WIRRAL COUNCIL

PENSION COMMITTEE

16 JULY 2018

SUBJECT:	**LGPS UPDATE** **THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) REGULATIONS 2018**
WARD/S AFFECTED:	**NONE**
REPORT OF:	**DIRECTOR OF PENSIONS**
KEY DECISION?	**NO**

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to inform Members that the Local Government Pension Scheme (Amendment) Regulations were laid before Parliament on 19 April 2018, becoming operational on 14 May 2018.

1.2 The report outlines the key changes that affect the administration of the Fund.

2.0 BACKGROUND AND KEY ISSUES

2.1 The Local Government Pension Scheme (Amendment) Regulations came into force on 14 May 2018. They contain various corrections and clarifications to the Local Government Pension Scheme (LGPS) Regulations 2013 that have been identified following the introduction of those regulations on 1 April 2014. A consultation on the Amendment regulations took place during Summer 2016.

2.2 **The main changes in relation to the administration of members' benefits are as follows:**

a) The alignment of entitlement to early payment of deferred benefits for a member who left the scheme between 01 April 1998 and 1 April 2014 and councillor members who retain a deferred benefit with those who left the Scheme on or after the 1 April 2014.

These members can now elect for payment of their deferred benefits at any time between their 55th birthday and the eve of their 75th birthday.

An unintentional consequence, arising from an oversight in drafting the regulations, has occurred for deferred members who left prior to 1 April 1998 who are over age 55 at 14 May 2018, as they will not be able to elect for early payment of their deferred benefits prior to their normal retirement date.

The Ministry of Housing, Communities & Local Government (MHCLG) have committed to the issuing of an intention statement for Funds to determine how to administer these problematic cases whilst awaiting formal rectification by means of a subsequent set of amendment regulations.

b) The alignment of the LGPS with other Public Service Schemes in their approach to transitional protection under section 18 (5) of the Public Service Pensions Act 2013.

This change provides for a member who received a transfer value in the 2014 LGPS from another public service scheme, and where all or part of the transfer purchases final salary benefits in the LGPS and the member has not had a continuous break in active membership of more than 5 years since ceasing active membership from the transferring scheme. The membership the transfer relates to will be treated as it if were membership of the 2008 scheme. Where such a transfer is received, the ‘underpin’ will apply as detailed in the LGPS Regulations 2013.

c) The alignment of AVC provisions entered into before 1 April 2014 with those entered into on or after the 1 April 2014.

This has enabled all AVC contracts to be harmonised except for AVC provisions where the member left the scheme prior to 1 April 2014. In addition, these amendments do not apply to Councillor Members, as Councillor Members who pay AVCs are doing so under the 1997 Regulations.

2.3 **The main changes in relation to the administration of Fund employers are as follows:**

a) A change to the regulations provides for admission agreements established on or after 14 May 2018, where an administering authority makes an admission agreement, the administering authority no longer has to keep a copy available for public inspection at its offices or inform MHCLG.

The administering authority must publish a list of admission agreements to which it is party and keep the published list up to date. The Local Government Association (LGA) have confirmed that in their view the publication of the pension fund annual report will meet this requirement as the report must include a full list of employers split between admitted and scheduled bodies.

b) A new provision provides for the payment of an exit credit by the administering authority to an exiting employer.

An exit credit is an amount the administering authority is required to pay an employer that is exiting the fund if there is an excess of assets relating to that employer. The exit credit must be paid within 3 months of the date on which the employer ceases to be a scheme employer (or such longer time as agreed between the administering authority and the exiting employer).

An 'exiting employer' is an employer that ceases to be a scheme employer (including ceasing to be an admission body participating in the scheme.)

Once an exit credit is paid, no further payments are due from the administering authority in respect of any surplus assets relating to the benefits of any current or former employees of the exiting employer.

Consequently, there will need to be greater engagement with employers as to how liabilities on exit will be determined and whether the contractual provisions cater for treatment of a potential surplus at the end of the contract.

As such the Fund has arranged a number of meetings with the Finance Directors of the Merseyside Authorities to discuss the impact of the regulatory change on future and historic outsourced commercial arrangements.

Exclusion of Former Draft Provisions

2.4 Provisions that were included in the draft regulations that have not been brought forward are as follows:

New Fair Deal: a further consultation is expected later this year as a number of issues highlighted in consultation responses require consideration to ensure the policy is fair and administratively cost effective.

AVC Drawdown: the proposals allowing flexibility to take uncrystallised funds pension lump sums from AVC is administratively too complex mainly due to difficulties standardising procedures amongst AVC providers. Members who wish to consider this option will have to transfer their AVC provision to another arrangement.

Aggregation: the proposal to revert to pre-2014 aggregation requirements to end automatic aggregation has not been made as this would be inconsistent with Schedule 7 of the Public Service Pension Act.

2.5 **Disclosure - Communication of Material Change**

The Regulations have been checked for material changes that relate to members and targeted communications will be issued to the relevant membership cohorts in accordance with The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013.

Therefore It has been agreed by the Director of Pensions that all deferred members will be individually notified of the option to access benefits from age 55 without the former employing body's consent.

The letter will also be used as an opportunity to promote the "My Pension" member portal registration process to support the Fund's business model of a digital communication strategy. In addition it will contain information on how the Fund complies with Data Protection requirements, specifically the legal basis for holding personal data and how we share that data.

All members who have an AVC arrangement will receive notification of the changes to align the provisions of pre/post 2014 AVC plans.

Employers have received an email alert with specific emphasis on operational changes relating to exiting credits, revisions to Assumed Pensionable pay calculations, and the requirement to review discretionary policies in regard to granting early release of deferred and impact on waiving of actuarial reductions.

3.0 RELEVANT RISKS

3.1 Failure to understand the potential consequences of the changes to the regulations is a key risk for MPF. It could lead to non-compliance with statutory duties, unforeseen costs being incurred and reputational damage

4.0 OTHER OPTIONS CONSIDERED

4.1 Not relevant for this report.

5.0 CONSULTATION

5.1 The Fund will shortly commence a consultation with its constituent employers on revisions to the Funding Strategy Statement to incorporate the change of the statutory position regarding exit credits

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 return of surplus may present further cash flow challenges for Funds and possibly unforeseen interactions with contractual provisions - which in most circumstances the Fund is not privy to as they are under separate schedule to the admission agreement.

The introduction of exit credits will require the Fund to review and consult on the Funding Strategy Statement in order to align the termination policy to ensure consistency with the regulations and various commercial arrangements to deliver local government services.

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.

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