

POLICY REGARDING THE REVIEW OF EMPLOYER CONTRIBUTIONS, EMPLOYER EXIT PAYMENTS AND DEFERRED DEBT AGREEMENTS

Introduction

1. This paper provides the Committee with an update on progress made in preparing the Administering Authority's policy regarding the review of employer contributions, employer exit payments and deferred debt agreements.

Recommendation

2. The Committee is asked to note the next steps in preparing the Administering Authority's policy regarding the review of employer contributions, employer exit payments and deferred debt agreements

Background

3. The Government introduced the Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020 in September 2020. These introduced new powers for administering authorities to:
 - review employer contributions outside of the normal triennial valuation cycle in specified circumstances
 - spread exit payments for exiting employers
 - set up Deferred Debt Agreements (DDA) for exiting employers
4. There is no requirement on administering authorities to use any of the new powers. The amending regulations require that an administering authority may do so only where it has set out its policy in its Funding Strategy Statement (FSS). This is to ensure consistency and transparency.
5. Government indicated it would issue statutory guidance to administering authorities who wish to use the new powers. It had been hoped this guidance would be produced in sufficient time to enable the draft policy to be presented to the Committee at this meeting.
6. On 2 March 2021 the Ministry of Housing, Communities and Local Government issued the statutory guidance. The guidance is still being reviewed but sets out high level principles and points which the Government believes should be considered by administering authorities in developing their policy.
7. An additional guide for employers and administering authorities on the practical application of the new powers has also now been published by the Local Government Pension Scheme Advisory Board (SAB) for England and Wales.
8. Administering authorities are advised to consider both documents when developing policies in relation to the new powers.



Next Steps

9. Officers will develop the Fund's policy in the light of the recent statutory guidance and, having taken actuarial advice, will present the draft policy on the use of the new flexibilities to the Committee via email by 19 March 2021 and seek Committee member's views.
10. Subject to Committee feedback, and as the policy will be published in, and require changes to, the Funding Strategy Statement (FSS), Committee will also be asked to approve that Officers launch a consultation with employers on the policy and the amendments to the FSS.
11. The final policy, reflecting on consultation feedback, will be brought back to Committee for approval via electronic decision.

