



City of Westminster

Committee Report

Decision Maker:	PENSION FUND COMMITTEE
Date:	23 October 2019
Classification:	General Release – Appendices Not for Publication
Title:	LCIV Pensions Recharge and Guarantee Agreement
Wards Affected:	None
Policy Context:	Effective control over council activities
Financial Summary:	There are no immediate financial implications arising from this report.
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1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to present the situation with regard to the London Collective Investment Vehicle's (LCIV) pensions recharge and guarantee of liability, currently held by the City of London Corporation as the Local Government Pension Scheme (LGPS) Administering Authority for the LCIV as an external employer.

2. RECOMMENDATIONS

- 2.1 The Pensions Committee is recommended to approve the signing of the Pensions Recharge and Guarantee of Liability Agreement.

3. BACKGROUND

- 3.1 The current LGPS pensions arrangements for LCIV staff were established in 2015 as part of the arrangements to set up the LCIV. It took some time for the LCIV to put the arrangements in place because of the need for Secretary of State approval for the LCIV to be granted admitted body status in the City of London Corporation LGPS Scheme.

- 3.2 Lawyers advised that the contractual provisions in the LCIV Shareholder Agreement for shareholders to share pensions liabilities were not sufficient in the case of the LGPS scheme and therefore the Corporation would require a separate guarantee agreement document.
- 3.3 The Corporation originally agreed to admit the LCIV on condition that the other 31 shareholders (London Local Authorities as shareholders in the LCIV) enter into a multi-part guarantee agreement.

4 CURRENT ARRANGEMENTS

- 4.1 It is currently the case that LCIV staff earning <£120k are entitled to join the LCIV LGPS scheme. Standard provisions concerning the guarantee of LGPS liabilities are contained within the LCIV Shareholder Agreement, but regulatory requirements require a formal recharge and guarantee document to be signed by all 32 London local authority shareholders.
- 4.2 The LCIV is an employer member (admitted body) of the City of London LGPS scheme, and it is the City of London that requires a liability guarantee to be shared amongst all 32 London boroughs.

5 REMUNERATION REVIEW

- 5.1 Achieving a consensus amongst the 32 London local authorities to signing the Pensions Recharge and Guarantee of Liability Agreement has caused some difficulty and, as a result, a remuneration review was carried out by the LCIV Board.
- 5.2 The outcome of this is that the LCIV Board is minded to recommend closing the LGPS scheme to new staff entrants. As a result of this, in order to remain competitive in the employment market, LCIV might be required to increase salary levels alongside provision of an alternative DC pension scheme but the open status of the LCIV defined benefit pension scheme will switch to closed (pending full shareholder agreement), thus reducing future DB pensions liabilities and financial uncertainty.
- 5.3 In order to commence the closure process, the LCIV requested a feedback form, returned by officers on 16 September 2019, and the LCIV Board made a final decision to close the LGPS scheme for future staff on 2 October 2019. However, the LCIV resolved that it will close the LGPS scheme for new members only when the LCIV receives all 32 signed guarantees from its shareholders.
- 5.4 The Remuneration Review paper is attached as appendix 1.

If you have any questions about this report, or wish to inspect one of the background papers, please contact the report author:

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BACKGROUND PAPERS: None

APPENDICES:

Appendix 1 – LCIV Remuneration Review

