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# **Local Government Pension Scheme Community Admission Body - The Bradgate Park Trust**

Decision to be taken by: Deputy City Mayor, Social Care,  
Health and Community Safety

Decision to be taken on: 19 October 2023

Lead director: Amy Oliver

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## Useful information

- Ward(s) affected: None specific
- Report author: Colin Sharpe, Head of Finance
- Author contact details: telephone; 0116 454 4081 Email; colin.sharpe@leicester.gov.uk
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### 1. Purpose of report

- 1.1 The purpose of this report is to seek approval for the proposed transfer of the Bradgate Park Trust local government pension fund assets and liabilities equally to Leicester City Council and Leicestershire County Council.

### 2. Summary

- 2.1 The Leicestershire Local Government Pension Scheme (LGPS) Fund proposes that Leicester City Council and Leicestershire County Council should now act as equal guarantors for the Bradgate Park Trust, as they have joint stewardship of the Trust.
- 2.2 The County Council, the Trust and the Fund have already formally approved the proposal. Assuming that the City Council also agrees, the Trust would cease its current admission agreement with the Fund and a new pass-through admission agreement would be put into place.
- 2.3 The Trust would benefit as it would no longer have to declare any pension fund deficits on its balance sheet; and its employer contribution rate would be more certain.
- 2.4 Any risks to the councils are considered to be minimal, as the Trust's scheme is very small and the liabilities are less than 0.1% of the councils' own funds.

### 3. Recommendations

- 3.1 It is recommended that the transfer of Bradgate Park Trust pension fund assets and liabilities equally to Leicester City Council and Leicestershire County Council be approved, on the basis set out in the report and subject to legal approval of the terms of the pass-through admission agreement.

### 4. Report/Supporting information including options considered:

- 4.1 The Leicestershire Local Government Pension Scheme (LGPS) Fund (the Fund) has a small number of historic scheme employers known as Community Admission Bodies (CABs). These tend to be small to medium sized charities that joined the Fund in the 1970s or 1980s, before the full extent of the employer risk associated with a defined benefit scheme was known. Because

of this, CABs often do not have an employer guarantor or security sat behind them. This means that if they were to go bankrupt or to leave the scheme with a deficit that they were unable to pay, their deficit would be spread across all the Fund's employers. The Bradgate Park Trust (in formal terms, The Bradgate Park and Swithland Wood Charity) is one of the last historic CABs in the scheme without guarantors.

- 4.2 The Trust's scheme is very small – there are two active (presently employed), one preserved (no longer employed, but not yet receiving a pension) and four pensioner members.
- 4.3 Based on the Fund's 'low risk' valuation basis as of 31<sup>st</sup> March 2023, the Trust had an approximate deficit of £30,000. However, there was a surplus of £320,000 on the Fund's 'ongoing' basis. This assumes a lower probability of projected investment returns being achieved in full and is used for long-term participating employers. This is the basis on which the City and County Councils' pension schemes are funded; and is also the basis used for any cessation valuation of an exiting employer with a guarantor. All valuations are however at a point in time and can be volatile, due to changes in the wider economic outlook such as inflation, interest rates and investment returns – for example the 'ongoing' basis surplus at 31 March 2022 was £80,000, compared to the £320,000 a year later.
- 4.4 Accounting rules require LGPS employers to declare pension deficits on a prudent basis. This has a negative impact on their balance sheet, that can impact the cost of any external financing and their ability to enter into long term agreements. The Fund closely manages employer risk and will act to mitigate risks where possible.
- 4.5 The Fund has therefore proposed that the City Council and County Council should now act as equal guarantors for the Trust, as they have joint stewardship. This would mean there would be no deficit for the Trust to declare on future balance sheets; and its employer contribution rate would be more certain.
- 4.6 This guarantee is subject to the Trust not having any deficit on the Fund's 'ongoing' basis at the cessation date when the current arrangements would come to an end. If, however, there were to be a deficit on the 'ongoing' basis, this would have to be paid by the Trust in order for the agreement to proceed.
- 4.7 The County Council, the Trust and the Fund have already formally approved the proposal. Assuming that the City Council also agrees, the Trust would cease its current admission agreement and a new pass-through admission agreement would be put into place. The Trust would mirror the County Council's employer rate, being the higher of the two councils. At the end of pass-through admission when the last active member leaves the scheme, any future surplus or deficit would be split equally between the sub-funds of the two councils.
- 4.8 Only existing contributing staff will be named in the agreement, making this a closed admission. This reduces the risk to the Fund and the councils, as new employees recruited by the Trust will not be able to become LGPS members.

- 4.9 The proposed transfer is intended to be beneficial to all parties. The Fund is resolving long-standing employer risk as there would be an added layer of protection since the Trust has no guarantor at the moment. For the Trust, the transfer reduces the risk as it removes their pension employer risk, but retains pension scheme entitlement for their current members. It also improves their balance sheet. The two councils (as scheme employers) could also benefit as any subsequent surplus would be split equally; in addition to the linked benefits to the Trust of which they are joint stewards.
- 4.10 The proposals are not considered to present a greater risk to the two councils than those which are already taken through their own participation in the LGPS. The increase in risk to both is in any event insignificant compared to their existing funds. Based on figures calculated on 31 March 2023, the Trust's liabilities are less than 0.1% of the councils' own funds. The most significant pension risks being assumed are future inflation, member longevity and future investment returns. Of these three risks, future investment returns are the least predictable and can lead to greater volatility.
- 4.11 Other risks include employer changes that the Trust could make to the existing active members, for example, a large increase in pay, thus increasing their pension liability. The Fund will look to include a clause in the pass-through admission agreements to mitigate this risk. The Trust will also have to continue to maintain ill-health insurance against the risk of a large ill-health retirement cost. Any redundancy costs would be paid by the Trust, which would also be giving up any potential right to an exit credit in the future.
- 4.12 If the transfer is approved, the City Council will enter into the necessary agreements, following legal review.

## **5. Financial, legal and other implications**

### 5.1 Financial implications

The report is concerned throughout with financial implications throughout.

Amy Oliver, Director of Finance, ext. 37 5667.

### 5.2 Legal implications

The report addresses the issue of legal liability and the proposal will be achieved through the use of a pass-through admission agreement. It is recommended that legal advice is obtained on the terms of that agreement.

Paul Holmes, Head of Law, ext. 37 1428

### 5.3 Climate Change and Carbon Reduction implications

There are no significant climate emergency implications directly associated with this report.

Aidan Davis, Sustainability Officer, ext. 37 2284

### 5.4 Equalities Implications

The report seeks approval for the proposed transfer of the Bradgate Park Trust local government pension fund assets and liabilities equally to Leicester City Council and Leicestershire County Council.

Ensuring the long-term financial health of the Pension Fund will benefit everyone who contributes to it. Access to and participation in the Pension Fund is open to those with and those without protected characteristics, alike, provided that the criteria set out within the relevant Regulations are met. The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010
- advance equality of opportunity between people from different groups
- foster good relations between people from different groups.

Equalities Officer, Surinder Singh, ext. 37 4148

### 5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

None

### **6. Background information and other papers:**

None

### **7. Summary of appendices:**

### **8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?**

No

### **9. Is this a “key decision”?**

No

### **10. If a key decision please explain reason**