

Lancashire Local Pension Board

Meeting to be held on Tuesday, 14 July 2020

Electoral Division affected:
(All Divisions);

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 McCloud remedy discussions with the Ministry of Housing, Communities and the Local Government and the Scheme Advisory Board continue and it is expected that an LGPS consultation on the revisions required to our scheme regulations will be issued early in July.

In preparation a number of subgroups have been set up by the Ministry of Housing, Communities and the Local Government and the Scheme Advisory Board, producing templates for administering authorities to use with scheme employers in terms of data collection and communications. Additionally these groups are also working with software suppliers to produce a process map for implementing the changes once the details set out in the consultation are known.

2. 2019 LGPS annual scheme report

On 22 May 2020, Councillor Roger Phillips (Chair of the Scheme Advisory Board) launched the 2019 LGPS England and Wales annual scheme report. Highlights from the report include:

- total membership increasing from 5.8 million in 2018 to 5.9 million in 2019, a rise of 0.6 percent
- total assets increasing to £291 billion, a change of 5.9 percent
- local authority returns on investment over 2018/2019 was 6.6 percent. This was reflective of the market conditions during the year and set against the UK Return of 6.4 percent
- the Scheme maintained a positive cash-flow position overall, including investment income
- over 1.7 million pensioners were paid over the year

Full details of the report can be accessed from the following link:

<http://www.lgpsboard.org/index.php/schemedata/scheme-annual-report>

3. Actuarial guidance notes

Over the past six months a number of actuarial guidance notes used in the calculation of LGPS benefits have been reviewed, covering a range of topics. Full details are not yet known, but a lot of the revisions are reported to be cosmetic although some do involve calculation changes. It is intended that the revised guidance will be rolled out over the next few months. However, the Ministry of Housing, Communities and the Local Government have confirmed that any actuarial guidance involving calculation amendments rather than amendments to existing actuarial factors, would not be issued until much later in the year.

4. Consultation on Reform to Retail Prices Index Methodology

The Government and the UK Statistics Authority had launched a consultation on the Reform to Retail Prices Index (RPI) methodology. The consultation period has been extended by four months because of the pandemic and the consultation will now close on 21 August 2020

Any proposed changes will likely take effect at a future point in time, possibly around 2030. However these announcements do have an effect on the markets forward view of RPI inflation, which the actuary uses to derive an assumption for Consumer Price Index inflation, which the Fund uses to consider the ongoing and termination funding assumptions.

As such we are currently working with the Scheme Actuary to determine what changes we may need to introduce into the Fund's Admission and termination policy for Scheme Employers.

5. New guidance on avoiding pension scams

The Pension Regulator has updated its guidance for avoiding pension scams. The guidance confirms that they cannot prevent a member pursuing their statutory right to transfer and cannot permit administering authorities to prevent a transfer to which a statutory right applies. However, where administering authorities show evidence that the transfer doesn't meet legal requirements, then The Pension Regulator will consider this when deciding whether to act due to the non-payment of a transfer. The wording reflects the legal position on statutory transfers.

6. Parental Bereavement Leave and Pay

On 30 March 2020, the Parental Bereavement Leave and Pay (Consequential Amendments to Subordinate Legislation) Regulations 2020 were made. The regulations introduce changes to the LGPS Regulations 2013 from 6 April 2020. It confirms that Assumed Pensionable Pay will apply during a paid period of parental bereavement leave. If a period of parental bereavement leave is unpaid, the LGPS rules covering unpaid absence with permission will apply.

7. The LGPS (Amendment) Regulations 2020 – exit credits

These regulations give effect to the proposal contained in the local valuation cycle and the management of employer risk consultation, to allow administering authorities to take account of an employer's exposure to risk when calculating an exit credit.

The LGPS regulations are now amended 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 Fund is currently working with the Scheme Actuary to look at any amendments required to the Funding Strategy Statement and Admissions and Termination policy.

8. Employee Contribution Rates

The table below sets out the contribution bands, which are now effective from 1 April 2020. These are based on the pay bands for 2019/20 as increased by the September 2019 CPI figure of 1.7%, with the result rounded down to the nearest £100.

Band	Salary Range	MAIN Section	50/50 Section
		Contribution %	Contribution %
1	£0 to £14,600	5.5%	2.75%

2	£14,601 to £22,800	5.8%	2.9%
3	£22,801 to £37,100	6.5%	3.25%
4	£37,101 to £46,900	6.8%	3.4%
5	£46,901 to £65,600	8.5%	4.25%
6	£65,601 to £93,000	9.9%	4.95%
7	£93,001 to £109,500	10.5%	5.25%
8	£109,501 to £164,200	11.4%	5.7%
9	£164,201 or more	12.5%	6.25%

9. Annual Pensions Increase

The Office for National Statistics announced that the Consumer Price Index rate of inflation for the year to September 2019 was 1.7%. As such this was confirmed as the percentage to be used to increase pensions from 06 April 2020.

10. Spring Budget

On 11 March 2020, the Chancellor of the Exchequer presented his Budget. He announced changes to the following allowances:

Tapered annual allowance

From 6 April 2020, both threshold income and adjusted income increased by £90,000 to £200,000 and £240,000 respectively. In addition, the minimum tapered annual allowance decreased from £10,000 to £4,000.

Lifetime allowance

The allowance has been increased in line with the consumer price index to £1,073,100 with effect from 6 April 2020.

As highlighted in previous updates the 'Pensions Made Simple' member videos were launched by the Local Government Association in November 2019, and 'Your annual allowance' and 'Your lifetime allowance' videos have been updated to reflect the new limits highlighted above. They can be accessed from the following link:

<https://www.lgpsmember.org/more/Videos.php>

11. LGPS employer webinars

During May 2020, the Local Government Association delivered eight COVID-19 employer webinars across the UK. The webinars covered pension issues that have arisen due to the coronavirus pandemic. A recording of the webinar can be viewed using the link below:

<http://lgpslibrary.org/assets/LGPS%20Employer%20Coronavirus%20Webinar%20recording%2019%20May%202020%20AM.mp4>

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

Reason for inclusion in Part II, if appropriate

N/A