

<b>A</b>	<b>Public Service Pension Act 2013 [PSPA] The Pension Regulator Guidance</b>
----------	--

The PSPA laid down the provisions regarding governance and administration within the Public Sector Pension Schemes this included an extended regulatory oversight is to be provided by the Pension Regulator [TPR].

### **The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014**

This is the secondary legislation outlining the requirements on certain matters such as

Records of member and beneficiary information that schemes will need to keep on individuals. Information relating to the rights that each member has to different types of pension benefits in these schemes.

Records of transactions that must be kept in order to account for the finances of these schemes. This includes the following

- Employers and Member Contributions
- Payments of pensions and benefits
- Receipt or payment of money or assets in respect of transfer of members into or out of the scheme
- Payments made to employers participating in the scheme

Records that must be kept in respect of meetings of and decisions made by, each pension board and any committees or sub-committee of that board

### **The Pensions Regulator: Code of Practice No.14 Governance and administration of public service pension schemes.**

In conjunction with this legislation, on 12 January 2015, TPR issued their Code of Practice No 14. This code enables the TPR to meet its statutory objectives by providing practical guidance in relation to the exercise of functions under relevant pension legislation and sets out the standards of conduct and practice expected from those who exercise those functions. This Code of Practice is operative from 1 April 2015 [SI 2015/456]

<b>Governing your scheme</b>	Knowledge and understanding required by pension board members Conflicts of interest and representation, and Publishing information about schemes
<b>Managing risks</b>	Internal controls
<b>Administration</b>	Scheme record-keeping Maintaining contributions Providing information to members
<b>Resolving issues</b>	Internal disputes resolution, and Reporting breaches of the law

**B****DCLG: Consultation on Best Value**

Initially the Hutton Report indicated that contractors should not be allowed to participate in public sector pension schemes. However Lord Hutton did subsequently change his views and as a result in December 2011 the Heads of Agreement for the new public sector pension schemes allowed for members being subjected to an outsourced contract be allowed to remain in their existing pension arrangement.

This option could not be included in the original LGPS 2014 regulations as the PPA2013 is not operative until 1 April 2015.

The other public sector schemes all have their new schemes effective from this date and the Government has also issued guidance on the Fair Deal arrangements connected with this.

The LGPS is subject to DCLG guidance on Best Value and a consultation document on this, similar to the Best Value guidance, has been expected over the past year but has yet to appear. It is expected that regulation changes will be made to reflect this guidance. It is unlikely that a consultation will be released before the General Election in May 2015.

Some educational employers within the LGPS, such as Academies, are subject to Fair Deal but until the LGPS regulations have been amended the GAD advice has been to continue the current process on TUPE transfers which allows the new contractor to either apply to become an admission body within the APF or to provide a broadly comparable pension scheme as certified by the Government Actuary.

**C****Budget 2014: Flexibility for Pensions  
Taxation of Pensions Act 2014 and  
Pension Scheme Act 2015**

These are primary legislation that set out the changes outlined in last year's budget allowing greater flexibility for individuals in defined contribution schemes LGPS members will have to transfer to such a scheme to avail themselves of this flexibility.

The Taxation of Pensions Act 2014 received its royal assent on 17 December 2014, and the Pension Scheme Act 2015 not until 3 March 2015 after a number of amendments made by the Lords had to be debated in the commons.

Full details of the effect on the LGPS are still unknown. It has however been confirmed that although all other public sector schemes will be prevented from transferring to a Contribution Defined Scheme, the LGPS will still have that provision. A Scheme Member wishing to transfer will be required, at their own expense, to have received suitable advice from an independent financial advisor. They can still transfer even if that is contrary to the advice!

Funds can delay a transfer up to a year whilst considering whether there is a need to reduce the transfer amount because of funding issues. The funding position taken will be at Fund level not employer level.

<b>D</b>	<b>Abolition of Contracting-out in 2016 Guaranteed Minimum Pension Reconciliation</b>
----------	---

As the LGPS is a contracted-out pension scheme Avon Pension Fund has incurred obligations as to certain pension provisions connected with the State Second Pension. From April 1978 to March 1997 pensions paid had to cover the equivalent pension that the member would have accrued if they had been receiving the State Second Pension. This pension is known as the Guaranteed Minimum Pension [GMP]. APF is also responsible for certain elements with regards to pension increases on this element.

With the introduction of the Single State Pension in April 2016, contracted-out status will cease. HMRC will phase out its contracted-out section by April 2018. Following the end of contracting out in April 2016, HMRC will be sending a statement to all individuals affected stating the amount of GMP they will receive and who is responsible for paying it. Ahead of this, schemes should reconcile the GMP values they hold for members with those calculated by HMRC or face making overpayments to existing members and even individuals for whom they believe they have no liability.

Until 2018 schemes will be able to challenge the figures where they believe discrepancies are the result of errors on HMRC's part, but past this point no further challenges will be accepted. With exercises frequently taking up to three years to complete, this gives schemes a limited window to make sure their own records tally with HMRC's

APF have registered with HMRC for them to provide a list of all members that they have on their records as belonging to us. This list will then be compared with our records to ensure that all GMP liabilities are correct. From April 2018 there will be nowhere to challenge any GMP going forward. In the past notifications have been received from HMRC that refer to other employers such as members of the Teachers' Pension Scheme so it is important that our records match with HMRC so that no unnecessary liabilities remain.

Errors in GMP values can lead to potentially significant pension overpayments. Based on findings from the National Audit Office's enquiry into five public sector schemes, it has been estimated that the total overpayment on existing deferred and pensioner members within a small pension fund could be around £550,000. The initial reconciliation will cover deferred and pensioners with HMRC supplying information for active members in 2017.

The project will need to

- Identify the member records affected, including those records where the fund and HMRC differ over responsibility for the liability.
- Assess impact of varying the matching tolerance.
- Reconcile member data, including service, held by the fund to records provided by HMRC.
- Calculate any GMP liability that is not currently held on the record, e.g. at date of death where applicable.
- Update records that match or are within a given tolerance.
- Accelerate the investigation process by indicating likely causes of any mismatch

The actual size of this project will be unknown until the HMRC list is received and compared but other LGPS administrators are allocating resources for the next two years, some are creating temporary posts. There are several companies willing to provide assistance but it is doubtful whether the costs involved would be justified as it would appear that whilst the initial population check would be done the work on specific reconciliations of amounts would either still require in house input or costs would be high.

Heywoods our administration software provider is offering a possible solution on a cost per member basis.

Discussions are in progress with HMRC regarding our list of the records and once this list is received we will be able to assess the overall task involved along with the potential costs involved.

Taking a worst case scenario for the first phase [deferred pensioners and pensioners] by using the Heywood package and additional resources, the additional cost over the next two would be around £80,000. The additional resources in the first year 2015/16 have been estimated at around £34,000.

Provision for this has been included within the Service Plan and Budget.