

WIRRAL COUNCIL

PENSIONS COMMITTEE

19 NOVEMBER 2013

SUBJECT:	LGPS UPDATE
WARDS AFFECTED:	ALL
REPORT OF:	STRATEGIC DIRECTOR TRANSFORMATION AND RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members with the latest regulatory developments relating to the Local Government Pension Scheme (LGPS) and raises awareness of the current collaborative project between Merseyside and Cheshire Pension Funds to plan and resource the implementation of the New Scheme from 1 April 2014.
- 1.2 The report also covers the recent consultation on 'Proposals for pooling arrangement for Academies and local authorities' and a position statement on the national LGPS Communication Plan.

2.0 KEY ISSUES

Reform of the LGPS – LGPS Regulations 2013

- 2.1 The LGPS Regulations 2013 were laid before parliament on 19 September 2013 and will come into force 1 April 2014. They are the first part of the regulatory framework to introduce a new defined benefit pension scheme, based upon:
- a career average benefit structure;
 - an improved accrual rate;
 - a concept of annual pension accounts;
 - the reintroduction of a two year vesting period;
 - and the alignment of Normal Pension Age to State Pension Age.
- 2.2 It is necessary for Fund Officers to undertake an impact assessment of the statutory provisions to ensure that:
- each specific provision is correctly interpreted and applied to benefit payments, transfer values, and the level of remitted employee contributions, ensuring they are accurate and consistent with the regulatory intent;
 - operational practices are appropriately reviewed and updated in accordance with the revised benefit structure;
 - employing authority responsibilities and data requirements are identified and all constituent stakeholders notified ;

- members are informed of the impending changes with the continued value of the new scheme promoted as an element of 'deferred pay' and a vehicle to provide a guaranteed tax efficient income in retirement. .

The Statutory Instrument can be accessed at the following website address:

<http://www.legislation.gov.uk/ukxi/2013/2356/contents/made>

- 2.3 It is expected that the Transitional Regulations will be issued shortly. The regulations will include provisions to protect previously accrued benefits and define the interaction between the current and new Scheme.

Fund software providers have indicated that systems will be available to coincide with the launch of the new scheme as it is unlikely that the outstanding final provisions will differ substantially from the known content of the draft regulations.

- 2.4 Further regulations on Cost Control and Scheme Governance will follow to establish a complete regulatory framework for an Administering Authority to ensure the effective financial management and stewardship of the LGPS.

Merseyside and Cheshire West & Chester Collaborative Project

- 2.5 Merseyside Pension Fund has entered into a joint working arrangement with Cheshire Pension Fund in implementing the New Scheme; specifically to deliver a robust operational service and investigate administration efficiencies by sharing expertise, best practice and resources.

An outline project plan has been constructed to define the potential areas of joint working, with specific focus on the interpretation and application of the regulatory provisions and resultant impact on service areas, business process and systems.

There is also potential to work collaboratively in communicating the changes of the scheme to the membership and employers, including the joint production of training material for practitioners and employers within each Fund.

- 2.6 An initial scoping and information sharing exercise has taken place and Fund officers are working with colleagues from Cheshire Pension Fund in finalising the outline Project Plan covering, specific resource requirements, timescales and milestone events.

- 2.7 It is intended that the Project Plan will be a fluid document as the detail relating to employer communication is still emergent and is greatly dependent on agreements reached with the LGA Communication Working Party on the expected content and format of employer related material.

Officers of Merseyside Pension Fund are key collaborative contributors to the LGA working party in delivering member communications to the benefit of all LGPS Funds.

LGPS 2014 – Communications

2.8 LGA Communications Plan

An updated draft communication plan has been released by the LGA and can be accessed on the LGA website at the following link:

<http://www.local.gov.uk/web/lgaworkforcepensions/lgps2014comms>

At the time of writing this report, version 3 of the plan includes additional information on the planned Scheme Guides for 2014 and general updates on the work of the various communication sub-groups.

2.9 Employer Communications

National work has been completed to produce an in-depth payroll specification and HR guide for employers, payroll providers and software providers. MPF has shared this information with its major employers to openly discuss any anticipated problems in advance of the regulations being laid.

The Fund is currently reviewing the guides to reflect the final regulations as a number of authoritative directions are now inaccurate. In addition, timescales for provision of data from employers to administering authorities are impractical for funds to comply with its statutory requirements to produce Annual Benefit Statements.

The Fund intends to provide an update to all employers during November of the revised payroll and HR specification, with a plan to issue further monthly updates to all employers. Topics to be covered as part of the monthly updates will include:

- member communications;
- specific MPF administrative requirements;
- changes to Forms and data exchanges with the Fund;
- changes in operational practice; and
- the employer's statutory responsibility to review and formulate policy discretions within three months of commencement of the new scheme.

