Appendix 1

Current Issues

1 Cost management update

On 7th February the SAB received confirmation that the cost cap pause and the uncertainty caused by the McCloud case announced in last week's Written Ministerial Statement (as notified in our email of 30th January) applies equally to the LGPS as to the unfunded public service pension schemes. This is disappointing, however given that confirmation the SAB considers it has no option but to pause its own cost management process pending the outcome of McCloud.

The SAB remains committed to honouring the result of its cost management process once the outcome of McCloud is known. In pausing the process it has reserved its position regarding the resubmission of the same or a revised package of benefit improvements and contribution reductions when clarity in this matter has been achieve.

As a result there are currently no changes to benefits planned in respect of the cost cap. This situation will be reviewed once McCloud is resolved which is not expected for some months.

Administering authorities and employers should therefore proceed on the assumption that the scheme will not change in April. In particular employee contributions should be collected in April on the basis of current regulations.
Further information including a copy of the McCloud Appeal Court Judgement, the Written Ministerial Statement (WMS) and the letter confirming LGPS inclusion in the WMS is available on the SAB website by following this link:
http://www.lgpsboard.org/index.php/structure-reform/cost-management.

2 MHCLG issue consultation on pooling guidance

On 3 January 2019, MHCLG issued draft statutory guidance on LGPS asset pooling. The guidance sets out the requirements on administering authorities, replacing previous guidance, and builds on previous Ministerial communications and guidance on investment strategies.

The consultation is an informal one with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS.

The consultation closes on 28 March 2019.

3 MHCLG issue consultation on fair deal

MHCLG have circulated a policy consultation and draft regulations on 'Fair Deal – strengthening pension protection' in the LGPS.

The consultation contains proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the

employment of a service provider. The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. These changes are intended to bring the LGPS in line with the government's October 2013 Fair Deal guidance that applies in relation to transfers from central government. The consultation closes on 4 April 2019.

The LGPC will be responding to the consultation in due course. In addition, the national LGPS Technical Group have created a sub-group to review the impact of the consultation and to make recommendations for response. The sub-group will be working closely with the LGA and MHCLG.

4 Contribution bands for 2019/20

On 17 October 2018, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2018 was 2.4%.

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 table below sets out the draft contribution bands[1], which will be effective from 1 April 2019. These are based on the pay bands for 2018/19 as increased by the September 2018 CPI figure of 2.4%, with the result rounded down to the nearest £100.

Draft Contribution table 2019/20			
Band	**Actual pensionable pay for an employment**	**Contribution rate for that employment**	
		Main section	**50/50 section**
1	Up to £14,400	5.5%	2.75%
2	£14,401 to £22,500	5.8%	2.9%
3	£22,501 to £36,500	6.5%	3.25%
4	£36,501 to £46,200	6.8%	3.4%
5	£46,201 to £64,600	8.5%	4.25%
6	£64,601 to £91,500	9.9%	4.95%
7	£91,501 to £107,700	10.5%	5.25%
8	£107,701 to £161,500	11.4%	5.7%
9	£161,501 or more	12.5%	6.25%

5 LGPS (Miscellaneous Amendment) Regulations 2018 [SI 2018/1366]

The regulations came into force on 10 January 2019, with some provisions having an earlier effect. The regulations:

- introduce a general power for the Secretary of State to issue statutory guidance.
- make a technical amendment to allow early access to benefits between the age of 55 and NRD (as defined by the LGPS Regulations 1995[2]), for deferred members who left before 1 April 1998.
- address the Walker v Innospec judgment by providing that survivors of registered civil partnerships or same sex marriages will be provided with benefits that replicate those provided to widows.

There are actions that WYPF will take as a result of these changes.

- make any necessary changes to procedures / documentation to reflect that from 17 April 2018 deferred members who left the Scheme before 1 April 1998:

  - must now make a written election for early payment to the administering authority, instead of their former employer.
  - no longer have to have left all local government employment in order to receive early payment of their benefits under regulation D11(2)(d) of the LGPS Regulations 19953 i.e. election for early payment

- revisit calculations of pensions paid to surviving civil partners and same sex spouses and pay any additional amounts due. Await statutory guidance with regard to any further adjustments that may be due e.g. to CETVs, trivial commutations paid to surviving civil partners and same sex spouses and trivial commutations paid to members where the member was in a civil partnership or married to a same sex spouse at the date of payment. MHCLG have confirmed they will issue statutory guidance to assist administering authorities in this exercise.

- make adjustments to the calculation of some widows' and widowers' pensions where the member dies after 9 January 2019.

6 SCAPE discount rate – impact on actuarial guidance – update

MHCLG had issued revised factors, effective from 8 January 2019 with transitional arrangements for certain events, for:

- non-club transfers in.
- early retirements.
- trivial commutations.
- pension credits (where the debited member left the LGPS prior to 1 April 2014 or the transfer date is prior to 1 April 2014).
- pension debits (pre and post 2014).

These have been updated on UPM so any calculations done reflect the new factors.

a. Club transfer factors

New club factors will come into effect from 1 April 2019.

7 Late retirement factors

It is intended to introduce new factors and methodology for members taking payment of their benefits after Normal Pension Age. We understand that MHCLG will undertake a consultation with stakeholders soon.

Yunus Gajra
March 2019