

LOCAL GOVERNMENT

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Pensions Bulletin



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PENSION FUND EMPLOYER CONSULTATION – EXIT CREDITS

The Leicestershire Pension Fund is required to consult with the Fund's employers when it makes changes to the Fund's Funding Strategy Statement (FSS). This change relates to exit credits.

In brief;

On the 14 May 2018 Local Government Pension Scheme Regulations 2013 were amended to require the Pension Fund pay an exiting employer an exit credit, if it left the scheme in surplus. This was subsequently challenged nationally.

Prior to 14 May 2018 if a Fund employer left the scheme in surplus, this amount remained in the Fund and was used to pay the ongoing future liabilities (pensions and spouse's pensions).

On 8 May 2019, the Government published a policy consultation entitled "Local Government Pension Scheme ("LGPS"): Changes to the Local Valuation Cycle and the Management of Employer Risk" which addressed a number of different aspects of the LGPS, including the issue of exit credits.

In February 2020 the Government issued a partial response to its consultation of 8 May 2019, specifically on the issue of exit credits. The response document summarises the responses received from various Funds and details the revised proposals for changes to the rules on exit credits. These rules were then converted into amending legislation, and on the 20 March 2020 the Local Government Pension Scheme (Amendment) Regulations 2020 came into force, dealing with exit credits. These regulations are backdated to the 14 May 2018.

The new amendment regulations on the 20 March 2020, broadly reverse the position back to the 14 May 2018, via a policy discretion. The policy should be detailed in the FSS

For your ease, the proposed changes for the Leicestershire Fund are shown in yellow and these are on pages 16 and 42 to 44 of the attached FSS. If you wish to comment on the proposed changes, please email Ian Howe, Pensions Manager ian.howe@leics.gov.uk

The consultation takes place between the 20 July and the 31 August 2020.

All comments received during the consultation will be considered and the final version of the FSS will be taken to Pensions Committee for approval in September 2020.

Regards, Ian Howe – Pensions Manager