



# Complete Agenda

**Democratic Service**  
Swyddfa'r Cyngor  
CAERNARFON  
Gwynedd  
LL55 1SH

Meeting

**PENSIONS COMMITTEE**

Date and Time

**2.00 pm, THURSDAY, 16TH MAY, 2019**

Location

**Ystafell Gwyrfai, Council Offices, Caernarfon, Gwynedd. LL55 1SH**

Contact Point

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(DISTRIBUTED 09/05/19)

## **PENSIONS COMMITTEE**

### **MEMBERSHIP (7)**

#### **Plaid Cymru (4)**

Councillors

Aled Wyn Jones  
Peter Read

Simon Glyn

Peredur Jenkins

#### **Independent (2)**

Councillors

John Brynmor Hughes

John Pughe Roberts

#### **Individual Member (1)**

Councillor

Stephen W. Churchman

#### **Co-opted Members**

Councillor David Cowans    Conwy Borough Council  
Councillor Robin Wyn Williams    Anglesey

#### **Ex-officio Members**

Chair and Vice-Chair of the Council

# AGENDA

**1. ELECT CHAIR**

To elect a Chair for 2019 - 20

**2. ELECT VICE CHAIR**

To elect a 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 14 March 2019 to be signed as a true record

**7. INFRASTRUCTURE INVESTMENT**

8

To consider the Investment Manager's report

**8. WALES PENSIONS PARTNERSHIP (WPP): ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)**

9 - 15

To consider the report of the Investment Manager

**9. PUBLIC SECTOR EXIT PAYMENT CAP**

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To submit, for information the report of the Head of Finance

**10. MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT'S (MHCLG) POLICY CONSULTATION**

44 - 73

To consider the Head of Finance's Report

**11. ATTENDANCE IN CONFERENCES**

74 - 91

To select representatives from the Pensions Committee to attend upcoming conferences

## **12. PENSIONS MEETING DATES**

92 - 94

To submit information for the members of relevant dates for meetings

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## PENSIONS COMMITTEE 14.3.2019

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**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.

# Agenda Item 7

MEETING:	<b>PENSIONS COMMITTEE</b>
DATE:	<b>16 MAI 2019</b>
TITLE:	<b>INFRASTRUCTURE INVESTMENT</b>
PURPOSE:	<b>To ask the pensions committee to decide on the investment</b>
RECOMMENDATION:	<b>ACCEPT THE RECOMMENDATION</b>
AUTHOR:	<b>CAROLINE ROBERTS, INVESTMENT MANAGER</b>

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## **1. INTRODUCTION**

- 1.1 A meeting of the investment panel was held in London on 21 February 2019.

## **2. PRIVATE EQUITY INVESTMENT**

- 2.1 Following a presentation and a discussion with Hymans Robertson on the options for a further commitment to infrastructure investments in order to attain the strategic benchmark of 2.5% for infrastructure. The Panel's opinion was that an investment of €28 million (£25 million) should be made in a private equity direct fund with Partners Group. As this is a direct investment it is not necessary to go through a procurement process.

## **3. RECOMMENDATION**

- 3.1 The Committee is requested to confirm a direct investment in  
Partners Group Global Infrastructure 2018 Fund  
in accordance with the Panel's opinion.

**MEETING: PENSIONS COMMITTEE**

**DATE: 16 MAY 2019**

**TITLE: WALES PENSIONS PARTNERSHIP (WPP):  
ENVIRONMENTAL, SOCIAL AND GOVERNANCE  
(ESG) POLICY**

**PURPOSE: To consider and decide on the ESG Policy for the  
Wales Pensions Partnership (WPP)**

**AUTHOR: CAROLINE ROBERTS, INVESTMENT MANAGER**

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## **1. Introduction**

The proposed ESG policy for the Wales Pensions Partnership and each Pension Fund in the WPP is asked to consider the contents and whether it can approve the document.

## **2. The draft document**

The draft document is attached for consideration and whether any changes are needed.

## **3. Conclusion**

The Committee is asked to examine the document and come to a conclusion.

