

## **Lancashire Local Pension Board**

Meeting to be held on Tuesday, 14 January 2020

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

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#### **Executive Summary**

This report sets out an update on various pension related regulatory issues to assist Board members to exercise their functions as a member of the Pension Board effectively.

#### **Recommendation**

The Board is asked to consider and note the contents of the report.

### **Background and Advice**

#### **1. McCloud Update**

The implementation of remedy for the McCloud judgement is expected to go beyond the 2020/21 financial year.

It is understood that the Local Government Pension Scheme will be dealt with separately to other public sector schemes and that the remedy is likely to involve an extension of some form of underpin protection. Technical discussions are expected between the Ministry of Housing, Communities and the Local Government and the Scheme Advisory Board at the beginning of 2020, with a consultation on proposed changes expected to follow which will include draft regulations for the Local Government Pension Scheme.

As part of the preparation for this, the Fund has made our scheme employers aware of the possibility that data such as part-time hours, service breaks and pre-2014 definition pensionable pay will need to be provided.

#### **2. Publication of LGPS statistics for England and Wales for 2018/19**

On 16<sup>th</sup> October 2019, the Ministry of Housing, Communities and the Local Government published its compilation of the data provided by 87 LGPS Administering Authorities in England and Wales on the SF3 (Pensions) form for 2018/19. The SF3 form collects data on income, expenditure, membership, retirements and other activities.

Regarding income and expenditure, the report showed an increase of £0.7 billion in expenditure, versus a decrease of £2.3 billion in income. This meant that total expenditure was 84% of total income, which was significantly higher than in 2017/18 (73%). This was largely on account of higher amounts of employers' contributions made during 2017/18.

The total membership of the scheme increased over the year by 154,000 (or 2.7%) to stand at 5.9 million. Although the number of active members actually decreased by around 21,000 (or 1.1%), the number of deferred members has been increasing.

In relation to employers, data showed that 74% of all membership was covered by local authorities, even though they represented less than a fifth of the total number of employers. In contrast, private sector, voluntary sector and other bodies are responsible for only 6.4% of all members but accounted for around a third of all employers.

In addition, the report showed that total retirements from the scheme increased by over 7,500 (or 9.9%) compared to 2017/18. The most notable change was early payments of deferred benefits, which increased by over 9,000 (or 24.8%) and accounted for well over half of all retirements. The primary reason for this was the introduction of the amendment regulations in May 2018, which enabled all members to take payment of their benefits from age 55 onwards, without requiring the consent of their former employer.

The results largely reflect those seen in the Lancashire Fund.

### **3. Member videos**

A number of 'Pensions Made Simple' member videos have been put together by the Local Government Association and are available to view on the national Local Government Pension scheme website at [www.lgpsmember.org](http://www.lgpsmember.org).

There are seven videos in total. A general communication to members regarding these videos is scheduled for January 2020 to be sent out by the Local Pensions Partnership, who are also making arrangements for these video's to be hosted on the Lancashire member's website too.

### **4. Opposite sex partners**

From 2 December 2019 legislation enacted under The Civil Partnership (Opposite sex Couples) Regulations 2019, allows opposite-sex couples to apply for civil partnerships in England and Wales and they can be registered from 31 December 2019.

As such on the death of a member in an opposite-sex civil partnership, appropriate death benefits will need to be provided to their surviving partner.

In response The Local Government Pension Scheme (Amendment) Regulations 2019 were laid before Parliament and are effective from 31 December 2019. They

amend the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by introducing survivor benefits payable under the earlier regulations for opposite-sex civil partnerships.

## **5. Statutory guidance for survivor benefits**

To assist funds in dealing with survivor benefits as a result of recent judgements, statutory guidance to support the regulations is being drafted by the Ministry of Housing, Communities and the Local Government which covers the implications of Brewster and Elmes judgments; interpretation of the regulations that set out survivor benefit rights and fund obligations on backdating and recalculating benefits.

## **6. Ministry of Housing, Communities and the Local Government updates on outstanding consultations**

- **Fair deal consultation**

The analysis of consultation response has been completed and a draft government response commenced however further ministerial decisions still need to be taken now the new government is in place.

- **Exit payments cap consultation**

The government response to the consultation launched on 10 April is still awaited. Although there is no explicit mention of the exit cap in the Conservative manifesto there is a commitment to introduce the associated clawback provisions to ensure redundancy payments can be clawed back when high-paid public servants move between jobs, and, as such, the expectation is that the exit cap provisions will also be introduced.

- **Local valuation cycle and the management of employer risk consultation**

The Ministry of Housing, Communities and the Local Government had commissioned legal drafting to give effect to an early amendment to the exit credit proposal (which was included as part of this consultation). An announcement on this was due in December but that was postponed until after the election, and will now require fresh Ministerial consideration.

On the valuation cycle the advice is that Funds should continue to work on the basis that the 2019 fund-level valuations will set employer contributions for the coming three years, as required by existing regulations.

In terms of the other proposals a draft government response is expected to deal with the more technical aspects but further guidance, particularly around the proposals that would remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer membership of the LGPS to their non-teaching staff, will be sought from the new government.

**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**

<b>Paper</b>	<b>Date</b>	<b>Contact</b>
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N/A

Reason for inclusion in Part II, if appropriate

N/A