



MINUTES OF THE SPECIAL COUNCIL MEETING

HELD ON

MONDAY, 28 MARCH 2011

RELEASED TO THE PUBLIC ON THURSDAY 31 MARCH 2011

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**MINUTES OF THE SPECIAL COUNCIL MEETING OF THE
DAREBIN CITY COUNCIL HELD AT
THE DAREBIN CIVIC CENTRE,
350 HIGH ST, PRESTON ON MONDAY 28 MARCH 2011**

THE MEETING OPENED AT 7.02 P.M.

1. PRESENT

Councillors

Cr. Diana Asmar (Mayor)
Cr. Stanley Chiang
Cr. Gaetano Greco
Cr. Nick Katsis
Cr. Tim Laurence
Cr. Trent McCarthy
Cr. Ben Morgan
Cr. Steven Tsitas

Council Officers

Rasiah Dev – Chief Executive
Michael Ballock – Director City Works and Development
Daniel Freer – Director City Design and Environment
Vijaya Vaidyanath – Director Corporate and Business Services
Katrina Knox – Group Manager Community Services
Fred Warner – Group Manager People and Performance
Ron Downes – Council Business Coordinator

2. APOLOGIES

An apology was lodged for the absence of Cr. Fontana.

3. DISCLOSURES OF CONFLICTS OF INTEREST

Nil.

4. CONSIDERATION OF REPORTS

4.1 THE LOCAL AUTHORITIES SUPERANNUATION FUND (LASF) DEFINED BENEFITS SUPERANNUATION UNFUNDED LIABILITY CALL

MINUTE NO. 90

AUTHOR: Chief Financial Officer – Kerrie Jordan

REVIEWED BY: Director Corporate and Business Services – Vijaya Vaidyanath

SUMMARY:

The Local Authorities Superannuation Fund (LASF) recently completed an actuarial review of the LASF Defined Benefit Plan. The City of Darebin was advised on 3 December 2010 that the fund had an unfunded liability of \$71 million and a funding call was required. Darebin's apportioned share of the unfunded liability inclusive of interest and tax is \$2,790,250 payable 1 July 2011.

Further advice received from the trustees of the fund allowed for early payment at a discount of 8.5% p.a. Darebin's current earning rate on cash investments is 6% p.a., hence an early payment of the unfunded liability by 31 March 2011 provides a saving of \$15,350.

A recently review of Darebin's financial position indicated that at 30 June 2011 Darebin's operating surplus would be \$5.292 million and cash holdings \$36.2 million. Of this cash holding, \$29.1 million is restricted to ensure Council has the capacity to fund its long-term and short-term liabilities.

The purpose of this report is to obtain endorsement of the payment to LASF Defined Benefit Plan of \$2,734,537.37 for the City of Darebin's contribution to the unfunded liability to be made by 31 March 2011.

CONSULTATION:

Executive Management Team
Local Authorities Superannuation Fund (LASF)
Municipal Association of Victoria

COUNCIL RESOLUTION

MOVED: Cr. S. Tsitas
SECONDED: Cr. N. Katsis

THAT Council authorise the Chief Executive Officer to make a payment to Vision Super Pty Ltd of \$2,734,537.37 for the City of Darebin's contribution to the unfunded Local Authorities Superannuation Fund Defined Benefit Plan.

CARRIED

REPORT**INTRODUCTION AND BACKGROUND**

The Local Authorities Superannuation Fund (LASF), known as Vision Super since 2002, is a not-for-profit industry fund for Victorian local government. Vision Super is the Trustee of both the Defined Benefit Plan (closed since 1993) and the Super Saver (accumulation) fund. The LASF Defined Benefit Plan closed to new members in 1993. At this time there were almost 38,000 defined members and 7,500 lifetime pensioners. By June 2010 this had reduced to 5,654 active members and 5,304 lifetime pensioners. As at 31 December 2010, Darebin had 145 active defined benefit members – this is the number of employees currently at Darebin that are members of the LASF Defined Benefit Plan.

In accordance with regulations, Trustees are required to complete an actuarial review of superannuation funds at least every three years to ensure the current assets are adequate to meet the benefits that have previously been promised to members. The last time there was a shortfall in the LASF Defined Benefit Plan was 2003. At that time, councils were required to contribute a combined \$114 million. Darebin contributed \$3,845,917, funded by a 10 year loan.