**Wales Pension Partnership  
Draft Responsible Investment Policy**

**1 Introduction and oversight**

- 1.1 The Wales Pension Partnership (“WPP”) is the pooling arrangement for the assets of the eight Welsh Local Government Pension Scheme funds (“Constituent Authorities”).
- 1.2 The investment arrangements of WPP are overseen by a Joint Governance Committee (JGC) and supported by an Officer Working Group (OWG) and implemented through pooled funds managed by Link Fund Solutions (Link), Russell Investments (Russell) and BlackRock Advisers (UK) Limited (BlackRock) (collectively the “Investment Managers”).
- 1.3 The objectives of the JGC in the provision of investment arrangements to Constituent Authorities within WPP are to:
- 1.3.1 Provide access to a range of asset types necessary to enable Constituent Authorities to execute their locally decided investment strategies;
  - 1.3.2 Enable Constituent Authorities to achieve the benefits of pooling investments while preserving the best aspects of what is currently done locally and the desired level of local decision making and control;
  - 1.3.3 Help Constituent Authorities to execute their fiduciary responsibilities to LGPS stakeholders, including scheme members and employers, as economically as possible.
- 1.4 The JGC recognises that responsible investment considerations pose financially material risks to the assets of Constituent Authorities held within WPP. Such considerations are relevant in relation to both the way the assets of Constituent Authorities are invested and in the exercise of stewardship responsibilities.
- 1.5 This document sets out the JGC’s policy on responsible investment for all assets invested within WPP. This policy has been developed by the JGC and OWG in consultation with the Constituent Authorities.
- 1.6 This policy will be reviewed by the OWG on an annual basis and, if necessary, changes to the policy will be proposed to and agreed by the JGC. In order to inform the policy review, the OWG will consult with or otherwise obtain the views and requirements of all Constituent Authorities.
- 1.7 In developing and implementing this policy, the JGC will have regard to the Well-being of Future Generations (Wales) Act 2015, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and guidance provided by the Ministry of Housing Communities and Local Government as appropriate.

**2 Definitions**

- 2.1 ESG is used to collectively describe a series of different risk factors arising from Environmental (e.g. resource scarcity, waste management, pollution, energy efficiency), Social (e.g. health & safety, workforce diversity, working conditions, data protection) and Governance (e.g. board structure, business ethics, shareholder rights, executive compensation) issues.

- 2.2 Responsible investment refers to investment practices that integrate the consideration of ESG factors into investment management processes and ownership practices, recognising that these factors can have a material impact on financial performance.
- 2.3 Stewardship describes the activities of investors in exercising the rights and responsibilities that come with asset ownership. These practices can include voting on shares and engaging with company management but also includes the oversight of those to whom such responsibilities are delegated.

### **3 Ambition and beliefs**

- 3.1 The JGC's long-term ambition is to demonstrate leadership on RI practices in managing assets for and on behalf of the Constituent Authorities. The JGC, in conjunction with the OWG, will develop an annual business plan to implement the requirements of this policy.
- 3.2 The JGC recognises that the development of beliefs represents best practice for asset owners. In consultation with the Constituent Authorities, the JGC has developed and agreed the following responsible investment beliefs which serve to underpin its decision-making and governance processes.
- 3.2.1 The RI behaviours we want to see demonstrated by all our stakeholders must be led by the Pool;
- 3.2.2 Integration of ESG factors into investment processes is a prerequisite for any strategy given the potential for financial loss;
- 3.2.3 We are most effective as an investor engaging for change from within, as opposed to a campaigner lobbying for change from outside;
- 3.2.4 Our impact on corporate behaviours will be greatest when we speak with one voice;
- 3.2.5 Effective oversight of RI practices requires clear disclosure of comprehensive data.
- 3.3 The JGC recognises that these beliefs represent a starting point for the guidance of its approach to responsible investment. Although the JGC does not expect to regularly change these investment beliefs, it will test the ongoing appropriateness of its beliefs on a periodic basis in light of changing best practice and developing knowledge.

### **4 Investment strategy**

- 4.1 The Constituent Authorities are individually responsible for setting investment strategy for their own funds which reflect their membership profile and funding position. The investment strategy is the high-level split between asset classes such as equities, debt, property and infrastructure. The role of WPP is to provide a means for each Constituent Authority to implement its agreed strategy.
- 4.2 The JGC and OWG will consult with Constituent Authorities on at least an annual basis to determine their individual investment requirements and longer-term aspirations, including strategies which meet the responsible investment requirements of Constituent Authorities. The JGC and OWG will use this information to prioritise the development and launch of future investment solutions/funds within WPP.

