



Complete Agenda

Democratic Service
Swyddfa'r Cyngor
CAERNARFON
Gwynedd
LL55 1SH

Meeting

PENSION BOARD

Date and Time

10.00 am, FRIDAY, 17TH MAY, 2019

Location

Ystafell Gwyrfai - Pencadlys Caernarfon

Contact Point

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(DISTRIBUTED 10/05/19)

PENSION BOARD

MEMBERSHIP

EMPLOYER REPRESENTATIVES

Anthony William Deakin Cartrefi Conwy

Councillor Aled Ll. Evans Cyngor Gwynedd Council

Huw Trainor North Wales Police

MEMBER REPRESENTATIVES

Hywel Eifion Jones (retired – formerly Anglesey Council)

Osian Richards Members Representative

Sharon Warnes (retired - formerly Gwynedd Council)

AGENDA

1. ELECT CHAIR

To elect chair for 2019 - 20

2. ELECT VICE CHAIR

To elect vice chair for 2019 - 20

3. APOLOGIES

To receive any apologies for absence

4. DECLARATION OF PERSONAL INTEREST

To receive any declaration of personal interest

5. URGENT ITEMS

To note any items which are urgent business in the opinion of the Chairman so that they may be considered

6. MINUTES

5 - 7

The Chairman shall propose that the minutes of the meeting of this committee held on 13 March 2019 be signed as a true record.

7. MINUTES AND MATTERS ARISING FROM THE PENSIONS COMMITTEE 8 - 10

To submit, for information, minutes of the Pensions Committee meeting held on the 14.3.19 and consider any matters arising

8. BOARD REPORT FOR THE PENSION FUND ANNUAL REPORT 2018/19 11 - 14

To consider the report

9. UPDATE ON THE GWYNEDD PENSION FUND'S INVESTMENT PERFORMANCE To Follow

To consider the Investment Managers report

10. RISK REGISTER 15 - 30

To consider the report and understand the risks relating to the Pension Fund and scrutinise the Risk Register

- | | |
|--|------------------|
| 11. MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT'S (MHCLG) POLICY CONSULTATION | 31 - 60 |
| To consider the report | |
| 12. WALES PENSION PARTNERSHIP - ENGAGEMENT WITH PENSION BOARD CHAIRS | 61 - 66 |
| To submit, for information, details and minutes of the Pension Board Chairs Engagement Meeting | |
| 13. PUBLIC SECTOR EXIT PAYMENT CAP | 67 - 94 |
| To consider the Head of Finance's Report | |
| 14. BOARD MEMBER RECRUITMENT AND APPOINTMENT | |
| To receive verbal information from the Head of Finance | |
| 15. PENSIONS MEETING DATES | 95 - 97 |
| To submit information for the members of relevant dates for meetings | |
| 16. ATTENDANCE IN CONFERENCES | 98 - 112 |
| To select representatives from the Pensions Board to attend upcoming conferences | |
| 17. AMENDED WORK PLAN | 113 - 114 |
| To consider the above program and suggest additional items or changes | |

PENSION BOARD, 13.03.19

Present: Anthony Deakin (Cartrefi Conwy) (Chair), Councillor Aled Evans (Gwynedd Council), H. Eifion Jones (Scheme Members' Representative), Osian Richards (Scheme Members' Representative), Huw Trainor (North Wales Police) and Sharon Warnes (Scheme Members' Representative).

Others invited: Councillor John Pughe Roberts (Chair of the Pensions Committee).

Officers: Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager), Nicholas Hopkins (Pensions Manager), Meirion Jones (Senior Communication Officer - Pensions) and Lowri Haf Evans (Member Support Officer).

1. APOLOGIES

An apology was received from Councillor John Pughe Roberts, (Chair of the Pensions Committee). The Members wished to send their best wishes to Councillor John Pughe Roberts and his partner, Rhian, who was currently receiving treatment at Swansesa hospital.

2. DECLARATION OF PERSONAL INTEREST

None to note

3. URGENT ITEMS

None to note

4. MINUTES

The Chair signed the minutes of the meeting of this committee, held on 13 December 2018, as a true record.

5. PENSIONS COMMITTEE MINUTES

The minutes of the Pensions Committee held on 21 January 2019, were accepted for information.

Loan Security:

It was noted that Mr Hywel Eifion Jones had asked about limiting the relevant investment sum of the Fund, and whether a maximum had been set. It was noted that the question would be asked at the Wales Pension Partnership Joint Committee on 27.3.19.

The Scheme's Advisory Board: Managing Costs

In response to the proposed recommendations of the Scheme's Advisory Board that would return the total cost of the scheme to its target cost of 19.5%, the Members agreed with the observations of the Pensions Committee, and noted that the scheme had to be affordable to everyone. It was reiterated that the McCloud case had now slowed the process down, and that the national LGPS Advisory Board would reconsider following the outcome of the case.

Staffing of Pensions Administration Unit:

In response to the information regarding restructuring the administration unit, the fact that there were no cuts to the Administration of the Pension Fund was welcomed, and a clear understanding was appreciated here in Gwynedd that the Fund and the Administration Authority's budget would be separately funded to the Council budget.

6. WALES PENSION PARTNERSHIP: EQUITY INVESTMENTS

Submitted - a report informing the members of the Gwynedd Fund's equity portfolio transfer to the new funds of Wales Partnership. Equal sums were transferred into two funds in January 2019,

- LF Wales PP Global Growth Fund (Class A Income)
(Baillie Gifford, Veritas a Pzena)
- LF Wales PP Global Opportunities Equity Fund (Class A Income)
(Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWG and Oaktree)

It was reiterated that the exercise had been easy, with investments to both funds keeping their value during the transfer.

It was reported that the Ministry for Housing, Communities and Local Government from the Westminster Government was conducting a consultation on Partnership management and administration guidelines. It was highlighted that the response of the Wales Partnership was being prepared and would be discussed finally at the next meeting of the Wales Pension Partnership Joint Committee on 27.3.19. The Head of Finance Department suggested that, if practical to do so, the final draft response be shared with the Chair and the Board Members, so that their observations could have been received before the full response was submitted to the Government on 28.3.19.

In response to a question regarding reviewing the investment performance, it was noted that this was premature and that reporting and performance arrangements would be discussed with Link and Russell Investments at the Partnership's meeting soon. In the context of fees paid, it was confirmed that the fees of the basic asset management companies would be smaller under the new system; however, of course, Link and Russell's management fees would need to be paid.

In response to a question regarding the timetable of the transfers, it was noted that the fixed income asset category would be the next transfer in Gwynedd in summer 2019. It was reiterated that discussions had already been held at the Investment Panel about these transfers, and that interest had been expressed in two Wales Pension Partnership sub-funds.

In the context of equity in specific regions, it was explained that the Gwynedd Pension Fund did not have specific separate mandates for these regions, but that Gwynedd equity investments in development market regions would be likely to transfer in autumn 2019.

Regarding the impact of the transfers on staff workload, it was noted that the next major challenge for the services would be to close the 2018/29 accounts in April / May.

RESOLVED to note the information.

7. THE BOARD'S REPORT FOR THE ANNUAL REPORT OF THE PENSION FUND 2018/19

The Chair of the Pension Board's initial draft report for 2018/19 was submitted, inviting the Members to contribute additions or amendments to the report. It was explained that the layout of the report corresponded to the 2017/18 report, and offered factual statements that reflected the subjects discussed during the 2018/19 year.

Additions and amendments to the draft, arising from the discussion:

- That the report needed to reflect positive pro-active practice
- It would be sensible to compare with the reports of other funds
- With regard to the 'survey of arrangements', the opinion needed to be highlighted in addition to the response only
- Staff succession, risk matters and employers' costs had been matters that the Board had highlighted for the Committee to act upon.

RESOLVED to accept the report subject to including the above observations.

8. LAPFF CONFERENCE

H. Eifion Jones noted that he had attended the Local Authority Pension Fund Forum's Annual Conference in Bournemouth on 5-7 December 2018, and that he had sent a copy of the PowerPoint presentations from the conference to the Head of Finance and the Chair. The Head of Finance Department added that he had received the presentations along with an e-mail from Hymans enclosing a report summarising the presentations at the Bournemouth conference, and that he would forward this to the members.

9. 2019/2020 WORK PROGRAMME

A draft work programme was submitted by the Communication and Systems Team Leader, including matters and items for discussion during the year.

Observations and suggestions arising from the discussion:

- An update on investing and administration to appear every other meeting
- Matters arising from the Pensions Committee to be a standing item
- Risk Register as a standing item, in accordance with a suggestion from CIPFA that this was good practice. Propose the item to report on changes only, not to open a discussion on any element.
- That Officers would be expected to report on technical breach to the following Board meeting, should one arise
- A suggestion to hold a discussion on engagement with young people / promote the benefit of the fund
- That an update on the McCloud case would likely have an impact on the fund's work and discussions during the year
- Matters from the LGPS Governance Conference (January 2020) to be discussed at the Board meeting in March 2020.
- Meeting dates to be confirmed

RESOLVED to note the information and amend the work programme according to the observations.

The meeting commenced at 2:00pm and concluded at 3:05pm.

Agenda Item 7

PENSIONS COMMITTEE 14.3.2019

Present: Councillors: John Pughe Roberts (Chair), Stephen Churchman, David Cowans (Conwy Borough Council), Simon Glyn, John Brynmor Hughes, Aled Wyn Jones, Peter Read, Robin Williams (Anglesey Council) and Tony Deakin (Chair of the Pensions Board - Observing).

Officers: Dafydd Edwards (Head of Finance Department), Caroline Roberts (Investment Manager) and Lowri Haf Evans (Member Support Officer).

1. APOLOGIES

Apologies were received from Councillor Peredur Jenkins.

2. DECLARATION OF PERSONAL INTEREST

None to note.

3. URGENT ITEMS

i. National guidelines for the pooling arrangements of the LGPS investments.

It was reported that the Ministry for Housing, Communities and Local Government was consulting on the management and the administration of pooling the investments of the LGPS funds. It was highlighted that the response of the Wales Partnership was being prepared and would be discussed finally at the next meeting of the Wales Pension Partnership Joint Committee on 27 March. It was suggested that the final draft response from Wales Partnership be shared with all Gwynedd Pension Committee members, so that they could comment on it. It was reiterated that the Head of Finance Department, the Investment Manager and the Chair of the Pensions Committee would be attending the Wales Partnership Joint Committee on 27 March.

ii. Investing in Green Energy

For information, it was reported that the Fund's infrastructure asset managers, 'Partners Group', had confirmed that the "*financing for the Greenlink Interconnector*" investment would come from the *Direct infrastructure 2015 fund* in which Gwynedd was investing. It was reiterated that the *Interconnector* was a project to transfer electricity under the sea between Ireland and Pembrokeshire. It was noted that news about such an investment was to be welcomed.

4. MINUTES

The Chair signed the minutes of the meeting of this committee, held on 21 January 2019, as a true record.

5. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY

In accordance with Welsh Government's Statutory Guidance on Local Government Investments, the Council was required to prepare an Annual Investment Strategy as part of its treasury management role. As good practice, it was considered that the Gwynedd Pension Fund (the "Fund"), should adopt Gwynedd Council's Treasury Management

Strategy Statement (TMSS) for 2019/20, as revised for the purpose of the Pensions Fund. Gwynedd Council's TMSS for 2019/20 was approved by the full Council on 7 March 2019.

The Pensions Committee wished to allow the Pension Fund's cash balances to be pooled with the Council's financial balances which would consequently attract higher interest rates, minimise bank costs and avoid the duplication of work within the Council. It was confirmed that the priority was to safeguard the Fund and protect the money, rather than take risks.

It was proposed and seconded to accept the recommendations.

- **Resolved – to approve the Treasury Management Strategy Statement and the Annual Investment Strategy for 2019/20, as revised for the purpose of the Pensions Committee.**
- **It was resolved to request that the Council (although not a separate body) allow the surplus cash balances of the Pension Fund to continue to be pooled with the Council's general cash flow from 1 April 2019 onwards.**

6. WALES PENSION PARTNERSHIP: EQUITY INVESTMENTS

Submitted - a report informing the members of the transfer of Gwynedd Fund's equity portfolio transfer to the new funds of Wales Partnership. Equal sums were transferred into two funds in January 2019,

- LF Wales PP Global Growth Fund (Class A Income)
(Baillie Gifford, Veritas a Pzena)
- LF Wales PP Global Opportunities Equity Fund (Class A Income)
(Morgan Stanley, Numeric, Sanders, Jacobs Levy, SW Mitchell, NWG and Oaktree)

It was reiterated that the exercise had been straightforward, with investments to both funds retaining their value during the transfer.

In response to a question regarding reviewing the fees, performance and value of the transfer, it was noted that speculating on any detailed arrangements was premature, and that arrangements would be discussed at the Wales Pension Partnership's follow-up meeting with 'Link Fund Solutions' and 'Russell Investments'.

In response to a question regarding the timetable of the transfers, it was noted that the 'Fixed Income' asset category would be the next transfer by the Gwynedd Fund in summer 2019. It was reiterated that discussions had already been held at the Investment Panel about these transfers, and that there was interest in combining asset managers, including two familiar names here in the Gwynedd Fund.

In the context of equity assets in specific regions, it was explained that the Gwynedd Pension Fund did not have investments in the regions in question initially, but that our equity assets in development market regions would be likely to transfer in late 2019.

It was considered that approximately 70% of investments had been transferred thus far, and fixed income assets would add approximately 15% to this. It would be difficult to anticipate a 100% transfer due to the nature of some investments and the difficulty in transferring them due to long-term agreements.

RESOLVED to accept the information.

The meeting commenced at 2:00pm and concluded at 2:30pm.



Meeting:	Pension Board
Date:	17 May 2019
Title:	Pension Board Chair draft report for 2018/19 for Gwynedd Pension Fund's annual general report
Purpose:	Assist the Chair to complete the annual report

Introduction

1. It is required that the Chair of the Pension Board produces an annual report, as part of the annual report of the Pension Fund, to be presented to the annual meeting of the Fund in October 2019.
2. This draft report (see Appendix A) has been prepared on behalf of the Chair, following input from Board members at the Board's last meeting in March 2019.

Timetable

3. In practice, the final report is required by early May. This is earlier than usual as the auditors Deloitte require us to provide the Fund's Annual Report by the end of May 2019.
4. Gwynedd Pension Board's annual meeting will take place on October 24th, in the Dafydd Orwig Chamber, Caernarfon, and **all** Board members are invited to attend.

Content of the draft report

5. The draft report is written in accordance with corresponding layout for the 2017/18 report, with several statements of fact unchanged for the 2017/18 report.
6. However, the content reflects the topics discussed during the 2018/19 year.

Conclusion

7. Board members are asked to consider the contents of the draft report, discuss its contents, and propose further amendments if required.

Appendix A

Annual Report of the Gwynedd Pension Board for 2018/19 (the year to 31 March 2019)

Background / Constitution

The Board was constituted under the Public Services Pensions Act 2013 and held its first meeting on 13th July 2015. The membership consists of three members representing scheme employers and three representing scheme (which include staff who contribute towards the pension and those who are retired and receiving a pension).

Over the period between 1 April 2018 and 31 March 2019, the Board has met four times. Board members are invited as observers to meetings of the Pensions Committee and have agreed to take this role in turn in order to facilitate understanding as well as communication. This arrangement is reciprocated with the Chair of the Pensions Committee now attending Board meetings, where he is accountable, with officers for the governance and administration of the Fund. At times, the Board has asked for its views and recommendations to be submitted for consideration by the Committee.

Function of the Board

In terms of legislation the two primary functions of the Local Pension Board are to assist the administering authority (Gwynedd Council) to:

- i. ensure effective and efficient governance and administration of the LGPS, and
- ii. ensure compliance with relevant laws and regulation

Therefore, the Board is a monitoring, reviewing and assisting body, not a management or decision making body.

The Board operates under Terms of Reference agreed by Gwynedd Council (in a meeting of the full Council on the 5th March 2015).

It is supported by the Council's Member Support and Scrutiny Officer and reports are prepared and presented by officers including the Head of Finance, Investment Manager, Pensions Manager and the fund's Communication and Systems Team Leader.

The work of the Board

Once again, the past year has been a busy year for the senior staff of the Administering Authority with the pooling of investments taking priority. Therefore, Board members were aware of the need to prioritise requests in order for officers to prepare reports for the Board.

Attendance

	12/04/2018	16/07/2018	13/12/2018	13/03/2019
Anthony Deakin	✓	✓	✓	✓
Cynghorydd Aled Evans	✓	x	✓	✓
H. Eifion Jones	✓	✓	✓	✓
Osian Richards	✓	✓	✓	✓
Huw Trainor	✓	✓	✓	✓
Sharon Warnes	✓	✓	✓	✓

Work Plan

In accordance with the work plan agreed in the previous year, reports on the following issues were received:

- Treasury Management Strategy Statement and Annual Investment Strategy
- Responsible Investment
- Update to the Risk Register
- Communicating with employers – Timely and accurate data
- The Pension Fund's Investment performance
- Pension Administration
- The Member Self Service system
- Wales Pension Partnership

During the discussions, input was given and a number of comments were made by Board members which has assisted administrative authority officials to complete their work.

In addition, Board members attended the annual meeting of the Fund in September 2018 and noted that the fund has performed highly satisfactory, compared with other LGPS funds.

The Board completed the Pensions Regulator's survey on public service governance. The survey was a mixture of factual questions and an opinion poll. Following a discussion between members of the Board, the survey was presented to the Regulator within the specified time limit. During the discussion, the following matters were noted as ones requiring attention:

- Continuity arrangements in terms of staffing;
- The 5 highest risk matters on the risk register;
- Developing arrangements to punish employers who continue to generate additional work.

The work plan for 2019/20 include:

- Update to the Risk Register
- The 2019 Fund Valuation
- General Update on Pension Administration
- The New Member A Self Service system
- Update on the Wales Pension Partnership
- Update on the Gwynedd Pension Fund Investment performance

Training

During Board meetings all members of the Board were given details on the LGPS and its administration in Gwynedd through various presentations by the Head of Finance, the Investment Manager, the Pensions Manager and Communication and Systems Team Leader.

Members of the Board have also attended a number of meetings / presentations. These include:

LGPS Governance Conference in Bristol
LAPFF Conference in Bournemouth
CIPFA Pension Board Seminar in Liverpool and Cardiff
CIPFA Annual Pension Conference in London

Thanks

The Chair wishes to thank his fellow members on the Board, who have volunteered their time to the roles, and the relevant officers for their support.

MEETING:	Pension Board
DATE:	17 Mai 2019
TITLE:	Risk Register
PURPOSE:	To understand the risks relating to the Pension Fund and scrutinise the Risk Register
AUTHOR:	Meirion Jones, Communication and Systems Team Leader

1. INTRODUCTION

The Gwynedd Pension Fund has a Risk Register in order to identify and monitor significant risks. The Risk Register also includes the processes in place to mitigate the risks where possible.

A copy of the first risk register was shown to the Board in the meeting on the 5th April 2017. It was updated in 2018 and again now in 2019 in line with comments received from the Board.

