

OVERVIEW COMMITTEE (SPECIAL)

30th/31st January 2002

PRESENT:-

Labour Group

Councillor Bell (Chair), Councillor Richards (Vice-Chair) and Councillors Harrington and Routledge.

Conservative Group

Councillors Bladen and Mrs. Robbins.

(Councillor Taylor also attended part of the Meeting).

OV/22. **CALL IN – PENSION FUND**

Members were reminded that at its Meeting held on 17th January 2002, the Finance and Management Committee had agreed that subject to the availability of capital resources, a special contribution of £1 million be made to the Pension Fund. This decision had subsequently been called-in by the requisite number of Members and accordingly, the Committee reviewed the matter in detail.

The Chair outlined the background to the matter, advising that employees currently made a contribution of 6% to the Pension Fund, while the Council's contribution was currently 16.2% (equivalent to 270% of the employee contribution).

The Chief Finance Officer advised on the effect on expenditure as a result of changes in Employers' Superannuation contributions level following revaluation of the Pension Fund. Two calculations had been made on the basis of employer contribution levels at 19.2% and 17.52%, equivalent to 320% and 292% of employee contributions respectively. Pension costs are split between the General Fund, the Housing Revenue Account, DSO (excluding Housing) and Housing DSO. These levels were then used to calculate total pension costs. He advised that the benefit of a contribution of £1 million would be for a period of thirteen years and the fund would be revalued every three years to assess any further changes to the employer contribution required to achieve a fully funded scheme by that time.

(At this point, this item was adjourned to enable the Chief Finance Officer to obtain additional figures).

OV/23. **EXIT STRATEGY – SWADLINCOTE WOODLAND FOREST PARK**

Further to consideration of this matter at the previous Meeting held on 21st January 2002, the Chair advised that he had started to compile a report but considered that it was necessary for the Committee to discuss this matter further on a longer-term basis. Accordingly, he suggested that it may be appropriate for the Committee to discuss the matter with John Oake, the Chair of the Swadlincote Woodlands Regeneration Board. It was felt that with the advent of partnership working, it would be a valuable exercise to have the benefit of Mr. Oake's experience over the last six years for the future.

RESOLVED:-

That Mr. Oake be invited to the next Meeting of the Committee to discuss this matter further and in the meantime, an interim report be submitted to the Community Services Committee for information.

OV/24. **CALL-IN – PENSION FUND (CONTINUED)**

The Chief Finance Officer advised that the total estimated salary bill for next year was in the sum of approximately £4,060,000. However, when wages were added, the situation became more complicated as not all employees were subject to superannuation. The County Council had confirmed that if this Council made a payment to the Pension Fund around the end of March, then this would be satisfactory and the Council would be charged a contribution level of 292% on this basis.

Members considered that further clarification was required on the basis for the original figure together with the implications of benefits accruing for a period of thirteen years rather than indefinitely.

(At this point, the Meeting was adjourned at 6.05 p.m. and re-convened at 4.15 p.m. on 31st January 2002. All Members were present except Councillors Harrington and Richards.)

The Chief Finance Officer circulated further figures detailing the level of superannuation charged to central establishment salaries, other salaries and wages. The total central establishment salaries for next year, including inflation at 3%, were estimated in the sum of £4,182,592. Superannuation contributions at a level of 18% of this sum would be £752,870.

The Chief Finance Officer also circulated illustrative examples of the investment of a lump sum of £1million, indicating an interest rate of 4% against wage rises of 3% and 5%. These revealed that funds would have evaporated by years 13 and 12 respectively. The Chief Finance Officer advised that the aim of the investment would be to provide a sound and stable budget for the foreseeable future and considered that it could be demonstrated that value would be obtained from the contribution to the Pension Fund, although it was recognised that there was a fine balance.

The Legal and Members' Services Manager advised that if the Committee wished to refer the matter back to the Finance and Management Committee for re-consideration, it must consider that the decision was in breach of the principles of decision-making set out in Article 12 of the Constitution. Members and Officers felt that this had been a valuable exercise, which had raised various issues. After thorough investigation, it was,

RESOLVED:-

That the matter be not referred back to the Finance and Management Committee for re-consideration.

R.L. BELL

CHAIR

The Meeting terminated at 4.50 p.m.