4.3 In conjunction with its advisers and the OWG, the JGC will also consider opportunities arising from a greater understanding of ESG factors, such as impact and/or sustainability themed strategies and may propose these opportunities directly for consideration by Constituent Authorities.

## **5 Climate change**

5.1 Climate change presents a systemic risk that has the potential to affect economies, financial returns and demographics. The risks arising from climate change may arise from environmental, social, governance or other factors and are generally characterised as follows:

5.1.1 Physical risks, such as damage to property from flooding or lower precipitation giving rise to crop failure;

5.1.2 Transition risks, being the financial risks arising from changes in policy and technology to adjust to a lower-carbon economy; and

5.1.3 Liability risks, being the potential costs arising from parties who have suffered loss or damage due to climate change seeking compensation from those they hold responsible.

5.2 Climate change is increasingly being recognised by regulatory bodies and legislators as an issue that must be explicitly addressed by asset owners and investment managers. The uncertainty arising from climate change has implications for Constituent Authorities through the investments made within WPP.

5.3 As set out in 9.1 below, the JGC and OWG will engage with its providers to ensure that a common mechanism for monitoring climate related risks can be developed in respect of all WPP assets. Through this, the JGC aims to provide support to Constituent Authorities in developing their own climate risk management policies.

5.4 The JGC has not adopted a policy of encouraging exclusionary practices within its underlying active manager portfolios. However, the JGC recognises that active investment management is by its very nature exclusionary and therefore expects that all the investment managers employed within WPP will properly consider climate-related risks in decision making within their respective portfolios.

5.5 Constituent Authorities have the ability to invest in passive vehicles managed by BlackRock which may follow an exclusionary approach.

5.6 The JGC will encourage, through its delegates, all investee companies to disclosure in line with the requirements of the Taskforce for Climate Related Financial Disclosures.

5.7 In developing its ongoing approach to responsible investment, the JGC will consult further with Constituent Authorities with a view to developing a WPP-specific climate risk policy.

## **6 Implementation of strategy**

6.1 The JGC expects that Link, Russell and all the underlying investment managers employed to manage WPP assets will take account of ESG-risks as part of their investment analysis and decision-making process. The JGC further expects that Link and Russell can demonstrate that the managers appointed are best-in-class with regard to their integration of responsible investment considerations.

6.2 The JGC and OWG will engage with Link and Russell on an ongoing basis to ensure that such considerations are transparently reflected in decision making processes and that the approach taken can be properly evidenced. The JGC expects that such processes extend beyond reliance purely on third party ratings/data.

6.3 Within rules-based or index tracking mandates managed by BlackRock, the JGC recognises the influence of benchmarks on the selection of assets. Where appropriate, the JGC and OWG will work with BlackRock and Constituent Authorities to ensure that the potential implications and impact of ESG factors on different approaches are properly understood.

## **7 Stewardship**

7.1 The JGC and OWG believe that failing to exercise voting or other rights attached to assets could be contrary to the interest of the beneficiaries of the Constituent Authorities. The JGC and OWG also believes that successful engagement with investee companies can protect and enhance the long-term value of the Constituent Authorities' investments within WPP.

### **Voting**

7.2 The JGC and OWG have agreed a set of voting principles with Link which is responsible for the implementation of these principles. Link has instructed the underlying investment managers within pooled funds to apply these voting principles on a comply or explain basis in respect of their portfolio(s).

7.3 The JGC and OWG recognise that BlackRock adopts a single voting policy across its pooled funds and have determined that this policy is appropriate at this time. The JGC and OWG will engage with BlackRock to explore the possibility of extending WPP's voting principles to assets managed by BlackRock.

7.4 The OWG will receive a report on all voting activity, including details of any votes which have not been cast and explanations where votes have not been cast in accordance with the agreed principles on a quarterly basis. The OWG will discuss any issues of concern with Link and BlackRock.

7.5 The JGC and OWG will review the voting principles in conjunction with their advisers and Link on an annual basis. The JGC and OWG have also agreed an ambition to appoint a single proxy voting adviser to ensure that voting on all shares held within the WPP is undertaken on a consistent basis.

