

## **WEST DUNBARTONSHIRE COUNCIL**

### **Report by the Executive Director of Corporate Services**

**Corporate and Efficient Governance Committee : 20 April 2011**

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**Subject: Admission to Local Government Pension Scheme – Clydebank Rebuilt**

#### **1. Purpose**

- 1.1** This report seeks Committee approval for the Council to act as guarantor for Clydebank Rebuilt in their application for full admitted body status with the Strathclyde Pension Fund.

#### **2. Background**

- 2.1** Membership of the Strathclyde Pension Fund is available to employees of admitted bodies.
- 2.2** Previously small projects could apply to Strathclyde Pension Fund for full admitted body status in their own right. However, Strathclyde Pension Fund procedures have been changed so that Community Partnership companies cannot gain full admitted body status in their own right and must seek a guarantor facility with the Local Authority that they are working with.
- 2.3** Clydebank Rebuilt currently has restricted membership of the scheme and now requires the Council to act as guarantor to allow them to receive full admitted body status.

#### **3. Main Issues**

- 3.1** Clydebank Rebuilt currently has restricted membership status within Strathclyde Pension Fund. As such, they are responsible for maintaining their commitment for ongoing employer contributions to the scheme. However, under the restricted membership scheme, an organisation cannot offer any enhancement to their pensionable service e.g. awarding added years as a retirement incentive.
- 3.2** If allowed to award added years to employees, an organisation must meet the cost of this enhancement in full. Employers can either spread payment of these additional benefits over the lifetime of the employee or seek to settle the liability in full by a single payment made upon the retirement of the employee.
- 3.3** If Clydebank Rebuilt chose the first option and ceased to operate at a later date, the liability for ongoing payments would fall upon the guarantor. Clydebank Rebuilt has a Pension Fund Liability Reserve of £290,000 and this fund would be used in the first instance to pay off any outstanding pension fund liabilities. In addition, any outstanding liability could be mitigated if a new body created to carry on the remit of Clydebank Rebuilt assumed the responsibility for the pension costs.
- 3.4** At present there are 10 employees working for Clydebank Rebuilt of whom 5 are members of the Strathclyde Pension Scheme.

#### **4. People Implications**

- 4.1 The Strathclyde Pension Fund is viewed as an attractive pension scheme and could act as an incentive to recruit and retain employees to work with the organisation.
- 4.2 Approval of this proposal would allow Clydebank Rebuilt employees access to identical pension benefits to that already enjoyed by Council staff.

#### **5. Financial Implications**

- 5.1 It is not possible to provide a detailed evaluation of any potential liability as such a calculation would be dependent upon future decisions of Clydebank Rebuilt. However, as a guide, an employee retiring at age 58 on a salary of £30,000 could cost the organisation approximately £25,000. Clydebank Rebuilt has a Pension Fund Liability Reserve of £290,000 to meet future pension fund liabilities.

#### **6. Risk Analysis**

- 6.1 The greater the number of employees within an organisation and the higher the final salary, the greater the risk becomes for the guarantor. However, this risk can be mitigated by ensuring that Clydebank Rebuilt settles their liabilities in full at the point of cessation as per paragraphs 3.2 and 3.3 above. In addition, ongoing liabilities could become an obligation for any successor organisation.
- 6.2 The proposal would only have a financial impact to the Council in the unlikely scenario where Clydebank Rebuilt ceases to operate and is not absorbed into a replacement company structure. In that circumstance we would first request that in winding up Clydebank Rebuilt, they sought to negotiate an enhanced payment to the Strathclyde Pension Fund so as to eliminate the liability from their Pension Fund Liability Reserve. Any impact on the Council would only be as a last resort after these measures had been exhausted.

#### **7. Equalities, Health & Humans Rights Impact Assessment (EIA)**

- 7.1 No significant issues were identified in a screening for potential equality impact of this report.

#### **8. Conclusions and Recommendations**

- 8.1 It is recommended that, subject to the agreement of the conditions outlined in 6.1 above, the Committee agree to act as guarantor for Clydebank Rebuilt's application to join Strathclyde Pension Fund.

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**Joyce White**  
**Executive Director of Corporate Services**  
**Date: 30 March 2011**

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**Appendices** None

**Background Papers:** None

**Wards affected:** All Council wards