Public Document Pack

ISLINGTON

Resources Department
Town Hall, Upper Street, London, N1 2UD

AGENDA FOR THE PENSIONS BOARD

Members of the Pensions Board are summoned to attend a meeting which will be held in Committee Room 4, Islington Town Hall, Upper Street, N1 2UD on **5 December 2022 at 6.00pm.**

Enquiries to	:	Mary Green
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E-mail	:	democracy@islington.gov.uk
Despatched	:	24 November 2022

Membership

Employer representatives:
Maggie Elliott (Vice-Chair)
Councillor David Poyser (Chair)
(vacancy)

Scheme member representatives:
Mike Calvert
Valerie Easmon-George(+vacancy for substitute)
George Sharkey

Independent member
Alan Begg

Quorum is 3, including at least one employer representative and one member representative

A. Formal matters

1. Apologies for absence

2. Declaration of interests

If you have a Disclosable Pecuniary Interest* in an item of business:

- if it is not yet on the council's register, you must declare both the existence and details of it at the start of the meeting or when it becomes apparent;
- you may choose to declare a Disclosable Pecuniary Interest that is already in the register in the interests of openness and transparency.

In both the above cases, you must leave the room without participating in discussion of the item.

If you have a personal interest in an item of business and you intend to speak or vote on the item you must declare both the existence and details of it at the start of the meeting or when it becomes apparent but you may participate in the discussion and vote on the item.

***(a)** Employment, etc - Any employment, office, trade, profession or vocation carried on for profit or gain.
(b) Sponsorship - Any payment or other financial benefit in respect of your expenses in carrying out duties as a member, or of your election; including from a trade union.
(c) Contracts - Any current contract for goods, services or works, between you or your partner (or a body in which one of you has a beneficial interest) and the council.
(d) Land - Any beneficial interest in land which is within the council's area.
(e) Licences- Any licence to occupy land in the council's area for a month or longer.
(f) Corporate tenancies - Any tenancy between the council and a body in which you or your partner have a beneficial interest.
(g) Securities - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

This applies to all members present at the meeting.

3. Minutes of the previous meeting 1 - 4

B. Non-exempt items

1. Pension administration performance 5 - 10

2. Pension Discretion Policies Review 11 - 42

3. Draft Funding Strategy Statement for consultation 43 - 98

C. Urgent non-exempt items

Any non-exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

D. Exclusion of press and public

To consider whether, in view of the nature of the remaining items on the agenda, any of them are likely to involve the disclosure of exempt or confidential information within the terms of Schedule 12A of the Local Government Act 1972 and, if so, whether to exclude the press and public during discussion thereof.

E. Confidential/exempt items

F. Urgent exempt items

Any exempt items which the Chair agrees should be considered urgently by reason of special circumstances. The reasons for urgency will be agreed by the Chair and recorded in the minutes.

The next meeting of the Pensions Board will be on 6 March 2023

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London Borough of Islington

Pensions Board - 28 September 2022

Minutes of the meeting of the Pensions Board held in Committee Room 2, Islington Town Hall, Upper Street, London N1 2UD on 28 September 2022 at 6.00 pm.

Present: Alan Begg, Mike Calvert and Councillor Dave Poyser (Chair)

Observers: Councillors Paul Convery and Satnam Gill

Councillor Dave Poyser in the Chair

46 APOLOGIES FOR ABSENCE (Item A1)

Received from Maggie Elliott, Valerie Easmon-George and George Sharkey.

47 DECLARATION OF INTERESTS (Item A2)

None.

48 MINUTES OF THE PREVIOUS MEETING (Item A3)

RESOLVED:

That the minutes of the meeting held on 28 June 2022 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

Matter arising:

With regard to minute 44, it was noted that a report on fraud prevention, including pensions fraud, had been considered by Audit Committee earlier in the month. Information requested by the Board at its last meeting in relation to pension fraud formed part of agenda item B1 (Pension Administration performance) and as exempt item E1.

49 PENSION ADMINISTRATION PERFORMANCE (Item B1)

The Pensions Manager reported that:

- Performance on key performance indicators had increased by 1%, but this was at a time when the Pensions Team had been focussing on exercises for the valuation process
- That he would be reassessing the target dates, which had not been reviewed for a number of years
- A number of staff had complained to the Pensions Team about being automatically enrolled into the Pension Scheme
- Approximately 81 people would be receiving statements to the effect that they had exceeded under the new annual allowance rule change. It was anticipated that this could lead to more queries for the Team.

- The Treasury would be consulting on exit payments. Although it would not apply to local authorities at the present time, it would apply to academies
- The LGA had published a digital engagement guide which could be used as a basis for the Council to move its pensions' records to an online profile, in order that members could self-serve. A target date had been set of June 2023, although it had to be noted that approximately 1500 manual operatives would continue to require paper statements
- The Council's Pensions Team would have to meet the Government's new staging date of 30 September 2024 to meet digital standards and encryption requirements
- Proposals on changes to "Pensions Discretions" would undergo consultation with trade unions, with a report submitted to the Board in due course
- Recruitment for vacant posts in the Team was currently being undertaken

The Chair asked that the target dates in paragraph 3.2 of the report, for Pensions' key performance indicators, be reviewed to reflect more accurately the target dates for completion of actions and suggested that the target percentage achievement be set at 100%.

RESOLVED:
(a) That the number of members auto-enrolled into the LGPS during the period 1 May to 31 July 2022 and the information in respect of the Internal Dispute Resolution Procedure, compliments and complaints, all as detailed in the report of the Corporate Director of Resources, be noted.
(b) That the performance data for the administration activities of the Council's Pensions Office, again as detailed in the report, be noted.
(c) That the current Audit Investigations in Pensions Administration, detailed in exempt appendix E1, be noted.
(d) That the changes in the Annual Allowance rules introduced by Government, detailed in paragraph 3.6 of the report, be noted.
(e) That the updated target date of November 2022 in respect of members' data quality audit and detailed in paragraph 3.7 of the report be noted.
(f) That the target dates in paragraph 3.2 of the report, for Pensions' key performance indicators, be reviewed to reflect more accurately the target dates for completion of actions and that the target percentage achievement be set at 100%.

50 DRAFT 2021/22 ANNUAL PENSION FUND REPORT (Item B2)

During discussion, the following points were noted:

- Additional text to be included in the Chair's foreward on post-March events
- Page 19 of the agenda pack, third paragraph from foot of page, change reference to "stranded assets" to something that a layperson would understand
- The document would require a final check for typographical errors
- The audit of the full accounts was due to start in October 2022, but it was unlikely that priority would be given to the Pensions accounts in order that

they be available for the AGM, so they would remain unaudited. Although a date had not been set for the AGM, it was agreed that it be held in person and in late November 2022

RESOLVED:
(a) That, subject to the incorporation of the points above as appropriate, the draft 2021/22 pension annual report attached as Appendix 1 to the report of the Corporate Director of Resources be noted.
(b) That the 2021/22 pension fund statement of account, activities, governance and performance be noted.

51 PENSION BOARD FORWARD WORK PROGRAMME (Item B3)

RESOLVED:
(a) That Appendix A to the report of the Corporate Director of Resources, comprising the forward plan of business for the Board, be noted
(b) That the link to the Pensions Regulator website on "Knowledge and understanding | public service schemes | The Pensions Regulator" for free online training and assessment, be noted and that the link be sent separately to members of the Board.

52 PENSION ADMINISTRATION PERFORMANCE - EXEMPT APPENDIX (Item E1)
Noted.

The meeting ended at 6.50 pm

CHAIR

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ISLINGTON
For a more equal future

Resources Department
7 Newington Barrow Way
London, N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 5th December 2022

Subject: PENSION ADMINISTRATION PERFORMANCE

1. Synopsis

1.1. This report provides the Board with information on the administration activities and performance of the Pension Administration. The information is in respect of the period from 1 August 2022 to 26 October 2022 and includes the number of Local Government Pension Scheme (LGPS) members auto-enrolled into the scheme for this period.

1.2. The report also provides information regarding the Internal Dispute Resolution Procedure (IDRP), compliments and complaints.

2. Recommendations

2.1. To note the number of members' auto-enrolled into the LGPS during the relevant period.

2.2. To note the information in respect of the IDRP, compliments and complaints.

2.3. To review the performance data for the administration activities of the Council's Pensions Office.

2.4. To note any new Internal Audit Investigations in Pensions Administration

2.5. To note progress on key projects (i.e. moving pension server to the cloud and member self-service).

3. Background

3.1. The membership profile on 31 July 2022 and 26 October 2022 is shown in the following table.

Category	Jul-22	Oct-22
Number of current active members	6,567	6,591
Number of preserved benefits	8,534	8587
Number of Pensions in payment	6,380	6338
Number of Teachers Comp Pensions in payment	-	111
Number of Spouses/dependants pensions in payment	976	990
Number of Teachers Comp Spouses Pensions in payment	-	10
Total	22,457	22,627

Active membership as seen a marginal increase of just under 0.4%. The Fund's preserved beneficiaries and pensioners continue to grow. Teachers Compensation Pensions payments are being reported for the first time in this report, as this will provide the Board with a more complete picture of all the pension payments, the Council processes. The cost of these payments is paid from the Pension Fund initially and this cost is then recovered from Islington Council via a re-charge.

3.2. The table below shows performance against case type for the period from 1 August to 26 October 2022:

Process	**Total Cases Processed**	**Target Days**	**% Achieved within target days**	**Actual average days**
Deaths	30	10	95.0%	11.0
Retirement benefits	62	7	91.0%	9.0
Pension estimates	92	10	97.0%	12.5
Preserved benefits	15	30	86.0%	32.0
Pension Payroll Adj.	19	10	100.0%	8.5
Transfer-in quotation	31	10	83.0%	13.0
Transfer-in actual	37	10	88.0%	12.0
Transfer out quotation	11	15	100.0%	10.5
Transfer out actual	11	12.5	90.0%	14.0
Transfer out (Non-Public Sector) actual	2	30	78.0%	38.0
Starters	219	30	87.0%	32.0
All key processes	529		84.0%	

3.3. The target dates for Deaths, Retirement benefits, Preserved benefits have been re-assessed and the table now reflects the new performance target.

3.4. Two other key processes have also been added to table 3.2 i.e. Transfer out (Non-Public Sector) and Starters.

3.5. Overall performance has seen a decline of 3% from the 87% achieved in the last quarter in completed processes within the target days. This drop in performance is mainly attributable to Pension Staff being directed to focused on the work required for the Pension Fund and annual leave.

3.6. The table below shows the number of members auto-enrolled into the LGPS from August 2022 to October 2022:

Month	Starters No.	Opt Outs	Opt Outs %
August	52	1	1.92
September	113	0	-
October	54	0	-
Total	219	1	0.46

3.7. The Pension Office received -14- communications thanking Pension Administration staff for their service and -3- complaints. All 3 complaints were in relation to estimate processing times and have been resolved without escalating to the Pension Fund's Internal Dispute Resolution Procedure (IDRP).

Audit Investigations

3.8. No new cases of potential fraud have been identified by the Pensions Office and reported to Internal Audit for investigation during this period.

Key Projects

Pension Server Cloud Migration

3.9. The Pensions Office working with our IT Department have commenced exploratory talks with our software providers to move the pension server and architecture to the Cloud. Our target date for completion is March/April 2023.

Member Self-Service

3.10. Member Self-Service (MSS) is an online platform developed by Heywood's our software suppliers which enables members to access their pension records and update certain information. The 2023 Annual Benefits Statements will be delivered on this platform for all staff who register for this service. Working with our IT Department and Heywood's our target date for implementation is June 2023.

4. Implications

4.1. Financial Implications

4.1.1. The cost of administering the LGPS is chargeable to the Pension Fund.

4.2. Legal Implications

4.2.1. There are no specific legal implications in this report.

4.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

4.3.1. None applicable to this report. Environmental implications will be included in each report to the Pension Board/Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is https://www.islington.gov.uk/~/media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf

4.4. Equalities Impact Assessment

4.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.4.2. An Equalities Impact Assessment is not required in relation to this report, because there are no adverse impacts in terms of equalities arising from the contents of this report. The LGPS is a statutory public service pension scheme open to all Council employees.

5. Conclusion and reasons for recommendations

5.1. The report will be made to each meeting of the Pension Board and is provided in order to assess administration performance and dispute resolution.

Appendices: n/a

Background papers: none

Final report clearance:

Signed by:

Corporate Director of Resources

Date: 23 November 2022

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ISLINGTON
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Resources Department
7 Newington Barrow Way
London, N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pensions Board

Date: 5th December 2022

Subject: LGPS – EMPLOYER DISCRETIONS 2022

1. Synopsis

1.1. The Local Government Pension Scheme Regulations requires the Pension Fund to formally publish its policy on "discretions" review and make such revisions as are appropriate following a change in its policy.

1.2. This report summarises the relevant regulations and the pension policies that need to be reviewed and makes recommendations for the adoption of a new pension policy statement as required under Regulation 60. It also considers and makes recommendations concerning certain other discretions available under the LGPS.

2. Recommendation

2.1. To note and comment on the contents of the report.

3. Background

3.1. The Local Government Pension Scheme (LGPS) is a statutory scheme; the rules and regulations governing the scheme are laid down under Act of Parliament however there are some provisions of the Scheme that are discretionary. Discretionary powers allow employers to choose how, or if, they apply certain provisions. As an employer, the Council is required to formulate, publish and keep under review a policy statement on these discretions.

3.2. The Council must consider the discretionary powers granted to employers in the context of both "active members" (generally current employees) who are in 2014

LGPS and also former employees ("members" of the LGPS) who left the Council prior to 31st March 2014 with deferred pension benefits.

4. Employer Discretions

4.1 Regulation 60 of the Regulations requires the Council as employer to prepare a written statement of its policy in relation to the exercise of its functions under regulations:

(a) 16(2)(e) and 16(4)(d) (funding of additional pension);
(b) 30(6) (flexible retirement);
(c) 30(8) (waiving of actuarial reduction); and
(d) 31 (award of additional pension),

and an administering authority must prepare such a statement in relation to the exercise of its functions under regulation 30(8) in cases where a former employer has ceased to be a scheme employer.

For details of the Regulations see:
http://www.legislation.gov.uk/uksi/2013/2356/regulation/60/made

4.2 There is no longer an automatic entitlement to an unreduced pension for employees who voluntarily retire early aged between 55 and 60 whose length of service plus age is 85 or more. The Transitional Regulations provide a discretion to "switch back on" that entitlement on compassionate grounds.

4.3 In preparing, reviewing, and making revisions to its statement under Regulation 60 the Council must have regard to the extent to which the exercise of these discretionary powers, could lead to a serious loss of confidence in the public service.

