City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 28 March 2018.

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Subject: Local Government Pension Scheme

Summary statement:

This report updates the Local Pension Board on the current issues affecting the Local Government Pension Scheme (LGPS)

Recommendation

It is recommended that the Local Pension Board note this report.

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Director

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1 Background

1.1 The Local Government Pension Scheme (LGPS) continues to develop and undergo change and is also affected by changes in overriding legislation.

1.2 There have been a number of consultations and updates over the last year.

2.0 LGPS Update

2.1 Department for Communities and Local Government renamed In January 2018, The Department for Communities and Local Government (DCLG) became the Ministry of Housing, Communities and Local Government (MHCLG).

2.2 New Parliamentary Under Secretary of State (Minister for Local Government) Following the cabinet reshuffle in January 2018, Rishi Sunak MP (MP for Richmond (Yorkshire)), became the new Parliamentary Under Secretary of State (Minister for Local Government), taking over from Marcus Jones who was appointed in May 2015.

2.3 High Court judgement in the case of Elmes v Essex This case concerns Nichola Elmes versus Essex County Council with an interested party of MHCLG. This is a similar case to that decided upon in the Supreme Court on 8 February 2017 concerning Denise Brewster versus NILGOSC (Northern Ireland LGPS).

The case of Nichola Elmes versus Essex County Council was heard before the High Court on Tuesday 18 January 2018 and declared that: "The requirement to nominate a person under regulations 24 and 25 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 is incompatible with Article 1 of the first Protocol to, and Art 14 of, the European Convention on Human Rights and must therefore be disapplied".

WYPF have tried to contact all cohabiting partners that may be affected by this judgement and started paying a partner's pensions to those who have proved they meet the other eligibility criteria contained in the LGPS Regulations.

2.4 Exit Payment Reforms update
The further consultations on the introduction of the Government's policy on exit payment recovery and the introduction of an exit payment have still to be issued.

2.5 Publication of LGPS statistics for 2016/17 MHCLG have published their annual statistics on the LGPS in England and Wales, covering the 2016/17 scheme year. The statistics are collated from the SF3 forms completed by LGPS funds each year and show the following:

- Total expenditure in 2016/17 was £11.8 billion, up £0.4 billion from 2015/16.
- Total income in 2016/17 was £14.7 billion, up £0.7 billion from 2015/16.
- Overall, total expenditure was 81% of income in 2016/17, the same as in 2015/16.
- The market value of LGPS funds was £259 billion at the end of March 2017, an increase of £45 billion or 21% on March 2016.
- Active membership was up to 1,964,000 in 2016/17, from 1,943,000 in 2015/16.
- Active membership as a proportion of total membership was 35.16% in 2016/17, down from 36.00% in 2015/16.

The full report is available at www.lgpsboard.org under Scheme Annual Report 2016.

2.6 SAB tier 3 employer project The Scheme Advisory Board for the LGPS in England and Wales (SAB) has appointed Aon Hewitt to help them in their review of Tier 3 employers in the LGPS. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).

The aims of the exercise are to identify:

- the duties, benefits, issues and challenges for LGPS funds, Tier 3 employers and their scheme members with regard to their participation in the LGPS
- options for change that would improve the funding, administration, participation and member experience with regard to Tier 3 employers.

2.7 Contribution bands for 2018/19 On 17 October 2017, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2017 was 3.0%. Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year. The Pensions Increase (Review) Order 2018 is expected to be published in the near future confirming this. The table below sets out the draft contribution bands, which will be effective from 1 April 2018. These are based on the pay bands for 2017/18 as increased by the September 2017 CPI figure of 3%, with the result rounded down to the nearest £100.

Draft Contribution table 2018/19			
Band	**Actual pensionable pay for an employment**	**Contribution rate for that employment**	
		Main section	50/50 section
1	Up to £14,100	5.5%	2.75%
2	£14,101 to £22,000	5.8%	2.9%
3	£22,001 to £35,700	6.5%	3.25%
4	£35,701 to £45,200	6.8%	3.4%
5	£45,201 to £63,100	8.5%	4.25%
6	£63,101 to £89,400	9.9%	4.95%
7	£89,401 to £105,200	10.5%	5.25%
8	£105,201 to £157,800	11.4%	5.7%
9	£157,801 or more	12.5%	6.25%

2.8 Consultation outcome on indexation and equalisation of GMP in public service pension schemes On 28 November 2016, HM Treasury commenced a consultation that proposed options for the indexation of GMP elements for members of public service pension schemes who will reach SPA on and

after 6 December 2018. On 22 January 2018, HM Treasury published its response to the consultation.

"This consultation was about how government should continue to meet its obligations to index (price protect) and equalise (make equal payments to men and women) the pension entitlements of a certain group of public servants with an occupational pension known as a GMP.

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. This will cover those members of public service schemes with a GMP who reach state Pension Age on or after 6 December 2018 and before 6 April 2021. During this period, the government will investigate the possibility of an alternative long term methodology, known as "conversion".

2.9 <u>The Pensions Advisory Service dispute function moves to the Pensions Ombudsman</u> the Pensions Advisory Service's (TPAS) dispute resolution function is moving to The Pensions Ombudsman (TPO). The move includes the transfer of the TPAS dispute resolution team and volunteer network of over 350 advisers. The transfer is expected to be completed by 1 March 2018.

At present customers can approach both TPO and TPAS for help when dealing with a pension complaint. TPAS usually focussed on complaints before the pension scheme's internal dispute resolution procedure (IDRP) had been completed, whilst TPO typically deals with complaints that have been through IDRP. We have been advised that this transfer of functions will simplify the customer journey. Customers will be able to access all pension dispute resolution, previously handled by two services, whether pre or post IDRP, in one place. Leading to a smoother customer journey and improved complaint handling. TPAS will continue to focus on providing pension information and guidance, and will become an integral part of the new Single Financial Guidance Body.