

Bath & North East Somerset Council	
MEETING:	AVON PENSION FUND COMMITTEE
MEETING DATE:	23rd MARCH 2018
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	

1 THE ISSUE

- 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

2 RECOMMENDATION

The Committee is asked to note:

- 2.1 The current position regarding the developments that could affect the administration of the Fund.**

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 No further progress on the amendment regulations
- 4.2 As a result of the recent cabinet reshuffle there has been a change in the name of the Department from DCLG to MHCLG [Ministry of Housing, Communities and Local Government]. The minister responsible for the LGPS has also changed and is now Rishi Sunak MP, who became the new Parliamentary Under-Secretary of State (Minister for Local Government), taking over from Marcus Jones.
- 4.3 MHCLG are still having resource difficulties and have secured Con Hargreaves from LGA on an initial six months secondment to assist with some of the up and coming legislation.
- 4.4 It was expected that further consultations on both of Fair deal (due by end Dec 2017); and AVC Drawdown would be forthcoming but nothing has appeared to date.
- 4.5 The other regulatory amendments in the draft are being considered on a topic by topic basis and MHCLG will try to move these forward as appropriate and earliest possible release date is Easter. Contrary to earlier information received these are expected to be actual regulations and not a further consultation or draft. The amendment that would assist with stockpiles in administration is unlikely to be included.

5 Treasury Consultations on Exit Payments in the Public Sector

- 5.1 No further movement so far this year and it would appear that this is being pushed back on the parliamentary agenda. There is some views held that if nothing appears before Easter then it would be put on hold for at least 12 months.
- 5.2 At the same time there is also a Private Members Bill called the Public Sector Exit Payments (Limitations) Bill 2017. This was introduced into Parliament on 5 September 2017 and was originally due to have a second reading on 20 October 2017 then 1 December 2017 but this is now scheduled for 11 May 2018. No details of the contents of the bill have been published. This casts even more doubt on what the government's intentions are on this particular matter.

6 Court decision Elmes v Essex [confirms Brewster case in Northern Ireland] Co-habiting Partner's Pensions without nomination form

- 6.1 As reported previously there was some disagreement as to whether the decision from Northern Ireland was overriding in England and Wales and so the decision of Elmes v Essex was awaited.

6.2 The decision has confirmed that the requirement for a nomination form is contrary to the *European Convention on Human Rights* and as a result should be disapplied.

6.3 MHCLG have confirmed that they are waiting for the Judge's reasoning to be issued, before deciding what the judgment means for the LGPS regulations. Once issued, it 12 possibly affected cases that occurred between the period April 2008 – March 2014.

7 SAB Consultation on Academies Objectives

Cross Pool Information Forum

7.1 A response from the Scheme Advisory Board to these two consultations is still awaited

8 SAB Survey of Tier 3 Employers

8.1 Covers those Fund employers with no tax raising powers or guarantee. SAB is keen to identify the risk to LGPS Funds of default by such employers. AON Hewitt who have been asked to conduct an initial survey for background information and APF has submitted a response to their initial request

9 HM Treasury response on Indexation and equalisation of Guaranteed Minimum Pensions [GMP]

9.1 A consultation was sent out for comment by HM Treasury with closing date being Feb 2017. HM Treasury have now issued their response to the comments made.

9.2 Whilst the option to calculated increases to the GMP element using a opposite

9.3 The government has been implementing an "interim solution" between 6 April 2016 and 5 December 2018. The outcome of this consultation is that this solution will be extended for a further two years and four months. During this period, the government will investigate the possibility of an alternative long-term methodology, known as "conversion". A HM Treasury will set up a working party in 2019 to look at possible ways to apply a conversion.

9.4 The option to calculate increases to the GMP element on a case by case basis using the same calculation for an equivalent, theoretical member of the opposite sex was accepted as being very administratively complex and costly and has been withdrawn from the options. It would be, required for many decades and would require significant changes in administrative systems for all public service pension schemes, State Pensions and National Insurance and major increases in the costs of running such systems.

9.5 The extension to the interim solution will impact on Transfer and Divorce calculations once a revised Ministerial Directive allows the guidance to be updated

10 RISK MANAGEMENT

10.1 No specific issues to consider.

11 EQUALITIES

11.1 None as this report is primarily for information only.

12 CONSULTATION

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

13 ISSUES TO CONSIDER IN REACHING THE DECISION

13.1 The issues to consider are contained in the report.

14 ADVICE SOUGHT

14.1 The Council's Monitoring Officer (Divisional Director – Legal & Democratic Services) and Section 151 Officer (Strategic Director or Resources) 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 Pension manager 01225 395277]</i> <i>Liz Woodyard Investment Manager 01225 5306</i>
Background papers	<i>Regulations and accompanying notes;</i> <i>DCLG Consultation May 2016</i> <i>LGPS Regulations 2013</i> <i>Exit Payment Consultations and Government Response</i> <i>LGA Bulletins</i> <i>Indexation and equalisation of GMP in public service pension schemes: response to the consultation</i>
Please contact the report author if you need to access this report in an alternative format	