A copy of the current Risk Register is attached at Appendix A

It is a working document and will be reviewed regularly and updated for any significant risks that develop.

2. THE BOARD'S ROLE

The members of the Board are asked to scrutinise the risk register and bring any comments or suggestions to the meeting.

GWYNEDD PENSION FUND

RISK REGISTER: Version 3 – May 2019

Risk Assessment Matrix					
Likelihood	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Impact				

Assessment of Impact				
		Financial	Reputation	Stakeholder/Customer
1	Negligible	< £35k	Minimal and transient loss of public trust.	Minimal impact on stakeholders or customers.
2	Minor	£35k - £300m	Slight loss of trust with no lasting impact. Little adverse publicity.	Minor impact on stakeholders or customers and customer dissatisfaction. Limited service disruption.
3	Moderate	£300m - £3m	Moderate loss of trust that receives significant adverse publicity locally with no lasting impact.	No lasting impact. Moderate disruption to stakeholders, moderate impact on customers and customer dissatisfaction. Moderate service disruption.
4	Major	£3m - £30m	Significant loss of trust and receives local media attention with potential for lasting impact.	Significant service disruption and opposition from stakeholders and/or customers. Threat of legal action.
5	Catastrophic	> £30m	Significant loss of trust and receives national media attention with potential for persisting impact.	Major service disruption and significant opposition from stakeholders and/or customers. Legal action. Long term public memory.

Assessment of Likelihood			
		Probability Descriptors	Numerical Probability
1	Rare	This will probably never happen/recur.	Under 1%
2	Unlikely	Do not expect it to happen/recur, but it is possible it may do so.	1% - under 5%
3	Possible	Might happen or recur occasionally.	5% - under 20%
4	Likely	Will probably happen/recur, but it is not a persistent issue or circumstances	20% - under 50%
5	Almost Certain	Will undoubtedly happen/recur, possibly frequently. A project more likely to fail than succeed.	Over 50%

Risk No. Page 18	Description of Risk and Potential Impact	Inherent Risk			Mitigating Controls	Current Risk			Risk Owner	Additional Plan	Time scale
		Impact	Likelihood	Combined Score		Impact	Likelihood	Combined Score			
Governance											
	<p>The Administering Authority does not have appropriate governance arrangements including the requirement for a Pension Board resulting in:</p> <ul style="list-style-type: none"> - Non-compliance with legislation or best practice - Inability to determine policy, make effective 	4	3	12	<p>Gwynedd Pension Fund (GPF) has a Governance Policy Statement and a Governance Compliance Statement as required by the LGPS Regulations 2008.</p> <p>Both statements are reviewed and updated when required. Scheme employers are consulted when changes are proposed to ensure the policy is still appropriate.</p>	3	1	3	<p>Head of Finance</p> <p>Investment Manager</p>		

	<p>decisions and deliver services.</p> <p>- Risk to reputation</p>				<p>The Statement is available on the Gwynedd Pensions website: www.gwynedd.gov.uk</p> <p>GPF has a Pensions Committee to discharge the Council's duties as Administering Authority of the Pension Fund.</p> <p>Gwynedd Pension Board has been established as required by the Public Service Pension Act 2013.</p> <p>Support and training are being provided to ensure that the members of the board have the knowledge and skills to undertake their role.</p>						
	<p>Conflict of Interests affect, or are seen to affect decision making</p>	2	2	4	<p>Committee and Board members are aware of the legal responsibilities</p> <p>All members of the Pension Board declare any possible conflicts and conflicts at the beginning of each meeting.</p>	1	2	2	<p>Pension Committee</p> <p>Chairman of the Pension Board</p> <p>Head of Finance</p>		
	<p>The Pensions Committee and the Pension Board are unable to fulfil their responsibilities effectively resulting in:</p>	4	3	12	<p>The Committee has adopted the CIPFA Code of Practice on Knowledge and Skills and regular training is provided to ensure that</p>	3	2	6	<p>Investment Manager</p>	<p>The new members of the Committee and the Board have received basic training.</p>	

<ul style="list-style-type: none"> - Non-compliance with legislation or best practice - Inability to determine policy, make decisions and / or deliver service. - Risk to reputations. 				<p>members have the level of understanding required.</p> <p>A training and induction programme is available for new Committee and Board members.</p> <p>The Fund subscribes to relevant bodies (i.e. CIPFA and LAPFF) and sends representatives to major conferences.</p> <p>Committee and Board members are made aware of and adhere to the Governance Compliance Statement and are encouraged to identify training requirements.</p>					<p>Relevant training is offered to Committee members and board members.</p>	
Funding and Investments										
<p>The Committee Members and Investment Officers make inappropriate decisions as a result of insufficient knowledge of financial markets and inadequate investment and actuarial advice received resulting in:</p> <p>Poor Fund performance</p> <p>Financial loss</p> <p>Increased employer contributions</p>	5	3	15	<p>GPF Investment Strategy is set in accordance with LGPS investment regulations.</p> <p>The Investment Strategy takes the Fund's liabilities into account.</p> <p>The Investment Strategy is approved and reviewed by the Pensions Committee.</p> <p>GPF uses an external investment advisor who provides specialist guidance to the Investment Panel</p>	2	2	4	<p>Head of Finance</p> <p>Investment Manager</p>		

					and Pensions Committee regarding the Investment Strategy. Members and Officers are encouraged to challenge advice and guidance received.						
	<p>The Pension Fund has insufficient assets to meet its long term liabilities.</p> <p>The Pension Fund's investment strategy fails to produce the required returns.</p> <p>Performance is damaged by:</p> <ul style="list-style-type: none"> • Fund Managers failure to produce the required returns. • Fund managers damage performance by failing to make organisational changes or manager departures. <p>Resulting in</p> <ul style="list-style-type: none"> • Financial loss • Insufficient funds available to meet future obligations 	5	3	15	<p>Triennial actuarial valuations provide periodic indications of the growth in assets against liabilities. Employer contribution rates are set in response to this.</p> <p>The 2016 actuarial valuation includes provision for the fund to achieve full funding over 20 years. The 31 March 2016 valuation showed that there was 91% provision for the Gwynedd Fund.</p> <p>GPF investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets.</p> <p>Fund-specific benchmarks and targets are set.</p> <p>Fund assets are kept under regular review as part of the Fund's performance management process.</p> <p>Fund managers are thoroughly vetted prior to appointment and performance is reviewed regularly</p>	2	2	4	Investment Manager	<p>Although the fund was 91% funded as at 31 March 2016 the fund still uses prudent assumptions for the valuation.</p>	

					<p>against the benchmark and performance objectives by the Investment Panel.</p> <p>Appropriate action may be taken if an Investment Manager is underperforming.</p> <p>The depth of expertise in the fund manager's team will be assessed as part of the appointment process.</p> <p>Performance targets are agreed by the Pensions Committee and are based upon recommendations for the external advisor.</p> <p>The Pensions Committee have the power to terminate a fund manager's contract if it is deemed that the manager has not performed as expected or there are concerns about future performance due to organisational change or manager departures.</p>						
	The fund is exposed to unnecessary risks and avoidable costs due to poorly structured investment arrangements resulting in: Financial loss	5	3	15	<p>The Fund aims to ensure best value and to minimise exposure to risk as follows:</p> <p>The Fund's investments are diversified across a range of different types of assets to minimise</p>	2	2	4	Investment Manager		

					<p>the impact of losses in individual markets.</p> <p>Investment managers provide invoices for fees and disclosure of fees within funds.</p> <p>Specialist services such as transitions or currency transfers are considered where appropriate in order to reduce costs.</p> <p>Banking and custodian arrangements are reviewed and retendered as appropriate.</p>						
Page 23	<p>Collapse of a fund manager or negligence, fraud or wilful default committed by a fund manager resulting in:</p> <p>Financial loss</p>	4	3	12	<p>The Fund considers the financial stability of managers during the appointment process and the situation is kept under review.</p> <p>GPF uses a global custodian service to ensure that investment of assets is segregated from custody of assets.</p> <p>Legal requirements for fund managers are set out in their management agreements.</p> <p>Fund managers are required to be fully compliant with Financial Conduct Authority (FCA), the</p>	2	3	6	Investment Manager		

					<p>Pensions Regulator (TPR) and other regulatory requirements.</p> <p>The Fund's custodian can deal provide a transition service if a fund manager is being wound up.</p>						
Page 24	<p>Market crash leading to failure to reduce the deficit resulting in:</p> <p>Financial loss</p> <p>Increased employer contribution costs.</p>	5	4	15	<p>The Fund is diversified across a range of asset classes to mitigate the impact of poor performance in an individual market segment.</p> <p>Investment performance and monitoring arrangements exist which provide the investment officers with the flexibility to rebalance the portfolio in a timely manner.</p> <p>The long term nature of the liabilities provides some mitigation, in that markets fluctuate down and up which significantly reduces the impact.</p>	3	3	9	Investment Manager		
	<p>Pay and price inflation are significantly more than anticipated leading to:</p> <p>An increase in liabilities which is higher than the previous actuarial valuation estimate.</p>	3	3	9	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Employers pay for their own salary awards.</p>	2	3	6	Investment Manager		

					The Fund has committed to investments in infrastructure funds which helps to mitigate this risk.						
	Increase in number of early retirements due to public service cuts and/or ill health leading to pension liabilities increasing An increase in liabilities which exceeds the previous valuation estimate.	3	5	10	Employers are charged the extra capital cost of non-ill health retirements following each individual decision. Employer ill health retirement is monitored. Small employers are required to take out the ill health retirement insurance provided by the Fund.	1	5	5	Investment Manager		
Page 25	The average life expectancy of pensioners is greater than assumed in actuarial assumptions. An increase in liabilities which exceeds the previous valuation estimate.	4	4	16	Life expectancy assumptions are reviewed at each valuation. The Fund uses bespoke assumptions based on the life expectancy across Gwynedd Pension Fund's area. Mortality assumptions include some allowance for future increases in life expectancy.	2	4	8	Investment Manager		
	Scheme employers' contributions to the Fund are not received or are processed or recorded completely and accurately Increased costs across all the remaining scheme employers	4	3	12	The team monitor the receipt of contributions to the fund. The team communicates regularly with scheme employers to ensure that contributions are made in a timely manner and are recorded accurately.	2	2	4	Investment Manager		

					Details of any outstanding and overdue contributions are recorded and appropriate action is taken in order to recover payments.						
	An employer ceases to exist with insufficient funding available to settle any outstanding debts, or refuses to pay the cessation value. Departing employer does not fully meet its liabilities which leads to increased costs across the remaining scheme employers.	4	3	12	The risk is mitigated by: Vetting prospective employers before admission and ensuring that they fully understand their obligations. Applications for admission to the Fund are considered carefully and a bond or guarantee is put into place if required. Outstanding liabilities will be assessed and recovered from any successor bodies or spread amongst remaining employers. The actuarial valuation attempts to balance recovery period with risk of withdrawal. If necessary, appropriate legal action will be taken.	3	3	9	Head of Finance Pensions Manager		
	A significant number of LGPS members transfer their pension pots to other pensions providers in order to obtain a capital sum under the Government's "Freedom	4	3	12	The risk is mitigated by: Effective communication of the benefits of remaining in the LGPS.	2	3	6	Pensions Manager		

	and Choice" legislation resulting in: Significant cashflow out of the Fund. Reduction in assets greater than reduction in the Fund's liabilities.				Actuarial calculation of transfer value should ensure transfer value does not exceed reduction in liability.				Investment Manager		
Page 27	The result of the EU Referendum and the decision to leave the European Union results in significant economic instability and slowdown and as a consequence lower investment returns resulting in: Financial loss and / or failure to meet return expectations. Increased employer contribution costs.	5	4	20	The Fund's investments are diversified across a range of different types of assets to minimise the impact of losses in individual markets. The Fund will consider the impact when the terms of leaving the EU are clear and take any actions required.	3	4	12	Investment Manager		
Custody											
	Failure of custodian leading to losses which results in: Failure to reduce the deficit Financial loss	5	3	15	Fund assets are protected in the event of insolvency of the custodian. The custodian must adhere to FCA and TPR financial regulations.	2	2	4	Investment Manager		
Wales Pension Partnership											
	The Gwynedd Pension Fund has insufficient resources	5	5	25		5	5	25	Head of Finance	Additional staffing resources will be	

	<p>available to deliver the pooling proposal within the required timescale without impacting the day-to-day management of the fund.</p> <p>The management of the Pension Fund is affected due to existing resources working on the establishment of the investment pool.</p>									<p>required when it becomes apparent that insufficient resources exist to take forward the proposal without impacting the day-to-day management of the fund.</p>	
Communication											
Page 28	<p>Insufficient communication and engagement with the Pension Fund Stakeholders.</p> <p>Non-compliance with legislation and/or best practice.</p> <p>Inability to determine policy, make effective decisions and/or deliver service.</p> <p>Reputation risk.</p>	3	3	9	<p>A Communications Policy is in place.</p> <p>The Gwynedd Pension Fund website is kept up to date.</p> <p>Fund Performance is reported to the Investment & Pension Fund Committee on a regular basis.</p> <p>Meetings are held periodically with the Fund's Employing Authorities.</p> <p>Annual Benefit Statements and newsletters are sent annually to active and deferred Fund members.</p> <p>The contact list for employers is updated regularly.</p> <p>An AGM is held for employers and Trade Unions.</p>	3	2	6	Pensions Manager	<p>The Communication Policy is to be reviewed and a revised Strategy brought to the Pensions Committee for approval</p>	2019

					<p>The annual report and accounts are published on the Gwynedd Pensions website.</p> <p>A Member Self Service website is available to members to calculate their own benefits.</p>						
Data Protection											
	<p>The Pension Fund systems and data may not be secure and appropriately maintained.</p> <ul style="list-style-type: none"> - Loss of sensitive data. - Reputation risk. <p>Financial loss arising from legal action.</p>	3	2	6	<p>It is a mandatory requirement for all employees to undertake Data Protection training and to adhere to Gwynedd's data protection policy.</p> <p>Egress email system is used where possible to send emails (A secure email system)</p>	3	1	3	Pension Manager	Continue to encourage employers to sign up to the Egress email system	2019
Pension Administration											
Page 29	<p>Pension benefits are not paid:</p> <ul style="list-style-type: none"> - Risk of financial loss arising from compensation claims - Damage to reputation. 	4	2	8	<p>The payroll system is set up to pay pensioners monthly.</p> <p>Disaster recovery plan in place with Heywood which will restore data within 7 days in the event of system failure.</p>	4	1	4	Pension Manager		
	<p>Failure of scheme membership data and pension benefit calculation processes leading to fraud, corruption or error.</p> <ul style="list-style-type: none"> - Unauthorised payments under the Finance Act 2004. 	3	2	6	<p>Information and instructions are only accepted from authorised sources.</p> <p>Employers are required to review and confirm membership records annually.</p>	3	1	3	Pension Manager		

	- Risk of financial loss and damage to reputation.				Benefit calculations are checked by senior colleagues. All transactions comply with DCC financial regulations and are subject to independent authorisation. Members approaching 75 are separately identified monthly.						
Page 30	Failure of employing authority to provide timely and accurate member data resulting in delays or errors with benefit payments. Risk of financial loss and damage to reputation.	3	3	9	Administration Strategy is in place and employer duties are clearly identified. Employing authorities are contacted for outstanding information when it is identified that information is missing or contains errors.	3	3	9	Pension Manager	Continue to introduce the iConnect system so that employers send details monthly rather than annually	2019/20
	Non-compliance with legislation and failure to correctly implement new legislation and regulations, resulting in: - Incorrect payments being made. Risk of financial loss and damage to reputation	3	3	9	LGA/External training. Project work approach to implementation of legislative changes. In house training for all staff.	2	2	4	Pension Manager		
	Pension benefits continue to be paid to deceased pensioners. Risk of financial loss and damage to reputation.	2	3	6	All pensioners are contacted annually. Pensioners are incorporated into National Fraud Initiative.	2	2	4	Pension Manager	Tell us once service has been rolled out to LGPS.	

					Further targeted checks are conducted with credit reference agencies as appropriate.						
					Monthly mortality screening is undertaken and any positive matches are ceased immediately						
	System failure - Loss of sensitive data. - Reputation risk. Financial loss arising from legal action.	5	2	10	The system is backed-up daily. A full disaster recovery plan is in place and tested annually (In line with Gwynedd Council's policy).	5	1	5	Pension Manager		
Page 31	Cyber Attack - Loss of sensitive data. - Systems damaged or destroyed. - Reputation risk. Financial loss arising from legal action.	3	3	9	Firewall in operation Software regularly updated with latest security features The system is backed up daily Password access is required	3	2	6	Pension Manager		
	Employing authorities not fulfilling their responsibilities e.g. not supplying us with correct employee data or not supplying it in a timely manner - Incorrect benefit calculations Delays while we request missing information	3	2	6	- Admin strategy details employer responsibilities and timescales - Advice and consultancy provided. - Yearly checks on data to highlight gaps - Employer administration meetings held periodically. Guidance available on website.	3	1	3	Pension Manager		

	Failure to comply with disclosure regulations e.g. the requirement to issue information within a certain timescale after a request/event - Complaints Fines	3	2	6	Robust workflow management system in place.	3	1	3	Pension Manager		
	Failure to issue Annual Benefit statements to active and deferred members by 31st August: - Reputational risk and complaints Fines	2	4	8	Project management approach - Regular contact with employers to get data.	2	3	6	Pension Manager	Statements are presented online at the self-service web site. Monthly interfacing to reduce workload at year end with the main employers (iConnect)	
Internal processes											
Page 32	Concentration of knowledge in a small number of officers and risk of departure of key staff. The risk of losing key staff could lead to a breakdown in internal processes and service delivery, causing financial loss and potential risk to reputation.	4	3	12	- Knowledge of all tasks shared by at least two team members and can in addition be covered by senior staff. - Training requirements are set out in job descriptions and reviewed annually with team members through the appraisal process.	4	2	8	Pension Manager	Internal 'how to guides' are being developed on all internal processes	2019

COMMITTEE: **PENSION BOARD**

DATE: **17 MAY 2019**

TITLE: **THE MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT'S POLICY CONSULTATION - 'LOCAL GOVERNMENT PENSION SCHEME: CHANGES TO THE LOCAL VALUATION CYCLE AND THE MANAGEMENT OF EMPLOYER RISK POLICY'.**

PURPOSE: **FOR INFORMATION**

AUTHOR: **DAFYDD L EDWARDS, HEAD OF FINANCE**

1. For information, see attached the Ministry of Housing, Communities and Local Government's policy consultation - "Local Government Pension Scheme: Changes to the local valuation cycle and the management of employer risk policy".
2. This Westminster Government consultation seeks to amend the rules of the LGPS in England and Wales, and covers (inter alia) amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle, and proposals for flexibility on exit payments.
3. The MHCLG consultation has only just commenced and views are sought in order to form and submit a response to the questions on behalf of Gwynedd Pension Fund before 31 July 2019. Before then, of course, officers will seek guidance from the Fund's Actuary, Hymans Robertson, and from professional bodies (CIPFA, SWT, POG, etc).
4. Officers will prepare a draft response in consultation with the Chairman, which will be circulated to Board members via email in July for suggestions to add/amend content before submission to MHCLG on behalf of Gwynedd Pension Fund.
5. Fund employers will be informed accordingly, to allow them to submit their own response direct to the MHCLG.



