

REPORT TO: East Lothian Council

MEETING DATE: 26 June 2018

BY: Depute Chief Executive (Resources & People Services)

SUBJECT: Lothian Buses Pension Fund

1 PURPOSE

- 1.1 To advise the Council of the proposal by the Lothian Pension Fund (LPF) to merge the Lothian Buses Fund within the wider Local Government Pension Fund and its request that the Council act as guarantor for contributions to the Pension Fund as a minority shareholder.

2 RECOMMENDATIONS

- 2.1 Members are recommended to:
- In conjunction with other shareholders, agree that the Council acts as Guarantor for Lothian Buses Limited.
 - Note the proposal to merge the Lothian Buses Pension Fund with the wider Local Government Lothian Pension Fund.

3 BACKGROUND

- 3.1 East Lothian Council currently has a 3.1% shareholding in Lothian Buses Limited as one of the successor authorities to Lothian Regional Council. The other shareholders are the City of Edinburgh Council through its wholly owned subsidiary company, Transport for Edinburgh Ltd with 91.0% shareholding and Midlothian and West Lothian Councils with 5.5% and 0.4% respectively.
- 3.2 In 1986 Lothian Regional Council and Lothian Region Transport established the Lothian Buses Pension Fund as a sub-fund of Lothian Pension Fund. This Fund is currently managed by Lothian Pension Fund as a “stand alone” fund and as such it has its own investments, actuarial

valuation and accounts. The Lothian Buses Pension Fund and the Lothian Pension Fund are both administered by the City of Edinburgh Council on behalf of all the members.

- 3.3 The Lothian Pension Fund Investment Strategy Panel have now identified benefits of merging the two funds and transferring the assets and liabilities of Lothian Buses Pension Fund to the wider Lothian Pension Fund. There will be no change to the members within the current Lothian Buses Fund. A report seeking approval of this transfer has been presented to the City of Edinburgh Council Pensions Committee on 26 March 2018.
- 3.4 Lothian Buses Limited currently pay employer contributions into the Lothian Buses Pension Fund and if the Pensions Committee approve the merger the company will then pay those contributions into the Lothian Pension Fund.
- 3.5 At present, as the Buses fund is a “stand alone” fund there is no risk to the overall fund if Lothian Buses Limited were to default on payment of the employer contributions. Were the merger to be approved, this would no longer be the case and therefore as part of the proposed admission agreement, the shareholders in Lothian Buses Limited are being asked to act as guarantors for those contributions to the extent of their respective shareholdings in the event of any default by Lothian Buses Limited on their wider liabilities. The valuation of the Lothian Buses Pension Fund which was included in the Lothian Buses Limited Consolidated Financial Statements for the year ended 31 December 2016 was £469 million whilst employer annual pension contributions to the Lothian Buses Pension Fund was £7.5 million in that same year.

4 POLICY IMPLICATIONS

- 4.1 There are no direct policy implications associated with this report.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report has been considered and given there is no change in policy direction, there is no requirement to undertake any further impact assessment.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – there is no direct financial implications associated with this proposal – but the Council is being asked to act as guarantors for Lothian Buses should they default on their on-going liabilities.
- 6.2 Personnel - none
- 6.3 Other – none

7 BACKGROUND PAPERS

7.1 None

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