4.4 The Council proposes one discretion change for consideration which is the introduction of a **Shared Cost Additional Voluntary Contributions Scheme** which is permissible under Regulation 17 of the LGPS 2013. This enables the Council, where a member opts to pay AVCs to also contribute to that arrangement. This is known as a Shared Cost AVC (SCAVC). If a member chooses to participate in a SCAVC Scheme, it is facilitated via a 'salary sacrifice' arrangement. The member's salary is reduced by a fixed amount and this is paid by the Council as a contribution into the member's AVC fund. The benefits of SCAVC is that it reduces the employer and member NI Contributions in addition to providing tax savings to the member. (NB. Employer savings are only made when the employees' earnings are above the Primary NIC threshold of £12,570 therefore any employees earning under this threshold will not make savings). Further information is provided in **Appendix 1**, along with a summary of the Council's other discretionary policies. **Appendix 2** outlines the 5 mandatory employer discretions.

Further reviews and updates to our discretions will be presented to the Pension Board and Pension Sub-Committee for consideration next year.

4.5 All the Appendices are subject to review in accordance with the scheme regulations.

5. Implications

5.1. Financial Implications

5.1.1. The cost of administering the LGPS is chargeable to the Pension Fund. There are financial implications arising directly from the report. The costs of exercising the discretions detailed in **Appendix 1 and 2** can give rise to pension strain costs when a member draws their pension benefits before their normal or state pension age (for whatever reason).

5.1.2. Factors that influence the strain costs include the members' age, length of service, gender and marital status. The impact on the fund is the loss of future contribution streams from the employee and the member, and paying out benefits earlier than otherwise anticipated. Generally where a strain costs arises due to an employer decision, such as waiving actuarial reductions, the strain costs will be met by the employer and not the Pension Fund.

5.2. Legal Implications

5.2.1. There are no specific legal implications in this report. Regulation 60 of the Local Government Pension Scheme Regulations 2013 requires the Council to prepare and publish a written statement of its policy in relation to various discretions available to it under the scheme and to publish that statement. The statement must thereafter be kept under review.

5.2.2. The Regulations require that in preparing or making revisions to its pension policy statements, the scheme employer must have regard to the extent to which the exercise of any of its policies could lead to a serious loss of confidence in the public service (Regulation 60(5)).

5.3. Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

5.3.1. None applicable to this report. Environmental implications will be included in each report to the Pension Board/Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is https://www.islington.gov.uk/~/media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf

5.4. **Equalities Impact Assessment**

5.4.1. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

5.4.2. An Equalities Impact Assessment is not required in relation to this report, because there are no adverse impacts in terms of equalities arising from the contents of this report. The LGPS is a statutory public service pension scheme open to all Council employees.

6. Conclusion and reasons for recommendations

6.1. There is a legal requirement for the Council to regularly review its discretionary pension policy. In formulating and reviewing the policy statement the Council must have regard to the extent to which the exercise of its discretionary powers could lead to a serious loss of confidence in the public service.

Appendices: Appendix 1 and 2

Background papers: none

Final report clearance:

Signed by:

Corporate Director of Resources

Date: 23 November 2022

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Appendix 1

Local Government Pension Scheme

Administering Authority Discretions Policy 2022

Policy Change Control

Policy Owner	Corporate Director of Resources
Approved By	
Date	
Next Revision Due	September 2023
Version	1.2

OVERVIEW

Under the LGPS Regulations, the Fund is required to formally publish its policy on "discretions".

Unless stated otherwise the references to regulations are set out below:

- The Local Government Pension Scheme Regulations 2013 [prefix R]
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as amended) [prefix B]
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]
- The Local Government Pension Scheme Regulations 1995

This policy statement clarifies Islington Council's position on the discretions.

The policy statement applies to all members of staff who are eligible to be members of the LGPS, as defined in the regulations.

Summary of Administering Authority Pension Discretion Changes

1. Funding of Shared Cost AVC.

ISLINGTON COUNCIL - ADMINISTERING AUTHORITY DISCRETIONS – CHANGE:

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
1	**Funding of Shared Cost AVC**	R13 17(1)	The LGPS has a provision within its regulations to allow an employee to enter into an agreement in which the employer can decide to also contribute to their employee's AVC arrangement. This is known as a Shared Cost AVC (SCAVC).	Not to allow an employee to enter into an agreement in which the employer can decide to also contribute to their employee's AVC arrangement.	To adopt this measure under a Salary Sacrifice arrangement. If an employee enters into a SCAVC Salary Sacrifice arrangement with their employer, the employers NI contribution returns to HMRC are **reduced** and the employee makes a saving on both NI contributions and income tax.

ISLINGTON COUNCIL – ADMINISTERING AUTHORITY DISCRETIONS – NO CHANGE :

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
2	**Waiving of actuarial reductions on compassionate grounds**	R13 31(5) of the LGPS Regulations 1997 and paragraph 2(1) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014].	Whether, on compassionate grounds, to waive any actuarial reduction that would normally be applied to benefits which are paid before age 65? Employers can agree to waive any actuarial reductions on compassionate grounds due in the case of employees who ceased active membership between 1 April 1998 and 31 March 2008.	Not to apply the discretion to waive all or part of any actuarial reduction in respect of Regulation 30(5).	No change
3	**Waiving of actuarial reduction – in cases of voluntary early retirement)**	R13 30(8)	An active member can voluntarily retire on or after age 55 and draw pension benefits, as can a deferred member on or after age 55 [Regulation 30(5)]. The pension amount in both cases will normally be actuarially adjusted. Employers may agree to waive all or part of the actuarial reduction in each case. Waiving the reduction would require the Council to make a payment to the pension fund for the shortfall (pension strain) created by paying the pension early without reduction.	Not to apply the discretion to waive all or part of any actuarial reduction in respect of Regulation 30(5)	No change
4	**Waiving of actuarial reduction by switching on the 85 year rule for scheme members wishing to voluntarily draw benefits early**	The LGPS (Transitional Provisions and Savings) Regulations 2014	An active member is able to retire without the employer's permission between age 55 and before age 60 and their pension benefits will normally be subject to an actuarial reduction to meet the strain on the pension fund. In cases where the employee is protected under the 85 year rule (a scheme member on 30 September 2006), the employer has discretion to waive the actuarial reduction by switching on the 85 year rule if an employee voluntarily requests to draw their pension benefits and the pension strain cost is met by the employer. (i.e. age at retirement and length of service add up to 85)	Not to switch on the 85 year rule for those who retire before the age of 60. Currently the 85 year rule is switched off.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
5	**Governance compliance statement**	R13 55	Governance Compliance Statement must state whether the administering authority delegates its function or part of its function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority.	Islington Council has set up the Local Pension Board to ensure that the pension scheme is properly run. The Council has delegated the investment arrangements of the scheme to the Pensions Sub-Committee. See our latest Governance Compliance Statement on: islington.gov.uk/pension-scheme/about-the-fund	No change
6	**Funding Strategy**	R13 58	Decide on Funding Strategy for inclusion in Funding strategy statement.	See our latest Funding Strategy Statement on: islington.gov.uk/pension-scheme/about-the-fund	No change
7	**Communication policy**	R13 61	Communication policy must set out the policy on provision of information and publicity to, and communicating with, members, representatives of members, prospective members and Scheme employers; the format, frequency and method of communications; and the promotion of the Scheme to prospective members and their employers.	See our latest Communication Policy on: islington.gov.uk/pension-scheme/about-the-fund	No change
8	**Recovery of unpaid employee contributions as debt from benefits**	A45	Whether to recover any outstanding employee contributions as debt or as deduction from benefits	The Council will deduct any unpaid employee contributions from the benefits relating to the membership to which the unpaid contributions relate.	No change.

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
9	**Employer strain payments**	R13 68(2) TP Sch 2, Para 2(3) L 80(5)	Whether to require any strain on Fund costs to be paid "up front" by an employer following redundancy / business efficiency, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on voluntary or flexible retirement, or the waiver of an actuarial reduction on compassionate grounds under TP Sch 2, para 2(1).	The Council will recharge all strain on the fund costs in accordance with the Rates and Adjustment Certificate and guidance produced by the Fund Actuary. Payment should normally be made at the end of the financial year in the form of lump sum.	No change
10	**Employer Payments**	R13 69(4)	Decide form and frequency of information from employers to accompany payments to the Fund	Information should be provided on a monthly basis unless a less frequent basis is agreed with the Head of Pensions & Treasury.	No change
11	**Appeal to the Secretary of State**	R13 79 & A63	Whether to appeal to the Secretary of State against an employer decision or lack of an employer decision	The Council will appeal to the Secretary of State if it believes an employer has made (or failed to make) a decision that is both wrong in law and material	No change
12	**Admission Agreement**	R3(1A), R3(5) & RSch 2, Part 3, para 1 A	Whether to agree to an admission agreement with a body applying to be an admission body.	The Council will enter into an admission agreement with an admission body that is regarded as having a community of interest, provided it is satisfied about the long-term financial security of the body and it has a public sector guarantee.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
13	**Waiving of actuarial reduction – in cases of flexible retirement**	R13 30(8)	Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the Councils, reduce their working hours or grade and, if so, as part of the agreement whether to: • in addition to the benefits the member has accrued prior to 1 April 2008 (which the member must draw if flexible retirement is agreed), permit the member to choose to draw o all, part or none of the pension benefits they accrued after 31 March 2008 and before 1 April 2014, and/or o all, part or none of the pension benefits they accrued after 31 March 2014, and • waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA). [Regulation 30(6) of the LGPS Regulations 2013]	The Council will permit flexible retirement where the Service Director in consultation with the Director of Finance agree that this is proven to be in the best financial and/or operational interests of the Council. The Councils' approval will normally be for the release of all accrued pension benefits but, if requested by the member, the Councils may decide on whether, in addition to any pre 1 April 2008 benefits, the member will be permitted to take all, some or none of their post 31 March 2008 benefits subject to any state scheme guarantees being invoked that could cost the pension funds extra pension. Any actuarial reduction applicable to benefits will normally be applied unless the financial interests and/or operational interests of the Councils indicate that waiving part or all of that reduction is justified.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
14	**Waiving of actuarial reduction – in cases of flexible retirement**	R13 30(8)	Whether to permit flexible retirement for staff aged 55 or over who, with the agreement of the Councils, reduce their working hours or grade and, if so, as part of the agreement whether to: • in addition to the benefits the member has accrued prior to 1 April 2008 (which the member must draw if flexible retirement is agreed), permit the member to choose to draw o all, part or none of the pension benefits they accrued after 31 March 2008 and before 1 April 2014, and/or o all, part or none of the pension benefits they accrued after 31 March 2014, and • waive, in whole or in part, any actuarial reduction which would otherwise be applied to the benefits taken on flexible retirement before Normal Pension Age (NPA). [Regulation 30(6) of the LGPS Regulations 2013]	The Council will permit flexible retirement where the Service Director in consultation with the Director of Finance agree that this is proven to be in the best financial and/or operational interests of the Council. The Councils' approval will normally be for the release of all accrued pension benefits but, if requested by the member, the Councils may decide on whether, in addition to any pre 1 April 2008 benefits, the member will be permitted to take all, some or none of their post 31 March 2008 benefits subject to any state scheme guarantees being invoked that could cost the pension funds extra pension. Any actuarial reduction applicable to benefits will normally be applied unless the financial interests and/or operational interests of the Councils indicate that waiving part or all of that reduction is justified.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
15	**Award of additional pension**	R13 31 [replacing Reg12 LGPS Benefits Reg. 2008 which allowed an additional £5,000 per annum]	An employer may award an active member, or a member who was an active member who was dismissed by reason of redundancy, or business efficiency, or whose employment was terminated by mutual consent on grounds of business efficiency, additional annual pension of up to £7,316 from 1st April 2021. (NB. This figure is increased each year, in line with the Regulations.	Not to fund additional pension via added contributions of up to £7,316 (as at 1st April 2021).	No change
16	**Waiving of actuarial reduction by switching on the 85 year rule for deferred members wishing to voluntarily draw benefits early**	Section 1(1)(c) & 1(2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014	A member with a deferred benefit who left the scheme voluntarily between 1 April 2008 – 31 March 2014 and who has subsequently become a deferred pensioner may now claim their benefits from age 55 without their employers consent. However, these benefits will be reduced for early payment. Where a member has reached the 85 year rule at the point of retirement, an employer can consent to switching on the 85 year rule. Any 'strain' to the Fund will be payable immediately by the Scheme employer.	Not to switch on the 85 year rule for those members with deferred benefits who voluntarily draw benefits on or after age 55 and before age 60 or upon the voluntary early payment of a suspended tier 3 ill health pension.	No change
17	**Waiving of actuarial reduction by switching on the 85 year rule for deferred members wishing to voluntarily draw benefits early**	R13 Section 1 (1) (f) & 1 (2) of Schedule 2 to the LGPS (Transitional Provisions, Savings and Amendment) regulations 2014	Deferred members who left the scheme after 1 April 1998 are now able to voluntarily retire between ages 55 and 60. If they were a member of the LGPS on 30 September 2006 then some of their benefits could be protected from reductions applied to early payment under the 85 year rule. This rule only applies automatically to members voluntarily retiring from age 60 but the ceding employer has the discretion to "switch it on" for voluntary retirements between age 55 and 60. Where the employer does not choose to "switch on" the rule, then benefits built up would be subject to reduction.	Not to switch on the 85 year rule for those members with deferred benefits who voluntarily draw benefits on or after age 55 and before age 60	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
18	**Right to terminate admission agreement**	R13 Sch2	The Council has the right to terminate an admission agreement in prescribed circumstances.	The Council shall retain the right to terminate an admission agreement in the event of: (a) The insolvency, winding up or liquidation of the admission body, (b) A material breach by the admission body of any of its obligations under the admission agreement or these Regulations which has not been remedied within a reasonable time, or (.c) A failure by the Employer to pay any sums due to the fund within a reasonable period after receipt of a notice from Islington Council.	No change
19	**Medical examination required for purchase of APC**	R13 16(10)	The Council has the right to require a member to undergo a medical examination at their own expense to prove that the member is in reasonably good health.	No medical report required to take out APC.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
20	**Pension Abatement**	[Regulation 3(13) LGPS (Transitional Provisions, Savings & Amendment) Regulations 2014 & regulations 70(1) 71(4)(c) of the LGPS (Administration) Regulations 2008]	Whether to abate pensions upon re-employment.	The Council will not abate pensions upon re-employment as agreed at September 2016 Audit Committee. Any pensions that have previously been abated following re-employment will cease to be abated with effect from the Audit Committee decision.	No change
21	**Child's Pension - break in full-time education**	[Reg. 17(9) of the LGPS (Transitional Provisions, Savings & Amendment) Reg. 2014 & definition in Sch 1 of the LGPS R13]	Whether to treat a child as being in continuous full-time education or vocational training despite a break.	Islington Council will not treat a break of a single period not exceeding one academic year in a child's education as a disqualifying condition for the restart of a suspended pension. The Council will restart a suspended child's pension at the end of such a break or gap, providing confirmation from the relevant educational body is received that education/training has resumed.	No change
22	**Joining LGPS membership**	R13 22(8)(b)	Whether to extend the 12 month option period for a member to elect that post 31 March 2014 deferred benefits should not be aggregated with a new employment	The Council do not extend the normal time limits, except in exceptional circumstances where it may be reasonable, e.g. where an election was made in time, but not received by the Pension Fund	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
23	**Joining LGPS membership**	R13 22(7)(b)	Whether to extend the 12 month option period for a member to elect that post 31 March 2014 deferred benefits should not be aggregated with an going concurrent employment	The Council do not extend the normal time limits, except in exceptional circumstances where it may be reasonable, e.g. where an election was made in time, but not received by the Pension Fund	No change
24	**Pensionable Pay**	R13 21(5A) (5b)	Whether to decide to substitute a higher level of assumed pensionable pay when the preceding 3 months/12 weeks is materially lower than the level of pensionable pay the member would have normally received.	Where pensionable pay in the 3 month period prior to commencement of APP is materially lower than the level of pay that would normally have been received, the Council will not normally substitute this with a higher level of pensionable pay, except when determining calculations for ill health retirement or death in service.	No change
25	**Injury allowances**	LG (Discretionary Payments) (Injury Allowance) R11 3(1)	Whether to grant an injury allowance following reduction in remuneration as a result of sustaining an injury or contracting a disease in the course of carrying out duties of the job.	The Council does not grant any injury allowance.	No change
26	**Transfers into the fund and extension of 12-month time limit**	R13 100	Whether to accept a transfer value of pension's rights into the Fund and extend the time limit of 12 months from the date the member first became an active member in their current employment.	The Council do not extend the normal time limits, except in exceptional circumstances where it may be reasonable, e.g. where an election was made in time, but not received by the Pension Fund	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
27	**Employer Payments - Interest on overdue payments**	R13 71	Whether to charge interest on payments by employers which are overdue.	The Council reserves the regulatory prescribed right to require interest to be paid when payments are overdue by more than one month. Interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three monthly rests.	No change
28	**Notice to recover costs due to employer's performance**	R13 70	Whether to issue the employer with a notice to recover additional costs incurred as a result of the employer's level of performance.	The Council reviews from time to time whether to issue an employer with notice to recover additional costs incurred as a result of the employer's level of performance.	No change
29	**Employer consent retirement**	R95 D11(2) c	Whether to grant an application for early payment of deferred benefits on or after age 50 and before age 55 on compassionate grounds. Benefits paid before age 55 are subject to an unauthorised payment charge payable to HMRC. (Finance Act 2004 Chapter 5 (208)	The Council will only consider such applications in exceptional circumstances. Please refer to appendix 4.	No change
30	**Employer consent retirement**	R97 31(5)	Whether to grant an application for early payment of deferred benefits on or after age 50 and before age 55 on compassionate grounds. Benefits paid before age 55 are subject to an unauthorised payment charge payable to HMRC. (Finance Act 2004 Chapter 5 (208)	The Council will only consider such applications in exceptional circumstances. Please refer to appendix 4.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
31	**Information to be supplied by Employers**	TP23, TP22(1) & R80(1)(b)	Specify information to be supplied by employers to enable administering authority to discharge its functions.	Information to be supplied by employers is specified on the Council's pension webpages: islington.gov.uk/jobs-and-careers/council-pension-scheme/employer	No change
32	**Death Grant Payments**	R13 95	Whether to pay the whole or part of the amount that is due to the personnel representatives (including anything due to the deceased member at the date of death) to: • personal representatives, or • anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965.	The Council has absolute discretion as to whom any sum will be paid but in general would do its best to act in accordance with any wishes that the deceased member expressed. To assist the Council, members are encouraged to complete an Expression of Wish form to nominate one or more individuals and also any organisation, to receive all or a share of your death grant.	No change
33	**Approving medical advisors**	R95 D11(2) c	The Administering Authority is required to approve medical advisors used by employers	The Council accepts the choice of all the fund employers to appoint their own Occupational Health Doctors. Any Doctor signing an ill-health certificate must be qualified in Occupational Health Medicine as stipulated in the pension scheme regulations.	No change
34	**Double entitlement**	R 49(1)(c) B 42(1)(c)	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership.	The authority to determine and notify the member of the provision under which benefits are to be awarded will be delegated to the Pensions Manager.	No change