Ministry of Housing,
Communities &
Local Government

Local Government Pension Scheme: Changes to the Local Valuation Cycle and the Management of Employer Risk

Policy consultation



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If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

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May 2019

ISBN: 978-1-4098-5459-3

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Scope of the consultation

<p>Topic of this consultation:</p>	<p>This consultation seeks views on policy proposals to amend the rules of the Local Government Pension Scheme 2013 in England and Wales.</p> <p>It covers the following areas:</p> <ol style="list-style-type: none"> 1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle 2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles 3. Proposals for flexibility on exit payments 4. Proposals for further policy changes to exit credits 5. Proposals for policy changes to employers required to offer LGPS membership
<p>Scope of this consultation:</p>	<p>MHCLG is consulting on changes to the regulations governing the Local Government Pension Scheme (LGPS).</p>
<p>Geographical scope:</p>	<p>These proposals relate to the Local Government Pension Scheme in England and Wales only.</p>
<p>Impact Assessment:</p>	<p>The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them, the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result.</p> <p>Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS) and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making a decision on which, if any, new employees should be given access to the scheme.</p> <p>Question 19 asks for views from respondents on equalities impacts and on any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation.</p>

When we bring forward legislation, a fuller analysis will include the equality impacts of any final policy proposals.

Basic Information

To:	Any changes to the LGPS rules are likely to be of interest to a wide range of stakeholders, such as local pension funds, administering authorities, those who advise them, LGPS employers and local taxpayers.
Body/bodies responsible for the consultation:	Local Government Finance Reform and Pensions, Ministry of Housing, Communities and Local Government
Duration:	This consultation will last for 12 weeks from 8 May 2019 to 31 July 2019
Enquiries:	For any enquiries about the consultation please contact: LGPensions@communities.gov.uk
How to respond:	<p>Please respond by email to:</p> <p>LGPensions@communities.gov.uk</p> <p>Alternatively, please send postal responses to: LGF Reform and Pensions Team Ministry of Housing, Communities and Local Government 2nd Floor, Fry Building 2 Marsham Street London SW1P 4DF</p> <p>When you reply, it would be very useful if you could make it clear which questions you are responding to.</p> <p>Additionally, please confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:</p> <ul style="list-style-type: none"> - your name, - your position (if applicable), - the name of organisation (if applicable), - an address (including post-code), - an email address, and - a contact telephone number.

Introduction

This consultation contains proposals on a number of matters relating to the Local Government Pension Scheme (LGPS) in England and Wales.

Amongst these, it is proposed to amend the local fund valuation cycle of the LGPS from the current three year (triennial) cycle to a four year (quadrennial) one. The Government has moved the LGPS scheme valuation to a quadrennial cycle¹, and our consultation is intended to ensure that scheme and local valuations are aligned. Views are sought on whether this is the right approach and the best way of transitioning the LGPS to a quadrennial local valuation cycle.

The LGPS is a locally administered funded pension scheme, established primarily to provide retirement benefits to individuals working in local government in England and Wales. Local fund valuations are used to set employer contribution rates and to assess whether funds are on target to meet their pension liabilities as they fall due in the years ahead. In making our proposals, we aim to ensure that a lengthening of the valuation cycle would not materially increase the risks that pension funds and their employers face. We are therefore proposing mitigation measures that would allow LGPS funds to act between valuations and address any issues as they arise, specifically:

- We propose the introduction of a power for LGPS funds to undertake interim valuations. This would allow LGPS administering authorities to act when circumstances change between valuations and undertake full or partial valuations of their funds.
- We also propose the widening of a power that allows LGPS administering authorities to amend an employer's contribution rate in between valuations, so that contribution rates can be adjusted following the outcome of a covenant check or where liabilities are estimated to have significantly reduced.

Views are sought on the detail of these measures and what LGPS funds should put in their funding strategy statements regarding these matters.

These measures are intended to help funds manage their liabilities and ensure that employer contributions are set at an appropriate level. However, for some employers, a significant issue is the cost of exiting the scheme which can be prohibitive. Current regulations require that when the last active member of an employer leaves the scheme, the employer must pay a lump sum exit payment calculated on a full buy-out basis. We are seeking views on two alternative approaches that would reduce the cliff-edge faced by employers:

- To introduce a 'deferred employer' status that would allow funds to defer the triggering of an exit payment for certain employers who have a sufficiently strong

¹ <https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations>

covenant. Whilst this arrangement remains in place, deferred employers would continue to pay contributions to the fund on an ongoing basis:

- To allow an exit payment calculated on a full buy-out basis to be recovered flexibly – i.e. over a period of time. This may be of use where an administering authority does not feel that granting deemed employer status would be appropriate but that some level of flexibility is in the interests of the fund and other employers.

We also seek views on an issue that has come to light in recent months. In 2018, the LGPS Regulations 2013 were amended² to allow the payment of ‘exit credits’ to scheme employers who are in surplus at the time their last active member leaves the scheme. This followed a consultation on the introduction of exit credits undertaken by the Department in 2016³. However, it has since been highlighted that the amendments can cause issues where an LGPS employer has outsourced a service and used contractual arrangements to share risk with their contractor. Views are sought on a mechanism via which we can address this issue.

And finally, given the LGPS’s funded nature, with liabilities potentially falling back on local authorities and other public bodies in a particular area in the event an employer cannot meet its obligations, the Government is conscious of the need to ensure that scheme participation requirements remain appropriate. Changes in the higher education and further education sectors have taken place in recent years and we are consulting on proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff. Instead, reflecting their status as non-public sector, autonomous organisations, we propose it will be for each institution to determine whether to offer the LGPS to new employees or not.

Under our proposals, current active LGPS members and those eligible for active membership in an employment with a further education corporation, sixth form college corporation or higher education corporation in England would have a protected right to membership of the scheme.

Your comments are invited on the questions contained in sections 1 to 5. **The closing date for responses is 31 July 2019.**

² S.I. 2018/493

³ <https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

Changes to the Local Government Pension Scheme (LGPS) valuation cycle

1.1 Changes to the local fund valuation cycle

The Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes⁴.

Aligning the LGPS scheme valuation with other public sector schemes allows for outcomes of each valuation to be looked at in parallel and for Government to make consistent decisions for the public sector as a whole.

Each LGPS fund also carries out a local valuation which is used to assess its financial health and to determine local employer contributions. Currently the valuation cycle of the scheme and of individual funds align. This will no longer be the case as the scheme nationally has moved to a quadrennial cycle. We therefore propose that LGPS funds should also move from triennial to quadrennial valuation cycles.

Moving the LGPS local fund valuations to quadrennial cycles would deliver greater stability in employer contribution rates and reduce costs. The Scheme Actuary's review of local valuations under s13 of the Public Service Pensions Act 2013 would also move to a quadrennial cycle.

However, we recognise that there are potential risks that changes in employer contribution rates may be greater as a result of longer valuation periods and that longer valuation periods could also lead to reduced monitoring of any risks and costs. Section 2 of this consultation sets out proposals to mitigate these matters.

If we move to quadrennial local fund valuations, we propose to produce draft regulations making the necessary amendments to the LGPS Regulations 2013, amending regulation 62(2), 62(3) and other consequential regulations in due course.

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

⁴ <https://www.gov.uk/government/publications/public-service-pensions-actuarial-valuations>

1.3 Transition to a new LGPS valuation cycle

Given that LGPS funds and the other public sector schemes have carried out a valuation as at 1 April 2016, now is the best opportunity to achieve consistency. If missed, it would be 2028 before valuations of all the schemes align again. On the assumption that scheme and fund valuations are carried out at the same date, potential approaches are as follows:

- a) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming five years** (i.e. from 1 April 2020-2025) but with the administering authority having the option to perform an interim valuation if circumstances require changes to contribution rates. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.
- b) For the next fund valuation to complete as anticipated, using data as at 31 March 2019, giving rates and adjustment certificates for the **coming three years** (i.e. from 1 April 2020-2023). The following valuation would be done with fund data as at 31 March 2022 but giving new rates and adjustments certificates for **only two years**. Further fund valuations would be done using data as at 31 March 2024 and every four years thereafter.

Our proposal is to adopt approach b) as it provides continuity and potentially gives LGPS funds greater funding certainty than a five-year cycle would provide.

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Dealing with changes in circumstances between valuations

2.1. Ability to conduct an interim valuation of local funds

With a longer valuation period of four years, there is greater scope for changes in assets and liabilities between valuations with a consequent potential increase in risks. In relation to the value of assets, this might include a significant downturn in value or increased volatility in returns. In relation to liabilities, this could be due to a sustained lower level of interest rates. The Government Actuary considered the potential impact of volatility of asset returns and changes in economic conditions on funds in their report on the 2016 local valuations⁵. The results showed that funds could face significant pressure on employer contributions in some future scenarios.

As part of a package of mitigation measures, we are proposing to introduce a new power to enable funds to conduct an interim valuation to reassess their position and, where appropriate, adjust the level of contributions outside of the regular cycle. This would not affect the timing of the next quadrennial fund valuation or the scheme valuation. It would, however, allow administering authorities to manage risk and avoid the need for very sharp corrections if maintaining the longer review cycle. This is consistent with the aim of the current regulations in preserving as much stability as possible in contribution rates across valuations (see Reg 66(2)(b) of the 2013 LGPS Regulations).

Depending on the trigger for the interim valuation, different levels of actuarial advice might be needed. For example, it may not be necessary to revisit all of the demographic assumptions and scheme experience where the trigger is a major financial down-turn shortly after the last valuation was completed. Funds will want to assure themselves that they have access to such data and analysis as is proportionate to the nature of the trigger and the time elapsed since the previous valuation.

Allowing an interim valuation gives greater adaptability should longer-term trends emerge that it would be prudent to address ahead of the next scheduled valuation.

To limit the risk that interim valuations could be timed to take advantage of short-term market conditions and undermine the cost and administrative advantages of a longer valuation cycle, we propose that interim valuations may take place only for the reasons set out in an authority's Funding Strategy Statement. In exceptional circumstances not envisaged in the Funding Strategy Statement, a fund could apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of funds either on representation from funds, scheme employers or of his own motion.

We propose to include in the regulations, supported by statutory guidance, certain protections so that decisions on whether to undertake an interim valuation should only be

⁵ <https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016>

made by the administering authority having due regard to the views of their actuary and following consultation with the Local Pension Board. Where an administering authority undertakes an interim valuation it would also be obliged to notify the Secretary of State of the reasons for it and the conclusions reached. The costs of the valuation would be recovered in the usual way from all employers. As interim valuations should not be necessary frequently, the cost is likely to be more than offset by the move to four-yearly valuations.

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

2.2. Review of employer contributions

A four-year valuation cycle would also mean fewer opportunities to respond to changes in the financial health of scheme employers. This means that the assessment made at the time of the valuation about that employer being able to meet all of its obligations to the fund, most importantly to make contributions (often referred to as an employer's "covenant strength"), might be out of date.

CIPFA's guidance on maintaining a Funding Strategy Statement⁶ requires funds to identify the employer risks that inevitably arise from managing a large and often changing group of scheme employers. In their related guidance on *Managing Risk in the Local Government Pension Scheme* (2018) they emphasise the importance of maintaining a knowledge base to track and identify risk levels for each employer. It further suggests that employers be categorised into groups depending on the level of risk they present to the fund as a whole.

We understand that some funds already carry out frequent reviews of their employers' covenant strength. Currently, the LGPS regulations provide funds with a limited number of tools to manage or reduce any risks identified. These tools include:

- At each valuation specifying secondary rate contributions that target a funding level that has been set with regard to the covenant strength of that employer (as allowed by Regulation 62(7) of the 2013 LGPS Regulations);
- Requiring adequate security for new admission bodies (as required in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Increasing the security where existing admitted bodies wish to make changes to their admission agreement (as allowed for in Part 3 of Schedule 2 to the 2013 LGPS Regulations);
- Reviewing employer contributions where there is evidence that the employer is likely to exit the scheme (Regulation 64(4) of the 2013 LGPS Regulations);

⁶ Preparing and Maintaining a Funding Strategy Statement, published September 2016

- Reviewing employer contributions where there is evidence that the liabilities of that employer have increased substantially (see Regulations 64(6)(b) of the 2013 LGPS Regulations).

Whilst a four-yearly review of employer contributions would be sufficient for statutory or tax-payer backed employers, we recognise that for some scheme employers, and in particular admitted bodies, it may be prudent to allow funds to amend contribution rates more frequently. That would be driven by a change in the deficit recovery period and/or funding target level for a single employer, or group of employers, where this was felt necessary to protect other employers in the scheme or the solvency of the fund itself.

This would include giving funds the ability to offer employers a reduction in their contribution rate if they were able to make a one-off deficit reduction payment or there was a significant change in the composition of their workforce following a merger. We propose to introduce the ability for an employer to request a reassessment of its contribution rate where it believes that its liabilities have reduced.

We propose that funds would need to specify in their Funding Strategy Statement those employers (generally statutory or tax-raising employers) for whom the regular assessment of employer contributions through valuations is sufficient and what events would trigger reassessment through covenant reviews for other employers.

As these reassessments of employer contributions are designed to protect the interest of all employers and the scheme as a whole, the costs of conducting them anticipated in the Funding Strategy Statement, or triggered by a particular event or concern over covenant, would normally be met by the fund as a whole. However, where a scheme employer requested a reassessment because it believed that this would lead to a reduction in its contribution rate, then this would be paid for by the employer concerned.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

2.3. Guidance on setting a policy

As set out above we are proposing that the regulations would require funds to include their policy on interim valuations and reviews of employer contributions in their Funding Strategy Statement. We would also anticipate that CIPFA would want to reflect these new tools to manage risk in the guidance which it offers to funds on drafting an Funding Strategy Statement and in managing risk. However, to help ensure consistency of approach between funds, we also propose that in setting their policy they would also be required to have regard to advice that we would invite the Scheme Advisory Board to provide. This would include advice in the following areas:

- The exceptional circumstances where the case for an interim valuation could be made to the Secretary of State;
- The process for triggering and timescale for completing interim valuations;

- Best practice in working with scheme employers and other interested parties where an interim valuation is undertaken;
- What level of professional advice is appropriate to deliver the interim valuation.

In relation to action being taken to review employer contributions we would similarly ask the Scheme Advisory Board to consider guidance on the following areas:

- How to work with employers when a request is made for a review of its employer contributions;
- The process for carrying out employer covenant reviews and how to work with employers where the fund feels that further action is needed;
- Communicating with all scheme employers on how risk is being managed and how the cost of reviews will be met;
- What comprises a proportionate level of actuarial and other professional advice.

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Flexibility on exit payments

3.1 Introduction

We know that some smaller and less financially robust employers are finding the current exit payment regime in LGPS onerous. Rather than protecting the interests of members, it may mean employers continue to accrue liabilities that they cannot afford. It can also create the risk that some employers could be driven out of business as a result of inability to meet a substantial exit payment when they finally come to leave. This can have implications for other jobs, the delivery of local services and future support for the scheme.

These problems arise because employer debt is calculated at full buy-out basis⁷ on the employer's total accrued liabilities to the scheme, and the amount due up-front or in a short period of time if the last active member leaves an employer can be significantly higher than their on-going contributions. If an employer does not have a source of capital available with which to pay the employer debt, they can effectively find themselves tied to the scheme indefinitely, even if this is not the most prudent way to proceed for all those concerned.

The current regime is designed to protect those scheme employers who remain in the scheme when one or more other employers have ceased to employ active members and who may be left with orphan liabilities. Any changes to the employer debt regime would have to be carefully considered to ensure that they would not result in an increased risk to members or remaining scheme employers.

In recognition of these and other issues, the Scheme Advisory Board has commissioned AON to look at the potential funding, legal and administrative issues presented by the participation of what it calls Tier 3 employers⁸ in the scheme, and to identify options to improve the situation. A working group has been established by the Scheme Advisory Board with a view to making recommendations to the Secretary of State later in the year. It is hoped that the Scheme Advisory Board working group will be able to include this consultation in its deliberations.

We have also heard from many in the sector that the time is right to bring LGPS more in line with wider practice in the private pensions sector. Deferred debt arrangements in the private sector enable an employer in a multi-employer pension scheme, who fulfils certain conditions, to defer their obligation to pay an employer debt on ceasing to employ an active scheme member. The arrangement requires the employer to retain all their previous responsibilities to the scheme and continue to be treated as if they were the employer in

⁷ Exit payments are currently based on that employer's share of the deficit in the scheme calculated on a 'full-buy out basis' (i.e. the amount that would need to be paid to an insurer to take on the pension scheme's liabilities).

⁸ Scheme Advisory Board defines Tier 3 bodies as being those which are not tax-payer backed ("Tier 1"), academies ("Tier 2") or admitted bodies performing services under contract to local authorities ("Tier4")

relation to that scheme. A key consideration in considering whether to introduce a similar arrangement into LGPS will be how to ensure that employers wanting to take advantage of this option have sufficient and appropriate assets to cover their liabilities and that the arrangement will not adversely affect other employers.

We therefore propose to grant funds more flexibility to manage an employer's liabilities in this situation, by spreading exit payments over a period or by allowing an employer with no active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities.

3.2 Flexibility in recovering exit payments

This proposal aims to enable scheme employers which are ceasing to employ any active members with the flexibility, in agreement with the administering authority, to spread exit payments over a period, where this would also be in the interests of the fund and other employers.

This option would be available in situations where an administering authority considered that some flexibility over the repayment programme would be in the best interests of the fund and other employers. We understand that some funds have been attempting to achieve a similar objective through side-agreements with employers at the time of exit. However, we feel that it would be more appropriate to regularise this approach and put it on a firm legislative footing.

In order to implement this new flexibility we have considered the model implemented by the Scottish Public Pensions Agency. This allows administering authorities to adjust an exiting employer's contributions to ensure that the exit payment due is made by the expected exit date or spread over such a period as the fund considers reasonable. This is set out in their Regulation 61(6)⁹:

“(6) Where in the opinion of an administering authority there are circumstances which make it likely that a Scheme employer (including an admission body) will become an exiting employer, the administering authority may obtain from an actuary a certificate specifying the percentage or amount by which, in the actuary's opinion—

(a) the contribution at the primary rate should be adjusted; or

(b) any prior secondary rate adjustment should be increased or reduced,

with a view to providing that assets equivalent to the exit payment that will be due from the Scheme employer are provided to the fund by the likely exit date or, where the Scheme employer is unable to meet that liability by that date, over such period of time thereafter as the administering authority considers reasonable.”

⁹ In the Local Government Pension Scheme (Scotland) Regulations 2018

This is a permissive model that gives administering authorities considerable flexibility to use their judgement and local knowledge in balancing the competing interests involved.

