

Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	24 March 2017	AGENDA ITEM NUMBER 19
TITLE:	LGPS: Regulatory update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 – List of current developments affecting or expected to affect Scheme Administration Appendix 2 - Update on pending Exit Payments in the Public Sector legislation Appendix 3 – Response to Consultation on Indexation and Equalisation of Guaranteed Minimum Pensions [GMP]		

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 any proposed regulatory matters that could affect scheme administration. This includes any responses to consultations that have been made.
- 1.2 An updated list is included in Appendix 1
- 1.3 On 8 February 2017 there was a Supreme Court ruling against LGPS in Northern Ireland covering Nominated Partners and any implications for Avon Pension Fund are explained in the report
- 1.4 HM Treasury issued a consultation on the Indexation and equalization of GMP in public service pension schemes.
- 1.5 There is also details of implications arising from the recent Budget

2 RECOMMENDATIONS

That the Committee:

- 2.1 Notes the current position regarding the developments that could affect the administration of the Fund.**
- 2.2 Notes the current position regarding HM Treasury Exit Payments Legislation and potential timescales**
- 2.3 Notes the response made to HM Treasury on Consultation for GMP Indexation**

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 Update

- 4.1 After a series of changes to the personnel in DCLG pension's team during 2016, a number of individuals have recently joined the team from elsewhere in the Department
- 4.2 After a series of changes to the personnel in DCLG pension's team during 2016, a number of individuals have recently joined the team from elsewhere in the Department.
- 4.3 The LGPC Secretariat have held productive initial discussions with the new DCLG team and those conversations have in particular focused on the issues addressed in DCLG's May 2016 consultation on amendments to the LGPS in England and Wales, including Fair Deal and Freedom and Choice for AVCs.
- 4.4 Further to those conversations, we understand that the following approaches are being considered and that DCLG are working on a formal response which will be published in due course:
 - Fair Deal – the consultation responses highlighted a number of gaps in the draft regulations and a further consultation may need to be undertaken on an amended set of draft regulations. The policy intent, to extend the principles of Fair Deal to the LGPS, has not changed.
 - Freedom and Choice for AVCs – responses received to the consultation has prompted DCLG to look again at the provision of Freedom & Choice with regards to the AVC arrangements within the LGPS in England & Wales before deciding how to proceed. Accordingly, the Technical sub-group to discuss this area was cancelled until the full intent is known.
 - Other amendments – these are being considered on a topic by topic basis and DCLG will try to move these forward as appropriate.

5 Treasury Consultations on Exit Payments in the Public Sector

- 5.1 The current situation on those set out below is covered in Appendix 2:
 - 1) Recovery Regulations
 - 2) Exit Pay Cap [£95k]:
 - 3) Further Reforms

6 Supreme Court decision Northern Ireland case

- 6.1 .A member of the LGPS for Northern Ireland died in December 2009 and when his Partner claimed a survivor's pension was refused on the grounds that the member had not completed a form nominating her partner as a Co habiting partner.
- 6.2 In November 2012 a judicial review quashed the scheme decision but this decision was appealed and the court of appeal allowed the appeal
- 6.3 It was around this time that the other LGPS schemes in England/Wales and Scotland were being changed and both had the requirement for a Co-habiting Partner Nomination form removed.
- 6.4 In the Northern Ireland case there was an application to re-open the appeal which was refused in May 2014 but the case eventually went to the Supreme Court whose decision was that the form was not a required element and that the Partner's pension should be paid from 2009.
- 6.5 The LGPS England and Wales removed this requirement as a result of the initial review decision in 2012. Whilst no longer needing a form, the information and checks have always been required to ascertain eligibility for a pension when a scheme member, with a co-habiting partner, dies.

7 Consultation on the Indexation and equalisation of GMP in public service pension schemes.

- 7.1 Until now the state paid all increases on any GMP relating to the period 6 April 1978 to 5 April 1988. Any accrued from 6 April 1988 until 5 April 1997 pension scheme/funds were responsible for the first 3% of any award and the state would increase any balance.
- 7.2 Following the introduction of the Single State Pension, HM Treasury have been seeking a change as to how GMP payments are to be increased for those reaching state pension age [SPA] from 6 April 2016 .
- 7.3 An interim arrangement was issued in March 2016 which put the whole burden of increases to GMPs on the Schemes/funds. for those reaching SPA from 6 April 2016 to 5 December 2018
- 7.4 HM Treasury issued a consultation setting out the various options they are considering for the indexation of GMPs for those reaching SPA from 6 December 2018.

Details of the consultation can be found at

<https://www.gov.uk/government/consultations/indexation-and-equalisation-of-gmp-in-public-service-pension-schemes>

- 7.5 A response from Avon Pension Fund is attached as Appendix 3

8 Budget 2017: Implications

8.1 There was only one area included in the Budget that required actions for LGPS administration. A Transfer Tax charge of 20% was introduced for transfers to overseas pension arrangements [known as QROPS]. This is to ensure that genuine transfers of this nature where the scheme member is living/working overseas are allowed to continue untaxed, whilst others, where movement of moneys are being transferred abroad without specific purpose which have been significantly linked to pension liberation scams, are being restricted. Before such a transfer takes place the Scheme Member will be required to complete a form confirming conditions that exempt tax otherwise the transfer charge is automatically deducted.

9 RISK MANAGEMENT

9.1 No specific issues to consider.

10 EQUALITIES

10.1 None as this report is primarily for information only.

11 CONSULTATION

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

12 ISSUES TO CONSIDER IN REACHING THE DECISION

12.1 The issues to consider are contained in the report.

13 ADVICE SOUGHT

13.1 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.

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Background papers	<i>Regulations and accompanying notes; DCLG Consultation May 2016 LGPS Regulations 2013 Exit Payment Consultations</i>
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