

MEETING	Pensions Committee
DATE	12 December 2008
TITLE	Winding up of Theatr Gwynedd
PURPOSE FOR THE REPORT	To inform the Committee of the implications of and financial consequences of the winding up of Theatr Gwynedd and its cessation as an employer in the Gwynedd Pension Fund
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RECOMMENDATION	For information

1. In May 2008 a representative of the board of Theatr Gwynedd approached the Pension Fund's administration unit with a request for information in relation to the implications of Theatr Gwynedd ceasing operations on 31 October 2008. At its meeting of 23 September 2008 this Committee was informed of the impending cessation of Theatr Gwynedd in a report entitled 'Admitted Bodies'.
2. Theatr Gwynedd as a company has been an admitted body in the Gwynedd Pension Fund since 1 April 1997. Eight staff members joined the pension scheme on 1 April 1997, seven of whom transferred pension rights from previous providers, thus increasing their accrued membership.
3. At the time of the initial enquiry, the company's membership profile stood at one pensioner and nine active members. At the proposed date of cessation, eight of the nine active members would be statutorily entitled to immediate payment of benefits due to being over the age of 50; the one member under the age of 50 would be entitled to deferred benefits payable at normal retirement age. Of the eight retirements, only one had reached normal retirement age (and as a consequence would not incur an early payment cost). The total early payment cost in respect of the seven amounted to £133,015.80.
4. Normally, employer contribution rates are made up of two elements, a rate in respect of future membership accrual, and a rate to pay for any past service deficits that may exist. In May / June, it was also explained to the theatre company's board that, based on the 2007 valuation results, past service deficits would remain unpaid, due to Theatr Gwynedd ceasing to paying their employer contributions over the whole of the next ten years as was assumed during the valuation.

5. The Fund actuary, Hymans Robertson, to arrange a cessation assessment based on the Theatr Gwynedd portion of the Fund's assets and liabilities. The result of this assessment is shown in the table below:

VALUATION DATE	31 MARCH 2007	31 OCTOBER 2008	31 OCTOBER 2008
	Results 1	Results 2	Results 3
	2007 valuation basis	Ongoing basis	Cessation basis
Financial assumptions	Ongoing	Ongoing	Gilts Basis
Demographic assumptions	Ongoing	Ongoing	Ongoing
Pension increases	3.2% per annum	3.4% per annum	3.4% per annum
Salary increases	4.7% per annum	4.9% per annum	4.9% per annum
Discount Rate	5.69% per annum	6% per annum	4.6% per annum
Transfer of actives	N/A	Actives over 50 assumed to retire immediately	Actives over 50 assumed to retire immediately
Assumed future life expectancy	2007 valuation	2007 valuation	2007 valuation
Results	31 March 2007 (£000)	23 October 2008 (£000)	23 October 2008 (£000)
Liabilities			
(a) Employee members	732.6	0.0	0.0
(b) Deferred pensioners	0.0	90.1	132.7
(c) Pensioners	31.6	844.9	1038.9
Total liabilities	764.1	935.1	1171.6
Asset Share	730.6	586.9	586.9
Surplus/(deficit)	-33.5	(348.0)	(584.6)

Assumptions

The financial assumptions used for the 2007 formal valuation have been updated to reflect market conditions at 23 October 2008. The other assumptions are the same as those used for the 2007 valuation, except that a further allowance has been made for future improvement in life expectancy by adding 5% to the residual liabilities.

6. In employer cessation situations where there is no further recourse to recover shortfalls via future employer contributions, the most prudent method of valuing any deficits is on a gilts basis as shown in the right hand column of the table above. Under this method the outstanding deficit in respect of Theatr Gwynedd is £584.6k, inclusive of the £133k noted in paragraph 3 above.
7. In a meeting of creditors held in Llandudno on 29 October 2008, Theatr Gwynedd's board appointed Parkin S. Booth & Co. as their Insolvency advisers and Robert M Rutherford of that company was appointed Liquidator. A statement was sent for presentation to the meeting on behalf of Gwynedd Pension Fund stating that the sum of £584.6k was owed. While a claim for this sum was submitted, in the circumstances it is unlikely that the Fund will recover the whole amount, if any of this debt.