

## Bath & North East Somerset Council

MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	7 December 2018	AGENDA ITEM NUMBER
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 – Copy of Response Letter to Policy Consultation

## 1 THE ISSUES

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. A policy consultation was released by MHCLG and a response has been sent from APF.

An updated list is included in Appendix 1

## 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 response sent to MHCLG regarding the policy consultation issued in October**

### **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 are 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 and Unfunded Public Sector Cost Cap:**

- 4.1 The Public Service Pensions Act 2013 set out that public sector schemes were to be monitored to ensure that they are affordable and sustainable. Unlike the unfunded schemes LGPS also has a built in check driven by the Scheme Advisory Board
- 4.2 In September 2018 HM Treasury announced that as a result of scheme valuations all public service pension schemes, including the LGPS had breached the 2% cost cap floor which would lead to member benefits improvements.
- 4.3 SAB has its own cost management which will allow any changes to benefits to be taken into account before the HM Treasury process begins
- 4.4 A small technical group has been set up by SAB to look at changes to benefits
- 4.5 The other unfunded public sector schemes have a further complication in that it was confirmed in the Budget that the SCAPE discount rate used for assessing their employer contribution rate had reduced from 2.8% to 2.4% which means not only will the benefits be improved but the employers will also be paying more into the scheme.
- 4.6 LGPS does not have the same problem but there will be some changes to member benefits.
- 4.7 All scheme changes will be effective from 1 April 2019 and will apply until at least March 2023.
- 4.8 As a result of these four year reviews it is expected that local fund valuations will also be made on a quadrennial timeframe.

### **5 LGPS 2014: 2018 Policy Consultation and Draft Regulations**

- 5.1 The MHCLG have issued both a policy consultation [LGPS: Technical amendments to benefits] and draft regulations have been issued to a select group
- 5.2 These cover the following
  - Amend the unintentional consequence of the May 2018 amendment regulations
  - Amend the regulations to comply with the Supreme Court judgment in respect of benefits payable to same-sex married or civil partners that they should be entitled to the same as widows.
  - To allow the Secretary of State the power to issue statutory guidance. The proposed changes to the scheme, is to accommodate judgments made and to give some flexibility to respond to future developments.

5.3 A response was sent on behalf of Avon Pension Fund and is included as Appendix 2

## **6 Equalisation of GMP: Case against Lloyds Bank**

6.1 This has recently been reported in the media leading to enquiries of the effect on the LGPS. HM Treasury have confirmed that it does not concern public sector schemes as their consultation issued in January 2017 and responded to in January 2018 outlined the current position for such schemes and a working group is to be set up in 2019 to progress this further.

## **7 Treasury Consultations on Exit Payments in the Public Sector**

7.1 No movement yet but seems that some work being done behind the scenes but dependent on parliamentary time.

7.2 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 has had five dates scheduled for the second reading but has been rescheduled for 23 November 2018. The contents of the Bill indicate that it is to enact legislation set out in the Small Business, Enterprise and Employment Act 2015.

## **8 Supreme Court decision Walker v Innospec**

8.1 As reported earlier there has been a judgment made by the Supreme Court on how benefits payable to partners within same-sex marriages or civil partnerships are calculated. Instead of being calculated on a similar basis to widowers it was confirmed that such benefits should be the same as for widows.

8.2 At present there is no intention of amending this to include partners of opposite sex marriages and civil partnerships. The initial estimate for this across the public sector pension schemes is £2.8bn. However it is expected that a legal challenge will be made sometime in the future and if successful would require retrospective action to rectify.

## **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 (Strategic Director or Resources) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	<i>Regulations and accompanying notes;</i> <i>Exit Payment Consultations and Government Response</i> <i>LGA Bulletins</i> <i>Policy Consultation draft regulation documents Oct 2018</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	