

Cost Management, Benefit Design and Administration Committee

Meeting of the 14th February 2022

Item 7 Paper C

2019 Section 13 Report

Issue – To consider the three recommendations made in the 2019 report for SAB to take forward and to recommend to SAB the actions to be taken and next steps.

Background

1. Section 13 of the Public Service Pensions Act 2013 requires the Government Actuary to report on whether the following aims in LGPS triennial fund valuations are achieved:
 - Compliance
 - Consistency
 - Solvency
 - Long term cost efficiency
2. The 2019 report is the second formal section 13 report. Section 13 was applied for the first time to the fund valuations as at 31 March 2016. A copy of the 2019 report can be found at <https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2019/lgps-england-and-wales-section-13-report-31-march-2019-executive-summary>.
3. The 2019 report is based on the actuarial valuations of the funds, other data provided by the funds and their actuaries, and a significant engagement exercise with relevant funds. GAD is committed to preparing a section 13 report that makes practical recommendations to advance the aims listed above. As in the 2016 report a number of recommendations have been made for SAB to take forward, including:
 - The Scheme Advisory Board should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud.

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- We recommend the Scheme Advisory Board consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.
- We recommend the Scheme Advisory Board review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.

Consideration

4. The above recommendations in the 2019 report for SAB to take forward are not dissimilar to those made in the earlier 2016 report to the extent that in the 2019 report GAD states that more progress is needed on the recommendations made in the earlier report on achieving greater clarity and consistency of actuarial assumptions, and establishing a common basis for academy conversions.
5. In response to the 2016 report's recommendations various meetings were arranged between SAB, GAD, the then MHCLG and the actuarial firms to discuss how the various recommendations should be taken forward. The committee may wish to consider whether a recommendation should be made to SAB for the Secretariat to arrange similar meetings to discuss how the 2019 recommendations should be taken forward.

Recommendation – that the committee recommends that SAB tasks the Secretariat to set up a range of meetings with scheme stakeholders to discuss the 2019 recommendations with the aim of preparing a paper for the Board's consideration.

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