

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	25 September 2015	AGENDA ITEM NUMBER
TITLE:	LGPS UPDATE [INCL. RESPONSES TO CONSULTATIONS]	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 Notes on Best Value and GMP Reconciliation from March Committee Appendix 2 – Avon Pension Fund Response – [Public Sector Exit payment Cap] 28 th August 2015 with Annex 1 Appendix 3 – Avon Pension Fund Response – [Green paper on Taxation of Pensions] September 2015 (to be tabled at meeting)		

1 THE ISSUE

- 1.1 The purpose of this report is to present to Committee an update of areas highlighted at the March Committee that would potentially impact on the administration of the Local Government Pension Scheme [LGPS], including responses to the consultations set up by HM Treasury..
- 1.2 With the exception of the Pension Regulator Code of Practice covered This report gives an update on the

Effects of “Freedom and Choice”
Fair Deal and Best Value Direction
HMRC: GMP Reconciliation
- 1.3 There has also been a short consultation on the introduction of an Exit Cap on payments made to employees leaving on redundancy grounds. A response was sent and a copy is attached as Appendix 2.
- 1.4 The summer budget statement included reference to a consultation on pension tax relief and a draft response letter is attached as Appendix 3

2 RECOMMENDATION

That the Committee:

- 2.1 Notes current update and the response made by Bath and North East Somerset Council in connection with the Exit Payment Cap consultation**
- 2.2 Approves the response letter regarding pension tax relief consultation**

3 FINANCIAL IMPLICATIONS

- 3.1 The administrative and management costs incurred by Avon Pension Fund are recovered from the employing bodies through the employer's contribution rates
- 3.2 There are no specific financial implications.

4 Areas that will impact on the Administration of LGPS

Freedom and Choice

- 4.1 The introduction of Freedom and Choice within pensions following the Budget 2014 has resulted in the need for a set of amendment regulations; a consultation on these changes is expected before the end of the year.

Best Value and Fair Deal

- 4.2 As reported in March [see Appendix 1] the government had set out, in September 2014, its guidance for Fair Deal on outsourcing functions to contractors and pension members retaining public sector pension rights. DCLG for Local Government, which does not come under Fair Deal but has a Best Value Directive, were expected to produce a consultation on how this was to operate going forward.
- 4.3 Following various delays including the election and then having a new minister to instruct a meeting between DCLG pensions and the minister was scheduled to take place week commencing 14 September 2015.

GMP Reconciliation

- 4.4 As reported in March [see appendix 1] as part of the introduction of the Single State Pension, HMRC have informed that the unit dealing with the Second State will be shut down by 2018.
- 4.5 Initial population checks on our data are being made against information received from HMRC. This will be the minimum level of checks required as it will identify the correct members for the correct schemes and in local government each fund.
- 4.6 There has not been any definite confirmation from HM Treasury on how inflation proofing of GMPs will be covered once the Single State Pension comes into force. There are two working parties from all public sector employers trying to get HM Treasury to prescribe a definitive solution as the timescale involved has already reached critical with regards any changes to pension payroll routines.
- 4.7 One of the outcomes may be to pass all inflation proofing back to the schemes in which case the full reconciliation may not be required.
- 4.8 A copy of the response letter from an administrative perspective is attached as Appendix 2

5 Responses to Consultations

Public Sector Exit Payment Cap [£95,000]

- 5.1 On 31 July 2015 HM Treasury issued a consultation on a Public Sector Exit Payment Cap. <https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap>

- 5.2 The consultation sought views on a potential limit on the costs paid when an employee was made redundant with a proposed limit of £95,000. This limit was to include all payments made including such items as any redundancy payment, pay in lieu and specifically the cost of bringing any immediate pension scheme benefits into payment early.
- 5.3 The consultation ran for four weeks with a closing date of 27 August 2015
- 5.4 The consultation was brought to the attention of all Scheme Employers for them to comment if affected, as the main implications were primarily employer based.
- 5.5 However from an administering authority perspective a response was sent through to HM Treasury on 27th August 2015 from Bath and North East Somerset and a copy of this response is included in Appendix 2

Consultation on Pension Tax Relief

- 5.6 The Chancellor announced with his summer budget statement that a consultation was being issued to discuss the way forward in how pensions were to be taxed. This was a review to look at pension taxation in light of the pension changes under Freedom and Choice as set out in the budget in 2014.
- 5.7 One of the key areas included is whether the system of allowing pension contributions to be made tax free should remain or whether a system similar to ISAs where the tax concession is made at the point of access should be adopted
- 5.8 The deadline for responses is 30 September 2015 and a draft response will be issued at the meeting as Appendix 3 for approval.

6 RISK MANAGEMENT

- 6.1 No specific issues to consider

7 EQUALITIES

- 7.1 An equalities impact assessment is not necessary as the report is primarily for information only.

8 CONSULTATION

- 8.1 This report is primarily for information and therefore consultation is not necessary.

9 ISSUES TO CONSIDER IN REACHING THE DECISION

- 9.1 The issues to consider are contained in the report.

10 ADVICE SOUGHT

- 10.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Alan South Technical Manager (Tel: 01225 395283)
Background papers	<i>Consultation documents and responses</i>
Please contact the report author if you need to access this report in an alternative format	