

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	18 March 2016	AGENDA ITEM NUMBER 18
TITLE:	LGPS Update: Administration and Proposed Legislation Changes	
WARD:	ALL	

AN OPEN PUBLIC ITEM

List of attachments to this report:

Appendix 1 – List of expected/proposed legislation including Consultations and other impacting issues

Appendix 2 – :Consultations: Recovery of Public Sector Exit Payments Draft Regulations

Appendix 3 Response Letter Consultation on Recovery of Public Sector Exit Payments

Appendix 4 Guaranteed Minimum Pension and Indexing

1 THE ISSUES

- 1.1 The purpose of this report is to update the Committee on the latest position concerning the Local Government Pension Scheme [LGPS] and proposed regulatory matters that affect scheme administration.
- 1.2 Whilst there has already been one set of amendment regulations, Department for the Communities and Local Government [DCLG] are expecting to issue another consultation for draft regulations covering a number of issues within the LGPS and also incorporating items required by the Public Services Pension Schemes Act 2013.
- 1.3 Other connected items are impacting or will impact on the future administration of the scheme; these include consultations on future legislation changes not initiated by DCLG.
- 1.4 HM Treasury has issued some short term provisions on the indexing of Guaranteed Minimum Pensions
- 1.5 A list of current areas that will impact on the administrations is set out in Appendix 1

2 RECOMMENDATION

That the Committee:

2.1 Notes the current position regarding the potential changes that would affect the administration of the Fund.

2.2 Notes the information regarding HM Treasury consultations

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 Some of the issues being proposed is intended to reduce costs on certain payments employers make on early retirements
- 3.3 Any other specific areas will be reported as required.

4 LGPS 2014: Further Regulations Amendments

- 4.1 Whilst the LGPS benefit regulations were completed some alterations are still required to aid administrations whilst other overriding legislation or do or will affect the LGPS
- 4.2 Some areas have been reported to a previous Committee but the complete details are still awaited.
- 4.3 The next set of amendment regulations will cover a number of different areas
Addressing certain technical matters causing practical problems since April 2014
As result of the Freedom and Choice provision outlined in the 2014 Budget introducing regulations on what and how this can be incorporated in the LGPS
How the Fair Deal guidance, issued for other public sector bodies in October 2013, will be incorporated for Best Value employers under the Direction Order. This will include a regulation change to allow scheme members subject to a TUPE outsourcing to opt to remain in the LGPS on transferring.
- 4.4 Latest information from DCLG in mid-February was that although it was intended to issue the consultation with draft regulations in January 2016 there had been a further delay and recommendations were about to be made to the minister to issue them.

5 HM Treasury Consultations [online links are set out in appendix 2]

- 5.1 Three consultations concerning exit payments on leaving employment early have been issued by HM Treasury

a) Consultation on a Public Sector Exit Payment Cap

This set out the criteria for limiting exit payments to £95,000 including any strain on fund payments due from early payment of pension benefits. The response to this consultation was presented at the September 2015 Committee.

b) Consultation on a Recovery of Public Sector Exit Payments

This consultation was in respect of recovering exit payments made where the employee was earning over a specific salary and returned to public sector employment within one year following responses the government issued draft regulations for comment. The main changes from the initial consultation was that the level of earnings should be lowered from £100,000 to £80,000 and that strain on the fund costs from the LGPS should be taken into account as part of the exit payments. Responses were required by 25 January 2016 and the response sent from Avon Pension Fund is attached as Appendix 3

c) Consultation on reforms to public sector exit payments

This consultation proposes further restrictions on Public Sector exit payments covering the following:

Setting a maximum tariff for calculating exit payments. This maximum tariff would be three weeks' pay per year of service. Employers could apply tariff rates below these limits.

Capping the maximum number of months' salary that can be used when calculating redundancy payments to 15 months. Where employers distinguish between voluntary and compulsory redundancies there may be a case for maintaining a differential by applying a lower limit. Likewise, where employers offer voluntary exit packages that are not classed as redundancies there may be a case for applying a slightly higher limit, as part of an overall package. Employers could apply lower limits, as some do at present.

Setting a maximum salary on which an exit payment can be based. This could be set at various levels and could potentially align with the NHS scheme salary limit of £80,000.

Tapering the amount of lump sum compensation an individual is entitled to receive as they get closer to their pension retirement age.

Requiring employer-funded early access to pension to be limited or ended, through one or more of a range of measures that would considerably reduce such costs, such as:

- capping the amount of employer funded pension 'tops ups' to no more than the amount of the redundancy lump sum to which that individual would otherwise be entitled;
- removing the ability of employers to make such top ups altogether;
- Increasing the minimum age at which an employee is able to receive an employer funded pension top up, so that this minimum age is linked more closely with the individual's Normal Pension Age in the scheme in which they are currently accruing pension benefits or to which they would be entitled to belong if they were accruing benefits.

These potential changes will require additional administration involvement as employers requesting estimates for redundancies will require a full understanding of how the new provisions will impact any decision to be made as to which employees can be released early. Also there would need to be some monitoring where scheme members become re-employed after receiving exit payments

6 HM TREASURY PRESS NOTICE ON GUARANTEED MINIMUM PENSION [GMP} INDEXING

- 6.1 On 1 March 2016, HM Treasury released a press notice to provide assurances on the indexing of GMPs for public sector Pension members reaching state pension age in the period immediately after the introduction of the Single State Scheme Pension.

Details explaining GMPs and indexing together with the potential impact is attached as Appendix 4

7 RISK MANAGEMENT

7.1 No specific issues to consider.

8 EQUALITIES

8.1 None as this report is primarily for information only.

9 CONSULTATION

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

10 ISSUES TO CONSIDER IN REACHING THE DECISION

10.1 The issues to consider are contained in the report.

11 ADVICE SOUGHT

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

Contact person	Alan South Technical Manager (Tel: 01225 395283) <i>[Geoff Cleak Acting Pension manager 01225 395277]</i>
Background papers	<i>Regulations and accompanying notes; HM Treasury Consultation Documents HM Treasury: Press notice 1 March 2016</i>
Please contact the report author if you need to access this report in an alternative format	