No	Subject	Regulations	Description of Discretion	Policy	Recommendation
35	**Concurrent aggregation**	TP 10(9)	Where there are multiple ongoing employments, in the absence of an election from the member within 12 months of ceasing a concurrent employment, decide to which record the benefits from the ceased concurrent employment should be aggregated.	The authority to determine this is delegated to the Pensions Manager. (The assessment will be based on which of the concurrent employments continuing immediately after leaving the employment in question is considered the main ongoing employment. This assessment being made based on which employment has the greatest annual rate of pensionable pay based on pay that would be pensionable under Regulation 20 of the LGPS Regulations 2013).	No change
36	**Final Pay**	TP 3(6), 4(6)(c), 8(4), 10(2)(a) & 17(2)(b) B 10(2)	Where member to whom B10 applies (use of average of 3 years pay within the period of 13 years ending with the last day of active membership for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member.	The pay figure that will provide the greatest benefit will be applied in all cases.	No change
37	**Determination over value of exit payment**	R 64(2ZB)	Determine the amount of an exit credit, which may be zero, when an employer becomes an exiting employer in the Fund with a funding surplus.	Delegated to the Head of Pensions & Treasury and to be agreed in consultation with the Fund Actuary.	No change
38	**Revised Rates & Adjustment Certificates**	R64(4)	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer.	Delegated to the Head of Pensions & Treasury and to be agreed in consultation with the Fund Actuary.	No change

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Appendix 2

Local Government Pension Scheme

Employer Discretions Policy 2022

Policy Change Control

Policy Owner	Corporate Director of Resources
Approved By	
Date	
Next Revision Due	September 2023
Version	1.2

OVERVIEW

Under the LGPS Regulations, the Fund is required to formally publish its policy on "discretions".

Unless stated otherwise the references to regulations are set out below:

- The Local Government Pension Scheme Regulations 2013 [prefix R]
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 as amended) [prefix B]
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]
- The Local Government Pension Scheme Regulations 1995

This policy statement clarifies Islington Council's position on the discretions.

The policy statement applies to all members of staff who are eligible to be members of the LGPS, as defined in the regulations.

1. Introduction
2. Regulation 30(6) – Flexible Retirement
3. Regulation 31 – award of additional pension
4. Regulation 16(2)(e) and 16(4)(d) – (Funding of additional pension)
5. Regulation 30(8) – Waiving actuarial reductions on compassionate grounds
6. Regulation 1(1)(C) – Switching back on the "Rule of 85" for employees retiring between 55 and 60

1. Introduction

The Local Government Pension Scheme (LGPS) is a statutory scheme; the rules and regulations governing the scheme are laid down under Act of Parliament however there are some provisions of the Scheme that are discretionary.

Discretionary powers allow employers to choose how, or if, they apply certain provisions. Exercising these discretions can have immediate costs for employers, however failing to set a policy in relation to discretions is a breach of the scheme regulations.
Within the list of discretions that an employer must have a policy on, only five have to be published.-

For further guidance on the discretions which exist within the LGPS regulatory framework and the parties responsible for exercising those discretions, please refer to the LGPS Employer's website:

lgpsregs.org/employer-resources/guides

Islington Council Pension Fund require a copy of the discretionary policies held by each employer to ensure that the potential employer costs are correctly reflected in future valuation result; in the absence of a policy being held the actuary will assume the higher cost option is taken by the employer which would increase the employer's liabilities.

An employer's discretionary document confers no contractual rights and an employer retains the right to change the policies at any time without prior notice or consultation. Only the policy which is current at the time a relevant event occurs to an employee/scheme member will be applied to that employee/member. If you do revise your policy, the revised policy must be published for all staff to see for 30 days. Again, only after this period, and only after any queries have been dealt with, can the policy become effective; at this time, an employer should forward a copy to Islington Council's Pension Fund.

Please note the guidance provided in this document is not exhaustive and in formulating and reviewing its policy, an employer must have regard to any serious loss of confidence in the public service which may occur as a result of exercising its discretionary powers.

2. Regulation 30(6) – Flexible Retirement

An employer can allow any of their actively contributing LGPS members who are age 55 or over to access their benefits and continue to work for them. This option is not available for anybody who has opted out of the LGPS (i.e. they are not currently paying into the pension scheme).

An employer will need to develop a procedure whereby members can request to reduce either their hours or their grade (or both) and, with the employer's approval, access their LGPS benefits and continue to work; they can also continue to pay into the LGPS and build up further benefits that will be payable when they fully retire.

The policy wording should be used to explain to a member how they can go about requesting flexible retirement and whether the employer has any specific restrictions that must be adhered to.

In flexible retirement cases, pension benefits will be reduced in accordance with actuarial tables unless the employer waives the reduction (either fully or in part) or if a member has protected rights.

Where there will be a strain cost for approving flexible retirement, any costs associated with this will be payable immediately in one instalment. Where the member is aged between 55 and 60, there most likely will be a strain cost. Where the member is aged 60 or over, there is no strain cost.

Where flexible retirement is agreed for an employee aged 55 or over but under Normal Pension Age the cost of waiving any actuarial reduction, in whole or in part, would have to be met by, and paid to the Pension Fund by the employer.

An employer must take in to consideration that strain costs **will** be higher if they chose to waive reductions.

An employer can request strain costs from Islington Council Pension Fund for flexible retirement. The employer will receive the strain cost information only and will **not** receive a copy of the member benefits (this information is sent directly to the member) – if the employer wishes to see a copy of the information before making a decision, it is the responsibility of the member to supply the employer with this information.

3. Regulation 31 – Granting additional pension

An employer can grant extra annual pension of up to £7352* (at full cost to the employer) to an active scheme member or, within 6 months of leaving to a member who is dismissed by reason of redundancy or business efficiency or whose employment is terminated by mutual consent on the grounds of business efficiency. The maximum amount of £7352* includes any amount of additional pension already granted by the employer under regulation 13 of the LGPS (Benefits, Membership and Contributions) Regulations 2007. The cost of any extra annual pension awarded would have to be paid to the Pension Fund by the employer as a lump sum payment.

Any extra annual pension granted by the employer would be subject to an actuarial reduction where, other than in a case of ill health retirement or retirement on redundancy or business efficiency grounds, that extra annual pension is drawn before the member's Normal Pension Age. The extra annual pension provides a benefit for the scheme member **only** and is not included in any survivors benefits upon the death if the scheme member.

The amount of extra annual pension purchased (or being purchased) by the employer under a Shared Cost Additional Pension Contributions (SCAPC) arrangement (including a SCAPC arrangement where an employer is contributing 2/3rds of the cost of purchasing pension 'lost' during a period of absence) counts towards the £7352* limit of extra annual pension that the employer can award.

Employers cannot grant extra annual pension if the employer makes an award of lump sum compensation (of up to 104 weeks' pay) under regulation 6 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006. Employers can, however, grant extra annual pension if the employer makes an award under regulation 5 of the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 i.e. bases a redundancy payment on an employee's actual weeks' pay where this exceeds the statutory weeks' pay limit.

An issue that potentially arises in granting extra annual pension is that, in some cases, it can result in the value of the scheme member's benefits being increased by more than the permitted standard Annual Allowance of currently, £40000 (2022/23). Any increase in value above that figure could result in a tax charge for the individual.

Any additional pension granted will also count towards the capitalised value of a person's pension benefits which have to be assessed against the member's Lifetime Allowance (LTA) under the tax regime governing pension schemes. If, on retirement under the LGPS, the capitalised value of their total LGPS benefits is more than the person's remaining LTA, they will have to pay tax on the excess (at the rate of 25% if the excess is paid in the form of pension and 55% if paid in the form of a lump sum).

4. Regulation 16(2)(e) and 16(4)(d) - Voluntarily contributing to an active member's APC

This discretion is where an active scheme member wishes to purchase extra annual pension of up to £7352 (figure at 1 April 2022) by making Additional Pension Contributions (APCs) and the employer will voluntarily contribute towards the cost of purchasing that extra pension via a Shared Cost Additional Pension Contribution (SCAPC).

This discretion does not relate to cases where a member has a period of authorised unpaid leave of absence and elects within 30 days of return to work to pay a SCAPC to cover the amount of pension 'lost' during that period of absence. That is because, in those cases, the employer **must** contribute 2/3rds of the cost to a SCAPC. There may be some cases, even if it is not the employer's general policy to voluntarily contribute to a SCAPC, where an employer might wish to do so.

It should be noted that the amount of extra annual pension purchased (or being purchased) by the employer under a SCAPC arrangement (including a SCAPC arrangement where an employer is contributing 2/3rds of the cost of purchasing pension 'lost' during a period of absence) reduces the amount of extra annual pension the employer could award under Regulation 31 above.

Any extra annual pension granted by the employer under a SCAPC arrangement would be subject to an actuarial reduction where, other than in a case of ill health retirement, that extra pension is drawn before the member's Normal Pension Age.

The maximum amount of £7352 (figure at 1 April 2022) includes any amount of additional pension purchased, or being purchased, by the member under regulation 14 of the LGPS (Benefits, Membership and Contributions) Regulations 2007.

5. Regulation 30(8) – Waiving actuarial reductions on compassionate grounds

This discretion is for:

- active members voluntarily retiring on or after age 55 and before Normal Pension Age who elect under regulation 30(5) of the LGPS Regulations 2013 to immediately draw benefits, and ,

- deferred members and suspended Tier 3 ill health pensioners who elect under regulation 30(5) of the LGPS Regulations 2013 to draw benefits (other than on ill health grounds) on or after age 55 and before Normal Pension Age

It allows the employer to waive (on compassionate grounds) any actuarial reduction that would otherwise be applied to benefits accrued **before** a certain point and/or waive, in whole or in part (on any grounds), any actuarial reduction that would otherwise be applied to benefits accrued **after** a certain point.

If the employer does agree to waive any actuarial reduction, the employer will have to meet the cost of the strain on the fund resulting from that waiver.

6. Regulation 1(1)(C) – Switching back on the "Rule of 85" for employees retiring between 55 and 60

This discretion allows the employer to "switch on" (i.e. apply) the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60.

