



Pensions Board
24 July 2018

Report from the Chief Finance Officer

LGPS Regulations

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	1
Background Papers:	▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Ravinder Jassar, Head of Finance Anna McCormack, Senior Pensions Officer

1.0 Purpose of the Report

1.1 This report updates the board on recent changes to the Local Government Pension Scheme regulations and other key developments.

2.0 Recommendation(s)

2.1 The board is asked to note the report.

3.0 LGPS Amendment Regulations 2018

3.1 The Local Government Pension Scheme (Amendment) Regulations 2018 came into force from 14 May 2018. The regulations made a number of changes to the existing LGPS legislation. A change of particular note which may interest employers who undertake outsourcing exercises or experience a cessation event, is that LGPS Regulation 64, now allows for the payment of a surplus (an “exit credit”) to an exiting employer. This change is currently being considered by the Brent Pension Fund and any change in strategy will be communicated on accordingly. The LGA produced a table of all the changes and the impact those changes have which can be found in Appendix one.

3.2 Other key changes that are notable are:

- The Council must publish details of admission agreements by 13 May 2019. Advice from Local Government Association is that this will be met through the publication of the Pension Fund Annual Report.
- There is now a facility to allow backdating of admission agreements.
- The alignment of deferred members with the 2014 LGPS, introduces a facility for deferred members who left before 1 April 2014 to draw a reduced pension without employer consent after the age of 55. There is a flaw in execution in relation to pre 1 April 1998 leavers that Ministry for Housing, Communities and Local Government, where the policy intent has not matched the wording in the Regulations. MHCLG will be seeking to correct this with a further amendment to the Regulations. Discussions have commenced with Capita on informing affected members by the statutory disclosure date of 14 August 2018.

4.0 Scheme Advisory Board (SAB): Scheme Annual Report 2017

4.1 The scheme annual report for the LGPS has been released. The aim of this annual report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. The report aggregates information supplied in the 90 fund annual reports, as at 31 March 2017. Further information can be found on the SAB website: www.lgpsboard.org/index.php/schemedata/scheme-annual-report

4.2 Here are some key LGPS highlights for 2017:

- The total membership of the LGPS grew by 394,000 (6.9%) to 5.6m members in 2017 from 5.2m in 2016.
- The total assets of the LGPS increased to £263bn (a change of 21.2%). These assets were invested in pooled investment vehicles (52%), public equities (32%), bonds (7%), direct property (3%), as well as other asset classes (6%).
- The Local Authority return on investment over 2016/2017 was 19.5%. This was reflective of the better market conditions during the year and set against the UK Return of 22%.
- The scheme maintained a positive cash-flow position overall. Scheme income was lower than total scheme outgoings by £484m; this was excluding investment income, however.
- The funds all received unqualified external financial audit certificates from the Scheme's external statutory auditors.
- Over 1.6m pensioners were paid over the year. Fewer than 39 formal complaints about scheme benefit administration were determined and less than 13% were upheld by the Pensions Ombudsman. Overall the LGPS has had relatively few upheld complaints.

5.0 LGPS and General Data Protection Regulations (GDPR)

5.1 As members will be aware GDPR provides for a new standard of data protection for individuals in the European Union and came into force throughout the EU on 25 May 2018. In accordance with the regulations, the Pension Fund issued a Memorandum of Understanding (MOU) document to all Employers who participate in the Brent Pension Fund. In addition, the Pension Fund published a privacy notice for members and beneficiaries of the Brent Pension Fund. Members will be made aware of the privacy notice through communications with the Fund and via

the annual benefit statement exercise. Both the MOU and the privacy notice are available on the Councils website at: www.brent.gov.uk/Pensions

5.2 The Pensions Regulator (TPR)

5.3 TPR's 3rd public sector wide survey results were published in May 2018. Headline points from these papers are:

- TPR's focus have turned towards the LGPS for a variety of reasons (lack of survey response, reported breaches, stalled process improvements, etc.).
- The focus and style of the survey remains the same as previous years - annual benefit statement exercise, governance, Pension Board effectiveness, data quality and backlog.
- On record keeping, the TPR is on the same wavelength as the Scheme Advisory Board when it stresses the importance of good data.
- On reporting breaches, TPR is concerned that some funds are choosing not to report material breaches due to fear of the consequences.
- Survey results need to be interpreted carefully given the volume of responses from LGPS funds
- Overall, it is clear that TPR is looking to focus its resources on the LGPS space.

5.4 Under the **21st Century Trusteeship** and governance campaign the TPR have launched a programme to raise standards of pension scheme governance for both the private and public sector. The campaign sets out TPR's expectations for those managing pension schemes, including LGPS funds. The Brent Pension Fund is working has been working with TPR to improve those governance fundamentals.

6.0 Financial Implications

6.1 None. There are no specific financial implications associated with noting this report.

7.0 Legal Implications

7.1 None arising directly from this report

8.0 Equality Implications

8.1 None arising directly from this report

9.0 Consultation with Ward Members and Stakeholders

9.1 Not applicable for this report.

10.0 Human Resources/Property Implications (if appropriate)

10.1 None arising directly from this report

Report sign off:

Conrad Hall, Chief Finance Officer