The 2008 actuarial investigation revealed a LASF Defined Benefit Plan shortfall of \$71 million; however no money was requested from employers at that time.

Given the Plan had a \$23 million surplus in 2005, a five-year funding plan was put in place, designed to return it to full funding by 2013. It was hoped that investment markets would recover sufficiently from the global financial crisis to avoid imposing any financial burden upon authorities unnecessarily.

The markets fell a further five per cent between December 2008 and June 2009. They have since improved but not sufficiently. After the actuarial investigation completed at 30 June 2010 the Actuary recommended, and the Trustee accepted, that authorities should pay the \$71 million shortfall of 2008 with interest.

Darebin's apportioned share of the unfunded liability inclusive of interest and tax is \$2,790,250.

ISSUES AND DISCUSSION

The amount of \$2,790,250 is payable on 1 July 2011 either by:

1. A single lump sum payment;
2. Instalments over any period of time not exceeding ten years with interest payable at 8.5% p.a. (total interest payable over ten years of \$586,000).

As an indication, repayments over 10 years (with interest) would cost around \$420,000 per annum, equivalent to a once off rate increase of around 0.5%.

3. Borrow funds at an interest rate determined via a centralised tender process undertaken by the MAV.

Alternatively, a single lump sum payment could be made prior to 1 July 2011. Vision Super has offered a discount based on an 8.5% p.a. return with the early payment option. Given that Darebin currently earns 6% p.a. on cash investments, an early payment option would provide savings to Darebin, as follows:

Payment Date	Amount Paid	Potential saving
31 March 2011	\$2,734,537	\$15,350
30 April 2011	\$2,752,934	\$10,232
31 May 2011	\$2,772,075	\$5,002

Council's cash balance at the end of February was \$45.1 million and is forecast to be \$36.2 million at 30 June 2011. Of this balance, \$29.1 million is restricted to ensure sufficient cash available to fund long service leave, capital works projects not completed in 2009/2010 and capital works projects funded from reserves. Cash is also required to ensure Council has the capacity to fund its short-term liabilities.

The forecast completed in January 2011 indicates that Darebin will report a surplus of \$5.292 million at 30 June 2011.

Council has sufficient cash reserves and forecast operating surplus to make an early payment of the funding call. To maximise the benefits of paying the funding call early, the payment should be made by 31 March 2011.

POLICY IMPLICATIONS

Environmental Sustainability

Nil.

Social Inclusion and Diversity

Nil.

Other

Nil.

FINANCIAL AND RESOURCE IMPLICATIONS

Payment to LASF Defined Benefit Plan of \$2,734,537.37 for Darebin's contribution to the unfunded liability of the fund by 31 March 2011 will result in a saving to Darebin of \$15,350.

Based on Darebin's mid year review forecast, Darebin's operating surplus will be \$2.558 million following the early payment of the unfunded liability. A further review of Darebin's financial position will be completed in April 2011.

CONCLUSION

Darebin's apportioned share of the unfunded liability inclusive of interest and tax is \$2,790,250, payable 1 July 2011. The trustees have advised that early payment of this liability is available based on a discount of 8.5% p.a. Given Darebin's current earning rate on cash investments is 6% p.a., payment of the liability by 31 March 2011 represents a saving of \$15,350.

Darebin has sufficient cash reserves and operating surplus to fund this liability by 31 March 2011.

FUTURE ACTIONS

Payment to LASF Defined Benefit Plan of \$2,734,537.37, to be organised by 31 March 2011.

DISCLOSURE OF INTERESTS

Section 80C of the Local Government Act 1989 requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Officer reviewing this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

RELATED DOCUMENTS

Nil.

Statement of Urgent or Extraordinary Circumstances Pursuant to Section 89(4A)(b) of the Local Government Act 1989

Council became aware on 21 March 2011 that by making an early payment to Vision Super Pty Ltd it would be able to make a payment reduced by an amount calculated at 8.5% per annum. As this amount is greater than the interest Council is currently receiving for its cash deposits, Council stood to make a considerable saving by considering this matter as a matter of urgency. These circumstances were not known to Council in time to be considered at the meeting on 21 March 2011, and an unnecessary cost would have been borne by Council by waiting until the next scheduled meeting on 4 April 2011.

5. CLOSE OF MEETING

The meeting closed at 7.15pm.