

WIRRAL COUNCIL
PENSION COMMITTEE

26 MARCH 2018

SUBJECT:	LGPS UPDATE [GMP INDEXATION – IMPACT ON LGPS]
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report informs Members that on 22 January 2018, HM Treasury (HMT) published a response to its consultation dated 28 November 2016.
- 1.2 The consultation proposed options for the indexation of Guaranteed Minimum Pensions (GMPs) in public service pension schemes following the reform of the State Pension and the ending of contracting out.
- 1.3 The report also raises awareness of the Ministerial changes made at Department for Communities and Local Government.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The publication of the consultation and outline of the fundamental aspects together with the Fund response were detailed within the LGPS Update reports presented to committee on 23 January 2017 (minute 144) and 21 March 2017 (minute 160).

The consultation and outcome document can be accessed from the following link

<https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes>

2.2 In summary, the consultation set out three possible solutions:

- a) Case-by-case; involving a comparison of pensioner's total income from the public and state pension provision under the old and new state pension system. This method would be complex to administer but would incur the lowest long-term funding cost.
- b) Full indexation of the relevant GMP liabilities which is simpler from an administration point of view, but more costly in the long term.
- c) Conversion of the GMP benefit into a scheme benefit with an equivalent funding cost as full indexation but more complex initially from an administration point of view.

Consultation Outcome

2.3 The consultation received 62 responses, broadly in favour of the government's objectives to price protect the GMP and to provide a simple solution to assist with members financial planning.

2.4 Following the introduction of the new State Pension the government implemented an interim solution under which members reaching State Pension Age (SPA) between 6 April 2016 and 5 December 2018 will have full GMP increases provided by their scheme.

2.5 The outcome of this consultation was to rule out the case-by-case approach and to extend the interim solution for a further two years and four months.

This will cover those members of public service schemes with a GMP who reach SPA on or after 6 December 2018 and before 6 April 2021.

2.6 During this extension period, the government will investigate the possibility of converting the GMP values to ordinary scheme benefits on a 1:1 basis as a longer term solution.

2.7 A revised Ministerial Direction under Section 59A (2) of the Social Security Act 1975 will be published by HMT to permit the public service pension schemes to price protect GMP entitlements for the relevant period.

Ministerial Re-shuffle

- 2.8 As part of the Prime Minister's re-shuffle in January 2018, the Department for Communities and Local Government was renamed as the Ministry for Housing, Communities and Local Government (MHCLG)

It is noteworthy that housing was always included in the department's brief, but not recognised in its name.

- 2.9 Rishi Sunak MP has been appointed Local Government Minister, (MP for Richmond, Yorkshire), and became the new Parliamentary Under Secretary of State (Minister for Local Government), replacing Marcus Jones MP.
- 2.10 Amongst other changes, Justine Greening MP was replaced as Secretary of State for Education by Damian Hinds MP, which may have an effect on the Department's policy objective to convert all schools to Academies and the current review on the impact for LGPS pension funds and their host authorities.

3.0 RELEVANT RISKS

- 3.1 Whilst the government has announced it will give consideration to the "conversion" route over the next couple of years, there is a risk of a further extension of the "5 April 2021 window" leading to uncertainty for future retirees; as to whether they will receive full price protection on all their pension elements.

4.0 OTHER OPTIONS CONSIDERED

- 4.1 Not relevant for this report.

5.0 CONSULTATION

- 5.1 Not relevant for this report

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

- 6.1 None associated with the subject matter.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 7.1 There are none arising from this report.

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

- 8.1 The estimated cost across the LGPS to provide the increases on the GMP elements of pension for members reaching SPA between 6 April 2016 and 5 December 2018 is in the region of £0.2 billion.

The extension of the period to 5 April 2021 will cost a further amount of between £0.1 billion and £0.15 billion and equates to less than 0.1 % of the LGPS liabilities.

Although the cost is relatively small in the context of the overall LGPS it is another cost to be met by scheme employers without any extra funding from the government.

- 8.2 The impact will vary for individual employers, depending on their membership profile in regard to the numbers of staff with pre-1988 membership and the level of accrued GMPs.

9.0 LEGAL IMPLICATIONS

- 9.1 There are none arising from this report

10.0 EQUALITIES IMPLICATIONS

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

No equality impact assessment is required

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

- 11.1 There are none arising from this report

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 12.1 There are none arising from this report

13.0 RECOMMENDATION

- 13.1 That Members note the report

14.0 REASON/S FOR RECOMMENDATION/S

- 14.1 There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments as part of their decision making role.

**REPORT
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