

REPORT TO: POLICY AND RESOURCES COMMITTEE – 5 MARCH 2020
REPORT ON: PREPAYMENT OF PENSION FUND CONTRIBUTIONS
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 100-2020

1 PURPOSE OF REPORT

This report seeks agreement to prepay a significant element of the employer contributions due to the Tayside Pension Fund in 2020/21 and thereafter.

2 RECOMMENDATION

The Committee is asked to approve that

- A sum of £20m is paid to Tayside Pension Fund to cover the bulk of employer pension contributions for 2020/21.
- Prepayment continue in future years at a level to be determined by the Executive Director of Corporate Services to best utilise Council resources

3 FINANCIAL IMPLICATIONS

A recurring revenue saving of £250k will be generated from 2020/21.

4 BACKGROUND

It has been indicated in discussions with Tayside Pension Fund that prepaying pension contributions would reduce the total value of contributions to be paid in a year. This arises because the Pension Fund is able to offer a discount based on the additional return it can generate from receiving the funds early.

This discount is higher than the Council would be able to obtain from investing these funds. The Council is sufficiently below its Capital Financing Requirement to allow it to fund this transaction without breaching any of its borrowing limits.

The Council and the Fund have agreed a model with the Fund's actuary which ensures a clear method of calculating the discount and the level of payment which will be required at the year end to fully cover the Council's contributions.

A legal agreement will require to be put in place.

5 POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are none.

6 CONSULTATION

The Council Management Team have been consulted in the preparation of this report.

7 BACKGROUND PAPERS

None