



Report of the Section 151 Officer

Local Pension Board – 25 July 2019

HMT & MHCLG Consultation on the Cap on Exit Payments and Valuation Cycle and Reform

Purpose:	To note the consultation response
Reason for Decision:	To ensure the views of the Pension Fund Committee of the Administration Authority are submitted to MHCLG for consideration
Consultation:	Legal, Finance and Access to Services.
Recommendation:	It is recommended that: <ol style="list-style-type: none">1. The Pension Fund Committee retrospectively approves the consultation response of the Administering Authority in respect of the cap on exit payments.2. The Pension Fund Committee approves the consultation response of the fund's appointed actuary in respect of the Valuation Cycle and Reform.
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1 Background

- 1.1 The Ministry of Housing Communities and Local Government (MHCLG) and HM Treasury (HMT) routinely circulates consultation re. developments and amendments to both the administration Regulations and Investment Regulations in the local government pension scheme. **(LGPS)**. The LGPS is not a devolved function and is still administered from Westminster.

2 Exit Payment Cap £95k

- 2.1 The Government proposes to cap exit payments in the public section to an absolute limit of £95k and seeks consultation on the regulations to implement. This was implemented following a number of high profile public sector workers receiving large exit payments when they have been perceived to have failed in their roles. The draft statutory instrument and consultation response is attached at Appendix 1.
- 2.2 The Government's definition of exit payment includes any additional pension contributions required to enable early access to a member's benefits unreduced when subject to early retirement when made redundant aged 55 or over. To clarify exit payment would include redundancy (member received cash payment) and any additional pension contributions (the pension fund receives the payment). The arbitrary limit of £95k would encompass very modestly paid public sector workers who have long service and a number of variables along the way as highlighted within the proposed response.
- 2.3 The remainder of the response identifies technical issues with how the 2 components of the exit payment cap need to be assessed and dealt with and some of the weaknesses of the proposal.
- 2.4 The LGA and WLGA have also submitted responses echoing these themes
- 2.5 Due to the timing of the consultation, the response was approved by the Chairman of the Pension Fund Committee on the 2nd July 2019 in order to submit the response in time with the consultation, the Pension Fund Committee retrospectively approved the consultation response of the Administering Authority in respect of the cap on exit payments at its meeting on the 11th July.

3 Valuation Cycle

- 3.1 The MHCLG issued consultation on proposals to vary the current 3 year valuation cycle and proposals re. exit payments and protecting rights of membership of employees of certain employers.
- 3.2 The fund's appointed actuary has provided its response to the consultation. Attached at Appendix 2 is the consultation and the actuary's proposed response. The Pension Fund Committee approved the consultation response of the fund's appointed actuary in respect of the Valuation Cycle and Reform.

4 Legal Implications

- 4.1 The consultation responses shall be considered by HM Treasury and any amendments to the legislation shall be implemented.

5 Financial Implications

- 5.1 There are no financial implications arising directly from this report

6 Equality and Engagement Implications

- 6.1 There are no equality and engagement implications arising from this report

Background Papers: None.

Appendices: Appendix 1 - Draft statutory instrument and consultation response.
Appendix 2 - Consultation and the actuary's proposed response.