



Pensions Board
13 December 2018

Report from the Chief Finance Officer

Local Government Pension Scheme (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 from the Local Government Association's Pensions Committee.

2.0 Recommendation(s)

2.1 The board is asked to note the report.

3.0 Auto enrolment

3.1 Every three years all employers have a legal duty to assess and re-enrol staff who have left the workplace pension scheme. This is known as 're-enrolment'. Each employer must then submit a re-declaration of compliance to The Pensions Regulator informing them that our legal duties have been met, even if there are no staff to re-enrol.

3.2 Brent last carried out re-enrolment duties on 1 February 2016 and will need to do so again. The key steps required in order to complete these duties are:

1. Choose a re-enrolment date.

This is the date on which Brent will need to assess and re-enrol eligible staff. A date between 1 November 2018 and 30 April 2019 needs to be chosen.

2. Work out who needs to be re-enrolled.

On the chosen re-enrolment date an assessment will need to be carried out to work out who needs to be put back in to the pension scheme.

3. Write to staff that are being re-enrolled.

Within 6 weeks of the chosen re-enrolment date all eligible staff will need to be written to to explain that they have been put back in the pension scheme.

4. Re-declaration of compliance.

A re-declaration of compliance will need to be signed, confirming that we have met our legal duties, by 1 July 2019.

- 3.3 Auto enrolment is a legal duty for all employers. Failure to comply with all of the relevant steps may result in enforcement actions by The Pensions Regulator, including fines.

4.0 Triennial valuation of the LGPS

- 4.1 The next triennial valuation of the Brent Fund will be as at 31st March 2019. The LGPS is a funded scheme and periodic assessments are needed to ensure the fund has sufficient assets meet its liabilities. Employer contribution rates may change depending on the results of valuations

- 4.2 The fund's actuary, Hymans Robertson, will carry out the valuation. Hymans use a number of assumptions to value the liabilities of the fund. Liabilities are split between those that relate to the past (the past service cost), and those that relate to the future (the future service cost). The results of the valuation may lead to changes in employer contribution rates for both future and past service costs.

- 4.3 The portion of the total employer contribution which relates to the past service cost is known as the deficit contribution, and is often payable in cash terms. The portion of the total employer contribution which relates to the future service cost is known as the future service rate and is normally payable in percentage of pay terms.

- 4.4 In order ensure a smooth 2019 valuation process, planning with the actuary has begun as well as early completion of key valuation calculations. This includes:

1. **Carrying out early data cleansing.**

Looking back to the 2016 valuation, and with the complexities introduced by the CARE scheme, the most significant efficiency barrier was poor data quality. As part of the move to LPP a detailed review of key valuation dependent data sets is being undertaken to ensure data submitted is as accurate as possible.

2. Doing some of the valuation now.

We have engaged with Hymans earlier than previous valuations to agree a valuation timetable and review and test key contribution strategies.

3. Engage with employers.

Doing some of the valuation modelling earlier will allow more time to engage with employers to discuss funding plans and reflect changes in contribution rates into their budgets. An employer forum was held on 12 October notifying employers of the valuation plans and a further event is planned in February 2019.

5.0 Local Government Pensions Committee monthly bulletins

5.1 The Local Government Association's Pensions Committee produces a monthly bulletin for employers and members that covers a wide range of pensions administration topics. The bulletins produced in the months up to the date of despatch of this report are attached as appendices. The main noteworthy topics for the Pension Board to note are:

1. The Pensions Regulator 2017/18 Scheme Return – conditional data.

The scheme return is a statutory annual return to The Pensions Regulator. The 2018/19 return will include new requirements to report and score scheme specific (conditional) data to reflect the additional scrutiny TPR are applying on the LGPS.

LPP have reviewed the data that transferred from Capita in November 2018 and assessed the accuracy as 93.4%. Although no comparative analysis is available on this score it has been deemed as adequate, albeit requiring improvement, by LPP and the Hymans Robertson. As a result, Brent has commissioned LPP to conduct a separate project to rectify all error types and to prioritise errors that will have a significant impact on the valuation.

2. Analysis of the LGPS Academy Sector

The Government Actuary Department (GAD) has now published the work commissioned by MHCLG and DfE to review the treatment of academies within the Local Government Pension Scheme. In particular, GAD was asked to gather evidence on the variation in treatment of academies within and across different LGPS Funds.

The principle conclusions were that there is a high degree of variability in individual contribution rates (some academies contribution rates exceed 30% of pay, whilst others pay less than 10%) and funding levels for academies both within and across Funds (some academies have funding levels below 25% whilst others are above 100%). A wide range is also observed for LAs. The data indicates that, on the whole, academies are treated consistently with LAs with regard to the 2016 valuation funding assumptions.

3. Reporting of pension fund transactions

The Government's Actuary Department (GAD) has introduced a new requirement for the reporting of LGPS pension fund transactions for cash flows from April 2017 onwards.

A new split of transactions is required in order that GAD may undertake their cost control calculations under sections 11 and 12 of the Public Service Pensions Act 2013.

Under regulation 114(4) of the LGPS Regulations 2013, Brent as an administering authority must provide GAD with the information it requires in order to undertake a valuation of the Scheme. Brent must therefore hold and be able to provide the information required by GAD from 2017/18 onwards in order to comply with the 2013 Regulations.

Previous communications on this topic have suggested that this information would also be required to be included in LGPS fund accounts via amendments to the Accounts and Audit Regulations 2015 (SI2015/234). However, it has since been agreed that this data need not be included in fund accounts and the accounting regulations will therefore not be amended for the purposes.

In 2019, Brent would be required to provide the data to GAD for the 2017/18 and 2018/19 scheme years.

6.0 Financial Implications

6.1 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