Pension Fund Committee
Meeting to be held on Friday, 23 March 2018

Electoral Division affected:
None;

Lancashire County Pension Fund - Admissions and Termination Policy
(Appendix 'A' refers)

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Executive Summary

On the 15th September 2017 the Pension Fund Committee approved the consultation process on the revised Admissions and Termination Policy for the Fund.

The three month consultation ceased on 20 December 2017 and resulted in 2 responses being received, neither of which are considered to require changes to the policy recommended at the meeting in September.

Recommendation

The approval of the revised Admissions and Termination Policy as set out at Appendix 'A' with an implementation date of 1st April 2018.

Background and Advice

When an employer leaves the Fund, an assessment needs to be made of the assets and liabilities attributable to it under the Fund. If there is any deficit of assets against liabilities then this needs to be met by the employer. The assessment and payment of any deficit is both a requirement of the LGPS Regulations and sensible financial practice, as otherwise the deficit attributable to the leaving employer would need to be picked up by other employers within the Fund.

The main area for review within the Admissions and Termination policy was the actuarial assumptions which are used to assess the value of the liabilities at the point the employer exits the Fund. At the meeting in September 2017 a number of actuarial approaches were presented and the Committee approved the draft which set a discount rate, used in the exit calculations, based on the yields available on corporate bonds at the date of exit.

Following the consultation on the revised policy two responses were received from Scheme employers, the main points of which are summarised below.

The first response, representing a group of Housing associations, was primarily concerned that the impact of the new policy would affect their proposed termination. However, as their exit dates will be prior to the proposed implementation date it has been confirmed that there will not be any impact on their exit proposals.

The second response raised two issues.

Firstly that an employer leaving the Fund be allowed to continue to pay an exit debt over a period of time representing their established "valuation recovery period". This was discounted on the basis that this would present too great a risk in potential future defaulted payments and present additional administrative burden. Whilst the Fund should not deviate from its policy to secure an exit payment at the exit date it is however, open to an employer to "pre-fund" a termination prior to exit as allowed for within the policy.

The second point concerned the policy whereby any surplus identified on exit would be subsumed by the Fund. Whilst it is acknowledged that proposed regulatory changes may force this change in the future it is not proposed that the Fund's policy is amended in advance of those potential changes.

Both responses acknowledged the need to protect employers within the Fund and it is considered that none of the additional issues raised within the responses warranted any revisions to the draft previously presented.

Consultations

Mercer and Scheme Employers

Implications:

This item has the following implications, as indicated:

Risk management

It is good practice to review the policy to ensure it is up to date and that employers in the fund are protected from the downside risk of an employer exiting.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate
N/A