

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 8 October 2019

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Subject: Local Government Pension Scheme Regulations update

Summary statement:

This report updates the Local Pension Board on changes to the Local Government Pension Scheme (LGPS) 2014 and provides information on associated matters.

Recommendation

It is recommended that the Local Pension Board note this report

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Portfolio

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Overview & Scrutiny Area

1 **Background**

- 1.1 The career average Local Government Pension Scheme (LGPS) was introduced on 1 April 2014.
- 1.2 Since the introduction of the new LGPS there have been a number of consultations on proposed changes to the LGPS, following which amendment regulations have been issued.

2 **Consultation on Fair Deal – Strengthening pension protection**

- 2.1 On 10 January 2019 Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation on Fair Deal – Strengthening pension protection.
- 2.2 The consultation closed on 4 April 2019 and we are still waiting for MHCLG to publish its response.

3 **Consultation: Local valuation cycle and the management of employer risk**

- 3.1 On 8 May 2019 MHCLG issued a 12 week policy consultation called ‘LGPS: Changes to the local valuation cycle and the management of employer risk’.
- 3.2 The consultation closed on 31 July 2019.
- 3.3 MHCLG received around 280 responses and expect to publish their response in the autumn of 2019.

4 **Other LGPS matters**

4.1 **Actuarial Factors**

MHCLG has issued new actuarial factors for the purchase of Additional Survivor Benefits.

4.2 **McCloud and valuation guidance**

It was reported on 21 December 2018 that the Court of Appeal held that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015, were unlawfully discriminatory. This case is known as the ‘McCloud case’. Following the judgment, on 30 January 2019 the Government published a written statement that paused the HMT cost management process for public service pension schemes, pending the outcome of the application to appeal the McCloud case to the Supreme Court. On 8 February 2019, LGPS England & Wales Scheme Advisory Board (SAB) confirmed it had no option but to pause its own cost management process pending the outcome of McCloud.

As a results administering authorities were asked to inform SAB about their preference concerning the approach to the 2019 valuation. Specifically, whether they would prefer to receive guidance from SAB on how McCloud and cost management should be taken account in the 2019 valuation, or if they would prefer to determine their own approach taking advice from their actuarial adviser.

The majority of funds expressed a preference to receive central guidance which was issued on 14 May 2019.

CIPFA have also provided a separate note on accounting for McCloud and cost management.

The SAB advice note sets out their proposed approach in five key points and administering authorities are been encouraged to discuss this approach, together with the CIPFA guidance note, with their actuaries.

Earlier than expected, the Supreme Court, on 27 June 2019, denied the Government's request for an appeal in the McCloud case in respect of age discrimination and pension protection.

Further information on how any inequalities in the LGPS will be addressed is awaited.

4.3 **Consultation on restricting exit payments**

On 10 April 2019 HM Treasury (HMT) opened a 12 week consultation called 'Restricting exit payments in the public sector: consultation on implementation of regulations'. The consultation documents can viewed on the [non-scheme consultation](#) page of www.lgpsregs.org. The consultation closed on 3 July 2019.

HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. It is understood that HMT are to introduce the cap no sooner than 1 April 2020.

4.4 **Scheme Advisory Board's Good Governance Report**

Earlier in the year SAB commissioned Hymans Robertson to prepare a report on the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing governance models which can strengthen LGPS going forward.

On 31 July 2019 SAB published this report, which can be viewed at <http://lgpsboard.org/images/PDF/GGreport.pdf>.

Hymans Robertson project team will now be assisting SAB in taking forward the next stage of the project. Two working groups will be established to:

- define what is meant by good governance outcomes and provide the accompanying guidance, and
- focus on options for the independent assessment of outcomes and the mechanisms to improve the delivery of those outcomes.

4.5 **GMP Indexation**

As a result of the abolition of contracting-out in 2016 HMT issued a statement on an interim solution regarding the indexation of Guaranteed Minimum Pensions (GMP). This interim solution applied to members who reached their State Pension Age between 6 April 2016 and 5 December 2018. In December 2018 this interim solution was extended to member's who reach their State Pension Age before 5 April 2021.

A further consultation is expected before 2021 to confirm the Government's long-term indexation, which it claims will also meet the requirements of GMP equalisation.

4.6 **Third Tier employers**

In June 2018 2018 Aon presented members of SAB with a summary of the final draft of its report to review the current issues in relation to third tier employers participating in the LGPS.

The report did not make any recommendations, instead, it outlined a range of issues raised by stakeholders and how they envisage these concerns being resolved. A working group has been set up by SAB and it will be making recommendations on back of the initial report in due course.

5 **Recommendation**

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