The 85 year rule is satisfied if the person was a member of the LGPS on 30 September 2006 and the member's age at the date they draw their benefits and their scheme membership (each in whole years) add up to 85 or more. If they are part-time, their membership counts towards the 85 year rule at its full calendar length. If the employer does agree to apply the 85 year rule, the employer will have to meet the cost of any strain on fund resulting from the payment of benefits before age 60 i.e. where the member has already met the 85 year rule, or would meet it before age 60. If the member has met the 85 year rule or would have met it before age 60, there would be no strain cost charged to the employer unless the employer has agreed to apply the 85 year rule in the case in question. Instead, the cost would be met by an actuarial reduction to the scheme member's benefits.

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Report of: Corporate Director of Resources

Finance Department
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pension Board / Pensions sub-Committee

Date: 5th December 2022

Ward(s): n/a

SUBJECT: 2022 ACTUARIAL VALUATION -DRAFT FUNDING STRATEGY STATEMENT CONSULTATION

1. Synopsis

1.1 A Funding Strategy Statement will be prepared by London Borough of Islington (the Administering Authority) to set out the funding strategy for the Islington Council Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Under the Regulations, the administering authority must prepare, maintain and publish a written statement setting out their funding strategy. In doing so, the administering authority must consult with such persons, as they feel appropriate. The Fund actuary must have regard to the FSS in carrying out the formal actuarial valuation of the Fund.

1.2 This report informs the pension board and pensions sub-committee of the main issues that employers admitted into the Fund are to be consulted on, in the draft FSS, (attached as Appendix 1) as part of the 2022 actuarial review.

2. Recommendations

2.1 To review and note a summary of the main updates in the draft FSS that employers are going to be consulted on between December and January 2023.

2.2 Agree that officers, with the Fund Actuary update the draft FSS for consultation with the Employers who are admitted into the Islington Fund.

2.3 Agree to receive the consultation results and delegate powers to officers, where necessary, to update and finalise the draft FSS at the next meeting in March 2023.

3. Background

Introduction

3.1 The 2022 actuarial valuation is now underway and as part of the process preparatory work is being undertaken to determine the funding position and investment strategy review that can support sustainable contributions from employers.

3.1.1 The LGPS Regulations provide the statutory framework under which the Administering Authority is required to prepare and publish a Funding Strategy Statement (FSS) alongside each actuarial valuation. The Fund Actuary must have regard to the FSS as part of the actuarial valuation process.

The FSS must also be revised and published whenever there is a material change in either the policy set out in the FSS or the Investment Strategy Statement.

3.1.2 The draft FSS is being prepared and as part of this the Actuary has been working to streamline the content in order to improve the usability of the document. The main updates since the policies update in November 2021 include the following:

i) Administrative (and Oversight and Governance) Expenses are met out of the Fund, in accordance with the Regulations. It is proposed to allow for such expenses from 1 April 2023 by adding 0.9% of pensionable pay to the contributions from participating employers. This allowance has been reassessed at the 2022 valuation, and represents an increase of 0.2% of pensionable pay relative to the current allowance of 0.7%. Investment expenses have been allowed for implicitly in determining the discount rates.

ii) We have incorporated reference to surplus offsets only being permissible for employers above 110% funded. For those employers assessed to be in surplus at the valuation date, surplus offsets will not be available to those with a funding level of less than 110%. For those with funding levels greater than 110%, surplus offsets will be based on the surplus above 110% only (such offsets will also only be permitted if the employer is in surplus on the termination basis).

iii) The discount rates used to determine the Fund's liabilities are derived from the expected return on the Fund assets based on the current long-term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation it is proposed to use an assumed return of 4.65% p.a. for past service liabilities, i.e. that is 1.55% p.a. above CPI inflation and 5.10% p.a. for future service liabilities i.e. that is 2.0% p.a. above CPI inflation. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics. The reduction in the real returns relative to the 2019 valuation represent the Fund's objective of ensuring contribution rate sustainability given the current uncertain economic outlook.

iv) Unlike previous actuarial valuations, the Actuary has recommended to build in an allowance for actual inflation between September 2021 and March 2022 (which feeds into the 2023 pension increase) rather than assuming inflation in line with the funding assumption over that period. This will provide additional protection against the cost of the 2023 pension increase once implemented. The reduction in the real discount rates,

as referred to above, then provide for additional protection more generally in relation to post 31 March 2022 events.

v) Updates to the life expectancy assumptions following analysis performed on the Fund's membership. The analysis indicates that whilst life expectancy is still increasing, the rate of increase experienced in short-term since the 2019 valuation was less than was built into the assumptions. This has been incorporated into the assumptions for the 2022 valuation along with an adjustment to the longer-term projection to reflect current views. To avoid understating life expectancy (and therefore understating liabilities), the Actuary has ignored experience from certain periods of the Covid-19 pandemic where mortality rates were significantly higher than previously.

vi) Subject to covenant and affordability considerations of employers, it is proposed that the average deficit recovery periods will reduce by 3 years to 16 years. This is generally equivalent to maintaining the same end date as the 2019 deficit recovery plan. This will be incorporated into the contribution outcomes for employers.

vii) For certain employers in the Fund (following discussions with the Fund Actuary) a captive insurance arrangement is being established by the Administering Authority to cover ill-health retirement costs. This will apply to all ill-health retirements from 1 April 2023 and will minimise the risk to the employers of such retirements, the cost of which can otherwise be very high and volatile. It applies only to ill-health retirements involving the early payment of pension and to the associated benefit costs. All employers in the captive insurance arrangement will be required to pay a "premium" into the arrangement to meet the expected ill-health retirement costs of the eligible members. This "premium" will be reassessed at each valuation by the Actuary.

viii) Whilst reserving the right to consider options on a case by case basis, the Fund's current policy is that a termination assessment will be made based on low risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated). Given recent extreme market events, for the current policy to remain robust and to ensure both the outgoing employers, and those remaining in the Fund are protected, it is proposed to update the policy to provide the Fund with the flexibility to review the low risk assumptions in times of extreme market conditions.

At a Whole Fund level, taking into account the above, the results of the 31 March 2022 actuarial valuation have showed that the Fund is 96% funded. This represents a deficit of £79m which will be recovered by secondary rate contributions (where appropriate) payable by employers from 1 April 2023. The primary rate emerging from the 2022 valuation is 18.3% of pensionable pay. Individual employer positions will vary significantly and will depend on their own membership profile, experience since 2019, and also their starting point relative to the Whole Fund as at 31 March 2019.

Further updates on the progress of other Regulatory issues will be provided to the Board and Committee in due course.

3.1.3 Members are asked to note the updates and agree that officers with the Fund Actuary update the FSS for consultation with Employers admitted into the Islington Fund. The results of the consultation will be reported to Members at the March meeting so that an informed decision can be made to approve the final version of FSS for publication by end of March.

4. Implications

4.1 Financial implications

4.1.1 The cost of providing actuarial advice is part of fund management and administration fees charged to the pension fund.

4.1.2 The funding level of the pension fund directly affects employer contributions. A reduced Pension Fund deficit would provide employers with a lower required deficit recovery contribution. Full financial implications to employers will be available once the final valuation is completed

4.2 Legal Implications

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

Prior to agreeing the statement, the Council must have proper regard to any comments received from the consultees.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is https://www.islington.gov.uk/~/media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf

4.4 Resident Impact Assessment

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.4.1 An equalities impact assessment has not been conducted because this report is seeking opinions on updating an existing document and therefore no specific equality implications arising from this report.

5. Conclusion and reasons for recommendation

5.1 Members asked to review and note the updates to prepare the draft FSS for employers' consultation.

Appendices: Draft FSS -Appendix1

Background papers:
None

Final report clearance:

Signed by:

Corporate Director of Resources

Date: 23 November 2022

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Financial implications Author: Joana Marfoh
Legal implications – Legal

DRAFT – SUBJECT TO CONSULTATION

FUNDING STRATEGY STATEMENT

ISLINGTON COUNCIL PENSION FUND

The information enclosed in this statement and the accompanying policies have a financial and operational impact on all participating employers in the Islington Council Pension Fund. It is imperative that all existing and potential employers are aware of the details set out herein.

November 2022

This Funding Strategy Statement has been prepared by London Borough of Islington (the Administering Authority) to set out the funding strategy for the Islington Council Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1. Guide to the FSS and Policies

The information required by overarching guidance and Regulations is included in Section 2 and Section 3 of the Funding Strategy Statement. This document also sets out the Fund's policies in the following key areas:

1. Actuarial Method and Assumptions (Appendix A)

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, known as the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits, known as the "Secondary" rate, together with other factors that may impact an employer's contribution outcomes, are set out here.

2. Deficit Recovery and Surplus Offset Plans (Appendix B)

The key principles when considering deficit recovery and surplus offset plans as part of the valuation are set out here.

3. Employer Types and Admission Policy, (Appendix C)

Various types of employers are permitted to join the LGPS under certain circumstances. The conditions upon which their entry to the Fund is based and the approach taken is set out here

4. Termination Policy, Flexibility for Exit Payments and Deferred Debt Agreements (Appendix D)

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's former employees along with a termination contribution certificate showing any exit debt or exit credit, due from or to the exiting employer. In some circumstances an employer and the Fund can enter a Deferred Debt Agreement. The termination policy can be found here

5. New Academy Conversions and Multi-Academy Trusts (Appendix E)

Current Fund policy regarding the treatment of local authority maintained schools when converting to academy status is for the new academy to inherit the school's share of the historic local authority deficit at the point of its conversion. Further details on this and multi-academy trusts can be found here.

6. Review of Employer Contributions between Valuations (Appendix F)

In line with the Regulations, the Administering Authority has the discretion to review employer contributions between valuations in prescribed circumstances. The Fund's policy on how the Administering Authority will exercise its discretion is set out here.

7. Ill Health Insurance Arrangements (Appendix G)

The Fund has implemented a captive insurance arrangement which pools the risks associated with ill health retirement costs for employers whose financial position could be materially affected by ill health retirement of one of their members. The captive arrangement is reflected in the employer contribution rates (including on termination) for the eligible employers. More details are set out here.

8. Glossary (Appendix H)

A glossary of the key terms used throughout is available at the end of this document here.

2. Background

Return to Contents

Ensuring that the Islington Council Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long-term is the fiduciary responsibility of the Administering Authority (London Borough of Islington). The Funding Strategy adopted by the Islington Council Pension Fund will therefore be critical in achieving this. The Administering Authority has taken advice from the actuary in preparing this Statement.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Islington Council Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Islington Council Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

Integrated Risk Management Strategy

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long term cost efficiency objectives. Individual employer results will also have regard to their covenant strength, where deemed appropriate by the Administering Authority.

The Regulations

The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

The Solvency Objective

The Administering Authority's long-term objective is for the Fund to achieve a 100% solvency level over a reasonable time period. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next in order to meet the Fund's objective. This in turn means that contributions will be subject to change from one valuation to another. This objective translates to an employer specific level when setting individual contribution rates so each employer has the same fundamental objective in relation to their liabilities.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen with sufficient prudence for this objective to be reasonably achieved in the long term at each valuation.

Long Term Cost Efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise. Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

Employer Contributions

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution.

3. Key Funding Principles

Return to Contents

Purpose of the FSS

Funding is making advance provision to meet the cost of pension and other benefit promises. Decisions taken on the funding approach therefore determine the pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

The aims of the fund are to:	The purpose of the fund is to:
• manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due • enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes • maximise the returns from investments within reasonable risk parameters taking into account the above aims.	• receive monies in respect of contributions, transfer values and investment income, and • pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the Regulations.

Responsibilities of the key parties

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key

parties for the purposes of the FSS are the Administering Authority (and, in particular the Pensions Sub-Committee), the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key parties to the FSS

The Administering Authority should:	The Individual Employer should:
• operate the pension fund • collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations • pay from the pension fund the relevant entitlements as stipulated in the Regulations • invest surplus monies in accordance the Regulations • ensure that cash is available to meet liabilities as and when they fall due • take measures as set out in the Regulations to safeguard the fund against the consequences of employer default • manage the valuation process in consultation with the Fund's actuary • prepare and maintain a FSS and an Investment Strategy Statement ("ISS), both after proper consultation with interested parties, and • monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary • effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a scheme employer, and • establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.	• deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations), unless they are a Deferred Employer • pay all contributions, including their own, as determined by the actuary, promptly by the due date • undertake administration duties in accordance with the Pension Administration Strategy. • develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework • make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and • have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and • notify the Administering Authority promptly of any changes to membership which may affect future funding. • understand the pension impacts of any changes to their organisational structure and service delivery model. • understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data would normally result in the employer paying higher contributions than otherwise would be the case if the data was of high quality.

The Fund Actuary should:	A Guarantor should:
• prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to its FSS and the Regulations • prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as such as pension strain costs, ill health retirement costs etc. • provide advice and valuations on the termination of admission agreements • provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default • assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations • advise the Administering Authority on the funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and • ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.	• notify the Administering Authority promptly of any changes to its guarantee status, as this may impact on the treatment of the employer in the valuation process or upon termination. • provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations. • be aware of all guarantees that are currently in place • work with the Fund and the employer in the context of the guarantee • receive relevant information on the employer and their funding position in order to fulfil its obligations as a guarantor.

Solvency Funding Target

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements, the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

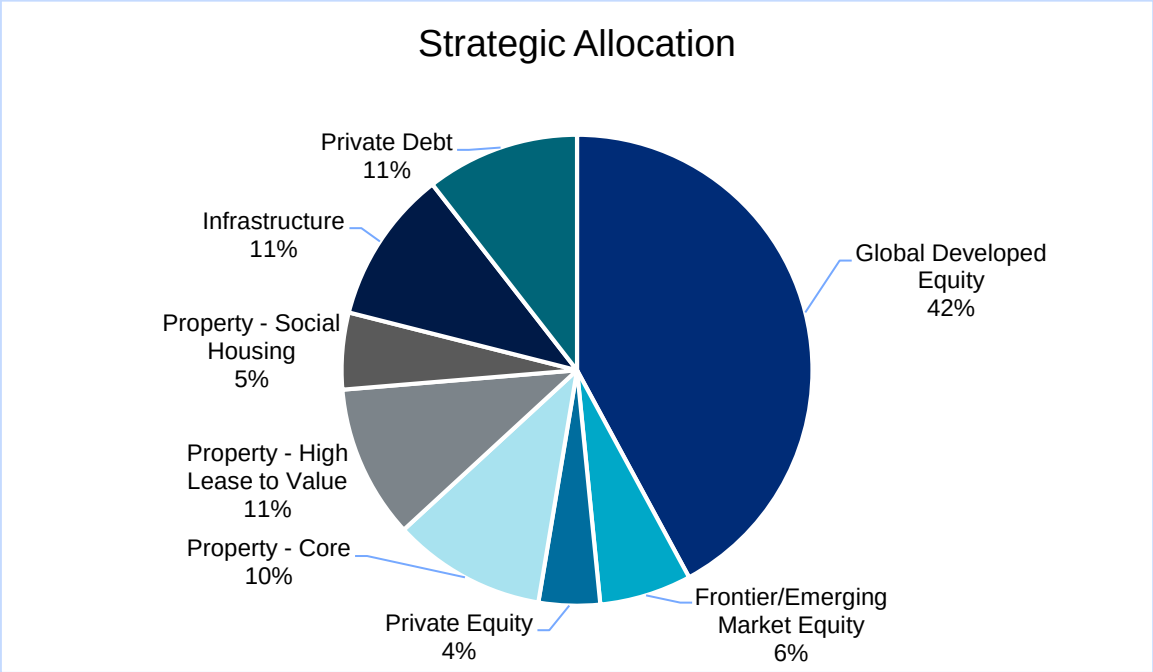
Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

The results of the 2022 valuation show the liabilities to be 96% covered by the assets, with the funding deficit of £79m being covered by future deficit contributions.

