

Committee(s): Police and Resource Committee – For decision	Dated: 5/5/2022
Subject: London Pension Fund Authority (LPFA) pension liability	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	5
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	£
What is the source of Funding?	
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: The Chamberlain	For Decision
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Summary

The London Pension Fund Authority (LPFA) manages the pension arrangement for former pan-London organisations the Greater London Council (GLC) and the Inner London Education Authority (ILEA). In order to manage these liabilities, contributions are paid by all London boroughs and the City Corporation.

A recent re-assessment of pension liabilities has established a funding shortfall, for which a London wide agreement has been put forward to address this through continuation of current contribution levels over a longer period.

This report seeks agreement to this proposal.

Recommendation(s)

Members are asked to:

- Endorse the terms of the agreement set out in appendix A
- Authorise the Chamberlain, in consultation with the Chairman and Deputy Chairman, to finalise and complete the agreement.

Main Report

Background

1. The London Pension Fund Authority (LPFA) is the administering authority for pension schemes linked to predecessor organisations the Greater London Council (GLC) and Inner London Education Authority (ILEA).
2. When these organisations were disbanded the pension assets and liabilities of these organisations, which weren't transferred to other entities as part of the wind-down process, have been managed by the LPFA on behalf of London. In addition, the LPFA also manages asbestos claims and unfunded pension payments related to GLC/ILEA staff.

Current Position

3. The City Corporation's City Fund currently contributes £118k pa to the LPFA for management of the fund and the cost of asbestos/unfunded pension payments, described as category B liabilities in the agreement show in appendix 1. No payments are currently made regarding the pension fund position.
4. Following actuarial review of the fund's asset and liabilities, an additional funding gap has been established as current estimates show liabilities will outweigh assets, described as category A liabilities in the agreement.

Proposals

5. The proposed approach to resolve this issue is by maintaining the current contributions levels for all London boroughs and the City Corporation for a longer timeframe than initially required. As mentioned above, alongside the costs of the managing the fund, the current contribution relates specifically for the costs of asbestos related claim and unfunded pension payments. As these claims/payments begin to reduce as claimants pass away, this contribution would reduce.
6. In maintain contributions at their current level, it is estimated that this will provide the necessary funding to address the pension deficit. No reduction in the current contribution level has been factored into the current year or medium term financial plan so there is no change to current estimates. Should any change occur then this would be highlighted as part of the annual budget setting process. In line with all pension funds, this estimate is subject to triennial valuation, which may alter the funding requirements and hence contribution levels.
7. This agreement also seeks to address a gap in confirming the bodies responsible for the category A liabilities. This issue was subject to regulation, but the coalition government requested that the LPFA and the London boroughs resolve the

issues themselves or else they would intervene. Therefore, to enact this agreement, all the London boroughs and the City Corporation must be in agreement. The agreement has been reviewed by all S151 Officers and has been signed off by all boroughs barring ourselves and one other.

Strategic implications – None.

Financial implications – None as current budget estimates remain as previously agreed.

Resource implications – None.

Legal implications – the City Corporation, along with all other London boroughs, acknowledge their responsibility for these liabilities.

Risk implications – None.

Equalities implications – None.

Climate implications – None.

Security implications – None.

Conclusion

8. It is recommended that the City Corporation signs up to the proposed agreement from the LPFA in line with the other London borough.

Appendices

- Appendix 1 – LPFA Agreement

Background Papers

None.

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