

## **PENSION FUND COMMITTEE – 5 JUNE 2015**

### **EMPLOYER UPDATE**

#### **Report by the Chief Finance Officer**

##### **Introduction**

1. This report is to update members on recent applications for admission and closures of scheme employers

##### **Update on Previous Applications for Admission**

2. Admission agreements have been completed for:
  - UBICO
  - Oxford Active Ltd
3. Following a meeting with Edwards & Ward progress has been made on outstanding admission agreements.

##### **New Requests for Admission**

4. There is currently a backlog of work in this area; therefore a temporary post is being recruited to address this. The requests received are all on basis of a pass through arrangement and so at minimal risk to the Fund. As such, and in line with current delegations, these can be approved by the Service Manager (PIMMS).
5. A report to update members will be submitted at the next meeting

##### **Closure Valuations**

6. Closure valuations have now been completed in respect of:
  - SOLL Vale
  - Nexus
  - Sovereign Vale
  - Oxford Inspires

##### **Variation to Standard Valuation Calculation**

7. As part of the major changes to the delivery of services currently undertaken within the County Council's Customer Services Division, the County Council will no longer provide an adult education service, and instead, the service will be provided by Abingdon & Witney College under a direct arrangement with

the Funding Council. The current staff employed by the Council will transfer under TUPE to the college.

8. As both the County Council and the College are existing scheme employers, for LGPS purposes, the transfer of staff involves the transfer of the pension liabilities of the active staff to the college, along with the notional transfer of assets from the Council.
9. In a standard transfer, the transfer of assets would be set to ensure that the new employer i.e. the college receives total assets in line with the transferred liabilities, calculated by the Actuary on an on-going basis.
10. However, in this case the College approached the Council for an amended approach, to ensure that the value of assets transferred was sufficient to show the college fully funded in respect of the transferred staff on a FRS17 basis, which is the accounting basis they are required to follow when showing the pension position in their formal accounts. This was seen as key to the college accepting the transfer, and being in a position to show its funders that the transfer was financially neutral.
11. Given that the proposal requires a greater transfer of assets than under a standard valuation, it also leads to the college having a lower contribution rate. As the Council has nominally transferred more assets than expected, it also means an increase in the required contribution rates of the Council (though the figure may be too small relative to the overall Council position to require an amendment to the published rate). The college has therefore come to a separate agreement with the Council to re-imburse the Council in line with the difference between the actual employer contribution rate, and that which would have been calculated if the value of assets transferred had been in line with a normal transfer. This arrangement will continue until such time as the two contribution rates are aligned.
12. The arrangement has no impact on the net contributions paid to the Fund, and raises no new risks to the Fund. There is though a new risk to the Council as the transferring employer in so far as the college were to cease operations before all re-imbursements to the Council had been made. To mitigate this risk, the Committee could determine now its intention that if such an event was to occur in the future, they would transfer the notional assets back from the college to the Council such that both bodies are placed in the position they would have been in if the transfer had been completed under normal arrangements.

## **RECOMMENDATIONS**

13. **The Committee is RECOMMENDED to:**

- (a) note the position regarding the previous applications;**
- (b) note the position regarding new applications for admission;**
- (c) note the position regarding closure of scheme employers; and**
- (d) confirm the intention that, in the event that Abingdon and Witney College was to cease operations before the completion of the reimbursement arrangements set out following the transfer of adult learning staff, to transfer notional assets from Abingdon and Witney College to the County Council as set out in paragraph 12 above.**

Lorna Baxter  
Chief Finance Officer

Background papers: Nil  
Contact Officer: Sally Fox, Pension Services Manager, Tel: (01865) 797111

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