Link to Investment Policy and the Investment Strategy Statement (ISS)

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

The overall strategic asset allocation is set out in the ISS. The current strategy is included below.



The investment strategy set out above and individual return expectations on those asset classes equate to an overall best estimate average expected return of 3.0% per annum in excess of CPI inflation as at 31 March 2022 i.e. a 50/50 chance of achieving this real return. For the purposes of setting a funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations (see further comment in **Appendix A**).

Risk Management Strategy

In the context of managing various aspects of the Fund's financial risks, the Administering Authority will consider implementing investment risk management techniques where appropriate (e.g. the Equity Protection policy implemented up until 2020). Further details will be set out in the ISS.

Climate Change [Note this section is subject to finalisation once the guidance has been provided]

[An important part of the risk analysis underpinning the funding strategy will be to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation there will be an analysis of different climate change scenarios at the Whole Fund level relative to the baseline position (i.e. assuming that the funding assumptions are played out). The output will be used, for example, to test whether the funding strategy is sufficiently robust in the context of the scenario analysis considered and therefore any potential contribution impacts. Where risks to the funding strategy are identified these will be highlighted and a judgement made as to how these risks can be mitigated.

The analysis will consider as a minimum the impact on investment returns and inflation under the scenarios considered. One of the scenarios will be consistent with global temperature increases of between 1.5 and 2 degrees C above pre-industrial levels. Results will be considered over a period of at least 20 years to ensure there is sufficient recognition of the transition and physical risks of climate change. The output of the analysis will be considered in the context of investment strategy and employer covenant risk in an integrated way.]

Identification of Risks and Counter-Measures

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term. The Actuary's formal valuation report includes quantification of some of the major risk factors.

Financial	**Demographic**
The financial risks are as follows:- • Investment markets fail to perform in line with expectations • Protection and risk management policies fail to perform in line with expectations • Market outlook moves at variance with assumptions • Investment Fund Managers fail to achieve performance targets over the longer term • Asset re-allocations in volatile markets may lock in past losses • Pay and price inflation significantly more than anticipated • Future underperformance arising as a result of participating in the larger asset pooling vehicle • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements. Any increase in employer contribution rates (as a result of these risks) may in turn impact on the service delivery of that employer and their financial position.	The demographic risks are as follows:- • Future changes in life expectancy (longevity) that cannot be predicted with any certainty. Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, potentially result in a greater liability for pension funds. • Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers • Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations. The Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

Financial	Demographic
In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.	

Governance	Regulatory
The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their representatives on the Local Pension Board) to make their views known to the Fund and to participate in the decision-making process. Governance risks are as follows:- • The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated • Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level • Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates • An employer ceasing to exist with insufficient funding or adequacy of a bond. • An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements. • Changes in the Committee membership. For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored but in most cases the employer, rather than the Fund as a whole, bears the risk.	The key regulatory risks are as follows:- • Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to the Fund, Typically these would be via the Cost Management Process although in light of the McCloud discrimination case, there can be exceptional circumstances which give rise to unexpected changes in Regulations. • Changes to national pension requirements and/or HMRC Rules • Political risk that the guarantee from the Department for Education for academies is removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy. Membership of the Local Government Pension Scheme is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

Monitoring and Review

A full review of this Statement will occur no less frequently than every 3 years, to coincide with completion of a full statutory actuarial valuation and every review of employer rates or interim valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Scheme membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund
- if there have been material changes in the ISS

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employers will be contacted. Further details on the circumstances in which the Administering Authority will review individual employer contribution rates in between actuarial valuations can be found in Appendix F.

Appendix A – Actuarial method and assumptions

Return to Contents

The key whole Fund assumptions used for calculating the funding target and the cost of future accrual for the 2022 actuarial valuation are set out below.

Financial Assumptions		
	2022 valuation assumption	Description
Investment return / discount rate	4.65% p.a. (past) and 5.10% p.a. (future)	Derived from the expected return on the Fund assets based on the long term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation this is based on an assumed return of 1.55% p.a. above CPI inflation (past) and 2.0% p.a. above CPI inflation (future). This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics. Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Section 151 Officer and reported to the Committee.
Inflation (Retail Prices Index)	3.90% p.a.	The investment market's expectation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date (reflecting the profile and duration of the whole Fund's accrued liabilities).
Inflation (Consumer Prices Index)	3.10% p.a. (includes an adjustment of 0.80% p.a.)	RPI inflation (above) reduced to reflect the expected long-term difference between RPI and CPI measures of inflation (reflecting the profile and duration of the whole Fund's accrued liabilities and 2030 RPI reform) and adjusted to incorporate an Inflation Risk Premium ("IRP"). This varies for the ongoing and low risk termination basis, reflecting the degree of inflation hedging inherent in the notional termination basis and will also reflect the duration of an employer's liabilities in the case of a low risk termination calculation.

		The adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any market factors which affect the estimate of CPI inflation.
Salary increases **(long-term)**	4.60% p.a.	Pre 1 April 2014 benefits (and 2014 to 2022 McCloud underpin) - the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.50% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.
Pension Increases and Deferred Revaluation	Assumed to be in line with the CPI inflation assumption above (noting that pension increases cannot be negative as pensions cannot be reduced). At the 2022 valuation, an adjustment has been made to the liabilities to allow for the known inflation for the period 30 September 2021 to 31 March 2022, and where material, allowance will continue to be made for inflation as it emerges when assessing funding positions between valuations.	
Indexation of CARE benefits	Assumed to be in line with the CPI inflation assumption above. For members in pensionable employment, indexation of CARE benefits can be less than zero (i.e. a reduction in benefits).	

Demographic Assumptions

Mortality/Life Expectancy

The derivation of the mortality assumption is set out in separate advice as supplied by the Actuary. The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI) including a loading reflecting Fund specific experience and will make allowance for future improvements in longevity and the experience of the scheme. A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2021 CMI analysis) will continue in the longer term and as such, the assumptions build in a level of longevity ‘improvement’ year on year in the future in line with the CMI 2021 projections and a long term improvement trend of 1.75% per annum.

As an indication of impact, we have set out the life expectancies at age 65 based on the 2019 and 2022 assumptions:

	Male Life Expectancy at 65		Female Life Expectancy at 65	
	2019	2022	2019	2022
Pensioners	22.6	21.9	25.1	24.1
Actives aged 45 now	24.1	23.4	27.0	26.2
Deferreds aged 45 now	22.8	22.8	25.9	25.7

For example, a male pensioner, currently aged 65, would be expected to live to age 86.9. Whereas a male active member aged 45 would be expected to live until age 88.4. The difference reflects the expected increase in life expectancy over the next 20 years in the assumptions above.

The mortality before retirement has also been reviewed based on LGPS wide experience.

The post retirement mortality tables adopted for this valuation are set out below:

Current Status	Retirement Type	Mortality Table
Annuitant	Normal Health	108% S3PMA_CMI_2021 [1.75%] 102% S3PFA_M_CMI_2021 [1.75%]
	Dependant	131% S3PMA_CMI_2021 [1.75%] 114% S3DFA_CMI_2021 [1.75%]
	Ill Health	131% S3IMA_CMI_2021 [1.75%] 151% S3IFA_CMI_2021 [1.75%]
	Future Dependant	131% S3PMA_CMI_2021 [1.75%] 114% S3DFA_CMI_2021 [1.75%]
Active	Normal Health	115% S3PMA_CMI_2021 [1.75%] 103% S3PFA_M_CMI_2021 [1.75%]
	Ill Health	243% S3IMA_CMI_2021 [1.75%] 322% S3IFA_CMI_2021 [1.75%]
Deferred	All	124% S3PMA_CMI_2021 [1.75%] 110% S3PFA_M_CMI_2021 [1.75%]

Future Dependant	Dependant	131% S3PMA_CMI_2021 [1.75%] 119% S3DFA_CMI_2021 [1.75%]

Other Demographic Assumptions	
Commutation	Following analysis undertaken by the Actuary, it has been assumed that all retiring members will take 75% of the maximum tax-free cash available at retirement. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.
Other Demographics	Alongside commutation, as part of the 31 March 2022 valuation, the Actuary has carried out analysis to review the assumptions relating to: the incidence of ill health retirements, withdrawal rates, the proportions married/civil partnership assumption, and also the probability of member's dying prior to retirement. Following the outcomes of this analysis, the assumptions for proportions married/civil partnerships and the pre-retirement mortality have been updated in line with the recommendations from the Actuary. All other assumptions remain in line with the assumptions adopted for the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years.
Expenses	Expenses are met out of the Fund, in accordance with the Regulations. This is allowed for by adding 0.9% of pensionable pay to the contributions from participating employers. This is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.
Discretionary Benefits	The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

Further details on the demographic assumptions are set out in the Actuary's formal report.

Method

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, alternative methods are adopted, which make advance allowance for the anticipated future ageing and decline of the current

closed membership group potentially over the period of the rates and adjustments certificate.

The assumptions to be used in the calculation of the funding target are set out above. Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

There will be a funding plan for each employer. In determining contribution requirements the Administering Authority, based on the advice of the Actuary, will consider whether the funding plan adopted for an employer is reasonably likely to be successful having regard to the particular circumstances of that employer (potentially taking into account any material changes after the valuation date up to 31 March 2023).

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. As indicated above, these rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers in the Fund.

Method and assumptions used in calculating the cost of future accrual (or primary rate)

The future service liabilities are calculated using the same assumptions as the solvency funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the Primary Rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition, the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

Employer asset shares

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition, the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Other factors affecting employer contribution outcomes

Notwithstanding the policies below, the Administering Authority, in consultation with the actuary where necessary, reserves the right to consider whether any exceptional arrangements should apply in particular cases.

Covenant: The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund may continue to monitor employer's covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer.

Stability: Subject to affordability considerations (and any change emerging to the Primary Rate) a key principle will be to maintain the deficit contributions at least at the expected monetary levels from the preceding valuation (including any indexation in these monetary payments over the recovery period) where deficits remain, unless there is a specific reason not to do so. As set out in Appendix B, for those employers in surplus, surplus offset secondary contributions will only be permitted in certain circumstances.

Contribution Increases: It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore may in some cases be willing to use its discretion to accept an evidence based affordable level of contributions for such organisations for the three years 2023/2026. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Phasing: Where there is a material increase in total (i.e. both primary and secondary rate combined) contributions required at this valuation, in certain circumstances, the employer may be able to "phase in" contributions over a maximum period of 3 years in a pattern

agreed with the Administering Authority and depending on the affordability of contributions as assessed in the covenant review of an employer.

Pooling Where agreed by the Administering Authority, the contribution rate outcomes for certain employers may be pooled together, with a single contribution rate being certified by the Actuary in the Rates and Adjustments Certificate e.g. for Multi-Academy Trusts who have a number of different constituent academies within the Fund (as per Appendix E). It should be noted that contributions will still be allocated to the individual employers by the administration team.

Insurance: The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

Prepayments: Employers may also wish to make prepayments of contributions which could result in a cash saving over the valuation certificate period. Further details of the potential savings will be set out in the Rates and Adjustments Certificate produced by the Actuary. Any employers who prepay Primary Rate contributions will also be required to make “top-up” payments should actual payroll be higher than that assumed when making the prepayment to ensure no underpayment emerges.

Early Retirement Strain Costs: Any “strain” costs generated as a result of redundancy, efficiency or flexible retirements will be recovered by additional capital payments to the Fund by the employer. These will be paid in full at the point of retirement. In certain situations, depending on the covenant of the employer and at the discretion of the Administrative Authority, an alternative payment structure may be agreed.

Deaths: The extent to which any funding strain/profit emerges on the death of a member will depend on the profile of the member (status / age / whether any dependant’s benefits become payable) and impacts can be material**.** Any funding strain/profit will typically emerge at the next actuarial valuation through increased/reduced deficit contributions, except where the employer is terminating, when it will be taken into account when the Actuary determines the termination position.

Appendix B – Deficit recovery and surplus offset plans

Return to Contents

Employer Recovery Plans – key principles

If the funding level of an employer is below 100% at the valuation date (i.e. the assets of the employer are less than the liabilities), a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

The maximum/average recovery period for the Fund as a whole is 16 years at this valuation which is 3 years shorter than the maximum/average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce at this valuation.

Secondary Rate contributions for each employer will be expressed as £s amounts increasing at 4.6% per annum (in line with the Fund's long-term pay growth assumption) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures, based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum either on an annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Default Deficit Recovery Period	Derivation
Scheme Employers	13 years	Determined by maintaining the period from the preceding valuation and to ensure, where appropriate, contributions do not reduce versus those expected from the existing recovery plan. For certain employers, subject to the agreement of the administering authority, depending on affordability and other considerations, a maximum recovery

		period of up 16 years may be applied
Open Admitted Bodies	13 years	Determined by maintaining the period from the preceding valuation and to ensure, where appropriate, contributions do not reduce versus those expected from the existing recovery plan.
Closed Employers	Lower of 13 years and the future working lifetime of the membership	Determined by maintaining the period from the preceding valuation and to ensure, where appropriate, contributions do not reduce versus those expected from the existing recovery plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund. Generally for those employers providing a service this will be contract length.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain broadly the deficit contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in these monetary payments over the recovery period), taking into account any changes in the future service contribution requirements.

Other factors affecting the employer deficit recovery plans

As part of the process of agreeing funding plans with individual employers and managing risk in the inter-valuation period, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater

security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

Surplus offset plans

For those employers assessed to be in surplus at the valuation date, surplus offsets won't be available to those with a funding level of less than 110%. For those with funding levels greater than 110%, surplus offsets will be based on the surplus above 110% only. Surplus off-sets will be allowed only where there is no deficit on the termination basis.