We propose to follow this approach but would welcome views from consultees on whether some additional protections are required, such as a maximum time limit over which exit payments could be spread (perhaps three years).

For the avoidance of doubt, we propose that the exit payment in these circumstances would continue to be calculated as now on a full buy-out basis.

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required ?

3.3 Deferred employer status and deferred employer debt arrangements

These proposals aim to enable scheme employers who are ceasing to employ any active members to defer exit payments in return for an ongoing commitment to meet their existing liabilities, in agreement with the fund. This commitment would protect the fund and other employers. This will be of particular help to smaller employers (such as charities) in managing their obligation to make an exit payment when they cease to employ an active member of the scheme.

Drawing on the model of the S75 approach that was recently introduced by DWP for private sector¹⁰ defined benefit multi-employer funds, we have set out a possible model for the LGPS. We would welcome views from consultees on how to develop the model to best reflect the needs of all parties participating in LGPS.

i) Definition of deferred employer status

Employers taking advantage of this ability to maintain a link with the scheme, despite no longer having active members, would become “deferred employers”. A deferred employer is defined as an employer who, at the point that their last active member leaves the scheme, enters into a deferred employer debt arrangement with the administering authority, and that arrangement has not been terminated by a ‘relevant event’ (see section iii below).

ii) Basis on which a deferred employer debt arrangement would be offered

To enter into a deferred employer debt arrangement, the fund would need to be satisfied that the employer has just, or is about to, become an exiting employer as defined in LGPS regulations and has a sufficient covenant not to place the fund under undue risk. When DWP consulted on the equivalent provisions for private sector schemes (referred to earlier) they considered the introduction of a test whereby employers could only be eligible

¹⁰ These are the employer debt arrangements made under S75 of the Pensions Act 1995. More information is available here: <https://www.gov.uk/government/consultations/the-draft-occupational-pension-schemes-employer-debt-amendment-regulations-2017>

for the equivalent of a deferred employer debt arrangement if they were already funded above a prescribed level. In line with the decision DWP took in relation to private sector DB schemes, we have considered and rejected the option of setting such a minimum level of funding. We believe that this will be a relevant factor in scheme managers' assessment of covenant and risk and therefore needs to be weighed alongside all the other evidence available.

iii) Termination of a deferred employer debt arrangement

In order to protect the fund, we would expect any deferred employer debt arrangement to set out in the following circumstances which would trigger termination, to be known as "relevant events":

- the employer has new active members;
- the employer and scheme manager both agree to terminate the agreement and an exit payment falls due;
- the scheme manager assesses that the covenant has significantly deteriorated and a relevant event occurs (insolvency, voluntary winding up, CVA);
- the employer restructures and the covenant value is significantly affected in the view of the scheme manager. Restructuring for these purposes occurs where the employer's corporate assets, liabilities or employees pass to another employer;
- the fund serves notice that the employer has failed to comply with any of its duties under LGPS regulations or other statutory provisions governing the operation of a pension fund.

iv) Responsibilities of the deferred employer

An employer in a deferred employer debt arrangement would still be an employer for scheme funding and scheme administration purposes. Funds will continue to carry out regular actuarial valuations to establish whether or not their funding position is on track according to the funding strategy they have adopted, and to put in place a recovery plan where any shortfalls are identified. Deferred employers will be required to make secondary contributions as part of this plan and this requirement will apply to any employer who has entered into a deferred debt arrangement.

We will expect administering authorities to adopt a robust policy to be set out in their Funding Strategy Statement, following consultation with employers and their Local Pension Board and having regard to any guidance issued by CIPFA or the Secretary of State. Our intention is to give funds some flexibility to use their judgement and local knowledge to reach suitable arrangements that balances the competing interests involved.

We would expect administering authorities to offer deferred employer debt arrangements when this is in the interests of the other fund employers and where there is not expected to be a significant weakening of the employer covenant within the coming 12 months.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

3.4 Proposed approach to implementation of deferred employer debt arrangements

We do not intend to legislate for every aspect of the model above. Our starting point is that the key obligations and entitlements of parties should be in the regulations. Statutory guidance can be helpful in putting more flesh on the bones and ensuring that there is consistency in application. On the assessment of risk and in balancing competing interests of scheme stakeholders we consider that the Scheme Advisory Board is better placed to offer real-world, credible guidance to funds. We would welcome views from consultees about the appropriate balance to be struck between legal requirements to be set out in regulations, statutory guidance issued under regulation 2(3A) of the 2013 Regulations, and guidance from the Scheme Advisory Board.

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

3.5 Summary of options for management of employer exits

Implementing the proposals above on exit payments would make the following set of options available to administering authorities when dealing with employer exits:

1. Calculate and recover an exit payment as currently for employers ready and able to leave and make a clean break;
2. Agree a repayment schedule for an exit payment with employers who wish to leave the scheme but need to be able to spread the payment;
3. Agree a deferred employer debt arrangement with an employer to enable them to continue paying deficit contributions without any active members where the scheme manager was confident that it would fully meet its obligations.

We expect that employers will want to see a level of transparency and consistency in the use which administering authorities make of this new power. We expect that that statutory or Scheme Advisory Board guidance will be necessary in addition to a change to regulations and welcome views on which type of guidance would be appropriate for which aspects of the proposals.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Exit credits under the LGPS Regulations 2013

4.1 Introduction of exit credits in May 2018

In April 2018, the Government made changes¹¹ to the LGPS Regulations 2013 allowing exit credits to be paid from the Scheme for the first time. Following the amendments, which were effective from 14 May 2018, where the last active member of a scheme employer leaves the LGPS, an exit credit may be payable if an actuarial assessment shows that the employer is in surplus on a full buy-out basis at the time of their exit. Prior to the changes, the 2013 Regulations had only provided that a scheme employer would be responsible for any shortfall and where such a shortfall occurred they would be responsible for paying an exit payment.

The amendments to allow exit credits to be paid from the Scheme were intended to address this imbalance. They also followed prior concerns that the lack of such a provision meant some scheme employers who were nearing their exit were reluctant to pre-fund their deficit out of concern that, if they contributed too much, they would not receive their excess contributions back. Accordingly, the government consulted on addressing this via the introduction of exit credits in May 2016¹², as part of a wider consultation exercise.

Feedback from the consultation exercise was broadly supportive of this change. Responses focussed on two technical issues:

- Some respondents suggested that our proposed timescales for payment of an exit credit were too tight (at one month).
- Some also suggested that we should include a clarifying provision noting that where an exit credit had been paid there could be no further claim on the fund.

Both concerns were addressed in the final regulations, which provided that funds would have three months to pay an exit credit and that no further payment could be made to a scheme employer from an administering authority after an exit credit had been paid.

4.2 Exit credits and pass-through

In the period since the 2013 Regulations were amended, some concerns have been raised about a consequential impact of the introduction of exit credits, specifically where a scheme employer has outsourced a service or function to a service provider. In such

¹¹ S.I. 2018/493

¹² <https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

situations, scheme employers often use a 'pass-through' approach to limit the service provider's exposure to pensions risk to obtain a better contract price. Where pass-through is used, service contracts, or side agreements to service contracts between LGPS employers and their service providers will often be used to set out the terms that apply.

It has been drawn to our attention that where LGPS employers entered into a contract with a service provider before the introduction of exit credits, the terms of the pass-through agreement may cause unforeseen issues to arise. This may occur where an employer has entered into a side agreement with a service provider which includes pass-through provisions, and under this side agreement, the authority has agreed to pay the service provider's LGPS employer contributions for the life of the contract as well as meet any exit payment at the end of the contract. When the contract ceases, the service provider (as the scheme employer) may be significantly in surplus and entitled to an exit credit, even though the employer has borne the costs and the risk in relation to the service provider's liabilities through the life of the contract.

This situation would clearly not have been what was intended when the contract was agreed. It would be unfair for a service provider to receive an exit credit in such a situation and it is our intention to make changes that would mean that service providers cannot receive the benefit of exit credits in such cases.

4.3 Proposal to amend LGPS Regulations 2013

We therefore propose to amend the 2013 Regulations to provide that an administering authority must take into account a scheme employer's exposure to risk in calculating the value of an exit credit. There would be an obligation on the administering authority to satisfy itself if risk sharing between the contracting employer and the service provider has taken place (for example, via a side agreement which the administering authority would not usually have access to). If the administering authority is satisfied that the service provider has not borne any risk, the exit credit may be calculated as nil.

We also intend that such a change would be retrospective to the date that the LGPS Regulations 2013 were first amended to provide for the introduction of exit credits – i.e. to 14 May 2018. This would ensure that where a service provider has not borne pensions risk but has become entitled to an exit credit, they should not receive the benefit of that exit credit.

By making this change retrospective, the revised exit credit provisions would apply in relation to all scheme employers who exit the scheme on or after 14 May 2018.

In the event of any dispute or disagreement on the level of risk a service provider has borne, the appeals and adjudication provisions contained in the LGPS Regulations 2013 would apply.

It should also be noted that the government is consulting on the introduction of a new way for service providers to participate in the LGPS¹³. Use of the deemed employer approach,

¹³ <https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection>

if introduced, would also prevent exit credits becoming payable to service providers where they have not borne contribution or funding risks.

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer’s exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Employers required to offer LGPS membership

5.1 Further education corporations, sixth form college corporations and higher education corporations

Under the LGPS Regulations 2013, further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

In recent years, a number of changes have taken place in the further education and higher education sectors.

- In 2012, the Office for National Statistics took further education and sixth form college corporations in England out of the General Government sector, reflecting changes introduced by the Education Act 2011 which, in the view of the ONS, took public control away from such organisations.
- The Technical and Further Education Act 2017 provided for the introduction of a new statutory insolvency regime for further education and sixth form college corporations in England and Wales meaning, for the first time, it will be possible for such bodies to become legally insolvent. The Government expects cases of insolvency to be rare.
- The Higher Education and Research Act 2017 established a new regulatory framework and a new single regulator of higher education in England, the Office for Students (the OfS). The OfS adopts a proportionate, risk-based approach to regulating registered higher education providers consistent with its regulatory framework.

Reflecting the independent, non-public sector status, of further education, sixth form colleges, and the autonomous, non-public sector status of higher education corporations, these bodies are responsible for determining their own business models and for ensuring that their financial positions are sound. As such, these bodies may value greater flexibility in determining their own pension arrangements for their own workforces. Indeed, some respondents to the Department for Education consultation '[Insolvency regime for further education and sixth form colleges](#)', held in 2017-18, requested that the obligation to offer LGPS to all eligible staff be removed.

The LGPS is, unlike many public service pension schemes, a “funded scheme”. This means that employee and employer contributions are set aside for the payment of pensions and are invested to maximise returns. It is a statutory scheme, with liabilities potentially falling back on other LGPS employers in the event of an employer becoming insolvent. The costs associated with meeting the liabilities of a failed organisation could therefore fall back on local authorities and other scheme employers, meaning there may be a direct impact on the finances of public bodies in a particular area if an organisation fails.

Given the nature of the LGPS and the changes in the further education and higher education sectors, it is right to consider whether it is still appropriate for LGPS regulations to require that these employers offer the LGPS for all eligible staff.

We propose to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS.

Under our proposals each corporation would have the flexibility to decide whether to offer the LGPS to all or some eligible new employees. We recognise that corporations will continue to view offering LGPS as a valuable and important tool in recruitment and retention strategies, but the flexibility as to when to use the tool should be for the corporations themselves.

We also propose that those already in employment with a further education, sixth form college or a higher education corporation in England and who are eligible to be a member of the LGPS before the regulations come into force have a protected right to membership of the scheme. These employees would retain an entitlement to membership of the scheme for so long as they remain in continuous employment with the body employing them when the regulations come into force. These employees would also retain an entitlement to membership of the scheme following a compulsory transfer to a successor body, for example, following the merger of two corporations.

Further and higher education policy is devolved to the Welsh Government. Whilst some of the changes in the sectors highlighted here apply to bodies in Wales as well as in England, at the moment, the Welsh Government does not propose to change the requirements of the LGPS Regulations 2013 in relation to further education corporations and higher education corporations in Wales. These bodies will continue to be required to offer membership of the LGPS to their non-teaching staff.

Question 18 – Do you agree with our proposed approach?

Public sector equality duty

6.1 Consideration of equalities impacts

The Ministry's policies, guidance and procedures aim to ensure that any decisions, new policies or policy changes do not cause disproportionate negative impacts on particular groups with protected characteristics, and that in formulating them the Ministry has taken due regard to its obligations under the Equality Act 2010 and the Public Sector Equality Duty. We have made an initial assessment under the duty and do not believe there are equality impacts on protected groups from the proposals in sections 1 to 4 which set out changes to valuations, flexibilities on exit payments and in relation to exit credits payable under the scheme, as there will be no change to member contributions or benefits as a result.

Our proposals in section 5 to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS may result in a difference in treatment between the staff of an institution who are already in the LGPS when the change comes into force (who would have a protected right to membership of the LGPS), and new employees (who would not). It will be up to each institution to consider the potential equalities impacts when making their decision on which, if any, new employees should be given access to the scheme.

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

Summary of consultation questions

Question 1 – As the Government has brought the LGPS scheme valuation onto the same quadrennial cycle as the other public service schemes, do you agree that LGPS fund valuations should also move from a triennial to a quadrennial valuation cycle?

Question 2 - Are there any other risks or matters you think need to be considered, in addition to those identified above, before moving funds to a quadrennial cycle?

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Question 5 - Do you agree that funds should have the power to carry out an interim valuation in addition to the normal valuation cycle?

Question 6 - Do you agree with the safeguards proposed?

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

Question 8 – Do you agree that Scheme Advisory Board guidance would be helpful and appropriate to provide some consistency of treatment for scheme employers between funds in using these new tools?

Question 9 – Are there other or additional areas on which guidance would be needed? Who do you think is best placed to offer that guidance?

Question 10 – Do you agree that funds should have the flexibility to spread repayments made on a full buy-out basis and do you consider that further protections are required?

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Question 12 – Do you agree with the approach to deferred employer debt arrangements set out above? Are there ways in which it could be improved for the LGPS?

Question 13 – Do you agree with the above approach to what matters are most appropriate for regulation, which for statutory guidance and which for fund discretion?

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Question 15 – Do you consider that statutory or Scheme Advisory Board guidance will be needed and which type of guidance would be appropriate for which aspects of these proposals?

Question 16 – Do you agree that we should amend the LGPS Regulations 2013 to provide that administering authorities must take into account a scheme employer's exposure to risk in calculating the value of an exit credit?

Question 17 – Are there other factors that should be taken into account in considering a solution?

Question 18 – Do you agree with our proposed approach?

Question 19 – Are you aware of any other equalities impacts or of any particular groups with protected characteristics who would be disadvantaged by the proposals contained in this consultation?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups are asked to give a summary of the people and organisations they represent, and where relevant who else they have consulted in reaching their conclusions when they respond.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not or you have any other observations about how we can improve the process please contact us via the [complaints procedure](#).

Annex A

Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

Section 21 of the Public Service Pension Act 2013 requires the responsible authority, in this case the Secretary of State, to consult such persons as he believes are going to be affected before making any regulations for the Local Government Pension Scheme. MHCLG will process personal data only as necessary for the effective performance of that duty

3. With whom we will be sharing your personal data

We do not anticipate sharing personal data with any third party.

4. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for two years from the closure of the consultation.

5. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected

d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

- 6. Your personal data will not be sent overseas**
- 7. Your personal data will not be used for any automated decision making.**
- 8. Your personal data will be stored in a secure government IT system.**

COMMITTEE: PENSION BOARD

DATE: 17 MAY 2019

TITLE: WALES PENSION PARTNERSHIP – ENGAGEMENT WITH PENSION BOARD CHAIRS

PURPOSE: FOR INFORMATION

AUTHOR: DAFYDD L EDWARDS, HEAD OF FINANCE

- 1.** On 2 April 2019 Tony Deakin (Gwynedd Pension Board Chair) and Dafydd Edwards (Gwynedd Pension Fund Treasurer), attended the first Wales Pension Partnership (WPP) Pension Board Chairs “Engagement Day” in County Hall, Cardiff.
- 2.** The draft minutes are attached. The Board Chair and Treasurer will report back from the meeting.
- 3.** Henceforth, a protocol was agreed for meeting twice yearly with representatives from each of the eight Welsh funds – either the Pension Board Chair or its nominated representative.



Pension Board Chairs Engagement Day

Tuesday 2nd April 10.30 – 13.00

County Hall, Cardiff

Minutes and Actions

Present:

Officers:

Chris Moore (CM), Carmarthenshire (CCC) (Chair)
Anthony Parnell (AP), CCC
Tracey Williams (TW), CCC

Nigel Aurelius (NA), Torfaen
Dafydd Edwards (DE), Gwynedd
Jeff Dong (JD), Swansea

Pension Board Chairs:

Ian Coleman (IC), Torfaen
John Jones (JJ), Dyfed
Tony Deakin (TD), Gwynedd
Karen McWilliam (KM), Flintshire

Cllr Alan Lockyer (AL), Swansea
Ian Guy (IG), Swansea
Michael Prior (MP), Cardiff
Rob Whiles (RW), RCT

Other Attendees:

Peter Hugh-Smith (PHS), Link
Eamonn Gough (EG), Link
Jim Leggett (JL), Russell Investments

Apologies for Absence

Hugh Coombs, RCT
Gerard Moore, Powys

Item 1 Appoint Chair for the meeting and Introductions

CM was appointed Chair for the meeting.

CM started by giving an overview of why the meeting had been arranged and the format for the day, explaining that the main objectives were to agree a relationship going forward and develop good governance.

Item 2 Host Authority Update

AP gave a brief overview of where we are now and how the partnership has developed over the last 2 years with appointing Link (the operator) in 2017 and Link then partnering with Russell Investments. An operator agreement is in place and there is an Inter Authority Agreement between the eight welsh funds. A governance structure exists and AP explained how it all fits together (document attached).

AP presented the Host Authority Update (presentation attached), highlighting the following key points:

Slide 1 - Responsibilities:

- WPP has had staffing issues over the last 6 to 9 months which has affected the workplan
- KPI's will be monitored going forward
- End of Year accounts – in discussion with WAO but it is likely to be an annual return for this year
- Current contract with Link is for 5 years with a possible extension of another 2 years. Host Authority is the first point of contact
- Contract with adviser - currently we have a contract with Hymans which was procured through Gwynedd, **DE** provided further clarification. WPP is looking for an adviser to provide a fiduciary oversight role going forward and will be going out to contract over the next few months.

Slide 2 – Structure and Decision Making:

- **AP** explained the set-up of the Officers Working Group (OWG) and the Joint Governance Committee (JGC) and thanked the Section 151 officers for their attendance record
- JGC meetings are held every 3 months, some have been cancelled however they will be held regularly in future
- All JGC meetings are webcasted

Slide 3 – WPP Workplan:

AP presented the workplan document (attached) explaining the main work areas and invited any comments. He also emphasised that he is happy to receive any questions / thoughts by email once everyone has had a chance to look at the document fully.

