

## **Lancashire Local Pension Board**

Meeting to be held on Tuesday, 3 July 2018

Electoral Division affected: (All Divisions);
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### **Regulatory Update**

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#### **Executive Summary**

To assist members of the Pension Board to exercise their functions as a member of the Pension Board effectively, a regular item regarding regulatory updates will be provided.

#### **Recommendation**

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

### **Background and Advice**

#### **1 LGPS (Amendment) Regulations 2018 (SI 2018/493)**

Following a consultation issued nearly 2 years ago the above set of amendment regulations have now been issued. A lot of the provisions within these amendment regulations are technical amendments to ensure the regulations deliver the original policy intention of the principal regulations. These new regulations come into force from 14 May 2018, but a number of provisions (largely those correcting wording to ensure the regulations deliver as intended) are backdated to 1st April 2014.

Furthermore the amendment regulations do not cover a number of areas which featured in the original consultation such as Fair Deal proposals, Freedom & Choice for AVC funds, the exit payment cap/exit payment recovery and proposed changes to the aggregation rules.

The exit payment cap/exit payment recovery are already being dealt with under a separate consultation and an announcement on these is expected soon. The Fair deal proposals are now expected to be consulted upon by the end of the year.

There are however a few changes to note:

- **Requirement to pay exit credits where an employer terminates from the fund with a surplus**

This amends Regulation 64 of the principal regulations which covers exiting employers. The amendments to this regulation, which are effective from 14th May 2018, now allow for the payment of a surplus (an "exit credit") to an exiting employer.

An exit credit must be paid by the administering authority to an exiting employer within 3 months of the date on which the employer ceases to be a scheme employer (or such a longer time as agreed between the administering authority and the exiting employer).

Under LCPF's current policy, surpluses were either retained by a current scheme employer acting as a guarantor to the exiting employer or subsumed by the fund in the absence of any guarantor.

The Fund policy also allows for "pass through" arrangements for TUPE type arrangements where certain conditions are met. In view of this amendment we will need to review our Funding Strategy Statement and draft admission agreements to ensure that this policy intention can still be facilitated.

- **Admission agreements can be backdated**

The amendment regulations now allow the start date of an admission agreement to be earlier than the date the admission agreement is completed. This is helpful to the Fund and scheme employers where there are delays in finalising admission agreements, or where we are unaware that an outsourcing has taken place. In practice the LCPF already operates a policy of allowing backdated agreements.

- **Early release of deferred benefits from age 55 with reductions**

This amendment aligns the entitlement to early payment of deferred benefits to scheme members who left the scheme under earlier regulations. Effectively they are now able to draw their benefits from age 55 without requiring their former employer's consent. The amendment takes effect from 14th May 2018 and as such that will be the earliest date that a benefit payable in this circumstance can be paid from.

Unfortunately a drafting error has left a small group of deferred beneficiaries still unable to exercise this right. This will be addressed in further amending legislation.

- **Changes to pre April 2014 AVC contracts**

Members of the LGPS on or after 1 April 2014 who pay Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014, will see some changes in how they can take their AVC, as set out below:

1. Members who leave the scheme with a deferred benefit will now be able to convert their AVC fund to buy additional pension from the LGPS when benefits are taken from the scheme. Before the change, this option was only available to members who took immediate payment of their main scheme benefits and their AVC plan when they left the scheme.

2. When a member takes their main scheme benefits there will no longer be an option to leave their AVC invested and take it later.
3. If a member dies before taking their AVC and a lump sum is to be paid from their AVC fund, the pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to your estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.
4. A member can now pay up to 100% (rather than 50%) of their pensionable pay into their AVC plan, including any voluntary overtime worked (if paid as percentage of your salary). This aligns the position with AVC contracts started after 1 April 2014.

## **2 The General Data Protection Regulation (GDPR)**

GDPR came into force on 25 May 2018 containing new standards for the protection of an individual's personal data in the European Union, providing a single legal framework for the processing of individuals' data.

Administering Authorities are responsible for the personal data held by their LGPS funds and must demonstrate compliance with the GDPR to show in a meaningful way that both the overall governance structure for data protection compliance and the individual policies and procedures relating to data processing are compliant.

Privacy notices for members and beneficiaries of Lancashire County Pension Fund are to be sent with this year's benefit statements highlighting what data is held, how it is used and our member's rights to access that data.

### **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