### **Stock lending**

7.6 The JGC has agreed with Link that stock lending will be permitted within WPP pooled funds, subject to consultation with Constituent Authorities in respect of each underlying sub-fund at the point of set up. Stock lending takes place within funds managed by BlackRock.

7.7 The JGC recognises that stock lending may inhibit the application of its voting policy as votes may not be cast on stock on loan. The JGC will monitor the impact of this over time.

## **Shareholder engagement**

- 7.8 The JGC considers that, in many cases, the Investment Managers are best placed to engage with investee company management due to:
- the practical constraints of the investment structure;
  - the resources available to these managers which are funded by the fees paid through WPP; and
  - the existence of relationships between investment managers and the underlying investee companies.
- 7.9 The Investment Managers are ultimately accountable to the JGC for all engagement activity and should be able to demonstrate, when challenged, the reason for any engagement activity, the objectives of the engagement activity, the approach taken to achieve the objectives, the timeframe over which the engagement is expected to take place and the consequences should engagement be unsuccessful.
- 7.10 The JGC adopts an evidence-based approach to assessing engagement activity by managers and the OWG will receive a report on engagement activity undertaken by investment managers on a quarterly basis. The OWG will discuss any issues of concern with the Investment Managers.
- 7.11 The JGC and OWG have agreed to explore the possibility of employing a single engagement provider in conjunction with the prospective appointment of a proxy voting agent.

## **8 Collaboration**

- 8.1 All Constituent Authorities and WPP are members of the Local Authority Pension Fund Forum (LAPFF). Engagement takes place with companies on behalf of members of the Forum.
- 8.2 The ambition is for WPP to work collaboratively with other like-minded investors and representative bodies in order to maximise the influence of WPP's assets on investee companies. The JGC and OWG will seek to identify investor led responsible investment initiatives and collaborations that can be actively supported.
- 8.3 The JGC will also encourage underlying investment managers to participate in or support collaborative engagements where it is deemed to be in the best overall financial interests of Constituent Authorities.

## **9 Monitoring/Reporting**

- 9.1 The JGC and OWG aims to be aware of, and monitor, financially material ESG-related risks and issues within WPP assets. In consultation with Constituent Authorities, Advisers and the Investment Managers, the JGC and OWG will develop appropriate monitoring metrics for WPP portfolios. Such metrics are expected to include climate-related risk exposures. The JGC expects that such metrics will be reported within quarterly reporting to Constituent Authorities.

9.2 The JGC and OWG require that the responsible investment credentials of all investment managers appointed by Link and Russell are subject to annual review. In conjunction with Link and Russell, the JGC and OWG will develop an appropriate reporting framework for underlying investment managers.

9.3 On an annual basis, the JGC will prepare and publish a stewardship report detailing the actions undertaken in fulfilment of this policy and the results achieved.

## **10 Other**

10.1 The JGC recognises the need for ongoing education for Constituent Authorities on a broad range of investment matters, including responsible investment. As part of its annual business planning, the JGC will ensure there is at least one formal training session is directly focused on Responsible Investment.

10.2 The JGC expects that all investment managers employed on behalf of WPP will disclose costs in accordance with the SAB Code of Transparency.

10.3 The JGC and OWG will review the adherence of all parties to this policy on an annual basis. The JGC will publish the results of their assessment as part of their annual stewardship and governance report.

Version 1.0  
April 2019

# Agenda Item 9

COMMITTEE: **PENSIONS COMMITTEE**

DATE: **16 MAY 2019**

TITLE: **PUBLIC SECTOR EXIT PAYMENT CAP**

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

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

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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 Committee 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
4. Devolution summary and equalities impacts
5. Summary of questions



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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 billion<sup>1</sup>, 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 sector<sup>2</sup>, and are far higher than the value of exit payments made to the majority of public sector workers<sup>3</sup>. 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](mailto: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](mailto: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 Wales<sup>4</sup>
- 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](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](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 <sup>1</sup> 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 <sup>2</sup>
The Greater London Authority	The London Assembly	Mandatory	No
Any other public sector body covered by the Regulations	Minister of the Crown	Discretionary	No <sup>3</sup>
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

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

<sup>2</sup> 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.

<sup>3</sup> 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](mailto: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.