A number of comments were raised:

- **KM** mentioned that she felt that the workplan had challenging timescales and whether it needs to be amended to be more realistic. **AP** agreed that yes there are some challenging timescales in there but it is a working document and that some tasks may slip a quarter, however if this happens all parties will be kept informed.
- **TD** asked whether the 6/9 months which WPP are behind is built into this plan and where the problem lies. **AP** explained that the key area affected by this is communications – website, developing a workplan, business plan and training plan. **AP** went on to explain that even though we are behind other pools in this area, the WPP has progressed further than some other pools with regards to sub-funds, with £3.5bn already invested in 2 sub-funds. **CM** added that it is very much the path of the unknown and it's about getting it right as opposed to getting it done quickly.
- **JJ** enquired about training and development requirements and how this will work geographically. **AP** explained that with regard to stock lending, Mercer was appointed to provide training. **KM** asked whether the JGC members will receive training on stock lending and the reply to this was yes, this is fundamental. It is the responsibility of individual committees to identify their own training gap. Training requirements need to be developed further, with potentially alternative investments being the next training session. **DE** emphasised that Individual funds have a duty to ensure that members receive adequate training and **RW** added that in RCT, the Pension Board and the Pension Committee hold combined training sessions, which also seems to be happening within other funds.

- **RW** enquired whether KPI's went to the JGC in March. **AP** explained that due to the transitioning, March JGC was too soon, KPI's for quarter ending March 2019 will be going to the June JGC. **KM** asked whether the reporting for individual funds will be as good as it has been in the past, **AP** explained that Link are working with individual funds as each fund have their own requirements. Host authority is also working with Link to ensure reporting is fit for purpose.

Slide 4 – Priorities:

Following on from the previous slide, **AP** explained the main priorities going forward:

- Business Plan – draft to go to June JGC
- Communications Plan – Hymans bringing a draft to the April OWG
- Website – this is being progressed
- Policy / Procedures – RI policy is priority, aiming for that to go to June JGC

AP finished by saying that we are all still learning and this is something new to us all.

JJ asked whether the JGC papers are circulated by email, **CM** explained that these are public documents on the CCC website, JGC members are informed by email and provided with a link to the site. **TW** to ask Democratic Services Unit (DSU) whether it would be possible to email this link to the Pension Board Chairs.

Action: TW to speak to Gaynor (DSU) re emailing the link to the Pension Board Chairs

Item 3 Link Presentation

Link delivered a presentation (copy attached).

PHS started by giving an overview of Link by explaining the group's background, where they are now, the services they offer and the expertise that they bring.

KM commented that there has definitely been progress seen on the investment side and enquired as to how the regulator role works and how decisions are made. **PHS** explained the process of how sub funds are built, in particular the Global Equity fund which is now up and running, emphasising that there were significant improvements during the process.

JJ asked as to what the relationship is between WPP, Link and Russell. **PHS** explained that there is a contractual relationship through Link, WPP have a contract with Link and Link have a separate contract with Russell. Link and Russell provide collaborative working when attending meetings etc. **JJ** went on to ask what Russell's role is in the process, **PHS** explained that Russell has a role in Manager Selection/Due Diligence and also acts as an Investment Manager. **JJ** asked whether this is because Link has not got the capacity. **PHS** explained that Link don't perform the role of Investment Managers, they partner up with experts in that area.

JJ enquired as to how Russell's decision making is reviewed. **PHS** explained that there is continual engagement between Link and Russell and Link will challenge Russell, when necessary. **JL** went on to explain a little bit more around the background of Russell and how they operate, including the management research and operational due diligence that they carry out.

JJ asked about how they test the market. **JL** explained that there are various Investment costs, when appointing managers they look collectively at the fee savings, projected outperformance and the bigger picture as a whole.

PHS went on to explain the remaining slides, including the benefits of the Authorised Contractual Scheme, the set-up of the Global Growth and Global Opportunities Funds, the Next Steps and the Engagement Protocol. **PHS** emphasised that we are now in a good step to the next tranche which is the UK and European Equities.

JL went on to explain some more about the Global Opportunities Fund and how through engagement with the Officer Working Group, the right balance was achieved. It has been a collaborative approach to meet each individual funds objectives through a pool structure.

AP commented that it has taken 12 months of hard work and commitment. It has been a slow process, a steep learning curve but the background work is now done.

CM remarked that the commitment of all local authorities should be recognised, there has been a extensive input at senior level. An excellent collaboration project working together as one voice.

KM asked about the Annual Shareholder Day on the Engagement Protocol and who the involved parties are. **AP** confirmed that this includes all stakeholders, such as the Pension Fund Committees, Pension Boards, Link, Russell and Underlying Managers.

IG mentioned that Pension Fund Committees are included in the protocol and enquired as to whether this engagement will expand to Pension Boards. **CM** explained that we need to look at Pension Board engagement going forward.

PHS mentioned that fund reporting is being developed and that it will be a transparent structure in line with the Cost Transparency Framework.

CM concluded by saying that there is a lot of work left to be done and it is critical to get the reporting right and shared accordingly.

Item 4 **Any further questions**

1. **KM** enquired about the vacant post. **CM** explained that at present this post is not required however as work is evolving this could change. **KM** mentioned that from looking at the workplan there seems to be a lot of focus on the governance side (Business plan, policies etc.), **CM** explained that with the skills around the OWG, there is an element of sharing and accepting assistance, for example with Gwynedd and Hymans.
2. **KM** mentioned that the Budgets had gone to the June JGC for approval, however from her understanding of governance and from relevant sections in the Inter Authority Agreement, objectives and budget sits within the Business plan. She was concerned that the timescales in the workplan shows the business plan being completed before objectives are set and this should be the other way around. **KM** kindly offered to provide further explanation / information, if required. **AP** confirmed that WPP objectives are not set in detail at present but this will form part of the Business Plan and will look into this further.

Item 5 **Future Communication with Pension Board Chairs**

CM spoke about future engagement and invited any thoughts as to how future engagement could be structured.

A number of Pension Board Chairs commented on how useful this meeting had been and the importance of board involvement at fund level, representing all members. It is an evolving process, with potential benefits. Consensus was that a forum would be useful, not necessarily always with the Pension Board Chairs but with Pension Board Representatives with relevant expertise.

It was agreed that going forward, subject to approval by the JGC that a forum be set up to meet twice yearly with representatives from each of the eight welsh funds – either the Pension Board Chair or its nominated representative. A collaborative approach to improve communication with Pension Boards, to consult on any necessary issues and to strengthen the overall Governance structure. The Host Authority to draw up a future engagement model and circulate with the Chairs.

COMMITTEE: **PENSION BOARD**

DATE: **17 MAY 2019**

TITLE: **PUBLIC SECTOR EXIT PAYMENT CAP**

PURPOSE: **FOR INFORMATION / ENCOURAGE RESPONSES?**

AUTHOR: **DAFYDD L EDWARDS, HEAD OF FINANCE**

1. Please find attached the –
 - HM Treasury consultation documents regarding ‘restricting exit payments in the public sector’ – i.e. implementation of a £95K exit payment cap (Appendix A).
 - papers prepared by the LGA in response to the publication of the HM Treasury consultation –
 - summary (Appendix B), and
 - technical briefing paper Appendix C)
2. The technical briefing paper clarifies a number of issues as well as identifying some key matters that need some further explanation.
3. The significant issue for us in Wales is in relation to the powers to relax the restriction on public exit payment. The HM Treasury directions of relaxation do not apply to exit payments made by a devolved Welsh authority. Welsh Ministers have powers to relax the restrictions. At this moment, we do not know how what Welsh Government will do to exercise this power.
4. Here are some of the headline issues (fuller details are in the LGA’s technical briefing paper) -
 - The regulations do apply to the Welsh Public sector - but the HMT directions of relaxation do not.
 - Definitions of what constitutes a ‘relevant exit’ and what doesn’t (page 3) – flexible retirement with the same contract is not covered by the regulations.
 - Definitions of what forms part of an exit payment (page 4) – contractual PILON (payment in lieu of notice) of not more than 25% is not included – non contractual PILON is.
 - Pensions – the new Regulations when implemented will automatically amend some elements of the LGPS Regs 2013 – details on page 5.

- Pensions – there are some concerns expressed in the briefing about the calculation of pension strain – these are identified on page 6.
 - Relaxation of Restrictions – these are set out on page 7 but do not apply to Wales as mentioned above. They do however talk about ‘workforce reform’ and pre-planned exits.
5. There are more questions than answers at the moment, particularly around the Welsh Government position. Some of the key issues seem to lie with Welsh Government – who could ‘relax the restrictions’ to a considerable extent. Time will tell!
 6. One suggestion heard within Welsh local government is that the ‘exit cap’ for Wales should not include ‘pension strain’ and the Welsh Government should ‘relax’ the requirement accordingly.
 7. Consultation ends on 3rd July 2019. All local authority employers are free to submit their own response. The Board may wish to encourage Gwynedd Fund employers to respond?



1. Home (<https://www.gov.uk/>)
2. Restricting exit payments in the public sector
(<https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector>)

1. HM Treasury (<https://www.gov.uk/government/organisations/hm-treasury>)

Open consultation

Restricting exit payments in the public sector: consultation on implementation of regulations

Published 10 April 2019

Contents

1. Introduction
2. Proposed scope of draft regulations
3. Guidance and directions
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This publication is available at <https://www.gov.uk/government/consultations/restricting-exit-payments-in-the-public-sector/restricting-exit-payments-in-the-public-sector-consultation-on-implementation-of-regulations>

0.1 Executive summary

Exit payments to employees leaving the public sector workforce in 2016-2017 cost the taxpayer £1.2 billion¹, with payments at and above £100,000 amounting to £0.2 billion. Exit payments can be important to employers' ability to reform and react to new circumstances, whilst providing support for employees as they find new employment or as a bridge until retirement age. However, public sector employers have a responsibility to demonstrate that they are using public money efficiently and responsibly, and to ensure that pay and terms are always proportionate, justifiable and fair to the taxpayers who fund them.

The government does not believe that the majority of six figure exit payments, which are far in excess of those available to most workers in the public sector or wider economy, are proportionate or provide value for money for taxpayers.

The government therefore introduced powers to cap exit payments in the public sector at £95,000 in the Small Business, Enterprise and Employment Act 2015. This consultation sets out the proposed method of implementing that cap, including which bodies should be in scope.

These regulations will help public sector employers to ensure exit payments represent value for money to the taxpayer who funds them.

1. Introduction

1.1 Policy background

Exit payments associated with loss of employment, including redundancy, are important to employers' ability to reform, and an important source of support for employees as they find new employment, or as a bridge until retirement age. However, it is also important that exit payments are proportionate and fair to the taxpayer and the government is concerned about the number of exit payments made to public sector workers that exceed or come close to £100,000.

Such payments can exceed three times the average annual earnings in the public sector², and are far higher than the value of exit payments made to the majority of public sector workers³. The government does not believe that such payments often provide value for money or are fair to the taxpayers who fund them.

The government legislated for a cap of £95,000 on exit payments (the cap) in the public sector in the Small Business Enterprise and Employment Act 2015 (the 2015 act) as amended by the Enterprise Act 2016 (the 2016 act). The 2015 act sets out the duty to implement the cap through secondary legislation.

This consultation sets out the proposed draft regulations, schedule to the regulations, accompanying guidance and directions. The government welcomes comments on the draft regulations.

The draft schedule 1 sets out in detail the proposed scope of the regulations for this first stage of implementation. The government will expand the bodies in scope to the whole of the public sector in due course, with exemptions for certain bodies. Exemptions will be considered on a case by case basis, taking into account the nature of and functions undertaken by the employer.

1.2 Policy intention

Sections 153A to 153C of the 2015 act enable HM Treasury to make regulations restricting public sector exit payments to a maximum of £95,000. The draft regulations define the types of payments intended to be subject to the cap, how the proposed cap is intended to operate, and the scope of the regulations. The bodies in scope of the draft regulations are set out in schedule 1 of the draft regulations. It is the government's intention to extend the scope of the regulations to the whole public sector in due course.

1.3 Aim and scope of the consultation

The government will consider the consultation responses and decide on how best to achieve its aims in relation to the questions and proposals set out in this document. Responses are particularly welcomed from:

- employing bodies within the scope of the draft regulations as well as employing bodies within the wider public sector but not included in schedule 1 at present
- bodies representing public sector employers
- employees and their representative bodies
- members of the academic community with expertise in this area
- pay, pension, remuneration and HR professionals in both the private and public sectors
- anyone else who may be impacted by this consultation

1.4 How to respond

This consultation will run for twelve weeks and will close on 3 July. Responses can be submitted online (<https://www.smartsurvey.co.uk/s/QABLW/>) or sent by email to:

ExitPaymentCap@hmtreasury.gov.uk with the subject heading 'Consultation on Exit Payment Cap'.

Alternatively please send responses by post to:

Workforce, Pay & Pensions Team,
HM Treasury,
1 Horse Guards Road,

London
SW1A 2HQ

When responding please say if you are a business, individual or representative body. In the case of representative bodies, please provide information on the number and nature of people you represent.

1.5 Consultation principles

This consultation is being run in accordance with the government's consultation principles (<https://www.gov.uk/government/publications/consultation-principles-guidance>).

1.6 Privacy notice

This notice sets out how HM Treasury will use your personal data for the purposes of the 'public sector exit payment' and explains how your rights under the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 (DPA).

Your data (data subject categories)

The personal information relates to you as either a member of the public, parliamentarians, and representatives of organisations or companies.

The data we collect (data categories)

Information may include your name, address, email address, job title, and employer of the correspondent, as well as your opinions. It is possible that you will volunteer additional identifying information about themselves or third parties.

Legal basis of processing

The processing is necessary for the performance of a task carried out in the public interest or in the exercise of official authority vested in HM Treasury. For the purpose of this consultation the task is consulting on departmental policies or proposals or obtaining opinion data in order to develop good effective government policies.

Special categories data

Any of the categories of special category data may be processed if such data is volunteered by the respondent.

Legal basis for processing special category data

Where special category data is volunteered by you (the data subject), the legal basis relied upon for processing it is: the processing is necessary for reasons of substantial public interest for the exercise of a function of the Crown, a Minister of the Crown, or a government department.

This function is consulting on departmental policies or proposals, or obtaining opinion data, to develop good effective policies.

Purpose

The personal information is processed for the purpose of obtaining the opinions of members of the public and representatives of organisations and companies, about departmental policies, proposals, or generally to obtain public opinion data on an issue of public interest.

Who we share your responses with

Information provided in response to a consultation may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA) and the Environmental Information Regulations 2004 (EIR).

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury. Where someone submits special category personal data or personal data about third parties, we will endeavour to delete that data before publication takes place.

Where information about respondents is not published, it may be shared with officials within other public bodies involved in this consultation process to assist us in developing the policies to which it relates. Examples of these public bodies (<https://www.gov.uk/government/organisations>).

As the personal information is stored on our IT infrastructure, it will be accessible to our IT contractor, NTT. NTT will only process this data for our purposes and in fulfilment with the contractual obligations they have with us.

How long we will hold your data (Retention)

Personal information in responses to consultations will generally be published and therefore retained indefinitely as a historic record under the Public Records Act 1958.

Personal information in responses that is not published will be retained for three calendar years after the consultation has concluded.

Your rights

- you have the right to request information about how your personal data are processed and to request a copy of that personal data
- you have the right to request that any inaccuracies in your personal data are rectified without delay
- you have the right to request that your personal data are erased if there is no longer a justification for them to be processed
- you have the right, in certain circumstances (for example, where accuracy is contested), to request that the processing of your personal data is restricted
- you have the right to object to the processing of your personal data where it is processed for direct marketing purposes
- you have the right to data portability, which allows your data to be copied or transferred from one IT environment to another

How to submit a Data Subject Access Request (DSAR)

To request access to personal data that HM Treasury holds about you, contact:

HM Treasury Data Protection Unit
G11 Orange
1 Horse Guards Road
London
SW1A 2HQ

dsar@hmtreasury.gov.uk

Complaints

If you have any concerns about the use of your personal data, please contact us via this mailbox: privacy@hmtreasury.gov.uk.

If we are unable to address your concerns to your satisfaction, you can make a complaint to the Information Commissioner, the UK's independent regulator for data protection. The Information Commissioner can be contacted at:

Information Commissioner's Office
Wycliffe House
Water Lane

Wilmslow
Cheshire
SK9 5AF

0303 123 1113

casework@ico.org.uk

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

Contact details

The data controller for any personal data collected as part of this consultation is HM Treasury, the contact details for which are:

HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

020 7270 5000

public.enquiries@hmtreasury.gov.uk

The contact details for HM Treasury's Data Protection Officer (DPO) are:

The Data Protection Officer
Corporate Governance and Risk Assurance Team
Area 2/15
1 Horse Guards Road
London
SW1A 2HQ

privacy@hmtreasury.gov.uk

2. Proposed scope of draft regulations

Employers in the whole of the public sector have a responsibility to demonstrate that they are using public money efficiently and responsibly, and to ensure that pay and terms are always proportionate, justifiable and fair to taxpayers.

In order to determine the scope of the cap, HM Treasury will be guided by the Office for National Statistics (for National Account purposes) classification of bodies within the central and local government, and non-financial public corporation sectors. There will be a limited number of

exemptions.

The government is proposing a staged process of implementation across the public sector. The first stage will capture most public sector employees, before extending the cap to the rest of the public sector in the second stage. Prioritising in this way will ensure most exit payments in the public sector are limited to £95,000 without further delay, while work continues on expanding the scope of the regulations.

2.1 Bodies in scope of the current draft regulations

The draft regulations apply to payments made by public sector authorities to employees and by public sector offices to office holders. However, they do not apply to the following payments:

A. Payments made by a relevant Scottish authority, as defined in s 153B(5) of the 2015 act (see section 4.1 below)

B. A relevant Welsh exit payment, as defined in s 153B(6) of the 2015 act

C. Payments made by Northern Irish authorities which wholly or mainly exercise devolved functions

The following categories of public sector employer are within scope of these regulations where they fall within the responsibility of the UK government, regarding their employment:

- the UK Civil Service, its executive agencies, non-ministerial departments and non-departmental public bodies (including Crown non-departmental public bodies and Her Majesty's Prison and Probation Service)
- the NHS in England and Wales⁴
- academy schools
- local government including fire authorities' employees and maintained schools
- police forces, including civilian and uniformed officers

Some bodies have more than one classification. For example, if an executive agency is also classified as a type of body not currently in scope of the cap, such as a trading fund, it should not be captured during this round of implementation.

The full list of proposed public sector bodies in scope of the draft regulations are listed in draft schedule 1. The categories of final employers which will be included in schedule 1 is subject to responses to the consultation.

All public sector employers should make value for money decisions on exit payments, and spend public money responsibly. It is the government's strong expectation that bodies not in the proposed scope of these regulations will come forward with their own, commensurate cap on exit payments.

2.2 Bodies and payments exempt in the draft regulations

The government proposes that the Secret Intelligence Service, the Security Service, the Government Communications Headquarters and the Armed Forces should be exempt from the cap. Therefore, these employers are not listed in draft schedule 1 to the regulations.

