



Report of: Corporate Director of Finance

Meeting of:	Date	Agenda item	Ward(s)
Local Pensions Board	17 June 2019		n/a

Delete as appropriate		Non-exempt
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SUBJECT: LGPS Consultation: Changes to the Valuation Cycle and Management of Employer Risk

1. Synopsis

- 1.1 To consider the government's consultation policy document to seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales covering the following areas.:
- (i) Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle
 - (ii) A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles
 - (iii) Proposals for flexibility on exit payments
 - (iv) Proposals for further policy changes to exit credits
 - (v). Proposals for policy changes to employers required to offer LGPS membership

2. Recommendation

- 2.1 To note the consultation policy document attached as Appendix 1
- 2.2 Consider the proposals being consulted on as summarised in para 3.1.1
- 2.3 To consider the questions in paragraph 3.1.2 and discuss responses to be submitted to MHCLG by the deadline of 31st July 2019.

3. Background

- 3.1 The Ministry of Housing, Communities and Local Government (MHCLG) issued this policy document proposal on 8th May for consultation to all stakeholders with a deadline of 31st July

2019. It covers matters relating to Local Government Pension Scheme 2013 in England and Wales

3.1.1 **The summary key proposals in the consultation are as follows:**

- to amend the local fund valuation cycle of the LGPS from the current three year (triennial) cycle to a four year (quadrennial) one with effect from 2024. The MHCLG's preferred option for transitioning into this is to allow the 2019 valuation to complete as anticipated (with an output of three years' contribution requirements), and then have an out-of-cycle valuation performed in 2022 (with an output of two years' contribution requirements).
- the introduction of a power for LGPS funds to undertake interim valuations (in full or in part).
- the widening of the power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations.
- the introduction of a 'deferred employer' status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong covenant.
- allowing an exit payment calculated on a full buy-out basis to be recovered over a period of time for cases where 'deferred employer' status might not be appropriate.
- a review of the arrangements for paying exit credits in cases where risk sharing provisions exist within the contractual agreements with an employer.
- a removal of the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff for new entrants.

3.1.2 **The summary of consultation questions are listed:**

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Question 18 – Do you agree with our proposed approach?

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

3.2 Members are asked to consider the full consultation document attached as Appendix 1 and discuss their views and responses to the questions listed in paragraph 3.1.2 for submission to MHCLH by the deadline of 31st July 2019.

4. Implications

4.1 Financial implications

None applicable to this report. Financial implications will be included in each report to the Pensions Sub-Committee as necessary.

4.2 Legal Implications

None applicable to this report.

4.3 Environmental Implications

None applicable to this report.

4.4 Resident Impact Assessment:

The Council must, in carrying out its functions, have due regard to the need to eliminate unlawful discrimination and harassment and to promote equality of opportunity in relation to disability, race and gender and the need to take steps to take account of disabilities, even where that involves treating the disabled more favourably than others (section 49A Disability Discrimination Act 1995; section 71 Race Relations Act 1976; section 76A Sex Discrimination Act 1975."

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

5. Conclusion and reasons for recommendation

- 5.1 Members are asked to consider the questions and agree responses to be submitted to MHCLG by the deadline of 31st July 2019

Background papers:

None

Final report clearance:

Signed by:

Received by: Corporate Director of Finance Date

Head of Democratic Services Date

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