

Staff and Pensions Committee

The Local Government Pension Scheme (Amendment) (No 2) Regulations 2020

14 December 2020

Recommendation(s)

1. The Staff and Pensions Committee notes and comments on the report.

1. Executive Summary

- 1.1 The above regulations came into force on 23rd September 2020 and introduced greater flexibility on how funds deal with employers exiting the pension fund and the option to review contributions for employers between valuations.
- 1.2 Funds however will not be able to take advantage of these new flexibilities unless they have a policy set out in their Funding Strategy Statement (FSS).

2. Financial Implications

- 2.1 The review of employer contributions allows the Fund to manage and mitigate risk for an employer which has experienced a significant change to their liabilities or covenant. Whilst the spreading of exit payments and deferred debt arrangements for exiting employers enables the Fund and the employer to manage a cessation payment.

3. Environmental Implications

- 3.1 None.

4. Supporting Information

- 4.1 The new regulations make it clear that the administering authority is allowed to spread payment of an exit credit over a number of years. This amendment is acknowledging a practice which many funds have followed and the Warwickshire Pension Fund has had such an arrangement with an employer in the past.
- 4.2 The amending regulations also permit deferred debt agreements which allows an administering authority to defer the exit valuation and the employer is

treated similarly to an employer with active members with liabilities reviewed and contributions set at triennial valuations.

4.3 The ability to review contributions for employers between valuations is subject to a list of conditions, one of which must be met:

- It appears likely to the administering authority that the liabilities arising or likely to arise have changed significantly
- It appears likely to the administering authority that there has been a significant change in the ability of the employer to meet their obligations, or;
- The employer has requested a review.

4.4 We are expecting statutory guidance to be released by the Ministry for Housing, Communities and Local Government (MHCLG) for funds to consider when changing their FSS. Also, funds are expecting the Scheme Advisory Board (SAB) to release more detailed guidance for administering authorities.

4.5 [insert wording that officers (you) gave training to SPC members [+LPB] on LGPS regs, including this, on [insert date] and slides were sent round afterwards]

5. Timescales associated with the decision and next steps

5.1 Once statutory guidance is issued by MHCLG and further advice received from the SAB both the FSS and the Admissions and Termination Policy will be reviewed and amended as appropriate.

5.2 It is anticipated that these amendments will be brought to the March meeting of the Staff and Pensions Committee.

Appendices

1. None

Background Papers

None

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The report was circulated to the following members prior to publication:

Local Member(s): None

Other members: Councillors Kaur & Gifford