



Report of: **Director of Human Resources**

Meeting of	Date	Agenda Item	Ward(s)
Pension Board	26 November 2018		
<b>Delete as appropriate</b>		Non-exempt	

## **SUBJECT: BREXIT & THE LGPS**

### **1. Synopsis**

- 1.1 This brief report provides the Board with information on Brexit and the implications for the Local Government Pension Scheme Administration.

### **2. Recommendations**

- 2.1 To note that there is no immediate change to the LGPS as a result of Brexit, however any downturn in the wider economy may have an impact on government future decisions in relation to the LGPS.
- 2.2 To note that any downturn or volatility as a result of Brexit may impact Islington Council's Pension Fund, however this risk is mitigated by the Fund's diversification of investments over a range of different asset classes and foreign markets.
- 2.3 To note that no pre-emptive actions can be taken by Islington Council Pensions Administration in relation to Brexit.
- 2.4 To note that work is underway to assess the impact of EU citizens working for Islington and the process for these employees applying for settled status.

### **3. Brexit & LGPS**

- 3.1 UK Law already incorporates a majority of EU legislation which impacts directly or indirectly on the LGPS. The Scheme will continue to comply with such laws until any change from a future post-Brexit UK government.
- 3.2 The payment of pensions to pensioners living in Europe is made a number of ways, including: by sterling cheque, by bacs to a UK Bank or through our third party operator Equiniti (using CitiBank). The payments made via Equiniti are converted from pounds sterling into the currency of the European country in which the pensioner resides before it is credited to their bank account. There is the risk that Equiniti may decide to raise their costs as a result of any additional charges they incur operating in Europe as a consequence of Brexit.
- 3.3 There is the question of the impact on the Pension Fund of EU citizens who are currently working for Islington Council who decide not to apply for settled status and return home. It is not possible at this stage to determine exact numbers because of the many variables and the fact that this type of personal data is not captured currently by Human Resources. The likely outcome is that the numbers are low and would not have a material impact on the Pension Fund.
- 3.4 A regulatory issue that may be of concern in relation to Brexit is the treatment of former scheme members who live in European Economic Area and have an AVC linked with their LGPS benefits. These members can currently purchase an annuity from any provider. 'Passporting rights' is the instrument used by UK Financial Services providers to enable them to pay policies to such members. Government is still consulting on this and at this stage it is unknown whether these rights will survive Brexit and what type of arrangement will be put in its place.

### **4. Implications**

#### **4.1 Financial Implications**

- 4.1.1 The cost of administering the Local Government Pension Scheme is chargeable to the Pension Fund.

#### **4.2 Legal Implications**

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

#### **4.3 Resident impact assessment**

- 4.3.1 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.

4.3.2 In respect of this report, a Resident Impact Assessment is not being made because the contents of the report relate to processes that are strictly in accordance with the statutory Local Government Pension Scheme Regulations. The LGPS Regulations are made under the Superannuation Act 1972, and the Council has a statutory duty to comply with the LGPS Regulations.

#### **4.4 Environmental Implications**

4.4.1 The environmental impacts have been considered and it was identified that the proposals in this report would have no adverse impacts

## **5 Conclusion and reasons for recommendations**

5.1 To advise Members of the current issues in relation to Brexit.

#### **Background papers:**

None,

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