

WIRRAL COUNCIL

PENSION COMMITTEE

3 FEBRUARY 2020

SUBJECT:	LGPS UPDATE
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides an update on the 'McCloud Case', which relates to the transitional protections afforded to those members of public service pension schemes who were closest to retirement age when the schemes were reformed under the Public Service Pension Act 2013.
- 1.2 In addition, it updates Members on the High Court decision to transfer Equitable Life policies, (the legacy Additional Voluntary Contributions (AVC) provider for Merseyside Pension Fund) to Utmost Life and Pensions with effect from 1 January 2020.

2.0 BACKGROUND AND KEY ISSUES

'McCloud' Remedy

- 2.1 Members were informed at the Committee meeting dated 4 November 2019 (minute 37 refers) of the position in regard to the 'McCloud Case'; specifically, that the case will be returned to an employment tribunal for a decision as to the remedy for addressing the difference in member benefits.
- 2.2 On 15 November the Scheme Advisory Board (SAB) published an update to confirm that the LGPS will be dealt with separately to other public service schemes and that the remedy is likely to involve an extension of some form of the 'underpin'.

- 2.3 Technical discussions are expected to take place imminently between MHCLG and the SAB, with a consultation on proposed changes expected to follow. However, it is not expected that any remedy will be implemented before the end of the 2020-21 financial year.
- 2.4 As the remedy will be applied retrospectively, the Fund has communicated to employers the possibility that data such as part-time hours, service breaks, and the pre-2014 definition pensionable pay may need to be provided at a future date. Therefore, there is a requirement that employers have systems and procedures in place to collect and hold this data.
- 2.5 The SAB website provides an overview of the case along with FAQ and can be accessed from the following link:

<https://www.lgpsboard.org/index.php/structure-reform/mccloud-page>

Equitable Life transfers to Utmost Life and Pensions

- 2.6 Further to the update provided at the last committee meeting relating to the transfer of Equitable Life policies, I can confirm that the Fund as policy holder voted in favour of the transfer by the deadline of 30 October.
- 2.7 Scheme policy holders and 'eligible members' voted overwhelmingly in favour of the proposed changes. Consequently, the High Court was asked to approve the Scheme and Transfer on 22 November 2019.
- 2.8 Court approval to transfer the business of Equitable Life to Utmost Life and Pensions was received on 4 December 2019.

The Fund has updated members of the position by letter during December and provided information on the AVC products provided by Utmost Life and Pensions along with the default AVC Funds selected by MPF upon the advice of its professional advisors.

- 2.9 The next steps are:
- the 'uplift' will be applied to 'with-profits' policies as soon as practicable after 1 January 2020; and
 - 'with-profits' policies will be converted to unit-linked policies from 1 January 2020.

3.0 Relevant Risks

3.1 There is a risk that employers will be unable to provide the historic member data required to retrospectively assess the application of the 'underpin' to a larger cohort of members.

4.0 Other Options Considered

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 Resources will be required to assess whether the underpin is applicable for post-2014 retirements that were previously excluded from the underpin test.

The exact resource requirement will be dependent on the extent of the remedy and final legislation.

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, because MHCLG undertake equality impact assessments with regard to the statutory reform of the LGPS.

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 Committee Members note the report.

14.0 Reason/s for Recommendations

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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