Delegation

No changes to the Scheme of Administration or Scheme of Delegation are required as a result of this report.

7 CONSULTATION

- 7.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk and the Clerk to the Council have been consulted and any comments received have been incorporated into the final report.

Approved by

Clair Hepburn
Chief Officer Human Resources

Signature

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Background Papers: None

Previous Minute Reference: None

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