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## **SOUTH OF SCOTLAND ENTERPRISE ADMISSION REQUEST**

**Report by Service Director HR and Communications**

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### **JOINT MEETING OF PENSION FUND COMMITTEE AND PENSION BOARD**

**12 September 2019**

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#### **1 PURPOSE AND SUMMARY**

- 1.1 This report seeks approval for the admission of South of Scotland Enterprise (SOSE) into the Local Government Pension Scheme to provide access to the scheme for prospective employees of SOSE.**
- 1.2 The South of Scotland Enterprise Act 2019 was passed by the Scottish Parliament on 5 June 2019 and received Royal Assent on 12 July 2019. Provision 1 of the Act established the SOSE.
- 1.3 Scottish Borders Council Pension Fund will enter into an admission agreement, including the requirement for a Guarantee to be in place, with the SOSE.
- 1.4 No changes can be made to the status of the Fund, pension benefit for employees or employer contribution rate without the written agreement of the Pension Fund.

#### **2 RECOMMENDATIONS**

- 2.1 It is recommended that the Pension Fund Committee and Board:**
  - (a) Agree to enter into an appropriate agreement with South of Scotland Enterprise to admit the body to membership of the Pension Fund on terms and conditions to the satisfaction of the Chief Financial Officer.**

### **3 BACKGROUND**

- 3.1 In terms of the Local Government Pension Scheme (Scotland) Regulations 2018 the Council, an 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.
- 3.2 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.
- 3.3 The proposed admission will be done so in accordance with the Admission Policy, due to be considered as an Agenda item at this meeting, and shall be subject to receipt of appropriate Actuarial and Legal advice in the creation of the Admission Agreement and Guarantee. Any fees associated to the provision of said advice will be re-charged to the admission body.
- 3.4 The admission agreement will allow those future employees of SOSE who are or 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 be permitted to join the scheme, therefore, the scheme is classed as being on an open basis.

### **4 SOUTH OF SCOTLAND ENTERPRISE (SOSE)**

- 4.1 The South of Scotland Enterprise Act 2019 was passed by the Scottish Parliament on 5 June 2019 and received Royal Assent on 12 July 2019. Provision 1 of the Act established the SOSE as a body corporate. This covers the Scottish Border and Dumfries and Galloway geographic areas.
- 4.2 Schedule 1, Part 2, Staff, of the Act, outlines arrangements around the appointment of the first Chief Executive, other staff thereafter and the associated terms and conditions. Paragraph 10 (1) states "South of Scotland Enterprise may, with the approval of Scottish Ministers, pay or make arrangements for the payment of pensions, allowances and gratuities to, or in respect of, any person who is or has been a member of South of Scotland Enterprise."
- 4.3 In accordance with the above, Scottish Borders Council were approached by members of the SOSE project team with a request to be admitted to the Pension Fund. The SOSE project board have agreed to the project team suggestion that the request for admitted body status be progressed.
- 4.4 Indication from the SOSE project team is that they will be looking to have between 50 and 70 employees in place by the time the new organisation starts, with a view to expanding this to between 150 and 170 employees in 2 to 3 years.

- 4.5 Following discussion with the Hymans Robertson, the Funds actuary, an initial employer contribution rate of 20.6% has been set. This will be subject to review in accordance with the Admission Policy either at an interim stage or at the triennial valuation. Factors that could affect the employer contribution rate are the age profile, salary profile and potential transfer ins from other schemes.
- 4.6 It is likely that the Guarantee, as required by the Regulations, will be in the form of a Covenant from the Scottish Government. Scottish Public Pensions Agency have indicated that this is something that they will be able to assist with.
- 4.7 No changes can be made to the status of the Fund, pension benefit for employees or employer contribution rate without the written agreement of the Pension Fund.

## **5 IMPLICATIONS**

### **5.1 Financial**

There are no financial implications for the Fund relating to this report. Any costs incurred by the Pension Fund in the progression of this Admission will be recharged to South of Scotland Enterprise.

### **5.2 Risk and Mitigations**

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

### **5.3 Equalities**

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

### **5.4 Acting Sustainably**

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

### **5.5 Carbon Management**

No effect on carbon emissions are anticipated from the recommendation of this report.

### **5.6 Rural Proofing**

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

### **5.7 Changes to Scheme of Administration or Scheme of Delegation**

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

## **6 CONSULTATION**

- 6.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit and Risk, Service Director Human Resources, Communications and the Clerk to the Council have been consulted and any comments have been incorporated into the final report.

**Approved by**

**Clair Hepburn**  
**Service Director HR and Communications**

**Signature .....**

**Author(s)**

Name	Designation and Contact Number
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**Background Papers:** <http://www.legislation.gov.uk/asp/2019/9/contents/enacted>

**Previous Minute Reference:** None

**Note** – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Ian Angus can also give information on other language translations as well as providing additional copies.

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