

	<p align="center">Pensions Board 24 July 2018</p>
	<p align="center">Report from the Chief Finance Officer</p>
<p align="center">Regulatory Oversight of Local Government Pension Schemes</p>	

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
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:	0
Background Papers:	▪ N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

1.1 The purpose of this report is draw attention to the regulatory framework within which the LGPS operates, as part of the Public Services Pension Act 2013, and the work that has been undertaken to date by Central Government.

2.0 Recommendation(s)

2.1 Note that the Pension Fund will need to comply with the section 13 process, responding to all queries and requirements of the Government Actuary Department (GAD).

2.2 Note that the outcome of the review by GAD will come back to this Committee when the work has been completed.

3.0 Background

3.1 Section 13 of The Pensions Act introduces additional measures by which the activity of the LGPS is overseen by Central Government, that has in turn appointed GAD (Government Actuary Department) to be the “appointed person” to deliver that function.

- 3.2 The legislation requires GAD, as the 'appointed person' to report on whether the LGPS funding valuations comply with four criteria: Compliance, Consistency, Solvency & Long-Term Cost Efficiency. Section 13 is a review mechanism to ensure that all the valuations use appropriate assumptions but the power will still sit locally to determine appropriate contribution rates that reflect local circumstances, as there is no 'one size fits all' approach.
- 3.3 The Act explicitly gives power to the Government to force changes if necessary. It may also require an authority to report on progress and/or direct scheme manager to take remedial steps. These remedial steps potentially could range from providing additional clarity on matters to an increase in contributions with immediate effect
- 3.3 A dry-run process reviewing funding valuation methodologies and results took place using 2013 data to determine where problems actually lay as opposed to where Government thought they did. GAD has used standardised calculations to see where there were outliers, which allowed them to pick out funds at greater risk. Overall, it was found that the LPGS was in a healthy position and has been largely well run.
- 3.4 That said, a number of schemes were flagged by GAD as a cause for concern with regards to solvency and long term cost efficiency. Apart from the known funding level matter Brent was not flagged a significant cause for concern, principally due to having set appropriate contribution levels, demonstrating a reducing deficit recovery period between valuations and adopting reasonable actuarial assumptions. Schemes that were flagged as a cause for concern were those with relatively low contribution rates combined with low funding levels and deficit recovery periods that were not reducing between valuations.

4.0 2016 Valuation

- 4.1 GAD have now completed their analysis on the 2016 valuations of all LGPS funds and will be publishing the report in late 2018. As part of this, GAD have been running a number of roadshows across the country to explain some of their findings and have been meeting with a number of schemes to discuss matters specific to their scheme. On 4 June 2018 Brent officers attended the London roadshow and had its meeting with senior officers from GAD and the Ministry of Housing, Communities and Local Government (MHCLG). The meeting was to explain that, similar to the 2013 dry run findings, that Brent has been flagged for its funding level but that overall it is not a significant cause for concern as we had set appropriate contribution levels, demonstrated a reducing deficit recovery period between valuations and adopted reasonable actuarial assumptions. GAD and MHCLG were also assured with Brent's approach to maximising investment returns by undertaking an asset liability matching exercise and our commitment to transitioning assets to the London CIV.
- 4.2 The roadshow focussed primarily on the importance data and why it matters. Data is becoming a big focus for the Government and its regulators, in particular The Pensions Regulator. All pension schemes are required to collect and hold large amounts of data on scheme members in order to calculate and pay out

benefits accurately. Therefore having inaccurate and/or incomplete data can impact on the ability of a scheme to run effectively and meet its legal obligations. Brent is compliant with The Pensions Regulator's guidance on this matter by having a robust record keeping plan in place, with progress regularly reported to the Pensions board.

5.0 Financial Implications

5.1 There are no direct financial implications from this report.

6.0 Legal Implications

6.1 Not applicable.

7.0 Equality Implications

7.1 Not applicable.

8.0 Consultation with Ward Members and Stakeholders

8.1 Not applicable.

9.0 Human Resources

9.1 Not applicable.

Report sign off:

Conrad Hall
Chief Finance Officer