



Ministry of Housing,
Communities &
Local Government

Local Government Pension Scheme:

Government Response on Proposed Merger
of the West Midlands Integrated Transport
Authority Pension Fund and West Midlands
Pension Fund



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1 Introduction

1.1 On 23 July 2019 the Secretary of State for Housing, Communities and Local Government opened a consultation¹ and published draft regulations to give effect to a proposed merger of the Local Government Pension Scheme (LGPS) funds maintained by the West Midlands Combined Authority ('the Combined Authority') and the City of Wolverhampton Council ('Wolverhampton').

1.2 This document summarises the responses received to that consultation and outlines the approach we are taking to the proposed merger.

¹ <https://www.gov.uk/government/consultations/proposed-merger-of-west-midlands-pension-funds>

2 Merger of West Midlands Pension Funds

2.1 Background

2.1.1 Under the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”) (as amended), both the Combined Authority and Wolverhampton are designated as administering authorities and are required to maintain a pension fund for eligible Scheme members and to pay those members’ benefits from that fund.

2.1.2 The Government’s Actuary Department (GAD) has been appointed by MHCLG to report under section 13 of the Public Service Pensions Act 2013 in connection with the local actuarial valuations of the 91 funds in the Local Government Pension Scheme in England and Wales. Section 13 requires GAD to report on whether the following aims of the LGPS are achieved:

- compliance;
- consistency;
- solvency; and,
- long term cost efficiency.

2.1.3 The Government Actuary’s Department review of 2016 LGPS fund valuations² identified two issues with the fund maintained by the Combined Authority, both relating to solvency. It is a fund closed to new members, with a diminishing number of active members paying contributions, and the majority of the fund liabilities are backed by a single private sector employer (West Midlands Travel Limited), with no public sector guarantor. GAD recommended that the Combined Authority, as the administering authority, put a plan in place to address these issues.

2.1.4 This merger is the solution proposed by the Combined Authority and Wolverhampton. A merger of the funds is the solution developed, approved and proposed locally by the West Midlands Combined Authority and Wolverhampton City Council. It resolves the solvency issues that were identified in GAD’s report by clarifying how any unmet liabilities arising from the eventual exit of the admitted bodies in the fund currently maintained by the West Midlands Combined Authority will be met.

2.1.5 The draft regulations which formed part of the July 2019 consultation paper provided for the merger of the two funds in the West Midlands area by making the fund maintained by Wolverhampton the appropriate fund for LGPS members in the fund maintained by the Combined Authority, and by transferring the assets and liabilities of the fund maintained by the Combined Authority to the fund maintained by Wolverhampton. The Combined Authority would no longer be required to maintain a pension fund.

² <https://www.gov.uk/government/publications/local-government-pension-scheme-review-of-the-actuarial-valuations-of-funds-as-at-31-march-2016>

2.1.6 Under the proposal, the benefits and rights of scheme members, whether active, deferred or pensioner, would continue to be as set out in the scheme regulations, and the draft merger regulations did not propose to alter these.

2.1.7 The regulations were proposed to be made under powers conferred by sections 1 and 3 of, and Schedule 3 to, the Public Service Pensions Act 2013 (“the 2013 Act”). Under Section 3(5) of the 2013 Act, the regulations require the consent of HM Treasury before being made.

2.2 Summary of Responses

2.2.1 The consultation closed on 7 September. The Government received two responses to the consultation, from Wolverhampton and the Combined Authority. These reiterated both bodies’ support for the merger. Two issues for our consideration were highlighted:

- It was noted that for accounting reasons a merger date of 1st April 2019 would be preferable to the date originally proposed, 31st March 2019.
- It was observed that the draft direction did not explicitly provide for the closure of the admission agreement fund in the event of West Midlands Travel Ltd’s assets and liabilities being subsumed into the main West Midlands Pension Fund (in the circumstances envisaged by paragraph 4(3) of the direction).

2.2.2 For completeness, Wolverhampton also confirmed in their response that they would make use of the existing regulation 54 of the 2013 Regulations to implement the terms set out in the draft direction, retaining the admission agreement funds for so long as the admitted bodies remain participants in the fund.

2.3 Government Response

2.3.1 After careful consideration, the Government has decided to proceed with the merger of the two pension funds, making two minor changes:

- To the draft regulations - As requested, the effective date of the merger has been changed to 1st April 2019.
- To the draft direction - Paragraph 4(4) has been added confirming that, where the assets and liabilities of West Midlands Travel Ltd are subsumed into the Combined Authority’s section of the main West Midlands Pension Fund, the admission agreement fund shall be closed and wound up.

3. Conclusion: laying the draft Instrument

3.1 A revised statutory instrument has been signed by the Minister and Lords Commissioners of Her Majesty's Treasury and this will be laid before Parliament at the earliest opportunity, alongside an Explanatory Memorandum.