

This matter is being dealt with by:
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LGF Reform and Pensions Team
 Ministry of Housing, Communities and Local
 Government
 2nd Floor, Fry Building
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Dear Sirs,

21 July 2019

RE: Policy proposals to amend the rules of the LGPS - open consultation

Dear Sirs,

Local Government Pension Scheme – changes to the local valuation cycle and management of employer risk

The Nottinghamshire County Council Pension Fund have comments on the consultation on the proposed amendments as follows:

1 Changes to the Local Government Pension Scheme (LGPS) valuation cycle

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?

Given the LGPS scheme valuation has moved there are some advantages to moving the LGPS fund valuations too.

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?

We are concerned that moving to a longer cycle could create bigger changes to employer contributions at valuation. This is of concern to all employers who already struggle with the timescales to set their budgets before the following year's contribution rate has been confirmed. The recent step changes in other (unfunded) public schemes highlight this risk.

The impact on GAD should be considered as this concentrates the resource requirement and may add to timescales.

Given the recent scrutiny we and employers within our scheme have received from auditors this year additional guidance as to the requirements for this disclosure would be required, potentially with a change in accounting rules to reflect this (which could still give a standardised approach, but would not require undeliverable requirements for the number to be not materially misstated under the current rules). Any situation where a valuation may be required to satisfy the auditors materiality limits needs to be avoided.

Question 3 - Do you agree the local fund valuation should be carried out at the same date as the scheme valuation?

Again, this seems reasonable under the circumstances

Question 4 - Do you agree with our preferred approach to transition to a new LGPS valuation cycle?

Yes, given concerns over increasing to four years, five years seems too much, so 3, then 2, then 4 yearly thereafter is a reasonable compromise.

2 Dealing with changes in circumstances between 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?**

Yes, under certain circumstances, but these would need to be rare or this would increase costs. Having additional flexibility to review contribution rates for individual employers could be beneficial.

Question 6 - Do you agree with the safeguards proposed?

Yes, these seem reasonable.

Question 7 – Do you agree with the proposed changes to allow a more flexible review of employer contributions between valuations?

These proposed changes need more clarity. It could be argued that the situation where liabilities have increased is a more important time to reassess contribution rates.

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?

We believe this would be challenging and guidance would be helpful.

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?

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3 Flexibility on exit payments**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?**

Yes, there are many situations where this makes sense. As this is to be a permissive model that gives administering authorities flexibility to use their judgement and local knowledge in balancing the competing interests involved, administering authorities can decide whether and in what way this flexibility should be used.

Question 11 – Do you agree with the introduction of deferred employer status into LGPS?

Yes, this makes so much sense in many circumstances. However the requirement for the agreement of the fund is crucial as there will be some circumstances where this is not appropriate.

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?

This all sounds reasonable. It should be recognised that putting all these arrangements into place will take some time with scant resource. It would be helpful if some example draft documents could be made available to form the basis of these agreements.

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?

This seems reasonable.

Question 14 – Do you agree options 2 and 3 should be available as an alternative to current rules on exit payments?

Yes,

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?

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4 Exit credits under the LGPS Regulations 2013

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?

Yes, changes should be made to prevent service providers receiving exit credits where others have taken the risk. Also we agree that timescales of 1 month are too tight.

Question 17 – Are there other factors that should be taken into account in considering a solution?

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5 Employers required to offer LGPS membership

Question 18 – Do you agree with our proposed approach?

Yes

6 Public sector equality duty

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?

No

Yours faithfully,

Nottinghamshire County Council Pension Fund