Careers in these organisations have unique features, and the special requirements made of individuals – including the transition to civilian life – are reflected in the range and level of compensation payments for these workforces. Compensation and resettlement payments make up a core part of the overall remuneration and reward package for those working in these fields, and payments are sometimes required in order to ensure that individuals are properly compensated for what can be lifelong impacts, felt at relatively early ages. The government believes it is right that – in general – these employers have flexible and responsive remuneration practices which may fall outside of the scope of the draft regulations.

As a general rule accrued pension rights, including rights to pension commutation lump sums, are not within scope of the draft regulations because they do not normally involve any cost to the employer. However, in some cases pension payments do involve an additional employer cost relating to an exit and often represent a significant amount of an individual's exit payment. For this reason they are within scope of the draft regulations unless an exemption applies. These payments arise when an employer has to make a 'pension strain' payment, for example to provide the pension scheme member with an immediate unreduced pension before the member's Normal Pension Age or when an employer has to make a pension commutation related payment.

Fire and Rescue Authorities (FRAs) have discretion to remove the current commutation lump sum restriction (of 2.25 x pension) that applies to firefighter members of the 1992 Firefighters' Pension Scheme who are under age 55 and have less than 30 years' service. Where a FRA exercises this discretion, this results in an employer related cost because it is required to make a payment equivalent to the additional amount to the member's pension fund account. It is proposed that these payments should be exempt from the scope of the regulations as they do not fund an increase in the actuarial value of the firefighter's pension.

Therefore, regulation 7(c)(i) exempts payments made by a FRA to their pension fund account, where the FRA exercises its discretion to allow a firefighter (who is subject to the above 2.25 times pension commutation lump sum restriction) to commute up to a maximum of 25% of their annual pension for a pension lump sum. Effectively, this discretion aligns with the commutation entitlement available to firefighters who are aged 55 or over, or who have accrued the maximum 30 years' service.

The government is also considering an exemption for payments made by FRAs to their pension fund account in respect of firefighters who are unable to maintain operational fitness through no fault of their own and where the FRA has agreed to put into payment an authority initiated early retirement pension. This will honour the government's previous commitment

(<https://publications.parliament.uk/pa/cm201415/cmhansrd/cm141215/wmstext/141215m0001.htm>) that firefighter members of the 2006 and 2015 Firefighters' Pension Schemes in these circumstances should be awarded an unreduced pension if they cannot be redeployed.

Question 1

Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1 above)? If not, please provide details.

Question 2

Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

Question 3

Do you agree with the exemptions outlined? If not, please provide evidence.

3. Guidance and directions

The government welcomes comment on the attached guidance and directions.

The guidance aims to explain, in plain English, how the draft regulations should be applied. In particular, the guidance details the circumstances in which the cap may and must be relaxed, and which actors have the power to relax the cap.

Section 5 of the guidance and the separate mandatory HMT directions are intended to ensure that the cap must be relaxed in specific mandatory cases, for example where a settlement agreement is entered into following a whistleblowing or discrimination complaint, and where it may be relaxed in specific discretionary cases, for example where imposing the cap would cause undue hardship.

This reflects the government's position – and the position reflected in the draft regulations – that the public sector exit payment cap is not designed to discourage workers from making disclosures covered by whistleblowing law or to prevent such people from receiving an appropriate remedy from an employment tribunal.

Question 4

Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

Question 5

Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?

Question 6

Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.

4. Devolution summary and equalities impacts

4.1 Devolution

The cap policy extends to all the bodies where employment terms are subject to approval by the UK government (subject to exemptions set out in the remaining paragraphs of section 4.1).

Payments made by authorities which wholly or mainly exercise functions that could be devolved to Northern Ireland are not covered by the draft regulations.

Payments made by a relevant Scottish authority, namely the Scottish Parliamentary Corporate authority or any authority which wholly or mainly exercises functions devolved to Scotland are also not covered by these regulations, with the exception of payments made by the Scottish Administration to holders of non-ministerial offices in the administration or to staff of the administration, which are covered by these regulations.

Relevant Welsh exit payments, namely payments made to the holders of the offices specified in s 153B(6) of the Enterprise Act 2016 are not covered by these regulations.

The regulations contain a power in regulation 12 to relax the exit payment cap following compliance with HMT directions or with consent of HMT, however this power does not apply to exit payments made by a devolved Welsh authority.

4.2 Equalities

An equalities impact assessment of the cap (<https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap#impact-analysis>) was conducted in the previous consultation, ahead of legislation on the policy.

If, following consultation, the government decides to implement a two stage implementation process, it will do so on the basis of a further assessment of the equalities impact.

Question 7

Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?

Question 8

Are you able to provide information and data in relation to the impacts set out above?

5. Summary of questions

Question 1

Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1 above)? If not, please provide details.

Question 2

Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

Question 3

Do you agree with the exemptions outlined? If not, please provide evidence.

Question 4

Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

Question 5

Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?

Question 6

Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.

Question 7

Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?

Question 8

Are you able to provide information and data in relation to the impacts set out above?

1. Whole of Government Accounts 2016-17

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720178/WGA_2016-17_web.pdf), page 70. 

2. Mean public sector earnings according to the ONS: £29,574 

3. Whole of Government Accounts 2016-17

(https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720178/WGA_2016-17_web.pdf), page 70, Table 4.E. 

4. The 2015 Act confers power to cap exit payments in the NHS in Wales, because the compensation schemes are not devolved to Welsh ministers. 

Exit payments cap: a summary for local government employers

The government first announced plans to cap exit payments in the public sector in 2015. On 10 April 2019 HM Treasury (HMT) launched a [consultation](#) on draft regulations, guidance and Directions to implement the cap.

This document summarises the proposals as they relate to local government employers.

Who is covered?

The cap will apply to all public sector employers and is to be implemented in two stages. Local government employers will be covered in the first stage.

The cap

The exit payment cap is set at £95,000 and the regulations do not include provision for this amount to be index-linked. Redundancy payments (including statutory redundancy payments) severance payments, pension strain costs – which arise when a Local Government Pension Scheme (LGPS) pension is paid unreduced before a member's normal pension age – and other payments made as a consequence of termination of employment are included in the cap.

Payments related to death in service or ill health retirement, pay in lieu of holiday and payments made in compliance with an order made by a court or tribunal are not exit payments for the purposes of these regulations.

The statutory redundancy element of an exit payment **cannot be reduced**. If the cap is exceeded, other elements that make up the exit payment must be reduced to achieve an exit payment of £95,000.

The cap applies to exit payments that arise within a 28 day period and the regulations cover the process to follow if an individual has multiple exits from public sector employment within 28 days.

Applying the cap in the LGPS

The impact of the regulations on a LGPS member if the cap is exceeded and the exit payment includes pension strain cost is unclear. We understand that the policy intent is for the member's pension benefits to be reduced to the extent that the exit payment cap is not breached, with the member having the option of paying extra to buy-out some or all of the reduction.

Amendments to LGPS regulations would be required to facilitate this change, plus guidance from the Government Actuary on calculating the pension reduction and operating the buy-out process.

Relaxing the cap

There are circumstances when the cap must be (mandatory cases) or may be (discretionary cases) relaxed by the 'Decision Maker', and these are described in HMT Directions.

Mandatory cases: relating to TUPE regulations or exits that would otherwise be considered by an Employment Tribunal under whistleblowing or discrimination legislation.

Discretionary cases: to avoid undue hardship, to effect workforce reforms or exits agreed before the regulations take effect.

The 'Decision Maker' is a Minister of the Crown, but this power is delegated to Welsh Ministers, full council of a local authority, a fire and rescue authority or the London Assembly. Depending on the reason for the relaxation of the cap, HMT approval may also be required.

Employee, employer and Decision Maker responsibilities

A person who receives an exit payment must inform any other public body that employs them about that payment. Employers and Decision Makers are required to record and publish information about capped exit payments and any decisions made to relax the cap.

Further details about the regulations, the consultation and how to respond can be found in the [consultation documents](#) and in the consultation [briefing](#) produced by the LGPC Secretariat.



Exit payments cap

In 2015 the government first announced plans to introduce a cap on exit payments in the public sector. The cap includes any pension strain cost. The cap was legislated for in the Enterprise Act 2016, which amends the Small Business, Enterprise and Employment Act 2015, but required secondary legislation to be introduced.

On 10 April 2019, HM Treasury opened a [consultation](#) on draft regulations, Directions and guidance to implement the exit cap. The consultation will run for 12 weeks and closes on 3 July 2019. The LGA will be responding formally to the consultation ahead of the 3 July deadline.

The document below provides a summary of the consultation and the proposed regulations for local government employers.

Consultation documents

HM Treasury (HMT) published the following consultation documents on 10 April 2019:

1. **Consultation document - 'Restricting exit payments in the public sector: consultation on implementation of regulations'**
The consultation document sets out what types of public sector exit payments the regulations apply to, summarises the proposed regulations and the reasons for introducing these regulations. Details of how to respond are included, and information concerning how respondents' data will be processed.
2. **Draft regulations - 'Annex A: The Restriction of Public Sector Exit Payments Regulations 2019'**
'The Regulations' include:
 - the bodies whose exit payments are covered by the cap
 - what constitutes an exit payment and what is exempt
 - the requirement for individuals and public sector bodies to report and record information about exit payments and
 - the circumstances in which the cap must be relaxed and the process for approval in situations where the cap may be relaxed.
3. **Schedule – 'Annex B: £95k cap on exit payments in the public sector schedule (draft)'**
'The Schedule' sets out public sector authorities and public sector offices that may be affected by the exit payment cap. There are circumstances where the cap must or may be waived. Where relevant, the Schedule specifies what body is the sponsoring department who would be responsible for approving the relaxation of the cap.
4. **Guidance – 'Annex C: Restriction of public sector exit payments: guidance on the 2019 regulations'**
'The Guidance' sets out more information on how the legislation should be implemented, and particularly gives more information about the process to follow when a public sector body wishes to relax the restriction.

5. HMT Direction – ‘Mandatory HM Treasury directions’

‘The Directions’ describe when the exit payment cap must be relaxed, in what circumstances it can be relaxed and when HMT approval is required.

There are occasions when the contents of the consultation documents contradict each other, there are contradictions within a single document and there are differences in the wording of the Regulations, the Enterprise Act 2016 and the Small Business, Enterprise and Employment Act 2015. The Guidance states that ‘Where there is any discrepancy between the regulations and the guidance, the regulations prevail’. This is the approach followed in producing this document. Any area of significant difference in the consultation documents, draft regulation or existing legislation is highlighted.

What is the level of the cap?

The exit payment cap is set at £95,000. Although regulation 153A(9) of the Small Business, Enterprise and Employment Act 2015 allows for Regulations to be introduced which change the cap, under the proposed Regulations there is no provision for the cap to be index-linked.

In relation to those employed in local government, it should be noted that the group who are most likely to be affected by the cap are those over age 55 who are members of the LGPS (or another public sector pension scheme).

Who is covered by the Regulations?

The cap will apply to the whole of the public sector, but is being implemented in two stages. At the first stage the Regulations will apply to exit payments made by:

- local authorities
- the UK Civil Service
- the NHS in England and Wales
- academy schools
- police forces (including civilian staff)
- Fire and Rescue Authorities

where they fall within the responsibility of the UK government regarding employment.

Schedule 2, Part 1 of The Local Government Pension Scheme Regulations 2013 lists the employers who must enrol employees into the Local Government Pension Scheme. The majority of employers listed in Part 1 of Schedule 2 are in scope of the exit payment Regulations. The main exceptions being housing management companies, further and higher education corporations and sixth form college corporations who are not covered by the Regulations.

LGPS administering authorities may wish to check whether any of their Schedule 2 Part 3 employers are listed in the Schedule.

Devolved administrations

Wales

Although most employers in scope of the exit payment cap perform devolved functions, public sector compensation is **not** a power that has been devolved to the Welsh Assembly. The exit payment Regulations therefore do apply in Wales to local authorities, academies etc. with the exception of ‘relevant Welsh exit payments’ which are payments made to holders of these offices:

- member of the National Assembly for Wales
- the First Minister for Wales
- Welsh Minister appointed under section 48 of the Government of Wales Act 2006
- Counsel General to the Welsh Government
- Deputy Welsh Minister
- member of a county council or a county borough council in Wales
- member of a National Park Authority in Wales
- member of a Fire and Rescue Authority in Wales.

Scotland

The Regulations do not apply to exit payments made by the Scottish Corporate Body or by any authority which wholly or mainly exercises functions within devolved competence (within the meaning of section 54 of the Scotland Act 1998).

The Regulations apply to payments made to non-ministerial office holders and staff of the Scottish Administration.

Northern Ireland

The Regulations do not apply to payments made by Northern Irish authorities which wholly or mainly exercise devolved functions.

Public sector bodies not covered by the cap

A newly created public sector body will not be covered by the cap until it is added to Schedule 1. The government expects all public sector bodies not covered by the Regulations – whether they are new or established bodies – to restrict exit payments voluntarily.

The Regulations will be extended to the rest of the public sector at the second stage, with a limited number of exemptions.

The government has proposed that the Secret Intelligence Service, the Security Service, the Government Communications Headquarters and the Armed Forces should be exempt from the cap due to the unique demands and features of careers in these fields.

The Scottish Parliament, Northern Ireland Assembly and Welsh Assembly could introduce regulations which restrict the exit payments made by those public sector bodies in Scotland, Northern Ireland and Wales respectively, which are not covered by these Regulations.

What is an exit?

The Regulations apply where there has been a 'relevant public sector exit' which occurs when an employee leaves the employment of a public sector authority listed in the Schedule, or when a holder of a public sector office listed in the Schedule leaves office.

In the LGPS there are other events which can lead to a pension strain cost which are **not** exits and which therefore are **not** covered by the Regulations:

- Early payment of deferred benefits and all or part of the early payment reductions are waived
- Flexible retirement – providing the member's pay reduction is achieved by changing the employee's contract.

If a LGPS member takes flexible retirement and the pay reduction is achieved by ending their current employment contract and starting a new one then an exit has occurred and the exit payment restrictions would apply.

Although the Guidance and Regulations concentrate on specific exits such as redundancy, because of the wide nature of the definition of exit, we will need to ensure that there are no other circumstances in which payments are made under the scheme which may be caught.

Payments included in the cap

The cap will apply to payments of the following types, but see also the list of exclusions which follows:

- a) any payment on account of dismissal by reason of redundancy – including a statutory redundancy payment
- b) any payment made to reduce or eliminate an actuarial reduction to a pension on early retirement or in respect to the cost of a pension scheme of such a reduction not being made [pension strain costs]
- c) any payment made pursuant to an award of compensation under the ACAS arbitration scheme or a settlement or conciliation agreement
- d) any severance payment or ex gratia payment
- e) any payment in the form of shares or share options
- f) any payment on voluntary exit
- g) any payment in lieu of notice due under a contract of employment [but only if it exceeds a quarter of the employee's annual salary – see the next section]
- h) any payment made to extinguish any liability to pay money under a fixed term contract
- i) any other payment made, whether under a contract of employment or otherwise, in consequence of termination of employment or loss of office [this will include pay in lieu of notice which is due other than under a contract of employment].

The following payments are **not exit payments** for the purposes of the Regulations:

- a) any payment made in respect of death in service
- b) any payment made in respect of incapacity as a result of accident, injury or illness
- c) certain payments made to retiring firefighters – separate guidance will be issued to cover the position for firefighters
- d) a specific service award paid to a member of the judiciary
- e) a service payment made in respect of annual leave due under a contract of employment
- f) any payment made in compliance with an order of any court or tribunal
- g) a payment in lieu of notice due under a contract of employment that does not exceed one quarter of the relevant person's annual salary.

What payments are included in the calculation of an exit payment is subject to change. If HMT becomes aware of payments being made to exiting employees or office holders that are not currently defined as exit payments then it is likely that these payments will be added to the above list.

Where an exit payment exceeds the cap, the employer or the body responsible for determining the remuneration payable to the holder of a public office covered by these regulations must reduce the exit payments until the cap is satisfied. Any statutory redundancy entitlement under the Employment Rights Act 1996 cannot be reduced.

Multiple exit payments

If an individual becomes entitled to more than one exit payment within 28 days, the Regulations prescribe the order in which those exits are treated to have occurred based on

the date of exit, salary, hours worked and length of service. The cap applies to the total of the two (or more) exit payments. However, because the statutory redundancy payment cannot be reduced, there may be occasions when an employee receives two or more exit payments within 28 days and the total of those exit payments exceeds the cap. It is the individual's obligation to inform their other public sector employers if they receive an exit payment.

The employer has an obligation to ensure that any exit payment they make does not exceed the exit cap, or if it does exceed the cap that it is compliant with HMT Directions on relaxation. Employers must put processes in place to request information about any recent or pending public sector exit payments before making such a payment to an exiting employee or office holder.

Pension strain cost

HMT's assumption is that employers will, where possible, cap the redundancy lump sum and allow individuals to receive the pension top up in full. There is no requirement for employers to follow this process, which means that the Regulations as they stand allow employers to restrict any of the elements that make up the exit payment (other than any statutory redundancy payment) in any order.

In a pension scheme which allows partial reduction, if the exit payment cap would otherwise be breached and the exit payment includes pension strain costs, retirement benefits would be reduced to a level which means the cap is not breached. The individual would have the option of buying out some or all of that reduction.

If the Regulations prevent an exit payment being made (because the pension strain cost exceeds the cap and the pension scheme rules do not allow partial reduction, for example) then a cash payment, not exceeding the cap must be paid to the individual.

The position for the LGPS

Paragraph 5 of Schedule 6 to the Enterprise Act 2016 amends the Local Government Pension Scheme Regulations 2013 to allow:

- partial reduction of a member's pension benefits where otherwise the exit payment cap would be breached and
- a scheme member to pay a charge to buy out some or all of that reduction

These changes do not come into effect until HMT issue a commencement order. The effect of the exit payment Regulations on the LGPS is dependent on whether they are enacted before or after the LGPS regulations changes set out in the Enterprise Act come into force.

1. LGPS Regulations are unchanged

If an exit payment includes pension strain cost and would exceed the cap, it is unclear whether the pension could be paid under regulation 30(7)(b) of the LGPS Regulations 2013 if the strain cost referred to in regulation 68(2) cannot be paid in full. It is our understanding that the intention is for the member to receive a fully reduced pension in this circumstance, plus the cash alternative of the strain cost (up to the maximum allowed by the cap). Changes to the LGPS regulations would be required to introduce the option for a member who is made redundant or leaves on the grounds of business efficiency at age 55 or over to defer payment of their pension.

2. LGPS Regulations amended to allow partial reduction

If an exit payment includes pension strain cost and would exceed the cap, then the member's benefits would be reduced to such a level that the exit payment cap is not breached. The member would have the option of paying extra to buy-out some or all of the reduction.

The proposed regulation changes do not introduce the option to defer payment of pension benefits in the event of a LGPS member who is over age 55 being made redundant or leaving on the grounds of business efficiency. As the regulations currently stand, a LGPS member whose exit payment has been capped would be forced to accept a reduced pension.