For any employers assessed to be in surplus at the valuation date, where surplus offsets will be payable, and who are expected to exit the Fund in the period to 31 March 2026 the Secondary rate payments will be based on the expected length of participation in the Fund. For all other employers assessed to be in surplus at the valuation date, the Secondary rate will based on the default recovery period of 16 years, unless otherwise agreed by the Administering Authority.

Administering Authority Discretion

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases when determining deficit recovery/surplus offset plans.

Appendix C – Employer types and admission policy

Return to Contents

Entry to the Fund

Mandatory Scheme Employers

Certain employing bodies are required to join the scheme under the Regulations. These bodies include tax raising bodies, those funded by central government (academies and colleges) and universities (reliant on non-government income). Please also refer to Appendix E in relation to academies.

Designating Bodies

Designating bodies are permitted to join the scheme if they pass a resolution to this effect. Designating bodies, other than connected entities, are not required under the Regulations to provide a guarantee. These bodies usually have tax raising powers and include Parish and Town Councils.

Admission Bodies

An admitted body is an employer which, if it satisfies certain regulatory criteria, can apply to participate in the Fund. If its application is accepted by the administering authority, it will then have an "admission agreement". In accordance with the Regulations, the admission agreement sets out the conditions of participation of the admitted body including which employees (or categories of employees) are eligible to be members of the Fund.

Admitted bodies can join the Fund if

- They provide a service for a scheme employer as a result of an outsourcing (formerly known as Transferee Admission Bodies)
- They provide some form of public service and their funding in most cases derives primarily from local or central government. In reality they take many different forms but the one common element is that they are "not for profit" organisations (formerly known as Community Admission Bodies).

Admitted bodies may only join the Fund if they are guaranteed by a scheme employer. When the agreement or service provision ceases, the Fund's policy is that in all cases it will look to recover any outstanding deficit from the outgoing body unless appropriate instruction is received from the outsourcing employer or guaranteeing employer, in which case the assets and liabilities of the admission body will in revert to the outsourcing scheme employer or guaranteeing employer.

Connected Entities

Connected entities by definition have close ties to a scheme employer given that a connected entity is included in the financial statements of the scheme employer.

Although connected entities are "Designating Bodies" under the Regulations, they have similar characteristics to admitted bodies (in that there is an "outsourcing employer"). However, the Regulations do not strictly require such bodies to have a guarantee from a scheme employer.

However, to limit the risk to the Fund, the Fund will require that the scheme employer provides a guarantee for their connected entity, in order that the ongoing funding basis will be applied to value the liabilities.

Second Generation outsourcings for staff not employed by the Scheme Employer contracting the services to an admitted body

A 2nd generation outsourcing is one where a service is being outsourced for the second time, usually after the previous contract has come to an end. For Best Value Authorities, principally the unitary authorities, they are bound by The Best Value Authorities Staff Transfers (Pensions) Direction 2007 so far as 2nd generation outsourcings are concerned. In the case of most other employing bodies, they should have regard to Fair Deal Guidance issued by the Government.

It is usually the case that where services have previously been outsourced, the transferees are employees of the contractor as opposed to the original scheme employer and as such will transfer from one contractor to another without being re-employed by the original scheme employer. There are even instances where staff can be transferred from one contractor to another without ever being employed by the outsourcing scheme employer that is party to the Admission Agreement. This can occur when one employing body takes over the responsibilities of another, such as a maintained school (run by the local education authority) becoming an academy. In this instance the contracting body is termed a 'Related Employer' for the purposes of the Local Government Pension Scheme Regulations and is obliged to guarantee the pension liabilities incurred by the contractor. These liabilities relate both to any staff whom it may be outsourcing for the first time and to any staff who may be transferring from one contractor to another having previously been employed by a scheme employer prior to the initial outsourcing

"Related employer" is defined as "any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority)".

Risk Assessments

Prior to admission to the Fund, an Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. If the risk assessment and/or bond amount is not to the satisfaction of the Administering Authority (as required under the LGPS Regulations) it will consider and determine whether the admission body must pre-fund for termination with contribution requirements assessed using the low risk termination methodology and assumptions.

Some aspects that the Administering Authority may consider when deciding whether to apply a low risk methodology are:

- Uncertainty over the security of the organisation's funding sources e.g. the body relies on voluntary or charitable sources of income or has no external funding guarantee/reserves;
- If the admitted body has an expected limited lifespan of participation in the Fund;
- The average age of employees to be admitted and whether the admission is closed to new joiners.

In order to protect other Fund employers, where it has been considered undesirable to provide a bond, a guarantee must be sought in line with the LGPS Regulations.

Admitted Bodies providing a service

Generally Admitted Bodies providing a service will have a guarantor within the Fund that will stand behind the liabilities. Accordingly, in general, the low risk approach to funding and termination will not apply for these bodies.

As above, the Admitted Body is required to carry out an assessment of the level of risk on premature termination of the contract to the satisfaction of the Administering Authority. This assessment would normally be based on advice in the form of a “risk assessment report” provided by the actuary to the Fund. As the Scheme Employer is effectively the ultimate guarantor for these admissions to the Fund it must also be satisfied (along with the Administering Authority) over the level (if any) of any bond requirement. Where bond agreements are to the satisfaction of the Administering Authority, the level of the bond amount will be subject to review on a regular basis.

In the absence of any other specific agreement between the parties, deficit recovery periods for Admitted Bodies will be set in line with the Fund’s general policy as set out in Appendix B.

Any risk sharing arrangements agreed between the Scheme Employer and the Admitted Body will be documented in the commercial agreement between the two parties and not the admission agreement.

In the event of termination of the Admitted Body, any orphan liabilities in the Fund will be subsumed by the relevant Scheme Employer.

An exception to the above policy applies if the guarantor is not a participating employer within the Fund, including if the guarantor is a participating employer within another LGPS Fund. In order to protect other employers within the Fund the Administering Authority may in this case treat the admission body as pre-funding for termination, with contribution requirements assessed using the low risk methodology and assumptions.

Contribution Rate Assessments

Where there are less than 5 members transferring at the point of admission, unless agreed otherwise with the Administering Authority, the initial contribution rate payable from the date of admission, will be set in line the corresponding contribution rate payable by the letting employer towards future service benefit accrual. The initial rate will apply until the actuarial valuation following the date of admission when the new admitted body’s contribution requirements will be fully reassessed.

In all other situations, unless agreed otherwise with the Administering Authority, the Actuary will undertake an assessment of the required contribution rate payable by the new admitted body.

Pre-Funding for termination

An employing body may choose to pre-fund for termination i.e. to amend their funding approach to a low risk methodology and assumptions. This will substantially reduce the risk of an uncertain and potentially large debt being due to the Fund at termination due to the use of a notional matching investment strategy (see below). However, it is also likely to give rise to a substantial increase in contribution requirements, when assessed on the low risk basis.

For any employing bodies funding on such a low risk strategy a notional investment strategy will be assumed as a match to the liabilities. In particular, the employing body’s

notional asset share of the Fund will be credited with an investment return in line with the low risk funding assumptions adopted rather than the actual investment return generated by the actual asset portfolio of the entire Fund. The Fund reserves the right to modify this approach in any case where it might materially affect the finances of the Fund, or depending on any case specific circumstances.

Appendix D – Termination policy, flexibility for exit payments and Deferred Debt Agreements

Return to Contents

Exiting the Fund

Termination of an employer's participation

When an employer's participation in the Fund comes to its end, or is prematurely terminated for any reason (e.g. a contract with a local authority comes to an end or the employer chooses to voluntarily cease participation), employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund i.e. either deferred benefits or immediate retirement benefits.

In addition to any liabilities for current employees the Fund will also retain liability for payment of benefits to former employees, i.e. to existing deferred and pensioner members except where there is a complete transfer of responsibility to another Fund with a different Administering Authority.

Where the Fund obtains advance notice that an employer's participation is coming to an end, the Regulations enable the Fund to commission a funding assessment leading to a revised contribution certificate which is designed to eliminate, as far as possible, any surplus or deficit by the cessation date.

Whether or not an interim contribution adjustment has been initiated once participation in the Fund has ceased, the employer becomes an exiting employer under the Regulations and the Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of benefits of the exiting employer's current and former employees along with a revision of the rates and adjustment certificate showing any contributions due from the admission body.

When an employer exits the Fund, as an alternative to requiring an immediate payment in full, the Regulations give power to the Fund to set a repayment plan to recover the outstanding debt over a period at its sole discretion and this will depend on the affordability of the repayments and financial strength of the exiting employer. Once this repayment plan is set the payments would not be reviewed for changes in the funding position due to market or demographic factors.

The Fund's policy for termination payment plans is as follows:

- The default position is for exit payments and exit credits to be paid immediately in full unless agreed otherwise with the relevant parties.
- At the discretion of the administering authority, instalment plans over a defined period will only be agreed when there are issues of affordability that risk the financial viability of the organisation and the ability of the Fund to recover the debt (see further details below).

- Any costs associated with the exit valuation will be paid by the employer by either increasing the exit payment or reducing the exit credit by the appropriate amount. In the case of an employer where the exit debt/credit is the responsibility of the original employer through a risk sharing agreement the costs will be charged directly to the employer unless the original employer directs otherwise.

In the event that unfunded liabilities arise that cannot be recovered from the exiting employer, these will normally fall to be met by the Fund as a whole (i.e. all employers) unless there is a guarantor or successor body within the Fund.

Basis of Termination

Whilst reserving the right to consider options on a case by case basis, the Fund's policy is that a termination assessment will be made based on low risk funding basis, unless the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the employing body's liabilities will become orphan liabilities within the Fund, and there will be no recourse to it if a shortfall emerges in the future (after participation has terminated).

For all termination cases, the underlying assumptions adopted for individual employers will be based on the approximate duration of that employer's liabilities.

Details of the low risk funding basis are shown below.

If, instead, the employing body has a guarantor within the Fund or a successor body exists to take over the employing body's liabilities, the Fund's policy is that the valuation funding basis will be used for the termination assessment unless the guarantor informs the Fund otherwise. The guarantor or successor body will then, following any termination payment made, subsume the assets and liabilities of the employing body within the Fund. (For Admission Bodies, this process is sometimes known as the "novation" of the admission agreement.) This may, if agreed by the successor body, constitute a complete amalgamation of assets and liabilities to the successor body, including any funding deficit (or surplus) on closure. In these circumstances no termination payment will be required from (or made to) the outgoing employing body itself, as the deficit (or surplus) would be recovered via the successor body's own deficit recovery plan.

It is possible under certain circumstances that an employer can apply to transfer all assets and current and former members' benefits to another LGPS Fund in England and Wales. In these cases, no termination assessment is required as there will no longer be any orphan liabilities in the Fund. Therefore, a separate assessment of the assets to be transferred will be required.

Whether or not the termination liabilities are assessed on the valuation funding basis or the low risk termination basis, the liabilities will also include an allowance for estimated future administrative expenses in relation to any remaining members on termination.

Implementation

Admission bodies participating by virtue of a contractual arrangement

For employers that are guaranteed by a guarantor (usually the original employer or letting authority), the Fund's policy at the point of cessation is for the guarantor to subsume the residual assets, liabilities and any surplus or deficit under the default policy. In some instances an exit debt may be payable by an employer before the assets and liabilities are

subsumed by the guarantor, this will be considered on a case-by-case basis. No payment of an exit credit will be payable unless representation is made as set out below.

If there is any dispute, then the following arrangements will apply:

- In the case of a surplus, in line with the amending Regulations (**The Local Government Pension Scheme (Amendment) Regulations 2020**) the parties will need to make representations to the Administering Authority if they believe an Exit Credit should be paid outside the policy set out above, or if they dispute the determination of the Administering Authority. The Fund will notify the parties of the information required to make the determination on request.

- If the Fund determines an Exit Credit is payable then they will pay this directly to the exiting employer within 6 months of completion of the final cessation assessment by the Actuary.

- In the case of a deficit, in order to maintain a consistent approach, the Fund will seek to recover this from the exiting employer in the first instance although if this is not possible then the deficit will be recovered from the guarantor either as a further contribution collection or at the next valuation.

If requested, the Administering Authority will provide details of the information considered as part of the determination. A determination notice will be provided alongside the termination assessment from the Actuary. The notice will cover the following information and process steps:

1. Details of the employers involved in the process (e.g. the exiting employer and guarantor).
2. Details of the admission agreement, commercial contracts and any amendments to the terms that have been made available to the Administering Authority and considered as part of the decision making process. The underlying principle will be that if an employer is responsible for a deficit, they will be eligible for any surplus. This is subject to the information provided and any risk sharing arrangements in place.
3. The final termination certification of the exit credit by the Actuary.
4. The Administering Authority's determination based on the information provided.
5. Details of the appeals process in the event that a party disagrees with the determination and wishes to make representations to the Administering Authority.

In some instances, the outgoing employer may only be responsible for part of the residual deficit or surplus as per the separate risk sharing agreement. The default is that any surplus would be retained by the Fund in favour of the outsourcing employer/guarantor unless representation is made by the relevant parties in line with the Regulations as noted above. For the avoidance of doubt, where the outgoing employer is not responsible for any costs under a risk sharing agreement then no exit credit will be paid as per the Regulations unless the Fund is aware of the provisions of the risk sharing agreement in any representation made and determines an exit credit should be paid.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. [Final regulations are awaited]. Where a surplus or deficit isn't being subsumed, an allowance will be made for McCloud within the calculations consistent with the allowance made for the 2022 valuation. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the Regulations have been finalised, any

calculations will be performed in line with the prevailing regulations and associated guidance.

In the event of parties unreasonably seeking to crystalise the exit credit on termination, the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities then the termination assessment will assume the liabilities are orphaned and the low risk basis of termination will be applied.

As the guarantor will absorb the residual assets and liabilities under the default policy above, it is the view of the Actuary that the ongoing valuation basis described above should be adopted for the termination calculations. This is the way the initial admission agreement would typically be structured i.e. the admission would be fully funded based on liabilities assessed on the valuation basis.

If the guarantor refuses to take responsibility, then the residual deferred pensioner and pensioner liabilities should be assessed on the more cautious low risk basis. In this situation the size of the termination payment would also depend on what happened to the active members and if they all transferred back to the original Scheme Employer (or elsewhere) and aggregated their previous benefits. As the transfer would normally be effected on a "fully funded" valuation basis the termination payment required would vary depending on the circumstances of the case. Where this occurs the exiting employer would then be treated as if it had no guarantor as per the policy below.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary, based on representations from the interested parties where appropriate.

