

MEETING	PENSIONS COMMITTEE
DATE	22 MAWRTH 2013
PURPOSE	MAKE A DECISION ON MEMBERSHIP OF GWYNEDD PENSION FUND FOR CAREERS WALES
TITLE	CAREERS WALES
AUTHOR	CAROLINE ROBERTS, INVESTMENT MANAGER

1. INTRODUCTION

1.1 The Careers Service in Wales was structured on a regional basis and each region was a member of the Local Government Pension Fund relevant to its area. Careers North West Wales was a member of the Gwynedd Pension Fund. The Welsh Government decided to form Careers Wales from the former regional bodies and this became operational as at 1st April 2012. At present the membership of the pension fund continues on the basis of the old structure.

1.2 The new company will be a member of one of the existing Local Government Pension Funds in Wales. The issue of which fund admits Careers Wales as an employer has not yet been resolved. The main reason for the lack of agreement has been the deficits in each fund in respect of the previous regional organisation and a reluctance to take on the deficit going forward. In recognition of this Welsh Government has agreed to take on 'ownership' of the new body if the pension position could be agreed.

2. SUMMARY OF RISKS

2.1 The Pension Fund which admits Careers Wales as a member faces a number of risks. The main risks are as follows:

- Certainty of funding for Careers Wales in the future. The funding is currently provided by Welsh Government and whilst they will take on responsibility for the company this does not guarantee funding going forward.
- Welsh Government could decide to discontinue Careers Wales in the future leaving a significant deficit to be funded by the Pension Fund and its remaining employers.

- The deficits of the previous regions will be transferred from the current pension funds and whilst a payment has been received by each fund in partial settlement of these deficits the amounts are still significant. In assessing these deficits different actuaries use different assumptions. Valuing the deficits using current assumptions for the Gwynedd Pension Fund will increase the amounts as Gwynedd currently uses more a more prudent method than most of the other funds in Wales.
- The transfer is expected to take place by 1st April 2013 which is a very short timescale during a period when significant additional work is being undertaken by the administration section in relation to the implementation of the new computer system and preparation of information for the 2013 actuarial valuation.
- The company headquarters is remote from Gwynedd which could affect the ability to attend employer meetings and presentations in Caernarfon.

2.2 In order to mitigate financial risks a bond will be required by the new company. The calculation of the bond would be agreed with the pension fund taking over the liabilities and would be reviewed regularly to ensure it is sufficient to cover the liabilities. The cost of the bond would be borne by the company and needs to be included in the company's financial plan.

3. RECOMMENDATION

3.1 The Committee is asked to consider the risks and mitigation outlined in this report and to decide whether it wishes to offer membership of the Gwynedd Pension Fund to Careers Wales.