

Lancashire Local Pension Board

Meeting to be held on Tuesday, 9 July 2019

Electoral Division affected: (All Divisions);
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Regulatory Update

Contact for further information:

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Executive Summary

This report sets out an update on various pension related regulatory issues to assist members of the Pension Board to exercise their functions as a member of the Pension Board effectively.

Recommendation

The Board is asked to consider and note the contents of the report.

Background and Advice

1. Consultation on implementation of late retirement factors

This relates to actuarial factors uplifting a members benefits where they retire after their normal retirement date. As reported at the last board the proposals include a change in methodology as well as a change in factors.

The consultation closed on 17 April 2019 and a number of the consultation responses received have raised concerns about the originally proposed 1 May 2019 implementation date. As such discussions have taken place between the Ministry of Housing, Communities and Local Government, the Local Government Association and software suppliers and it has now been agreed that the revised factors will be effective from 1 September 2019 and the subsequent associated guidance will include a more simplified methodology to that shown in the original consultation document.

2. Consultation regarding the Local valuation cycle and the management of employer risk

The consultation document has already been shared with the Fund's scheme employers who were invited to respond in their own right. Full details were also presented at the last Pension Fund Committee who were advised that the Fund would be working closely with the Scheme Actuary in providing its own response and will take on board any comments provided by members of the Committee and the Pensions Board.

The Ministry of Housing, Communities and Local Government issued a consultation on 8 May 2019 with a closing date for responses set at 31 July 2019.

In brief the consultation covers the following areas:

- amendments to the local fund valuations from the current 3 year (triennial) to a 4 year (quadrennial) cycle
- introduction of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle such as interim valuations
- proposals for flexibility on exit payments for terminating employers, in effect allowing a deferment of the payment where a sufficiently strong covenant exists to allow the terminating employer to provide an ongoing commitment to meet their existing liabilities
- proposals for further policy changes to exit credits for terminating employers, effectively allowing an administering authority to take into account a scheme employer's exposure to risk when calculating the value of an exit credit. In particular, if the service provider has not borne any pensions risk, but has become entitled to an exit credit, then the exit credit should be assessed as nil
- proposals for changes to the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the Local Government Pension Scheme to their non-teaching staff for new entrants

3. Fair Deal – Strengthening pension protection - Consultation

As reported previously this consultation contained proposals to strengthen the pension protections that apply when an employee of an LGPS employer is compulsorily transferred to the employment of a service provider. A copy of the Lancashire Fund's response was provided at the last Board meeting.

It is expected that the Fair Deal regulations and associated guidance will be issued towards the end of 2019.

4. Cost Cap and McCloud update

On 14 May the LGPS Scheme Advisory Board issued guidance concerning dealing with the potential additional costs and liabilities arising from the Cost Cap process and the McCloud discrimination case.

For the actuarial valuations, the Scheme Advisory Board's view is that the current benefit design as set out under the existing LGPS Regulations should be used to set employer contribution rates, but that Funds and employers should be mindful of the potential extra liabilities when setting their contribution rates at the 2019 valuation.

5. Exit Payment reform

As reported at the last Board meeting a further consultation on limiting exit payments for public sector workers was launched with a closure date of 3 July 2019.

Any introduction of an exit payment cap will lead to a number of actions and complexities that administering authorities, and employers, will need to be aware of. As such it is expected that a further separate consultation specific to the LGPS, including the methodology to adjust pension benefits, will be launched in due course, The Lancashire Fund will be responding to this once those details are released.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified

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

Paper	Date	Contact/Tel
N/A	N/A	N/A
Reason for inclusion in Part II, if appropriate		
N/A		