



Derby City Council

**URGENT LEADER OF THE COUNCIL  
CABINET MEMBER MEETING  
16 May 2018**

# ITEM 7

Report of the Interim Strategic Director of  
Corporate Resources

## **Option to Pay the Council's Employer Pension Contributions to Derbyshire County Council Local Government Pension Fund**

### **SUMMARY**

- 1.1 The Council makes monthly contributions to the Derbyshire Superannuation Fund to fund Pensioner benefits of both current and former employees.
- 1.2 The fund is managed by Derbyshire County Council who engages an Actuary to calculate if the fund is in surplus or deficit to meet its forecasted liabilities. This is done every 3 years.
- 1.3 The results of the 3 year valuation determine if the fund is in surplus or deficit, which in turn impacts on the contributions Derby City Council makes to the fund. At the last actuarial review the Fund was in deficit by 13.3%. The Fund has never been in surplus and is never likely to be in the future.
- 1.4 Consideration is being given to make a one-off payment to the fund of our accumulated deficit payments for the remaining two year period since the last actuarial review, in return for a one-off saving to be determined by the Actuary.

### **RECOMMENDATION**

- 2.1 To approve the engagement of the Actuary to the Derbyshire Superannuation Fund to calculate the saving as a result of making a one-off upfront payment rather than ongoing monthly contributions as they become due;
- 2.2 To approve the use of the Budget Risk Reserve to fund the one-off payment required should there be an overall financial benefit to the Council in doing so;
- 2.3 To delegate to the Interim Strategic Director of Corporate Resources in consultation with the Cabinet Member for Finance and Governance, the final decision to proceed with the one-off payment, following appropriate due diligence and an overall financial benefit to the Council in doing so.
- 2.4 To transfer the saving from the one off payment back to the budget risk reserve by making corresponding reductions to service pension budgets.

## **REASONS FOR RECOMMENDATION**

- 3.1 To comply with the Council's Constitution
- 3.2 To enable the Interim Strategic Director of Corporate Resources to act in a timely manner with regards to the final decision to proceed.

## **SUPPORTING INFORMATION**

- 4.1 The Council makes monthly contributions to the Derbyshire Superannuation Fund to fund Pensioner benefits of both current and former employees.
- 4.2 The fund is managed by Derbyshire County Council who engages an Actuary to calculate if the fund is in surplus or deficit. This is done every 3 years. The Actuary is a specialist in calculating the value of Pension funds. They take into account many complex issues such as future inflation, mortality rates, investment performance in order to determine the value of the Pension fund.
- 4.3 At the last valuation in 2016 the fund was deemed to be in deficit and our monthly contributions reflect this by recovering the deficit over a 19 year period.
- 4.4 The next revaluation of the Pension fund is due in 2019 with any revised contributions beginning in April 2020. Preliminary discussions have taken place with the Actuary, around making a lump sum payment to the fund of our accumulated deficit payments up to the next revaluation, in return for a one-off saving.
- 4.5 The Actuary has not yet been formally engaged and therefore detailed calculations are not available as to the size of the lump sum payment. However, it is anticipated it could be significant, circa £1m. This will reduce the deficit contribution rate significantly and due to very low investment returns by more than we would receive in interest if we held on to the money and carried on paying monthly.
- 4.6 In order for the Council to gain maximum benefit, the Actuary needs to be formally engaged and produce detailed calculations. At which point the Council will be expected to make a decision whether to proceed. Given the value of any transaction will be significantly greater than £250,000 threshold; this will become a key decision and therefore should be made by Cabinet. However, Cabinet lead time is such that it is not felt that the formal route of decision making is appropriate on this occasion. Instead it is felt that an urgent Leaders decision is sort to delegate to the Interim Strategic Director of Corporate Resources in consultation with the Cabinet member for Finance and Governance to proceed, and to make the final decision after completing due diligence around the final figures. A formal report will be presented to Cabinet once the decision has been made to explain the full financial impacts.

## OTHER OPTIONS CONSIDERED

- 5.1 To carry on paying current monthly deficit contributions and make no lump sum payment. However, this would produce no saving and due to low investment returns holding the cash as opposed to making the lump sum payment would not compensate.

**This report has been approved by the following officers:**

<b>Legal officer</b> <b>Financial officer</b>  <b>Human Resources officer</b> <b>Estates/Property officer</b> <b>Service Director(s)</b> <b>Other(s)</b>	Don McLure, Interim Strategic Director of Corporate Resources / Section 151 Officer
<b>For more information contact:</b> <b>Background papers:</b> <b>List of appendices:</b>	Peter Shillcock 01332 642787 Peter.Shillcock@derby.gov.uk None Appendix 1 – Implications

<b>IMPLICATIONS</b>
---------------------

**Financial and Value for Money**

- 1.1 As detailed in the report

**Legal**

- 2.1 None directly arising from the report

**Personnel**

- 3.1 None directly arising from the report

**IT**

- 4.1 None directly arising from the report

**Equalities Impact**

- 5.1 None directly arising from the report

**Health and Safety**

- 6.1 None directly arising from the report

**Environmental Sustainability**

- 7.1 None directly arising from the report

**Property and Asset Management**

- 8.1 None directly arising from the report

**Risk Management and Safeguarding**

- 9.1 None directly arising from the report

**Corporate objectives and priorities for change**

- 10.1 None directly arising from the report