

Lancashire Local Pension Board

Meeting to be held on Tuesday, 16 January 2018

Electoral Division affected: (All Divisions);
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Lancashire County Pension Fund – Regulatory Update

Contact for further information:

Colin Smith, 01772 534826, Technical Advisor, Colin.Smith@lancashire.gov.uk

Executive Summary

This report provides an update on regulations to assist members of the Pension Board to exercise their role effectively.

Recommendation

The Board is asked to note the contents of this update.

Background and Advice

Regulatory Update

1 Exit payment reform update

Although not implemented it is still expected that consultations regarding the 3 separate exit payment reforms set out below will be received. In respect of the exit payment cap and exit recovery a consultation on draft regulations is imminent from HM Treasury. For the third part of the Government's programme of public sector exit payment reforms, a DCLG consultation is still awaited.

a. Exit payment recovery

The draft regulations issued under the Small Business, Enterprise and Employment Act 2015 proposed that where an individual with a salary of £80,000 or more leaves a public sector employment and returns to work in the public sector within 12 months, they will be required to pay back some or all of the exit payments (including strain cost) received.

For the recovery regulations to apply the individual must have both left and become re-employed in relevant public service employments on or after the effective date of the recovery regulations (i.e. the regulations will not be retrospectively applied).

b. Exit Cap

Where an individual leaves a public sector employment, the total exit payments that their employer can make in respect of that exit will be capped at £95k. This cap includes the strain cost payable in respect of an LGPS pension coming into payment early. HM Treasury are also expected to publish guidance on the circumstances when the cap can be waived. These circumstances will be prescriptive and set out the specific situations in which the Treasury think it would be acceptable to waive the cap.

Discussion with regard to how the 'strain on fund' cost would be calculated for the purposes of the exit payment cap are ongoing, but it is expected that this will be on a standardised basis.

c. Exit payments further reform

This looks at the overall severance packages payable from public sector bodies. Subject to the Government proceeding with its plans in this area, we expect DCLG to publish a consultation on the proposed package for local government. No further details as to the content are available at this time but we expect it to potentially cover areas such as:-

- Setting the maximum tariff for calculating exit payments at three weeks' pay per year of service
- Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months.
- Setting a maximum salary for the calculation of exit payments
- Enabling the amount of lump sum compensation an individual is entitled to receive to be tapered as they get close to the normal pension age
- Reducing the cost of employer-funded pension top up payments, such as limiting the amount of employer funded top ups for early retirement, or removing access to them, and / or increasing the minimum age at which an employee is able to receive an employer funded pension top up

2 Assistant Coroners and eligibility for LGPS

A recent Counsel's view on the eligibility of assistant coroners for membership of the LGPS in England and Wales has concluded that assistant coroners are eligible for membership of the scheme.

Part 4 of Schedule 2 of the LGPS Regulations 2013 confirms that coroners are eligible for membership of the LGPS and that the Scheme employer for a coroner is the local authority which appointed them. However, the term 'coroner' is not defined in the 2013 Regulations, leaving open the question as to the types of coroner this term covered, particularly in light of the Coroners and Justice Act 2009 (the 2009 Act) which introduced a class of coroner called an assistant coroner.

The Counsel's view is that the use of the term 'coroner' with a small 'c' in the 2013 Regulations along with the fact that the 2013 Regulations do not attempt to define the term means, in short, that the Regulations cover all classes of coroner covered by the 2009 Act. For the Lancashire Fund this affects a very small number of

employees (e.g. for the County Council we believe 7 in total). Although unlikely that these members will join the scheme we still need to ensure the appropriate joining and opt out processes are in place for this class of employee.

3 2018 Pensions Increase

On 17 October 2017, the Office for National Statistics announced that the Consumer Prices Index rose by 3.0% in the year to September 2017.

The CPI increase for the year to September is normally used by Government for inflation proofing of public sector schemes.

Therefore, it is assumed that PI, which will be applied to pensions in payment on 9 April 2018 and to active LGPS CARE balances with effect from 1 April 2018, will be 3.0%. The Government will confirm the rate via legislation (expected early this year).

4 Autumn Budget

On 22 November 2017, the Chancellor delivered the budget statement, the only significant issue for pensions was that the Lifetime Allowance (linked to the Sept CPI figure) will increase from £1,000,000 to £1,030,000 with effect from 6 April 2018. The Government will in due course confirm this amount via legislation. (The lifetime allowance is a limit on the value of pension benefits at retirement that can be made without triggering an extra tax charge.)

5 Scheme Advisory Board tier 3 employer project

The Scheme Advisory Board for the LGPS in England and Wales (SAB) has appointed Aon Hewitt to help them in their review of Tier 3 employers in the LGPS. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).

The aims of the exercise are to identify:

- the duties, benefits, issues and challenges for LGPS funds, Tier 3 employers and their scheme members with regard to their participation in the LGPS
- Options for change that would improve the funding, administration, participation and member experience with regard to Tier 3 employers.

A key element of this project is information gathering and, on 27th November, the SAB launched three surveys for completion by LGPS administering authorities, Tier 3 employers and LGPS members employed by tier 3 employers.

The surveys were due to close on 31st December 2017, but this deadline has since been extended to 31 January 2018.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

**Local Government (Access to Information) Act 1985
List of Background Papers**

N/A