### Disclaimer

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# Agenda Item 10

COMMITTEE: **PENSIONS COMMITTEE**

DATE: **16 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**

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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 presented to the 29 July 2019 Pensions Committee meeting for approval 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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# 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"> <li>1. Amendments to the local fund valuations from the current three year (triennial) to a four-year (quadrennial) cycle</li> <li>2. A number of measures aimed at mitigating the risks of moving from triennial to quadrennial cycles</li> <li>3. Proposals for flexibility on exit payments</li> <li>4. Proposals for further policy changes to exit credits</li> <li>5. Proposals for policy changes to employers required to offer LGPS membership</li> </ol>
<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:  <a href="mailto:LGpensions@communities.gov.uk">LGpensions@communities.gov.uk</a>
How to respond:	<p>Please respond by email to:</p> <p><a href="mailto:LGpensions@communities.gov.uk">LGpensions@communities.gov.uk</a></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"> <li>- your name,</li> <li>- your position (if applicable),</li> <li>- the name of organisation (if applicable),</li> <li>- an address (including post-code),</li> <li>- an email address, and</li> <li>- a contact telephone number.</li> </ul>

# 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 cycle<sup>1</sup>, 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

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<sup>1</sup> <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 amended<sup>2</sup> 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 2016<sup>3</sup>. 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.**

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<sup>2</sup> S.I. 2018/493

<sup>3</sup> <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 schemes<sup>4</sup>.

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?**

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<sup>4</sup> <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 valuations<sup>5</sup>. 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

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<sup>5</sup> <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 Statement<sup>6</sup> 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);

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<sup>6</sup> 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 basis<sup>7</sup> 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 employers<sup>8</sup> 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

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<sup>7</sup> 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).

<sup>8</sup> 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)<sup>9</sup>:

*“(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.”*

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<sup>9</sup> 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 sector<sup>10</sup> 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

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<sup>10</sup> 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 changes<sup>11</sup> 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 2016<sup>12</sup>, 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

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<sup>11</sup> S.I. 2018/493

<sup>12</sup> <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 LGPS<sup>13</sup>. Use of the deemed employer approach,

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<sup>13</sup> <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](mailto: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.**

# Agenda Item 11

<b>MEETING</b>	<b>PENSIONS COMMITTEE</b>
<b>DATE</b>	<b>16 MAY 2019</b>
<b>TITLE</b>	<b>ATTENDANCE IN CONFERENCES</b>
<b>PURPOSE</b>	<b>SELECT REPRESENTATIVES TO ATTEND CONFERENCES</b>
<b>AUTHOR</b>	<b>DAFYDD L EDWARDS, HEAD OF FINANCE</b>

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## **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 Gwynedd Pension 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 4 "usual" annual conferences have been arranged for 2019/20 –

- 2.1** The LGC Investment Summit, which will be held at the Celtic Manor Resort, Newport on 4-6 September 2019 (**Appendix 1**). The Head of Finance or the Investments Manager usually attend the LGC Investment Summit, together with two members of the Pensions Committee, on a rota basis.
- 2.2** Russell Investments' annual 'Summit' which will be held at the Royal Institute of British Architects (RIBA), 66 Portland Place, London on 13 November 2019 (**Appendix 2**). In 2018, one officer, the Chairman and 2 other Committee members attended.
- 2.3** The Local Authority Pension Fund Forum (LAPFF) annual conference, which will be held at the Hilton, Bournemouth on 4-6 December 2019 (**Appendix 3**). The Head of Finance or the Investments Manager usually attend the LAPFF annual conference, together with one member of the Pensions Committee (usually the Chairman) and one member of the Pension Board.
- 2.4** The LGPS Governance Conference, formerly known as the "Trustees" Conference, which will be held at the Principal Hotel, York on 23-24 January 2020 (**Appendix 4**, item 10-13). Recently, 2 members of the Pensions Committee and 1 member of the Pension Board, together with an officer, attended the LGPS Governance Conference in Bristol.

### **3. ADDITIONAL EVENTS**

- 3.1** The LAPF Strategic Investment Forum will be held at The Grove, Hertfordshire on 2–4 July 2019 (**Appendix 5**). The Head of Finance has received a personal free invitation to attend, and there are two additional free places for members.
- 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. VALUE OF THE EVENTS**

- 4.1** As members of the Pensions Committee are “trustees” for investments to the value of £2bn, it is essential that members build upon their fundamental training and obtain current information of the investment / LGPS context by attending suitable events like these.

