

Current Issues

1) Actuarial guidance review update

MHCLG have issued a revised version of the actuarial factor spreadsheet – the updated version now includes factors for:

- annual allowance scheme pays
- inverse commutation
- conversion of AVCs to transfer credits
- conversion of accumulated AVCs for added pension (pre 2014)
- conversion of accumulated AVCs for added pension (post 2014).

The factors took effect from **21 June 2019**.

2) Annual allowance scheme pays

There has been a change in methodology and new actuarial guidance has been issued to reflect this change. There has also been a change from earlier versions of the guidance in that only a single factor table is included in the current version i.e. scheme pays factors for calculating the pension offset for a member who is not retiring immediately and who is under their Normal Pension Age (NPA).

3) Ill health certificates updated

A revised version of the ill health certificates have been published. The certificates are updated to include:

- the updates made by the LGPS (Amendment) Regulations 2018 [SI 2018/493],
- changes to the State Pension age, and
- a number of other minor corrections.

4) SCAPE discount rate – impact on actuarial guidance – update

MHCLG has recently issued revised late retirement guidance. The new guidance and factors are effective from 1 September 2019. The new methodology removes the ‘cliff edge’ effect which reduced the value of LGPS benefits held by members who were over their Normal Pension Age (NPA) when the factors last changed in January 2017.

We expect a revised version of the guidance to be published in the coming weeks.

5) Survivor guide published

LGPC have recently published a technical guide covering survivor benefits in the LGPS. The guide sets out the LGPC Secretariat’s understanding of the membership that is used to calculate survivor benefits. The guide reflects the changes in survivor

benefits for civil partners and the spouses of same-sex marriages, brought about by the LGPS (Miscellaneous Amendment) Regulations 2018.

MHCLG plans to introduce statutory guidance for administering authorities, in respect of past trivial commutation and transfer payments that are affected by the change in survivor benefits for civil partners and same sex spouses.

6) Good governance project - update

As you are aware, the Scheme Advisory Board (SAB) had published their Good Governance Report on 31 July 2019. Hymans Robertson project team will assist 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.

Both groups will comprise of a variety of stakeholders to ensure a wide range of views and options are considered. The aim is for an options report to be ready for consideration by SAB in November 2019. Any proposals agreed by SAB will be subject to a full stakeholder consultation before being put to MHCLG. Details of both working groups will be published on the SAB website in due course.

7) Consultation: Exit payments cap – update

As you are aware, HM Treasury (HMT) had launched a consultation called 'Restricting exit payments in the public sector: consultation on implementation of the regulations'. 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. We understand that HMT are to introduce the cap no sooner than 1 April 2020.

8) Consultation on changes to TPO – Government response published

On 19 December 2018 the government published a consultation seeking views on proposals for a new function at the Pensions Ombudsman (TPO) for the earlier resolution of disputes prior to a determination; allowing employers to make complaints or refer disputes to TPO on behalf of themselves; and associated signposting provisions.

On 8 August 2019 the government published its response to the consultation. On the whole, responders were supportive of the government's proposals. Going forward, the government will:

- collaborate with HMT and the FCA to ensure the services work to support the best interests of parties that will use those services, and
- bring forward legislation to provide a framework for the proposals.

Any amendments to signposting requirements will need to be set out in secondary legislation. If needed, draft regulations will follow on from the necessary primary legislation.

9) Tailored review of TPO – outcome published

In November 2018 DWP led a tailored review (last review 2014) of The Pensions Ombudsman (TPO) to ensure that the body remains fit for purpose, well governed and properly accountable for what it does. The government published the outcome of this review on 27 August 2019. Findings indicated that:

- TPO is a well-respected and effective organisation.
- there was strong support from all consulted stakeholders for the quality, clarity and impartiality of its determinations on pension disputes.
- there was improvement to case clearance times, whilst embracing an ambitious internal change agenda.

Areas identified for improvement include:

- developing the governance and performance framework for the organisation to reflect the increasing size, complexity and maturity of its work.
- ensuring that both DWP and TPO take a more robust approach to scoping and tracking efficiencies. This is expected to yield from the investment TPO has received in its digital infrastructure and the potential to more radically streamline case handling.
- building on the outward facing engagement to position TPO more strategically, working with other relevant organisations to enhance the impact on raising standards more broadly in pensions administration.

The next tailored review will take place in around five years' time and should consider the progress made against the recommendations of this review.

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