

LOCAL GOVERNMENT PENSION SCHEME - NOTTINGHAMSHIRE

Bingham Town Council (BTC) participates in the Local Government Pension Scheme (LGPS,) administered locally by Nottinghamshire County Council, it is a funded Defined Benefit Scheme and until 31st March 2014 was a Final Salary Scheme, from April 2014, any benefits accrued are based on 'career average re-valued salary' and length of service on retirement. BTC contributes 17.7% of employees earnings and employees pay 6% of earnings into the fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The result of the actuarial Triennial Valuation in 2016, identified further contributions (by Employer members) required to eliminate a deficit in the fund. These have been paid over three years and the amount BTC will pay in 2019/2020 will be £5704 spread over twelve months. The next Triennial Valuation will be calculated during 2019.

Changing demographics and anticipated rising liabilities are forcing employer members, particularly smaller employers, to review their arrangements and leave the LGPS.

The principal risks to BTC are:

Investment risk: the underlying assets may not achieve the required return within relatively short term periods, eg, between actuarial valuations.

Inflation risk: All of the benefits are linked to inflation and deficits may emerge if the underlying assets do not achieve corresponding growth rates.

Longevity risk: Members living longer in retirement may continue to impact upon actuarial assumptions and valuations.

Orphan liability risk: as employers leave the scheme, insufficient assets to cover their pension obligations may fall on the remaining members in the scheme.

The current and potential costs to BTC cannot be calculated with certainty and it is not unreasonable to consider limiting future costs and liabilities.

RECOMMENDATION

That membership of the Local Government Pension Scheme is closed to new employees of Bingham Town Council and any existing employee who is not currently a member of the scheme, with immediate effect.

That BTC considers an alternative 'Defined Contribution' Workplace Pension scheme arrangement, with a report and recommendation to be brought to the next meeting of the Policy and Resources Committee.