### **5. RECOMMENDATION**

- 5.1** The Committee is asked to select representatives from the Pensions Committee to attend the 6 events listed above.

**James Audrey (CYLLID)**

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**From:** Jenny Vyas, LGC Investment & Pensions Summit <LGCEventsInfo@emap.com>  
**Sent:** 24 April 2019 10:29  
**To:** James Audrey (CYLLID)  
**Subject:** Announcing the LGC Investment & Pensions Summit 2019



5-6 September 2019 | Celtic Manor

Dear Audrey,

The **LGC Investment & Pensions Summit** returns on **5-6 September 2019** with brand-new content sessions, enabling you to tailor the event to meet your objectives.

At this year's event, we will hear how to move on from 2019 and identify the investment opportunities for the Local Government Pension Scheme from 2020 onwards. With action-packed and volatile markets, geopolitics and populism dominating recent years, **join us at Celtic Manor** to gain clarity on which investment themes will play out and what the investment future holds for the LGPS.

You'll notice a significant difference in the programme this year. Instead of a one-size-fits-all approach, you will have the freedom to **choose which sessions you'd like to attend** and many more opportunities to contribute to the level of debate.

**What's new for 2019:**

- Dedicated sessions relevant for your specific role
- Interactive discussion sessions, enabling you to contribute to the debate and learn from your peers
- An Oxford Union debate on social impact
- More opportunities to participate and answer the burning issues on your agenda
- An easy-to-use app, connecting you with the individuals you want to meet at the event

The full programme is almost ready to share with you and the key speakers already confirmed include:

- **Mike O'Donnell**, Chief Executive, London CIV
- **Dawn Turner**, Chief Executive, Brunel Pension Partnership
- **Nicola Mark**, Head, Norfolk Pension Fund
- **James Ashley**, Market Strategist, Strategic Advisory Solutions, Goldman Sachs Asset Management
- **Jeff Houston**, Head of Pensions, LGA

We are aware that budgets are limited so have kept the delegate rates at the same level for the last four years. **Book your places before 17 May to save up to £150 per person**, click below or contact **David Palmer** on **020 3953 2761** to secure your place.

[Book now](#)

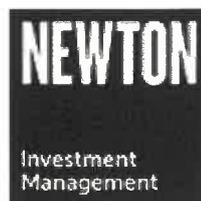
I look forward to seeing you and your colleagues at the event in September.

Kind regards,

Jenny Vyas  
Public Sector Events Director  
LGC Investment & Pensions Summit

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In association with:



Associate sponsor:



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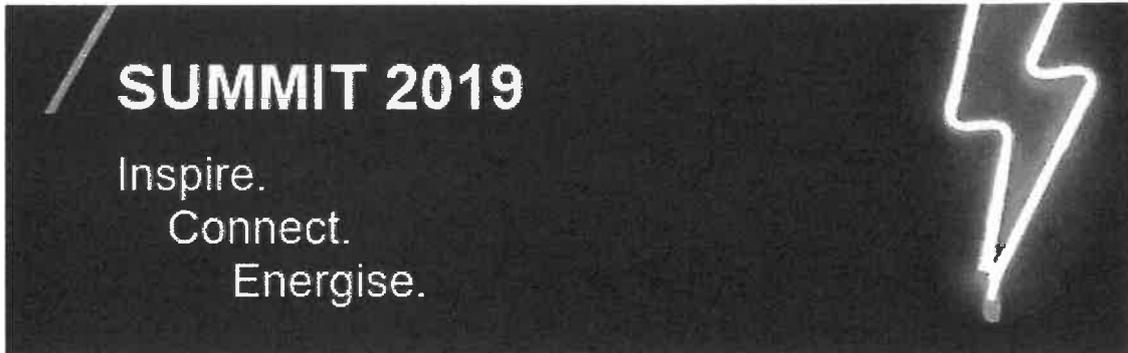
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Wednesday 13 November 2019

### Location details



**LOCATION**  
**The Royal Institute of British Architects (RIBA)**

66 Portland Place, London,  
W1B 1AD

**DATE**  
13 November

**TIME**  
09:30 – 17:00

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We share your responsibilities as if they were our own.