Non contract-based admission bodies with a guarantor in the Fund.

The approach for these will be the same as that above and will depend on whether the guarantor is prepared to accept responsibility for residual liabilities. Indeed, it may be that Fund is prepared to accept that no actual termination payment is needed (even if one is calculated) and that all assets/liabilities can simply be absorbed by the guarantor.

Admission bodies with no guarantor in the Fund / only a guarantee of last resort

These are the cases where the residual liabilities would be orphaned within Fund. It is possible that a bond would be in place. The termination calculation would be on the more cautious “low risk” basis.

The actuarial valuation and the revision of any Rates and Adjustments Certificate in respect of the outgoing admission body must be produced by the Actuary at the time when the admission agreement ends; the policy will always be subject to change in the light of changing economic circumstances and legislation.

The policy for such employers will be:

- In the case of a surplus, the Fund pays the exit credit to the exiting employer following completion of the termination process (within 6 months of completion of the cessation assessment by the Actuary). This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date.

- In the case of a deficit, the Fund would require the exiting employer to pay the termination deficit to the Fund as an immediate lump sum cash payment (unless agreed otherwise by the Administering Authority at their sole discretion) following completion of the termination process.

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. [Final regulations are awaited.]. As part of any termination assessment, allowance will be made for McCloud within the calculations consistent with the allowance made for the 2022 valuation. For the avoidance of doubt, there will be no recourse for an employer with regard to McCloud, once the final termination has been settled and payments have been made. Once the Regulations have been finalised, any calculations will be performed in line with these and associated guidance.

The Administering Authority also reserves the right to modify this approach on a case by case basis at its sole discretion if circumstances warrant it based on the advice of the Actuary.

The above funding principles will also impact on the **bond requirements** for certain admitted bodies. The purpose of the bond is that it should cover any unfunded liabilities arising on termination that cannot be reclaimed from the outgoing body.

Connected Entities

In the event of cessation, the connected entity will be required to meet any outstanding liabilities valued in line with the approach outlined above. In the event there is a shortfall, the assets and liabilities will revert to the Fund as a whole (i.e. all current active employers).

In the event that a scheme employer provides a guarantee for their connected entity, the assets and liabilities will revert in totality to that scheme employer on termination, including any unrecovered deficit.

Policy in relation to the flexibility for exit debt payments and Deferred Debt Agreements (DDA)

The Fund's policy for termination payment plans is as follows:

1. The default position is for exit payments to be paid immediately in full unless there is a risk sharing arrangement in place with a guaranteeing Scheme employer in the Fund whereby the exiting employer is not responsible for any exit payment. In the case of an exit credit the determination process set out above will be followed.

2. At the discretion of the administering authority, instalment plans over an agreed period or a Deferred Debt Agreement will only be agreed subject to the policy in relation to any flexibility in recovering exit payments.

As set out above, the default position for exit payments is that they are paid in full at the point of exit (adjusted for interest where appropriate). If an employer requests that an exit debt payment is recovered over a fixed period of time or that they wish to enter into a Deferred Debt Agreement with the Fund, they must make a request in writing covering the reasons for such a request. Any deviation from this position will be based on the Administering Authority's assessment of whether the full exit debt is affordable and whether it is in the interests of taxpayers to adopt either of the approaches. In making

this assessment the Administering Authority will consider the covenant of the employer and also whether any security is required and available to back the arrangements.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the employer and will be charged as an upfront payment to the Fund.

The following policy and processes will be followed in line with the principles set out in the statutory guidance published 2 March 2021.

Policy for Spreading Exit Payments

The following process will determine whether an employer is eligible to spread their exit payment over a defined period.

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation and any other relevant information to use as part of their covenant review. If this information is not provided then the default policy of immediate payment will be adopted.

2. Once this information has been provided, the Administering Authority (in conjunction with the Fund Actuary, covenant and legal advisors where necessary) will review the covenant of the employer to determine whether it is in the interests of the Fund to allow them to spread the exit debt over a period of time. Depending on the length of the period and also the size of the outstanding debt, the Fund may request security to support the payment plan before entering into an agreement to spread the exit payments.

3. This could include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period. The payments required will include allowance for interest on late payment.

4. The initial process to determine whether an exit debt should be spread may take up to 6 months from receipt of data so it is important that employers who request to spread exit debt payments notify the Fund in good time

5. If it is agreed that the exit payments can be spread then the Administering Authority will engage with the employer regarding the following:
    a. The spreading period that will be adopted (this will be subject to a maximum of 5 years).
    b. The initial and annual payments due and how these will change over the period
    c. The interest rates applicable and the costs associated with the payment plan devised (which will be met by the employer unless agreed otherwise with the Administering Authority)
    d. The level of security required to support the payment plan (if any) and the form of that security e.g. bond, escrow account etc.
    e. The responsibilities of the employer during the exit spreading period including the supply of updated information and events which would trigger a review of the situation
    f. The views of the Actuary, covenant, legal and any other specialists necessary

g. The covenant information that will be required on a regular basis to allow the payment plan to continue.

h. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances)

6. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.

7. The costs associated with the advice sought and drafting of the Debt Spreading Agreement will be passed onto the employer and will be charged as an upfront payment to the Fund.

Employers participating with no contributing members

As opposed to paying the exit debt an employer may participate in the Fund with no contributing members and utilise the "Deferred Debt Agreements" (DDA) at the sole discretion of the Administering Authority. This would be at the request of the employer in writing to the Administering Authority.

The following process will determine whether the Fund and employer will enter into such an arrangement:

1. The Administering Authority will request updated financial information from the employer including management accounts showing expected financial progression of the organisation. If this information is not provided then a DDA will not be entered into by the Administering Authority

2. Once this information has been provided, the Administering Authority will firstly consider whether it would be in the best interests of the Fund and employers to enter into such an arrangement with the employer. This decision will be based on a covenant review of the employer to determine whether the exit debt that would be required if the arrangement was not entered into is affordable at that time (based on advice from the Actuary, covenant and legal advisor where necessary).

3. The initial process to determine whether a Deferred Debt Agreement should apply may take up to 6 months from receipt of the required information so an employer who wishes to request that the Administering Authority enters into such an arrangement needs to make the request in advance of the potential exit date.

4. If the Administering Authority's assessment confirms that the potential exit debt is not affordable, the Administering Authority will engage in discussions with the employer about the potential format of a Deferred Debt Agreement using the template Fund agreement which will be based on the principles set out in the Scheme Advisory Board's separate guide. As part of this, the following will be considered and agreed:

   - What security the employer can offer whilst the employer remains in the Fund. In general the Administering Authority won't enter into such an arrangement unless they are confident that the employer can support the arrangement on an ongoing basis. Provision of security may also result in a review of the recovery period and other funding arrangements.
   - Whether an upfront cash payment should be made to the Fund initially to reduce the potential debt.

- What the updated secondary rate of contributions would be required up to the next valuation.
- The financial information that will be required on a regular basis to allow the employer to remain in the Fund and any other monitoring that will be required.
- The advice of the Actuary, covenant, legal and any other specialists necessary.
- The responsibilities that would apply to the employer while they remain in the Fund.
- What conditions would trigger the implementation of a revised deficit recovery plan and subsequent revision to the secondary contributions (e.g. provision of security).
- The circumstances that would trigger a variation in the length of the deferred debt agreement (if appropriate), including a cessation of the arrangement (e.g. where the ability to pay contributions has weakened materially or is likely to weaken in the next 12 months). Where an agreement ceases an exit payment (or credit) could become payable. Potential triggers may be the removal of any security or a significant change in covenant assessed as part of the regular monitoring.
- Under what circumstances the employer may be able to vary the arrangement e.g. a further cash payment or change in security underpinning the agreement.

The Administering Authority will then make a final decision on whether it is in the best interests of the Fund to enter into a Deferred Debt Agreement with the employer and confirm the terms that are required.

5. For employers that are successful in entering into a Deferred Debt Agreement, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the Deferred Debt Agreement in the interim if any of the agreed triggers are met.

6. The costs associated with the advice sought and drafting of the Deferred Debt Agreement will be passed onto the employer and will be charged as an upfront payment to the Fund.

Termination Basis

A lower risk approach will apply on termination where liabilities are not being subsumed, to appropriately reflect the transfer of pension risk from the exiting employer to the Fund.

The discount rate underlying the low risk basis is set with reference to the return on a notional portfolio of low risk assets (comprising investments such as gilts, bonds) that can be achieved with a high likelihood [(c90%)]. The discount rate set will initially be equal to the underlying yields available on fixed interest government bond yields at the date of termination plus an additional 0.5% per annum but will be subject to a cap of the employer's nominal discount rate for ongoing funding purposes. The discount rate will be kept under review over time.

In setting the CPI assumption to apply on the low-risk basis, market RPI inflation will be reduced by 0.3% p.a. to reflect the average difference between RPI and CPI indices allowing for RPI reform in 2030, consistent with the ongoing funding approach. However no adjustment will be made for an "inflation risk premium" reflecting the fully hedged nature of the notional low-risk portfolio. This adjustment will be kept under review over time.

The low risk financial assumptions that applied at the actuarial valuation date (31 March 2022) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, with reference to prevailing market conditions at the relevant employing body's cessation date.

Low Risk assumptions	31 March 2022
Discount Rate	2.2% p.a.
CPI price inflation	3.6% p.a.
Pension increases/indexation of CARE benefits	3.6% p.a.

All demographic assumptions will be the same as those adopted for the 2022 actuarial valuation, except in relation to the life expectancy assumption. Given the low risk financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption. The termination basis for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the rate of improvement in mortality rates to 2% p.a. from 1.75% used in the 2022 valuation for ongoing funding and contribution purposes. This assumption will be reviewed from time to time to allow for any material changes in life expectancy trends and will be formally reassessed at the next valuation.

Administering Authority discretion on low-risk assumptions.

For all terminations, where the low-risk basis of termination applies, the Administering Authority reserves the right to review the assumptions applied at the employing body's cessation date where individual circumstances warrant this, for example, in times of extreme market conditions and volatility. This is in order to ensure the assumptions adequately reflect the transfer of pension risk from the exiting employer to the Fund. The investment return assumption will be no greater than the prudent expected return on the actual portfolio in which the Fund is reasonably expected to invest the assets of the terminating employer.

Appendix E – Academies/Multi Academy Trust Policy

Return to Contents

Academy conversions and deficit transfers

The Fund's policy regarding the treatment of schools when converting to academy status is for the new academy to inherit the school's appropriate share of the historic local authority deficit prior to its conversion. This is in accordance with the Department for Education (DfE) guidance issued when the Academy conversion programme was extended to cover all schools.

Therefore, the transferring deficit is calculated as the capitalised amount of the funding contributions relating to past service (based on the local authority recovery period) the school would have made to the Fund had it not converted to academy status at the conversion date. The deficit allocated will be subject to a limit to ensure that the minimum asset share of the new academy is nil.

Multi Academy Trusts

Multi-Academy Trusts (MATS) are groups of academies managed and operated by one proprietor. The employer of non-teaching staff in academies is the proprietor of the Academy Trust and not the individual academy within the Trust. It is therefore the proprietor who is the employer for LGPS purposes making the MAT legally responsible for staff across all schools in the pool (see below).

Multi-Academy Trusts are often set up to cover a number of academies across England. The employees of the former schools can be employed directly by the Trust so they can be deployed across different academy schools in the Trust if necessary.

In cases where numerous academies are operated by the same managing Trust, the Fund is willing to allow a combined funding position and average contribution requirements to apply to all constituent academies (i.e. a pool). In such cases, the Actuary will certify a pooled Primary and Secondary contribution rate for the MAT in the Rates and Adjustments Certificate. Notwithstanding this, the Fund will continue to track the constituent academies separately, in the interests of transparency and clarity around entry and exit events.

Approach to setting contribution rates

The Fund must have a separate employer number for each academy for transparency of cashflows, managing risks should an academy need to leave one Trust for another and for accounting where disaggregated disclosure reports are required. It should also be noted that the Department for Education (DfE) have confirmed that the guarantee relates to individual academies and MATs.

Any new academies joining an existing MAT pool in the Fund can contribute at the employer contribution rate already established for the MAT but an actuarial assessment will still need to be carried out to determine the deficit applicable to the transferring staff.

[Detail to be agreed] Outsourcings by Multi Academy Trusts

The Fund's current policy is in accordance with the Regulations, requiring a separate admission agreement in respect of separate contracts.

Under Schedule 2, Part 3, paragraph 5. of the 2013 Regulations, if the admission body is exercising the functions of the scheme employer in connection with more than one contract or other arrangement under paragraph 1(d)(i), the administering authority and the admission body shall enter into a separate admission agreement in respect of each contract or arrangement.

With the development of MATs, there is a case for the Fund to allow a MAT to enter into a single admission agreement with the contractor providing similar services at various sites provided the outsourcing is covered by a single commercial contract.

The Fund will need to have sight of the contract in order to satisfy the regulatory requirement that the Admission Agreement covers one contract. The Admission Agreement will need to have provision for adding future employees should any academies join the MAT subsequent to the commencement date.

The scheme employer, the Multi Academy Trust in this instance, needs to be a party to any admission agreement and, as such, is the ultimate guarantor. In the event of contractor failure, the LGPS regulations provide that the outstanding liabilities assessed by the Fund's actuary can be called from the scheme employer i.e. the Multi Academy Trust.

At every triennial valuation the actuary reviews the funding level of the admitted body and adjusts its employer contribution rate as required. Once either the service contract comes to an end or all the LGPS members have left, the admission agreement terminates and, in accordance with Fund policy, the Trust becomes responsible for the assets and liabilities standing to the account of the admitted body. A cessation valuation can be provided by the Fund actuary should the Trust request it.

Appendix F – Review of employer contributions between valuations

Return to Contents

The Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers now have the following flexibilities:

1. The Administering Authority may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
2. The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.
3. An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them. The employer would be required to pay the costs of any review following completion of the calculations and is only permitted to make one request between actuarial valuation dates (except in exceptional circumstances and at the sole discretion of the Administering Authority).

Where the funding position for an employer significantly changes solely due to a change in assets (and changes in actuarial assumptions), the Regulations do not allow employer contributions to be reviewed outside of a full valuation although changes in assets would be taken into account when considering if an employer can support its obligations to the Fund after a significant covenant change (see 2. above).

The Administering Authority will consult with the employer prior to undertaking a review of their contributions including setting out the reason for triggering the review.

For the avoidance of doubt, any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to the next actuarial valuation date unless in exceptional circumstances. For example:

- A contribution review due to a change in membership profile would not be undertaken in the 6 months leading up to the next valuation Rates and Adjustments Certificate.
- However, where there has been a material change in covenant, a review will be considered on a case by case basis which will determine if it should take place and when any contribution change would be implemented. This will take into account the proximity of the actuarial valuation and the implementation of the contributions from that valuation.