If the option to defer payment of LGPS benefits on redundancy or retirement on business efficiency grounds at age 55 or over is introduced, then a member who exercises the option to defer could be paid the cash alternative to the pension strain cost (up to the maximum allowed by the exit payment cap).

In order to implement partial reduction in the LGPS, guidance from the Government Actuary's Department (GAD) on partial reductions and on the cost of buying out those reductions would be required. Detailed information concerning the method of calculating the partial reduction in a members' benefits, the method and calculation for buying out the reduction – particularly the calculation which would be involved in working out the reduction to apply where some but not all of the reduction has been bought out, and the deadline that applies to an election to make such a payment would be required. It is likely that changes to the LGPS regulations and new statutory guidance would be required to effect this change.

The Regulations do not specify how to calculate the strain cost related to the early payment of a pension on an unreduced basis. The LGPS Regulations state that this strain cost is to be 'calculated by an actuary appointed by the administering authority' and the Guidance says that it 'may be the amount as calculated by the scheme actuary'. Currently, the method of strain cost calculation is formulated locally based on the demographic make-up of the LGPS members in an administering authority. Demographic differences across the country mean that strain cost and the implications for the exit cap could differ widely for LGPS members in different geographical areas, even if they are similar in other respects such as age, salary level and length of pension scheme membership.

If there is no change to the current position then the calculation of the strain cost element of an exit payment will differ between LGPS administering authorities. The benefit of this approach is that the strain cost reflects the best estimate of the cost of paying the pension early, based on actuarial assumptions and the demographics of members participating in the LGPS in a particular administering authority. The main disadvantage is that a member may be affected by the cap based on the calculation adopted by one administering authority who would not be affected had the strain cost been calculated by another administering authority.

An alternative would be for GAD to introduce a standard method of calculating pension strain cost in the LGPS. This would have the advantage that the application of the exit payment cap would be equitable and consistent across the entire scheme. Significant demographic differences exist across the country. The use of a single method of strain cost calculation could result in strain costs being overpaid by certain employers, which may lead to a reduction in employer contribution rates. In other administering authorities the strain cost paid by employers would not reflect the 'true' cost of paying the pension early and consequently could lead to increased employer contribution rates. In these circumstances

the exit payment may not reflect the actual cost to the employer of releasing a LGPS pension early.

Relaxation of the restriction on exit payments

HMT Directions set out the circumstances in which the exit payment restrictions must be relaxed – mandatory cases – and the circumstances when they may be relaxed – discretionary cases.

The HMT Directions do not apply to exit payments made by a devolved Welsh authority.

The 'Decision Maker' is the person who exercises the power to relax the exit payment restriction. This power generally rests with a Minister of the Crown but can be delegated in respect of exit payments made by certain public sector bodies. This is covered further in the next section.

The power to relax the exit payment cap can be exercised in respect of an individual, or in exceptional circumstances in respect of a group of employees, for example where redundancies occur as a result of specific workforce reforms.

Mandatory cases

The exit payment restriction must be relaxed in the following circumstances:

- Where the obligation to make the payment arises as a result of the applying TUPE regulations
- Where the payment relates to a complaint that an Employment Tribunal (ET) has the jurisdiction to consider. This is limited to complaints under whistleblowing or discrimination legislation and the employer believes, on the balance of probabilities, that an ET would find in favour of the complainant
- Certain exit payments made by the Nuclear Decommissioning Agency

Discretionary cases

The exit payment restriction may be relaxed if the Decision Maker is satisfied that:

- not exercising the power would cause undue hardship
- not exercising the power would significantly inhibit workforce reform *
- an agreement to exit was made **and** the exit was planned to occur before the Regulations came into force, the exit was delayed and the reason for that delay was not attributable to the employee or office holder.

* There is a difference in the wording of the consultation documents here. HMT Directions refer only to 'workforce reform', but the Guidance specifies 'urgent' workforce reform.

Section 4.5 of the Guidance states that 'the reasons for exercising a power to relax the cap should relate directly to a relaxation category', but section 5.1 says that the cap can be relaxed 'outside of the circumstances outlined in HMT directions...'. The Regulations support the position that the exit payment restriction can be relaxed for reasons other those set out in the Directions with HMT consent. It is possible that there may be changes in later versions of the Regulations, Directions or Guidance which may affect the rules concerning relaxation on grounds other than those currently listed in the HMT Directions.

The power to relax the cap

Generally, the power to exercise the cap lies with a Minister of the Crown, the 'Decision Maker', but this is delegated to certain other public sector bodies.

Payment made by:	Power to relax restrictions delegated to:
A devolved Welsh Authority	Welsh Ministers
A local authority in England	The full council of that local authority
A fire and rescue authority	The fire and rescue authority
The Greater London Authority	The London Assembly

Depending on who is the 'Decision Maker' and whether the exit payment is being restricted on mandatory or discretionary grounds, HM Treasury approval may also be required before the exit payment restriction can be relaxed.

The consultation documents do not agree on when certain types of approval are required. Table 1 on page 9 sets out our interpretation of the information provided in the consultation documents.

The relevant public sector employer is responsible for ensuring that any exit payment does not exceed the cap, or if it does that the relaxation of the cap has been done in compliance with HMT Directions or with HMT consent.

If an exit payment is made in excess of the cap which is not compliant with HMT Directions, the employer must make an assessment on whether to pursue repayment through the courts. Sanctions may also be imposed on the employer (or, if appropriate the sponsoring department) by HMT.

Recording and reporting exit payments

The Regulations impose responsibilities on Decision Makers, employers and employees related to exit payments.

Employee: requirement to inform

An employee with multiple employments in the public sector who receives an exit payment in respect of one employment is required, as soon as is reasonably practicable, to inform all other public sector authorities by whom he or she is employed about that exit payment in writing. Specifically, the amount and type of exit payment, who will be paying it and the date they left employment or ceased to hold office to which the exit payment relates.

Decision Makers and employers: Duties to keep records

The Regulations require that the person who exercises the power to relax the restriction must keep a written record, for three years from the exit date, of:

- a) the fact that the power has been exercised
- b) the name of the person in respect of whom the power was exercised
- c) the amount and type of the exit payment in respect of which the power was exercised
- d) the date on which the power was exercised
- e) the reasons why the power was exercised.

The relevant public sector authority must publish the details from c), d) and e) at the end of each financial year.

Although it is not required by the Regulations, the Guidance includes a recommendation that employers record instances when an exit payment is capped.

Table 1: The power to relax restrictions on exit payments

Employer ¹ making the exit payment	Decision Maker	Type of case	Consent of HM Treasury required?
Local authority in England	Full council of that authority	Mandatory	No
A fire and rescue authority	The fire and rescue authority	Discretionary	Yes ²
The Greater London Authority	The London Assembly	Mandatory	No
Any other public sector body covered by the Regulations	Minister of the Crown	Discretionary	No ³
All of the above	As above	Outside of circumstances outlined in HMT Directions	Yes
A devolved Welsh authority	Welsh Ministers	All – HMT Directions do not apply	No

¹ or a body responsible for determining the remuneration payable to the holder of a public sector office listed in Schedule 1

² The Guidance states that the sponsoring department would have to approve the business case supporting the relaxation of the exit cap as well as HMT. The requirement for this additional approval is not reflected in the wording of the Regulations or the HM Directions.

³ The Guidance suggests that HM Treasury approval is required where the Decision Maker is a Minister of the Crown, but this is not reflected in the Regulations or the HMT Directions.

The Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly may enact regulations to restrict exit payments made by devolved bodies that are not covered by the Regulations. If they do so, any power to relax the restrictions would lie with Scottish, Welsh or Northern Irish Ministers. The HMT Directions would not apply.

The Consultation

The consultation invites responses from:

- employing bodies within scope and out of scope of the Regulations
- employees
- bodies representing those employers or employees
- academics with expertise in this area
- public and private sector pay, pension, remuneration and HR professionals
- anyone else who might be impacted by this consultation

to the following questions:

1. Does draft schedule 1 to the regulations capture the bodies intended? If not, please provide reasons.
2. Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.
3. Do you agree with the exemptions outlined? If not, please provide evidence.
4. Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.
5. Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?
6. Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.
7. Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?
8. Are you able to provide information and data in relation to the impacts set out above?

Responses can be submitted:

Online: <https://www.smartsurvey.co.uk/s/QABLW/>

By email: ExitPaymentCap@treasury.gov.uk with the subject heading 'Consultation on Exit Payment Cap'

In writing: Workforce, Pay & Pensions Team
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ.

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COMMITTEE: **PENSION BOARD**

DATE: **17 MAY 2019**

TITLE: **PENSIONS MEETING DATES**

PURPOSE: **TO ALLOW MEMBERS TO PLAN ACCORDINGLY**

AUTHOR: **DAFYDD L EDWARDS, HEAD OF FINANCE**

1. INTRODUCTION

Several Pensions meeting dates have already been set for the year to May 2020. The dates are set out below for convenience.

2. PENSION BOARD DATES

The Board is responsible for **oversight** of the management and operation of the Pension Fund, and makes recommendations for improvements.

It has recently been decided to adhere to the cycle of 4 meetings in a year, and the Pension Board meetings for the year have been arranged as follows:

17 May 2019

24 September 2019

10 December 2019

9 March 2020

The Chairman of the Pensions Committee usually attends Pension Board meetings, and is accountable there for the decisions of the Committee.

3. ANNUAL GENERAL MEETING OF THE PENSION FUND - 24 OCTOBER 2019

This meeting is at 1:00pm in the Dafydd Orwig Chamber. Employers in the fund are invited to send representatives to this meeting. The Pension Fund Annual Report is presented to those attending and is an opportunity for them to make comments and ask questions.

All members of the Pension Board and Pensions Committee are invited to the Annual Meeting.

If the Pensions Committee needs to make decisions in October, an additional Committee meeting will be organised either before or after the Annual General Meeting.

4. PENSIONS COMMITTEE DATES

The Pensions Committee is the **decision making** body for the Pension Fund. The Pensions Committee meetings, to deal with decisions during the year, have been arranged as follows:

16 May 2019

29 July 2019

24 October 2019

16 January 2020

12 March 2020

A member of the Pension Board usually attends Pensions Committee meetings, as an observer.

5. WALES PENSION PARTNERSHIP JOINT COMMITTEE DATES

The Joint Committee set up to govern investment pooling across the eight Welsh local government pension funds consists of the Chair of the Pensions Committee (or another member of the Committee) from each of the funds.

Meetings of the Joint Committee have been arranged on:

28 June 2019 **Cardiff**

20 September 2019 **Pontypool**

Meetings are usually held between 10:00am and 1:00pm, with webcasting facilities available at all venues.

Each cycle of 4 meetings includes one meeting in Cardiff, one meeting in Powys, and the other 2 meetings will be held in the other 6 locations on a rotational basis. This system has been agreed in order to maximise stakeholders' access to these public meetings.

Carmarthenshire County Council, as host authority, arrange these Joint Governance Committee meetings with full translation facilities.

6. RECOMMENDATION

Board members are asked to note the relevant dates for meetings and to plan accordingly.

Agenda Item 16

MEETING	PENSION BOARD
DATE	17 MAY 2019
TITLE	ATTENDANCE IN CONFERENCES
PURPOSE	SELECT REPRESENTATIVES TO ATTEND CONFERENCES
AUTHOR	DAFYDD L EDWARDS, HEAD OF FINANCE

1. INTRODUCTION

- 1.1** This item is submitted in order to inform members of relevant conferences and to decide who will attend on behalf of the Gwynedd Fund.
- 1.2** The Council sends representatives on a rota basis to a number of conferences during the year in order to maintain and improve the knowledge and skills of members and officers.

2. “USUAL” EVENTS

The following 2 “usual” annual conferences have been arranged for 2019/20 –

- 2.1** The Local Authority Pension Fund Forum (LAPFF) annual conference, which will be held on 4-6 December 2019 at the Hilton, Bournemouth (**Appendix 1**). Usually, the Head of Finance or the Investments Manager attend the LAPFF’s annual conference, together with one member of the Pensions Committee (usually the Chairman) and one member of the Pension Board.
- 2.2** The LGPS Governance Conference, formerly known as the “Trustees” Conference, will be held at the Principal Hotel, York on 23-24 January 2020 (**Appendix 2**, item 10-13). Recently, one member of the Pension Board and two members of the Pensions Committee, together with an officer, attended the LGPS Governance Conference in Bristol.

3. ADDITIONAL EVENTS

- 3.1** Responsible Investor's 12th Annual RI Europe Investment Conference will be held at 133 Houndsditch, Liverpool Street, London on 11-12 June 2019 **(Appendix 3)**. One member of the Board has previously attended this event (free to attend), and we could consider sending members again this year.
- 3.2** The LGC Investment Seminar will be held at Carden Park, Cheshire on 27-28 February 2020 (further details not yet available). Historically, one free place has been taken, and we could consider sending more members to this 'local' event.

4. CIPFA EVENTS FOR PENSION BOARDS

- 4.1** A Board member will need to be nominated to attend CIPFA's LGPS Local Pension Board Members' Annual Event in London on 26 June 2019 **(Appendix 4)**.
- 4.2** CIPFA have not yet notified us of the dates of their half-day autumn seminars for Board members, but officers will inform Board members about these, and any subsequent events, on receipt of information from CIPFA or the Welsh boards' network.

5. VALUE OF THE EVENTS

- 5.1** As members of the Pension Board scrutinise a specialist field which is constantly developing, it is essential that members build upon their fundamental training and obtain current information of the LGPS context by attending suitable events like these.

6. RECOMMENDATION

- 6.1** The Board is asked to select representatives from the Pension Board to attend the above 5 events.



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LAPFF Conference

LAPFF Seminars

LAPFF Conferences

2019 | 24th LAPFF Annual Conference, 4 - 6 December 2019



Next Conference

LAPFF's next annual conference will be held on 4 - 6th December 2019





The Local Government Pensions Committee
Secretary: Lorraine Bennett

CIRCULAR

Please pass on sufficient copies of this Circular to your Treasurer/Director of Finance and to your Personnel and Pensions Officer(s) as quickly as possible

No. 313 – APRIL 2019

LGPS FUNDAMENTALS TRAINING 16th ANNUAL LGPS GOVERNANCE CONFERENCE

Purpose of this circular:

This circular advertises the forthcoming LGPS training programme "Fundamentals", organised by the Local Government Pensions Committee (LGPC) and the Annual LGPS Governance Conference formerly known as the "Trustees" Conference.

FUNDAMENTALS TRAINING

Background

- 1 Fundamentals is a bespoke three day training course aimed at elected members and others who attend pension committees/panels and local pension boards. Past delegates include elected members, trade union representatives, member and employer representatives, as well as a variety of officers who attend/support committees and some private sector organisations who provide services to administering authorities.
2. The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the LGPS. Attending all three days will assist delegates in meeting the relevant requirement for knowledge, skills and understanding either required in statute or encouraged by relevant guidance.
3. Each day has a different theme and will include sessions delivered by experts in their field. The event also provides delegates with valuable networking opportunities.
4. Each day's programme will start at 10am, with registration and coffee from 9:30am, and close by 4pm with refreshments and lunch provided.

5. 2019 dates and venues are confirmed as:

Day 1	London	LGA offices, Westminster	3 October 2019
	Leeds	Marriott Hotel	17 October 2019
	Cardiff	Marriott Hotel	31 October 2019

Day 2	London	LGA offices, Westminster	6 November 2019
	Leeds	Marriott Hotel	14 November 2019
	Cardiff	Marriott Hotel	21 November 2019

Day 3	Leeds	Marriott Hotel	5 December 2019
	Cardiff	Marriott Hotel	12 December 2019
	London	LGA offices, Westminster	18 December 2019

6. Identical material will be delivered at each location. Delegates are therefore able to attend the course by visiting different locations should their diaries not allow attendance on all three days at the same location. Although we recommend that delegates attend all three days, it is possible to attend just one or two days if preferred.
7. A draft programme for the course is attached at **Appendix A**. The content will be adapted to include any major developments in the world of local government pensions should they occur between now and the training taking place. The final programme may differ.

Cost and booking

8. The delegate rate for each session, inclusive of lunch, refreshments and all delegate materials is £260 plus VAT. The cost of the three day course is £780 plus VAT.
9. Early booking is recommended as places are limited. Bookings are made via the online events booking facility which is part of the Local Government Association website. Each event in the table above has a link to the online booking facility for that event. The main events booking page for all LGA events is: www.local.gov.uk/events

ANNUAL GOVERNANCE CONFERENCE

Background

10. The conference programme will have its popular lunchtime-to-lunchtime format commencing on Thursday 23rd and concluding on Friday 24th January 2020. Having previously been held at numerous locations across Great Britain (e.g. Cardiff in 2015, Manchester in 2016, Bournemouth 2017 and Bristol 2019), the conference heads this year to the Principal Hotel in York.

11. The conference is not bookable at this stage as the programme is currently being finalised; a further circular will be issued in May 2019 with information on how to book.
12. If you wish to discuss speaking or sponsorship opportunities, please contact Karl White Pensions Adviser (Training) in the first instance by email - karl.white@local.gov.uk
13. If you want to register your interest in attending this year's conference, please send a short-email with "Annual" in the subject line to elaine.english@local.gov.uk who will make sure you receive the circular as soon as it is issued (as places are always on a strictly first-come, first-served basis).

ACTIONS FOR ADMINISTERING AUTHORITIES

14. Administering Authorities are asked to bring this circular to the attention of all pension committee and local pension board members as well as those who attend/advise the meetings, sub-committees etc.

Karl White
Pensions Adviser (Training)
April 2019

Distribution sheet

Local authorities who have registered for notification of circulars
Pension managers (internal) of administering authorities
Pension managers (outsourced) and administering authority client managers
Local Government Pensions Committee
Trade unions
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Visit the LGA's website at: www.local.gov.uk

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Appendix A.