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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:

<b>Day 1</b>	London	LGA offices, Westminster	<a href="#">3 October 2019</a>
	Leeds	Marriott Hotel	<a href="#">17 October 2019</a>
	Cardiff	Marriott Hotel	<a href="#">31 October 2019</a>

<b>Day 2</b>	London	LGA offices, Westminster	<a href="#">6 November 2019</a>
	Leeds	Marriott Hotel	<a href="#">14 November 2019</a>
	Cardiff	Marriott Hotel	<a href="#">21 November 2019</a>

<b>Day 3</b>	Leeds	Marriott Hotel	<a href="#">5 December 2019</a>
	Cardiff	Marriott Hotel	<a href="#">12 December 2019</a>
	London	LGA offices, Westminster	<a href="#">18 December 2019</a>

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](http://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](mailto: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](mailto: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  
MHCLG  
COSLA  
SPPA  
Regional Directors  
Private clients  
Website

Visit the LGA's website at: [www.local.gov.uk](http://www.local.gov.uk)

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LGPC  
18 Smith Square  
Westminster  
London, SW1P 3HZ

or email: [karl.white@local.gov.uk](mailto:karl.white@local.gov.uk)

## 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**

**James Audrey (CYLLID)**

**From:** Lily Grace Burford <lburford@dgpublishing.com>  
**Sent:** 22 February 2019 14:52  
**To:** Edwards Dafydd Lewis (CYLLID)  
**Subject:** The LAPF Strategic Investment Forum will take place on the 2-4th July, 2019 - The Grove, Hertfordshire.

**REGISTRATION NOW OPEN**

Dear Dafydd,

The next LAPF Strategic Investment Forum will take place on the **2-4th July, 2019** at the wonderful venue of The Grove, Hertfordshire.

Join us to explore the key concerns facing local authority pension funds at this crucial time for the LGPS. Our agenda will cover:

- Responsible investment
- Infrastructure
- Value for money
- Credit investing
- Investment planning
- Pooling

We'll be looking at the impact these issues have on investment policy, strategies and products. Senior pension officers and leading advisers alike will be comparing notes and seeking to map the road ahead.

The Forum this year is a carefully curated blend of presentations, interviews, panel debates and round-table discussions and I'm sure it will be a lively and informative event.

The event is free to attend for representatives from LGPS pension funds and pools and complimentary accommodation for two nights is included. However, places are limited, and this is likely to be a very popular event so early registration is recommended.

If you would like to attend, please book via the link below. Note that we are restricting attendance to a maximum of three LGPS delegates from any single fund.

We always try to address specific concerns of the LGPS community, so if you feel something is missing from the topic list above, please let us know.

I do hope you will be able to attend and look forward to seeing you there.

Kind regards,

**Lily-Grace Burford**

Events Coordinator

DG Publishing

Tel: 020 3904 0072

[lburford@dgpublishing.com](mailto:lburford@dgpublishing.com)

[Register](#)