Situations where contributions may be reviewed

Contributions may be reviewed if the Administering Authority becomes aware of any of the following scenarios. Employers will be notified if this is the case.

Consideration will also be given to the impact that any employer changes may have on the other employers and on the Fund as a whole, when deciding whether to proceed with a contribution review.

1) Significant changes in the employer's liabilities

This includes but is not limited to the following scenarios:

a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
   i. Restructuring of an employer
   ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)
   iii. A bulk transfer into or out of the employer
   iv. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
b) Two or more employers merging including insourcing and transferring of services
c) The separation of an employer into two or more individual employers

In terms of assessing the triggers under a) above, the Administering Authority will only consider a review if the change in liabilities is expected to be more than 10% of the total liabilities. In some cases this may mean there is also a change in the covenant of the employer.

Any review of the rate will only take into account the impact of the change in liabilities (including any underfunding in relation to pension strain costs) both in terms of the Primary and Secondary rate of contributions.

2) Significant changes in the employer's covenant

This includes but is not limited to the following scenarios:

a) Provision of, or removal of, or impairment of, security, bond, guarantee or some other form of indemnity by an employer against their obligations in the Fund. For the avoidance of doubt, this includes provision of security to any other pension arrangement which may impair the security provided to the Fund.
b) Material change in an employer's immediate financial strength or longer-term financial outlook (evidence should be available to justify this) including where an employer ceases to operate or becomes insolvent.
c) Where an employer exhibits behaviour that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer's ability to meet this obligations.

Whilst in most cases the regular covenant updates requested by the Administering Authority will identify some of these changes, in some circumstances employers will be required to agree to notify the Administering Authority of any material changes. Where this applies, employers will be notified separately and the Administering Authority will set out the requirements

Additional information will be sought from the employer in order to determine whether a contribution review is necessary. This may include annual accounts, budgets, forecasts

and any specific details of restructure plans. As part of this, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser.

In this instance, any review of the contribution rate would include consideration of the updated funding position (both on an ongoing and termination basis) and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions (see further comments below):

- The contributions changing or staying the same depending on the conclusion, and/or;
- Security to improve the covenant to the Fund, and/or;
- Funding for termination

Process and potential outcomes of a contribution review

Where one of the listed events occurs, the Administering Authority will enter into discussion with the employer to clarify details of the event and any intent of the Administering Authority to review contributions. Ultimately, the decision to review contributions as a result of the above events rests with the Administering Authority after, if necessary, taking advice from their Actuary, legal or a covenant specialist advisors.

This also applies where an employer notifies the Administering Authority of the event and requests a review of the contributions. The employer will be required to agree to meet any professional and administration costs associated with the review. The employer will be required to outline the rationale and case for the review through a suitable exchange of information prior to consideration by the Administering Authority.

The Administering Authority will consider whether it is appropriate to use updated membership data within the review (e.g. where the change in data is expected to have a material effect on the outcome) and whether any supporting information is required from the employer.

As well as revisiting the employer's contribution plan, as part of the review it is possible that other parts of the funding strategy will also be reviewed where the covenant of the employer has changed, for example the Fund will consider:

- Whether the employer should fund for termination.
- Whether the Primary contribution rate should be adjusted to allow for any profile change and/or move to fund for termination
- Whether the secondary contributions should be adjusted including whether the length of the recovery period adopted at the previous valuation remains appropriate. The remaining recovery period from the valuation would be the maximum period adopted (except in exceptional and justifiable circumstances and at the sole discretion of the Administering Authority on the advice of the Actuary).

The review of contributions may take up to 6 months from the date of confirmation to the employer that the review is taking place, in order to collate the necessary data.

Any change to an employer's contributions will be implemented at a date agreed between the employer and the Fund. The Schedule to the Rates and Adjustment

Certificate at the last valuation will be updated for any contribution changes. As part of the process the Administering Authority will consider whether it is appropriate to consult any other Fund employers prior to implementing the revised contributions. Circumstances where the Administering Authority may consider it appropriate to do so include where there is another employer acting as guarantor in the Fund, then the guarantor would be consulted on as part of the contribution review process.

The Administering Authority will agree a proportionate process for periodical ongoing monitoring and review following the implementation of the revised contribution plan. The Employer will be required to provide information to the Fund to support this, which will depend in part of the reasons for triggering the contribution review.

Appendix G – Ill-health insurance arrangements

Return to Contents

Overview of arrangement

Ill health retirements can be expensive for employers, particularly small employers where one or two costly ill health retirements can take them well above the “average” implied by the valuation assumptions.

For certain employers in the Fund (following discussions with the Fund Actuary) a captive insurance arrangement has been established by the Administering Authority to cover ill-health retirement costs. This will apply to all ill-health retirements from 1 April 2023. It applies only to ill-health retirements involving the early payment of pension and to the associated benefit costs.

The captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into the captive arrangement which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s primary rate. The premium for 2023/26 is 0.7% of pay per annum

- The captive arrangement is then used to meet strain costs (over and above the premium paid) emerging from ill-health retirements in respect of active members i.e. there is no initial impact on the deficit position for employers within the captive and any subsequent impact should be manageable.

- The premiums are set with the expectation that they will be sufficient to cover the costs in the 3 years following the valuation date. If any excess premiums over costs are built up in the Captive, these will be used to offset future adverse experience and/or result in lower premiums at the discretion of the Administering Authority based on the advice of the Actuary.

- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by Islington Council. However, the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.

- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

Employers covered by the arrangement

The Fund has set an initial eligibility criteria of employers having less than 200 active members at the valuation date.

These employers have been notified of their participation. New employers entering the Fund will also be included if they meet this criteria. In certain circumstances, the

Administering Authority retains the discretion to include/exclude any employer from the arrangement.

For employers outside the captive arrangement, the current treatment of ill-health retirements will still apply, whereby an assumption for ill-health retirements is made within the calculation of employer contributions and any excess costs associated with ill-health retirements will emerge as part of the subsequent actuarial valuation assessment, and in any subsequent secondary rate contributions payable into the Fund.

Employer responsibilities

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, employing bodies should be doing everything in their power to ensure robust processes are in place to determine eligibility for ill health retirements.

The Fund and the Actuary will monitor the number of retirements that each captive employer is granting over time. If any employer has an unusually high incidence of ill health retirements, consideration will be given to the governance around the eligibility criteria applied by the employer and it is possible that some or all of the costs would fall on that employer if the governance was not deemed strong enough.

Appendix H – Glossary of terms

Return to Contents

Actuarial Valuation
An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority
The council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies
A specific type of employer under the Local Government Pension Scheme (the "LGPS") who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark
A measure against which fund performance is to be judged.

Benefits
The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to within the FSS. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full scheme benefits in relation to the member only and pay 50% of the normal member contribution.

Best Estimate Assumption
An assumption where the outcome has a 50/50 chance of being achieved.

Bonds
Loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE)
With effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI
Acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

CPIH
An alternative measure of CPI which includes owner occupiers' housing costs and Council Tax (which are excluded from CPI).

Contingent Assets
Assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer

Covenant
The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deferred Debt Agreement (DDA)
A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.

Deferred Employer
An employer that has entered into a DDA with the Fund.

Deficit
The extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period
The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Derivatives
Financial instruments linked to the performance of specific assets which can be used to magnify or reduce exposure to those assets

Discount Rate
The rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Early Retirement Strain
The additional cost incurred by a scheme employer as a result of allowing a Scheme Member aged 55 or over to retire before Normal Retirement Age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.

Employer's Future Service Contribution Rate ("Primary Rate")
The contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses. See also "Primary Rate" below.

Employing bodies
Any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities
Shares in a company which are bought and sold on a stock exchange.

Equity Protection
An insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit
The amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

Fund / Scheme Employers
Employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers. For example, these include councils, colleges, universities and academies

Funding or solvency Level
The ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement
This is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Government Actuary's Department (GAD)
The GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor
A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Guarantee of Last Resort
For the purposes of the FSS, a guarantee of last resort refers to the situation where an employer has exhausted all alternative options for payment of an exit debt and so the debt is recovered from another employer in the Fund, however the liabilities are not subsumed in this case.

Ill-Health Captive
This is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium.

Investment Strategy
The long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting employer
An employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

LGPS
The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Liabilities
The actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

Long-term cost efficiency
This is a measure of the extent to which the Fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.

Low risk basis
An approach where the discount rate used to assess the liabilities is determined based on a portfolio of investments (actual or notional) designed to provide an expected rate of return over the duration of the Fund's liabilities above market yields of Government bond investments, with a very high likelihood of being achieved [(c90%)]. This is usually adopted when an employer is exiting the Fund.

Maturity
A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

McCloud Judgment
This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

Members
The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Orphan liabilities
Liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles
Relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions
When there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling
Employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment
The payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value
The value of projected benefit payments, discounted back to the valuation date.

Primary Contribution Rate
The contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant. The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates. See also "Employer's future service contribution rate" above.

Profile
The profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption
An assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate
A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three-year period until the next valuation is completed.

Real Return or Real Discount Rate
A rate of return or discount rate net of (CPI) inflation.

Recovery Plan
A strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

SAB Funding Basis or SAB Basis
A set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2022 was [2.4% p.a.], so it can be substantially different from the actuarial assumptions used to calculated the Fund's solvency funding position and contribution outcomes for employers

Scheduled bodies
Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc., other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Secondary Rate of the Employer's Contribution
An adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates.

Section 13 Valuation
In accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2019 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target
An assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Strain Costs
The costs arising when members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. So far as the Fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the Fund as additional contributions, unless agreed with the administering authority. The costs are calculated by the Actuary.

Valuation funding basis
The financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments, expressed as an expected out-performance over CPI in the long term by the Fund's assets i.e. the "real rate".

50/50 Scheme
In the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

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ISLINGTON
For a more equal future

Finance Department
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Pension Board

Date: 5th December 2022

Ward(s): n/a

Pension Board 2022/23 Forward Work Programme

1. Synopsis

1.1 The Appendix A to this report provides information for Members of the Board on agenda items for forthcoming meetings and training topics where required as per its work programme objectives.

2. Recommendation

2.1 To consider and note Appendix A attached and amend the forward programme where there is change in priorities.

3. Background

3.1 The Public Services Pensions Act 2013 required the establishment of local pension boards for each Local Government Pension Fund.

3.2 Local Government Pension Scheme (Amendment) Governance Regulations 2014 (the Governance Regulations) provide that Pensions Board will have responsibility for assisting the 'scheme manager' (the Pensions Sub Committee in Islington's case) in relation to the following matters:

To ensure compliance with:

- the Local Government Pension Scheme Regulation (LGPS),
- other legislation relating to the governance and administration of the LGPS, and
- the requirements imposed by the Pensions Regulator in relation to the LGPS to ensure the effective and efficient governance and administration of the scheme.

3.3 The Pensions Sub- committee is the decision making body of the Fund and the Pension board can only advise or make recommendations to the Pensions -Sub Committee
The Pension Board should therefore be mindful;

- Its work plan should take account of the Fund's own work programme and seek to add value
- Servicing the Pension board will consume Fund management resources and time
- Senior Fund officers servicing the pension Board may on some fund performance issues be personally compromised and conflicted
- Some work items required may need the use of specialist external consultancy resources rather than using the officers servicing the Fund.

3.4 Based on the LGPS and The Pension Regulator's guidance on the role of the pension boards, the focus should include the following:

a) Its own training, knowledge and understanding
b) Avoiding any conflicts of interest
c) Ensuring its own statutory compliance
d) Checking fund governance
e) Reviewing fund risks and internal systems and controls
f) Checking fund external advisors/service providers and their internal controls
g) Reviewing fund member record keeping
h) Checking fund contributions
i) Reviewing fund administration
j) Benchmarking fund performance and Value for Money (VFM)
k) Fraud prevention
l) Employer and member communications
m) Complaints and dispute resolution
n) Reporting regulatory breaches

3.5 The Pension Board must also consider its Annual Report and the review of Pension Fund's draft Annual Report and audited accounts and triennial actuarial review.

3.6 Members need to consider their priorities for the next 12months and use that to formulate their agenda for forthcoming meetings. The draft programme and timetable attached as Appendix A is a guide for members to discuss and amend. It will be updated as necessary at each meeting, to reflect any changes in administration policy, new regulation and pension fund priorities after discussions with Members

4. Implications

Financial implications

4.1 Any cost associated with the governance of the fund will be treated as administration cost and charged to the Fund.

4.2 **Legal Implications**

The Public Services Pensions Act 2013 requires the council to establish a local pension boards by 1 April 2015. The board must comply with the requirements of the relevant Legislation.

4.3 **Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:**

None applicable to this report. Environmental implications will be included in each report to the Pension Board Committee as necessary. The current agreed investment strategy statement for pensions outlines the policies and targets set to April 2022 to reduce the current and future carbon exposure by 50% and 75% respectively compared to when it was measured in 2016 and also invest 15% of the fund in green opportunities. The link to the full document is https://www.islington.gov.uk/~/media/sharepoint-lists/public-records/finance/financialmanagement/adviceandinformation/20192020/20190910londonboroughofislingtonpensionfundinvestmentstrategystatement.pdf .

4.4 **Equalities Impact Assessment**

None applicable to this report. The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

4.4.1 An equalities impact assessment has not been conducted because this report is seeking. opinions on a policy document and therefore no specific equality implications arising from this report.

5 Conclusion and reasons for recommendation

5.1 To advise Members of forthcoming items of business to the Pension Board and training.

Appendices: Appendix A - Work programme for 2022/23

Background papers:
None:

Final report clearance:

Signed by:

Corporate Director of Resources
23 November 2022

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Finance implication author: Joana Marfoh

Legal implications author: n/a

APPENDIX A
Pensions Board Forward Plan for November 2022 to June 2023

Date of meeting	Work programme objective	Reports
	To ensure the effective and efficient governance and administration of the Scheme	Please note: there will be a standing item to each meeting on: • Admin Performance report • Forward work programme
5th December 2022		Draft FSS for consultation Pension Discretion Policies Review
8th December	Annual pension meeting	
6 March 2023		Final FSS with consultation results Risk register review
June 2023		3 yr Budget and Cash Flow Draft Financial Statements

Planned and Previous Training on committee meeting dates

November 2018- pension sub cttee meeting	Training Actuarial Review update
September 2019 joint pension sub and board training	Funding strategy and actuarial valuation
February 2021- joint pension sub and board training	Net zero carbon transition training
September 2022- joint pension sub and board training	Actuarial Valuation training
On going self training	The Pension Regulator Toolkit

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