

Pension Fund Committee

Meeting to be held on Friday, 18 June 2021

Electoral Division affected: (All Divisions);
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Lancashire County Pension Fund - Inter-valuation contribution review policy/Admission and Termination Policy (Appendices 'A' and 'B' refer)

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Executive Summary

Following a review and consultation with employers, drafts of the updated Admission and Termination policy and a new inter-valuation contribution review policy have been finalised, as set out in the Appendices to this report.

Draft versions of both policies were presented to the Committee on 12th March 2021 and were subsequently referred to employers for comment. The consultation period has now expired and, as no comments were received which require the drafts to be amended, they are presented for approval.

Recommendation

The Pension Fund Committee is asked to approve the inter-valuation contribution review policy and the Admission and Termination policy set out at Appendix 'A' and Appendix 'B' respectively.

Background and Advice

The current admission and termination policy has been in place since August 2020 when the policy was amended to incorporate further changes to legislation covering exit credits, allowances for the on-going effects of the McCloud judgement and generally to bring the policy in line with the Funding Strategy Statement which had been amended in March 2020.

This latest review incorporates changes to legislation covering provisions introduced by the Local Government Pension Scheme (Amendment) (No.2) Regulations 2020 which were laid on 27 August 2020 with an implementation date of 23 September 2020.

The changes were made following discussions with our actuaries and now, following the closure of a consultation with the employers in the Fund where no responses

were received, the policy statements remain unchanged from the drafts approved at the last Committee and are set out in Appendices 'A' and 'B' for approval.

A summary of the key changes as previously reported at the last Committee are set out again below for ease of reference.

The policies reflect the employer flexibilities that now exist around employer risk and are intended to allow the Fund to have the flexibility to react appropriately to the wide range of circumstances that may occur, particularly on termination.

In summary the main changes to the admission and termination policy are the inclusion of options to spread termination payments and allowances for deferred debt agreements. The policy on each is broadly similar in that the Fund will consider applications, basing decisions principally on the best interests of the Fund and the covenant and circumstances of the outgoing employer.

In terms of the new Inter-valuation contributions review policy, the new regulations provide the Fund with the ability to review employer contributions between valuations. The Fund and employers now have the following flexibilities:

- The Fund may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
- The Fund may review the contributions of an employer where there has been a significant change in the employer's covenant.
- An employer may request a review of contributions from the Fund if they feel that either point 1 or point 2 applies to them.

This draft policy details the Fund's approach on reviewing employer contributions between valuations, including the circumstances under which a review may take place, and the methodology of that review.

The Fund, in maintaining employer contributions at appropriate levels, aims to mitigate risk as far as possible, within its risk management framework. The inter-valuation contributions review policy reflects this framework.

Consultations

Mercers – Fund Actuary

Scheme Employers participating in the Lancashire County Pension Fund

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 the Fund and participating employers 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