

Staff and Pensions Committee

9 December 2019

LGPS Development update

Recommendation

That the Staff and Pensions Committee note and comment on the report.

1.0 Introduction

1.1 This report seeks to update the Committee on current and future LGPS developments.

2.0 McCloud Update

2.1 Earlier this year the government lost its right to appeal the McCloud age discrimination court case at the supreme court.

2.2 As a result the LGPS benefit structure is under review but to date no details on what alterations will be made to benefits accrued from April 2014 to remedy the discrimination have been proposed.

2.3 Furthermore, the Scheme Advisory Board (SAB) advised pension funds that fund actuaries should value the benefits accrued from 1 April 2014 in line with the current regulations for the purpose of the ongoing 2019 valuation.

2.4 The Fund's Actuary attended a recent meeting with the Local Government Association (LGA) and the Ministry for Housing, Communities and Local Government (MHCLG) at which MHCLG confirmed their expectation that local authority pension funds should state in their actuarial valuation report and/or Funding Strategy Statement how they have made an allowance for the McCloud ruling.

2.5 Officers are speaking with the Actuary about the possible impact on employer contribution rates.

3.0 LGPS Consultation on valuation cycles / managing employers

3.1 Transitioning local government pension funds from a three yearly to four yearly valuation cycle so that the national LGPS cost management valuation and local LGPS valuations are aligned from 31 March 2024 onwards. This change is being brought in to match the same four yearly cycle that applies to the non-funded public service schemes.

3.2 The next valuation of assets and liabilities is currently expected to take place at 31 March 2022.

4.0 Exit Payment Cap

- 4.1 The government first introduced the idea of capping exit payments to £95k in 2015 and have now issued final consultation for introduction later this year.
- 4.2 The £95k exit cap applies to most public sector employers and simply means the total exit payments which can be made to an employee must not exceed £95,000.00 in total
- 4.3 For the LGPS this cap also includes any actuarial strain incurred if the benefits are released early on the grounds, for example, redundancy or efficiency etc
- 4.4 HM Treasury (HMT) received approximately 600 responses and it is likely they will publish their response in the Autumn. The Local Government Association understands that HMT are to introduce the cap no sooner than 1 April 2020.

5.0 Good Governance in the LGPS

- 5.1 Hymans Robertson issued a report Good governance in the LGPS (Appendix).
- 5.2 Officers are currently reviewing the governance of the Fund and will be discussing the report and best practice with Hymans as part of this review.

6.0 Financial Implications

- 6.1 There are no direct implications at this point in time.

7.0 Environmental Implications

- 7.1 There are no direct environmental implications resulting from the proposals set out in this report.

8.0 Background papers

None

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The report was not circulated to members prior to publication.