PROGRAMME Fundamentals 2019 - Day 1 – Legal Framework of the LGPS

- 9.30 **Registration and coffee**
- 9.55 **Chair's introduction to the day**
- 10.00 **The Legal Landscape**
- The LGPS in its legal context
 - General local authority legal issues
 - LGPS specific duties and responsibilities
 - Wider duties and responsibilities
 - What happens when things go wrong?
- 11.15 **Coffee Break**
- 11:30 **Governance Framework**
- The Hutton report
 - The Public Service Pensions Act 2013
 - The law governing –
 - The responsible authority (MHCLG)
 - Scheme advisory board
 - Local pension boards
 - Asset pools
- 12.45 **Lunch**
- 1.30 **Benefit Structure**
- The basis of the LGPS
 - Final salary v CARE schemes
 - A tour of the 2014 Scheme.
 - Administering authority and scheme employer roles
- 2:45 **Break**
- 3:00 **Investment Framework**
- The Management and Investment of Funds Regulations – a history
 - Statement of investment principles
 - Investment Strategy Statement (ISS)
 - ISS statutory guidance
 - Funding strategy statement
 - Annual reports and auditing
- 4.00 **Close**

PROGRAMME
Fundamentals 2019 - Day 2 – LGPS Investments

- 9:30 **Registration and coffee**
- 9:55 **Chair’s introduction to the day**
- 10:00 **Investing strategically**
- What is asset allocation and why it really drives return?
- 11:15 **Break**
- 11:30 **Managing the Risk**
- From exchange rates to politics to climate change
- 12.45 **Lunch**
- 1.30 **Acting Responsibly**
- Why it’s not just about the short-term financial return
- 2.45 **Break**
- 3:00 **Realising Value**
- The journey from gross to net return and why costs matter
- 3:45 **Taking a wider view**
- Why diversity matters in the who and the how of investing
- 4:15 **Close**

PROGRAMME
Fundamentals 2019 - Day 3 – Duties and Responsibilities

- 9:30 **Registration and coffee**
- 9:55 **Chair's introduction to the day**
- 10:00 **Duties and responsibilities of Pension Committee and Board members**
- The evolving requirements
 - Committee vs Board - delegation and representation
 - The governance budget
 - The Pension Regulator's involvement
 - Standing agenda items, breaches of law, knowledge and training
 - Bodies with oversight over the LGPS
- 11:00 **Break**
- 11:15 **Preparing and maintaining Scheme strategies and policies**
- Mandatory and desirable policies in the LGPS
 - How strategies and policies assist the scheme manager
- 12:00 **MHCLG – a view from the bridge**
- The role of the ministry
 - Issues on the radar
- 12:45 **Lunch**
- 1:30 **The Local Pension Board - a case study**
- How the local pension board can improve service delivery
 - Good practice, scrutiny and supporting the board
- 2:15 to 4:00 (break at 2.45)
- Valuations, Exit Payments and Funding**
- Valuations**
- The purpose of an actuarial valuation
 - Assets and liabilities
 - How do liability calculations work?
 - What assumptions are used?
- Funding**
- What is the importance of funding strategy?
 - Different employers – different characteristics and objectives
 - Employer covenants
- 3:55 **Course review and further information**
- 4:00 **Close**



RI Europe 2019

11th-12th June

Responsible Investor's 12th annual RI Europe investment conference in London returns on 11th-12th June 2019 at a brand new venue.

With the success of the past 11 years of the conference, RI Europe is moving to etc. venues 133 Houndsditch in 2019 in order to accommodate our ever growing number of attendees.

2019 will be a pivotal year for ESG, sustainable finance, and impact finance particularly in Europe where the European Commission is pulling together its landmark Action Plan for Sustainable Finance backed by regulatory/incentive input from the Financial Stability Board and the G7 and G20 countries.

The Action Plan, to be introduced during the year, will have huge operational and strategic ramifications for institutional investors in Europe and beyond.

In addition, EU member states are busying themselves with their country action plans for low carbon and sustainable finance as part of commitments to the Paris Agreement on Climate Change and the United Nations Sustainable Development Goals.

This investment conference is uniquely placed to tackle the most pressing issues where finance and sustainability cross over. If your firm engages with ESG investing or not, the demand for sustainable investment products will affect your long term business goals.

The RI Europe conference, which brings together 700+ top-level investment professionals, is the place to learn, share, and debate the opportunities and challenges from these major regulatory and business shifts at an event renowned for high quality networking and conviviality.

[Register now to join us.](#)

Asset owners and investment consultants attend for free

Public Pension Funds	Sovereign Wealth Funds
Corporate Pension Funds/Plan Sponsors	Large Family and Multi-Family Offices
Insurance Funds (Asset-Liability Management)	Fund Selectors (Non-proprietary and open architecture platforms)
Endowments	Central Banks
Foundations	Pension Consultants (Non-Discretionary)*

***Pension and investment consultants** considered for admission are those that primarily advise pension funds and other institutional asset owners on investments, independent from providing asset management products or discretionary investment services. For example, those that primarily provide services such as due diligence, evaluation, manager selection and monitoring on behalf of institutional asset owners, on a non-discretionary basis.

Europe London 2019

Sustainable business and finance



Agenda

For a detailed version of the agenda, including speakers, [click here](#).

RI Europe 2019			
Day 1, Tuesday 11 June 2019			
08.00 – 09.00	Registration, refreshments and networking		
09.00 – 09.10	Chairman's Introduction Lead sponsor Introduction		
09.10 – 10.20	Plenary 1: The EU Action Plan on Sustainable Finance: the big picture on the EU's 2019/2020 regulatory push and what it will mean for investors and companies <ul style="list-style-type: none"> • Is the Action Plan fit for purpose? • What will the practical implications be and what will it achieve? • How do investors and companies view it? • What are the potential detrimental effects: could it stifle innovation? 		
10.20 – 10.40	Keynote Interview: Martin Spolc, Head of Unit, Capital Markets Union, DG Financial Stability, Financial Services and Capital Markets Union, European Commission		
10.40 – 11.20	Morning networking break		
11.20 – 12.20	Plenary 2: The EU Action Plan investment detail: benchmarks, investment products and investor duties/transparency <ul style="list-style-type: none"> • What are the implications of the roll-out of 'Low carbon' indices aligned with the Paris Agreement and EU Climate Transition? • The likely evolution of climate-related product labels on investment products • The duty of asset managers, investment advisors and insurance companies on ESG risks. Is there one? • Can the EU make sense of the proliferation of national RI fund labels? 		
12.20 – 13.20	Plenary 3: Getting Technical with the Green Taxonomy The EU's Technical Expert Group (TEG) is submitting an official technical proposal to the European Commission on climate mitigation and adaptation. <ul style="list-style-type: none"> • How will the green taxonomy be deployed and what will its legal/regulatory status be? • How will the proposed Sustainable Finance Platform carry on the work of the TEG? • What will be the impact of the taxonomy on company activities and investment product? • Spotting the investment winners and losers of the energy transition: how will the taxonomy help? 		
13.20 – 14.15	Networking lunch		
The RI Matrix/Breakout Panels:			
	Stream 1	Stream 2	Stream 3
14.15 – 14.55	a) Sustainable infrastructure: new policy foundations and investment plans <ul style="list-style-type: none"> • Why is sustainable infrastructure an opportunity? • Governments and cities step up on long-term, green infrastructure. • How infrastructure fund managers are evolving their funds to meet the transition and demand. 	a) European countries' Nationally Determined Contributions (NDCs) on climate change and meeting the Paris targets <ul style="list-style-type: none"> • What do they mean for investments? • Do the targets align with the commitments? • Could we start to see 'climate stranded' nations in terms of their assets? 	a) The United Nations Sustainable Development Goals (SDGs): are they actually investable? <ul style="list-style-type: none"> • Making clear connections between the UN SDGs and financial value. • How corporates are constructing the SDG business case. • The reality of reporting on real progress against the SDGs.
15.05 – 15.45	b) Equities: What do ESG filters actually mean for investment universes, and stock selection? <ul style="list-style-type: none"> • Impact on company selection pool. 	b) How can artificial intelligence, machine learning and big data boost sustainable finance? Translating the tech revolution into ESG decisions.	b) Careers: how to get ahead in responsible investment <ul style="list-style-type: none"> • What is happening in the responsible investment jobs

	<ul style="list-style-type: none"> Implications on tracking error/benchmarking. Performance implications and how to manage them. 	<ul style="list-style-type: none"> Can "machine learning" and enhanced algorithms leading to better selection of sustainable companies, and how? How is big data and tech getting around the constraints of ESG information collection, comparison and publication. Enabling consumers to buy sustainable investment products through technology. 	<ul style="list-style-type: none"> market? War stories and success tales. The Next Generation: how can millennials make their mark?
15.45 - 16.15	Afternoon networking break		
16.15 - 16.55	c) ESG Data: Improving the investment relevance <ul style="list-style-type: none"> Can we get real time ESG data points? New sources of information, new financially-relevant ESG KPIs How are investors plugging the data into their models? 	c) How do we get the tech giants to behave like responsible corporate citizens? <ul style="list-style-type: none"> Why responsible investors need to start talking about technology before it's too late. Why do investors find it so difficult to address the challenges tech raises? Where do they sit alongside regulators and the media in addressing the problems? Why collaborative action is particularly important in the technology sector. The special need to engage with Chinese tech companies! 	c) Purpose, values, leadership and culture - what do the organisations we need for truly responsible investment look like? <ul style="list-style-type: none"> What organisational values; what type of leadership? Fostering innovation and learning for sustainability. The real value of diversity: sex, age, disability, religion and sexual orientation How can organisations enable their people to bring their 'whole selves' to work?
17.05 - 17.45	d) Wealth Management Focus. The rise of ESG and impact investing for family offices and HNWI investors. <ul style="list-style-type: none"> Why and how is client demand translating into ESG integration strategies and products? Impact themes and specialist funds. How to report on impact outcomes. 	d) ESG risk/return: the view from the trenches Risk/ESG analysts talk about what the practicalities of their work and its input into the investment process <ul style="list-style-type: none"> How is the ESG data set evolving in terms of risk analysis, return potential? What do portfolio managers need, and how are investment models evolving? How is ESG increasingly feeding into fund managers' Governance Risk and Compliance (GRC) approach? 	d) Is corporate sustainability reporting actually relevant to investors? <ul style="list-style-type: none"> Better aligning the existing ESG corporate reporting frameworks (SASB, GRI, CDP). Making the data relevant to investment decisions.
17.45 - 18.30	Cocktail reception and networking		
DAY 2, Wednesday 12 June 2019			
08.15 - 09.00	Registration and Refreshments		
The RI Matrix/Breakout Panels:			
	Stream 1	Stream 2	Stream 3
09.00 - 09.40	e) Sovereign Bonds: Data innovation and real ESG integration <ul style="list-style-type: none"> What data is available for investors looking to meaningfully integrate ESG into their sovereign bond investments? Where do the pain points still remain and how do you circumvent them? What other methods/tools can investors use for responsible and sustainable sovereign bond exposures? 	e) Building a responsible and sustainable blue economy: What is required to achieve SDG Goal 14, and how is this developing? <ul style="list-style-type: none"> Are we on track to meet the OECD's 2030 projection where a blue economy could outperform the global economy? Notable projects aimed at tackling SDG Goal 14? Where are we lacking? 	e) TCFD: Analysing the scenarios of corporate and investor reporting on climate change. <ul style="list-style-type: none"> The evolution of regulatory standards aligned to TCFD. Best practice to date for TCFD compatibility by companies and investors. Bespoke or generic tools for practices like climate scenario analysis.
09.50 - 10.30	f) Corporate Bonds Focus	f) How investable are impact investment funds for institutional investors? <ul style="list-style-type: none"> What are the fund profiles across the impact investing sector: asset type, size, style? How has historic performance been after costs? What are the future prospects for impact funds: investment themes and return/impact expectations? 	f) The effectiveness of climate voting and engagement. <ul style="list-style-type: none"> How is shareholder voting evolving for change: research, targets and outcomes? The mechanics of corporate engagement: goals, collaboration, cost/resource and quantifying results. How are corporates now responding to shareholder governance?

10.30 – 11.10	Networking break		
11.10 – 11.50	<p>g) Real Estate: Getting physical and fit. How property assets and insurance increasingly face climate related risks and need to get 'fit' for tightening environmental regulations.</p> <ul style="list-style-type: none"> Quantifying rising temperatures, flooding, drought, sea level rise and water scarcity on buildings and their related insurance cover The value proposition for building 'adaptation' to mitigate risk and drive yields and sales. Are energy costs and efficiency driving the design of the built environment yet? 	<p>g) Asset owner case studies. Integrating ESG into investment decisions: how is it done?</p> <ul style="list-style-type: none"> How should asset owners think practically about the materiality of ESG to investment strategy. How can a pension fund actually decarbonise its investment portfolio in line with the 1.5 - 2 degree Paris agreement? How to communicate and engage on responsible investment with trustees, stakeholders and members? 	<p>g) Just Transition: How do investors integrate the missing social dimension into their climate strategy?</p> <ul style="list-style-type: none"> What is the investor role in addressing stranded workers as well as stranded assets? How do you ensure green companies also have good social practices? How do investors address the tough issues in the just transition?
12.00 – 12.40	<p>h) Testing the rapid evolution of investment products on sustainability themes: low carbon funds and ETFs - ESG quant and smart beta solutions. A slew of new fund products is coming to market: what do they do, and how can clients gauge their investment thesis and sustainability credentials?</p> <ul style="list-style-type: none"> Evaluating the investment profile of new sustainability funds; how do they really differ from existing funds Checking for investment biases and composition Assessing sustainability impact 	<p>h) Asset manager case studies: the ESG 'journey'.</p> <ul style="list-style-type: none"> The investment and strategic rationale for responsible investment, and c-suite buy-in. The practicality of ESG integration: knowledge-sharing, data, application to investment, measurement. Specialist product development, sales and marketing 	<p>h) ESG in DC: the new sustainability products and platforms being launched for the mass market of defined contribution pensions and retail investment.</p> <ul style="list-style-type: none"> How is the market evolving (regulation and competition) and how big could it become? How different are the funds and sales strategies for the DC market? What is the psychology of mass-market take-up of sustainability investment?
12.50 – 13.10	<p>Keynote: A revolutionary new platform for selling responsible funds Nigel Kershaw, OBE, Chair of the Big Issue Group</p>		
13.10 – 14.10	Networking lunch		
14.10 – 15.10	<p>Plenary 4: European financial centres, central banks and supervisory authorities: stepping up on climate change and sustainability?</p> <ul style="list-style-type: none"> How are European financial centres evolving their sustainable investment platforms? Is it imperative for the ECB to do an EU-wide climate stress test? Highlighting the work that the Network for Greening the Financial System has undertaken so far Capital requirements for bank lending in the EU Action Plan The role of the European Supervisory Authorities 		
15.10 – 16.31	<p>Plenary 5: Larry Fink, CEO, Blackrock, said: "We are going to see evidence over the long term that sustainable investing is going to be at least equivalent to core investments. I believe personally it will be higher." So, is responsible investment now core to running pensions and institutional capital? If so, how? And why aren't more pension funds and investment managers doing it?</p> <ul style="list-style-type: none"> ESG in strategic asset allocation issues: why the global political and social landscape should be feeding into long-term investment decisions. Translating ESG into sound risk management. Short-termism v long-termism: making some sense of the debate. 		
16.10 – 16.15	Closing remarks		

Register

RI Europe 2019 is produced by Response Global Media Limited (Company No: 6123092); an independent UK publishing company.
Response Global Media Limited: Tower Bridge Business Centre, 46-48 East Smithfield, London E1W 1AW, United Kingdom

LGPS Local Pension Board Members' Annual Event

26 June 2019, London

Barnett Waddingham, 2nd Floor, 2 London Wall Place, 123 London Wall, London EC2Y 5AU

Exclusively for Board Members, the 2019 Barnett Waddingham and CIPFA LGPS Local Pension Board Members' annual event is designed as an opportunity for delegates to hear the latest updates on governance and the LGPS from key industry players, to share experiences to date and to look ahead to the key issues facing them and the LGPS in a professional but informal environment, and will enable Pension Board Members to network with Pension Board Members from other Funds.

Speakers include the Pensions Regulator, the LGPS's own Regulator MHCLG, and the Chair of the Scheme Advisory Board. We will also take a look at the topical issues of administration, cost caps and the 2019 valuation, what should you as Board members be aware of and what should you be doing? The day will include interactive sessions to facilitate discussion and networking as well as plenty of networking time during the refreshment breaks.

- 9:30** **Registration, tea, coffee & networking**
- 10:00** **Chairman's introductions** – Mike Ellsmore, Chair of three Local Pension Boards
- 10:05** **Scheme Advisory Board update** – Cllr Roger Phillips, Chair, Scheme Advisory Board
- 10:35** **What does good administration look like?** – Annemarie Allen, Barnett Waddingham
With good administration critical to meeting deadlines and tPR expectations, Annemarie will take a look at this issue with the Board members' role in mind
- 11:05** **Tea & networking**
- 11:25** **MHCLG update** – Speaker, Ministry of Housing, Communities and Local Government
- 12:00** **Pension Board Member debate** - chaired by Mike Ellsmore
Discussing the key issues of interest to Board members
- 12:50** **Lunch & networking**
- 13:40** **Cost caps & the 2019 valuation** – Graeme Muir, Actuary, Barnett Waddingham
With cost caps paused and the 2019 valuation underway, Graeme will explore the issues of which Board members should be aware and their role in the process
- 14:15** **The Pensions Regulator update** – Nick Gannon/Lucy Stone, the Pensions Regulator
- 14:50** **Group discussions & feedback** - chaired by Mike Ellsmore
Pension Board members share their experiences, highlight their areas of focus & discuss issues arising from today
- 15:50** **Chairman's summing up** – Mike Ellsmore
- 16:00** **Event close**

We reserve the right to alter the timing or content of sessions where circumstances require.

This event is for LGPS Local Pension Board Members only and costs £185 + VAT per delegate.

To book your place, please go to: <http://www.cipfa.org/training>

For further information, please contact annemarie.allen@barnett-waddingham.co.uk or neil.sellstrom@cipfa.org V1



Meeting:	Pension Board
Date:	17/05/2019
Title:	Amended Work Plan
Purpose:	Work Plan for the 2019/20 year
Author:	Meirion Jones, Team Leader Communication and Systems

1. Introduction

Following discussions at the last Board meeting in March 2019 the work program for 2019/2020 has been updated.

2. Work Plan

WORK PLAN 2019/20

17 May 2019

- Update to the Risk Register
- Board Report for the Pension Fund Annual Report 2018/19
- Update on the Gwynedd Pension Fund's investment performance
- Wales Pension Partnership – Engagement with Pension Board Chairs
- Public sector exit payment cap
- The Ministry of Housing, Communities and Local Government's policy consultation - 'Local Government Pension Scheme: Changes to the local valuation cycle and the management of employer risk policy'
- Updated Work Plan
- Matters arising from the Pensions Committee (if applicable)
- Breaches of law (if applicable)

24 September 2019

- General update on Pension Administration
- Pension Fund Statement of Accounts
- Communicating with Employers – Presenting data promptly and accurately

- The 2019 Fund Valuation
- The new 'Member Self Service' system
- Issues from the LGPS Trustees Conference
- Update on the Wales Pension Partnership
- Matters arising from the Pensions Committee (if applicable)
- Breaches of law (if applicable)
- Changes to the risk register (if applicable)

10 December 2019

- Update on the Gwynedd Pension Fund investment performance
- Update on the Valuation process
- Matters arising from the Pensions Committee and the Annual General Meeting (if applicable)
- Governance Update / Issues from the Scheme Advisory Board
- Pensions Regulator's Governance and Administration Survey
- Communicating with new and young members
- Breaches of law (if applicable)
- Changes to the risk register (if applicable)

9 March 2020

- General Update on the Pensions Administration including Complaints about the Pensions Administration in 2019
- Update on the Wales Pension Partnership
- Issues from the LAPFF conference
- Matters arising from the Pensions Committee (if applicable)
- Breaches of law (if applicable)
- Changes to the risk register (if applicable)

Issues arising during the year can be added to the programme as required. Doubtless, there will be ideas from members who have attended relevant training and events.

3. Recommendation

Board members are asked to consider the above program and suggest additional items or changes