2.10 Employee Communications

The scheme members' website **lgps2014.org** is currently being updated in line with the laid regulations and is scheduled for re-launch in November 2014.

The re-launched website will also include the remaining three topic-based videos, designed to help members understand the main differences of the new Scheme.

2.11 Consultation on Pooling Arrangements for Academies within the LGPS

Committee considered the recent guarantee from the Department for Education (DfE) at the last committee meeting on 16 September 2013 (minute 31 refers).

This guarantee was intended to indemnify administering authorities from outstanding pension liabilities should an Academy close.

2.12 The provision of that guarantee forms the foundation for the current Department for Communities and Local Government consultation on options for pooling Academies with the ceding local authority, or within a separate academy pool.

There are six questions posed in relation to this consultation which runs for six weeks and responses are required by 15 November 2013.

The consultation can be accessed on the DCLG website at the following link

<https://www.gov.uk/government/consultations/pooling-arrangements-for-academies-within-the-local-government-pension-scheme>

2.13 The consultation is the latest stage in the DfE's efforts to ensure that pension costs do not act as a barrier to academy status and to try to ensure that academies pay a contribution rate in line with that of the relevant LEA,

2.14 The options for prescriptive regulations include:

- requiring that pension arrangements for an Academy, or several Academies, and the ceding local authority are pooled together should the Academy so choose;
- the Academy, or several Academies, and the ceding local authority should be pooled together without choice between the parties;
- academies and local authority maintained schools are pooled together;
- academies are pooled together as a group.

2.15 The consultation is ambiguous as to whether the key issue being addressed is to how stable academy rates are post conversion or how different they are to the LEA rate at conversion.

2.16. The issue to-date appears to be in regard to a step change in contribution rates at academy conversion, rather than any concern about the ongoing volatility of employer contribution rates.

It is therefore questionable whether ongoing pooling is the best way of avoiding any divergence of rates at conversion if there is little concern about ongoing stability post conversion.

2.17 The Fund's approach of aligning past service deficit and recovery periods to the funding position of the school prior to conversion, broadly ensures that academies pay contribution rates in line with that of the LEA. We believe this does not act as a

barrier to a school becoming an Academy and maintains a prudent and equitable approach.

- 2.18 Upon receipt of advice from the Fund Actuary as to the perceived benefits, disadvantages and practical difficulties that pooling creates, a response will be prepared and forwarded to the Chair of the Committee before a formal submission within the prescribed deadline.

3.0 RELEVANT RISKS

- 3.1 There is a risk that a full suite of “fit for purpose” Statutory Instruments and Guidance from the Government Actuaries Department (GAD) will not be available in time to effectively administer the new LGPS from April 2014.
- 3.2 There is a risk that if the government regulates that academies should be pooled together this may present a concentration of risk for administering authorities as it is unlikely that successful academies would wish to provide ongoing funding for any residual liabilities of failed academies.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 There has been no consultation undertaken or proposed for this report.

It is important that MPF responds to the statutory consultations that will lead to revised regulations and a reformed LGPS, particularly when relating to Governance, Cost Control and Administration, as it is crucial to ensure the Scheme is well-run and affordable in the long term.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 MPF needs to initiate a formal strategic change programme to overhaul current administration arrangements, resources and communications; in recognition of the fundamental change of introducing a Career Average benefit pension arrangement complete with ongoing protections to the pre-2014 Final Salary benefits.
- 7.2 The collaborative project with Cheshire Pension Fund will assist in delivering a timely implementation of the new benefit structure and ensure continuity of current service provision.
- 7.3 If the outcome of the consultation on pooling arrangements results in the Government compelling Academies to be pooled in a prescribed format, it may increase the costs of some Academies as the pool might generate an employer rate that is higher than that currently set for the individual Academy.

8.0 LEGAL IMPLICATIONS

8.1 Depending on the impending revisions to the scheme regulations relating to governance there may be implications for the Council arising from the necessity to revise the constitution.

9.0 EQUALITIES IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

The reforms to the LGPS have already been assessed by Government with regard to equality.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 None arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 None arising from this report

12.0 RECOMMENDATION/S

12.1 That Members note the report and approve a response to the consultation subject to the agreement of the Chair of Pensions Committee.

13.0 REASON/S FOR RECOMMENDATION/S

13.1 There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments to carry out their decision making role in order to enable them to make informed decisions.

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SUBJECT HISTORY (last 3 years)

Council Meeting	Date
The LGPS update is a standing item on the Pensions Committee agenda.	