## AGENDA

### WEDNESDAY, 3<sup>RD</sup> JULY

08:30 - 09:00

Coffee and registration

09:00 - 09:05

**Chairman's opening remarks**

*John Harrison, Adviser, Border to Coast*

09:05 - 09:25

**Portfolio Manager Presentation**

Fixed income forecasts

*Sponsored by T. Rowe Price*

### THURSDAY, 4<sup>TH</sup> JULY

08:30 - 09:00

Coffee

09:00 - 09:20

**Portfolio Manager Interview**

Infrastructure debt

*Sponsored by Schroders*

09:20 - 10:00

**Panel**

*Sponsored by Aviva Investors*

**09:25 - 09:45**

**Portfolio Manager Presentation**

Private markets

*Sponsored by Pantheon Ventures*

**09:45 - 10:25**

**Panel**

Global equities

*Sponsored by Natixis Investment Managers*

**10:25 - 11:05**

**Roundtable Discussion**

LGPS asset pooling

*Introduction by Jeff Houston, Head of Pensions, LGA*

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**11:05 - 11:25**

Coffee

**11:25 - 11:45**

**Portfolio Manager Presentation**

Renewable energy

*Sponsored by J.P. Morgan Asset Management*

**11:45 - 12:25**

**Panel**

Factor investing

*Sponsored by Invesco*

**12:25 - 12:45**

**Portfolio Manager Presentation**

The implications of disruptive technology on infrastructure

*Sponsored by Columbia Threadneedle Investments*

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**12:45 - 13:45**

Lunch

**13:45 - 14:05**

**Portfolio Manager Presentation**

**10:00 - 10:20**

**Portfolio Manager Presentation**

Infrastructure - how to find value globally

*Sponsored by Goldman Sachs*

**10:20 - 10:40**

**Portfolio Manager Presentation**

Emerging market debt

*Sponsored by Franklin Templeton*

---

**10:40 - 11:05**

Coffee

**11:05 - 11:25**

**Portfolio Manager Presentation**

Liquid alternatives

*Sponsored by Unigestion*

**11:25 - 11:55**

**Roundtable Discussion**

Analysing investment opportunities

**11:55 - 12:15**

**Portfolio Manager Interview**

The global investment environment

*Ron Temple, Lazard Asset Management*

**12:15 - 12:55**

**Panel**

Innovative investment opportunities

*Stuart Fiertz, Cheyne Capital*

**12:55 - 13:00**

Closing remarks

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**13:00**

Lunch and close

Driving long term social value

*Sponsored by Legal & General Investment  
Management*

**14:05 - 14:45**

**Panel**

ESG

*Sponsored by Aberdeen Standard Investments*

**14:45 - 15:05**

**Portfolio Manager Presentation**

Secured income assets

*Andy Burgess, Insight Investment*

**15:05 - 15:45**

**Panel**

Emerging markets

*Sponsored by Vontobel*

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**15:45 - 16:05**

Coffee

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**16:05 - 16:25**

**Portfolio Manager Presentation**

Residential property

*Sponsored by BMO Global Asset Management*

**16:25 - 16:45**

**Portfolio Manager Presentation**

Multi asset solutions

*Sponsored by Fidelity International*

**16:45 - 17:20**

**Roundtable Discussion**

Cutting costs

**17:20 - 17:25**

**Chairman's closing remarks**

**17:25 - 19:00**

**Drinks**

**19:00**

**Dinner with featured address**



Don't forget to join us on the evening of Tuesday 2nd July for a pre-Forum BBQ in the beautiful Walled Gardens at The Grove



Join us for a complimentary 4-course dinner in the evening on Wednesday 3rd of July. Relax and unwind with your fellow delegates, discuss the big issues raised during the day's conference, and savour the fine food and wine.

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# Agenda Item 12

COMMITTEE: **PENSIONS COMMITTEE**  
DATE: **16 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. PENSIONS COMMITTEE DATES

The Pensions Committee is the **decision making** body for the Pension Fund. The meeting dates following for the rest of the civic year are as follows:

### **24 October 2019 Annual General Meeting of the Pension Fund**

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 Pensions Committee and Pension Board 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.

Regular Pensions Committee meetings, to deal with decisions required 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.

### 3. PENSION BOARD DATES

Gwynedd Fund's Pension Board was established in 2015, complying with Government requirements. The Board is responsible for **oversight** of the management and operation of the Pension Fund. It does not make decisions, but can make recommendations for improvements. The Board has six members, three representing employers and another three representing scheme members. They were appointed by interview in accordance with the procedure established by the full Council.

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.

### 4. INVESTMENT PANEL DATES

The members of the Pensions Committee are also members of the Investment Panel. The Panel meets quarterly to scrutinise the performance of the Pension Fund investments. This includes receiving specialist reports from the Pension Fund's Investment Managers and Investment Advisor. Any recommendations from the Panel are reported to the Pensions Committee for formal decisions.

The dates for Investment Panel meetings during the year are as follows:

**16 May 2019**                      **Gwyrfai, Caernarfon**

**12 September 2019**      **London (location t.b.a.)**

**14 November 2019**      **London (location t.b.a.)**

**12 March 2020**                      **Gwyrfai, Caernarfon** *(before the Committee, as necessary)*

**21 May 2020**                      **Gwyrfai, Caernarfon**

## **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.

The Joint Committee meetings have been arranged as follows:

**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**

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