

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
13th March 2020**

REPORT BY: Head of Finance

SUBJECT: Administration and LGPS Update

REPORT FOR: Information

1 Introduction

- 1.1 This report has been produced to provide Committee with an update on LGPS and administration matters, together with any potential impacts of these on the Powys Pension Fund.

2 Scheme Advisory Board (SAB)

- 2.1 McCloud. At the SAB meeting in February, the Board agreed to create two working groups to help implement the outcome of the McCloud judgment for the LGPS. These will be:

- a small policy group to help MHCLG consider areas of policy not determined by HMT.
- a larger implementation group made up of practitioners, member representatives, actuaries, software providers, employers and representatives from the Scottish and Northern Irish schemes. It will consider the challenges of implementing and communicating the scheme changes.

It is expected that a consultation on the LGPS regulation changes will begin in the spring; however, there might be a delay before new regulations come into force. This will depend on the level of changes to primary legislation. This waiting period could lead to uncertainty for members which might make legal claims against the LGPS and employers more likely. SAB will be issuing communications for employers and scheme members in this period.

On the 4th of March, the Sab updated their [McCloud website page](#) to provide an update which detailed that the SAB are confident that the eventual outcome will provide younger members in scope with protection that is equal to the protection provided to older members.

The protection compares the benefits payable under the current rules with the benefits that would have been paid if the Scheme had not changed in 2014 and pays the higher. This protection will apply

automatically – LGPS members who meet the qualifying criteria do not need to take any action.

Changes to the Scheme will be backdated to April 2014 and will apply to qualifying members who left the LGPS after that date. Implementing and communicating the changes will be extremely challenging and the volume and complexity of additional work of implementing a remedy, will likely have an extremely large impact on administration teams

3 LGPS England and Wales

3.1 Data Collection for Cost Management. On 14/02/2020 the Local Government Association forwarded a letter to administering authorities on behalf of the Government Actuary's Department (GAD). The letter confirms that:

- GAD will provide each administering authority with a short report on their 2019 data, and
- GAD plan to request 2020 data in September 2020.

3.2 The LGPS (Amendment) Regulations 2020 on Exit credits. These regulations were laid in Parliament on 27 February 2020 and take effect retrospectively from 14 May 2018. On 27 February 2020, MHCLG published a partial response to the consultation covering changes to the local valuation cycle and the management of employer risk. The response covers the proposals on exit credits only. MHCLG will submit a further response to the other proposals covered by this consultation in due course.

The response confirms that most respondents supported the proposal to allow administering authorities to take account of an employer's exposure to risk when calculating an exit credit. MHCLG confirms in the response that they will amend the LGPS regulations so that:

- administering authorities may determine the amount of any exit credit payment due, having regard to any relevant considerations
- the period within which an exit credit must be paid is increased from three months to six months
- administering authorities will not be obliged to enquire into the precise risk sharing arrangement adopted
- any exit credits that have not been paid shall only be due if the administering authority exercises its discretion to pay them
- any exit credits that have already been paid shall be treated as if the administering authority exercised its discretion to pay that amount – an administering authority may not seek to change the amount paid
- the Pensions Ombudsman has jurisdiction to hear complaints if any dispute is not resolved using the internal dispute resolution process
- administering authorities should set out their exit credit policy in their Funding Strategy Statement.

The Local Government Pension Scheme (Amendment) Regulations 2020 giving effect to these proposals were laid in Parliament on 27

February 2020. They come into force on 20 March 2020 but have effect from 14 May 2018.

- 3.3 **2020/21 Draft employee contribution bands.** Below are the draft employee contribution bands, which will be effective from 1 April 2020. They are calculated by increasing the 2019/20 employee contribution bands by the September 2019 CPI figure of 1.7% and then rounding down the result to the nearest £100.

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,800	5.80%	2.90%
3	£22,801 to £37,100	6.50%	3.25%
4	£37,101 to £46,900	6.80%	3.40%
5	£46,901 to £65,600	8.50%	4.25%
6	£65,601 to £93,000	9.90%	4.95%
7	£93,001 to £109,500	10.50%	5.25%
8	£109,501 to £164,200	11.40%	5.70%
9	£164,201 or more	12.50%	6.25%

4 The Pensions Regulator

- 4.1 TPR is seeking a voluntary extension to its supervision regime. This has already been introduced for the largest schemes in the UK. It will attempt to build relationships with pensions administrators of critical importance. These are the top 75 outsourcing companies and in-house teams in the country.

Key areas of focus for interaction will include:

- trustee relationship management
- handling of client transitions
- data quality controls
- due diligence on scams
- member communications
- resourcing and training
- business continuity and cyber resilience.

5 Other News and Updates

- 5.1 **2020 Pensions Increase.** On 25 February 2020, the Government made a written statement on indexation and revaluation. The statement confirms that the following LGPS benefits will both increase by 1.7% In April 2020:

- pensions in payment, and
- active member career average benefits.

- 5.2 **GMP reconciliation.** The project is entering the final stages and test data is being analysed. It is expected that a final cut of data will be tested in May 2020 and the project will move into the actual rectification stage shortly thereafter.
- 5.3 **Document Imaging and Workflow migration.** Committee will be aware from previous reports that work has been ongoing to migrate the existing workflow and document imaging facilities used by the administration team, into the existing Altair pensions administration system. Work on the document migration completed on 31st January 2020 and work continues on developing and refining the workflow procedures within the Altair system.
- 5.4 **Equitable Life.** The transfer of the existing Equitable Life AVC holders to Utmost Life and Pensions has concluded and the scheme members have been notified accordingly.
- 5.5 **The Local Government Pension Scheme (Amendment) Regulations 2019 [SI2019/1449]** These regulations are effective from 31 December 2019. They amend the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by introducing benefits payable under the earlier regulations to surviving opposite sex civil partners.

The Civil Partnership (Opposite sex Couples) Regulations 2019 [SI 2019/1458] allow opposite sex couples to give notice of a proposed civil partnership from 2 December 2019.

6 Recommendation

- 6.1 To note the contents of this report.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> To note the update and raise any points of discussion to ensure that the Fund continues to focus on high standards of administration. 		As per report	
Person(s) To Action Decision:	Pension Fund Manager		
Date By When Decision To Be Actioned:	Immediately		
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:

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Relevant Portfolio Member(s):	Cllr Aled Davies
Relevant Local Member(s):	N/A