APPENDIX B

Current Issues

Exit cap disapplied

On 12 February 2021, HM Treasury published the Exit Payment Cap Directions 2021. The Directions disapply regulations 3, 9 and 12 of the Restriction of Public Sector Exit Payment Regulations with immediate effect. This means the exit cap does not apply to exits that take place in England on or after 12 February 2021. HMT has provided further information in the Restriction of Public Sector Exit Payments: Guidance on the 2020 Regulations. HMT confirms in the Guidance that:

“the Government has concluded that the Cap may have had unintended consequences and the Regulations should be revoked. HMT Directions have been published that disapply the Cap until the Regulations have been revoked.”

The Guidance is not clear on whether the 2020 Regulations will be revoked retrospectively.

Exits between 4 November 2020 and 11 February 2021

You will need to review any redundancy and business efficiency exits that occurred between 4 November 2020 and 11 February 2021 where you were not able to meet the full strain cost because of the exit cap.

Whilst the Guidance does not address pensions directly, the Government has confirmed it expects employers to pay the additional sums that would have been due, had the cap not applied. This is set out in section 3 of the Guidance. Had the cap not applied, the employer would have paid the full strain cost requested by the LGPS administering authority in these cases. The action you now need to take depends on whether you made a cash alternative payment.

Background to the cash alternative payment.

We previously advised you of the conflict between the 2020 Regulations and the LGPS regulations. The LGPS regulations require that an employee age 55 or over, who is made redundant or leaves due to business efficiency, must take payment of an unreduced pension. Before they were disapplied, the 2020 Regulations prevented the employer from paying the full strain cost where the total exit payment was over £95,000.

In a letter from MHCLG to councils and LGPS administering authorities dated 28 October 2020, MHCLG recommended that LGPS administering authorities should not pay unreduced benefits and that employers should pay the cash alternative to the member in accordance with regulation 8 of the 2020 Regulations. The cash alternative was equal to the amount of capped strain cost the employer could pay.

The Scheme Advisory Board (SAB) sought legal advice on the conflict between the 2020 Regulations and the LGPS Regulations. The SAB recommended that administering authorities offer a deferred or fully reduced pension and that employers delay paying a cash alternative payment until the legal uncertainty was resolved.

The exit cap does not apply to exits that take place on or after 12 February 2021; however, the government has confirmed it remains committed to the policy and will introduce legislation to tackle unjustified exit payments.

In addition, we understand that MHCLG plans to introduce further changes to exit payments, following the recent MHCLG consultation on reforming local government exit pay, at the same time as the exit cap is re-introduced. MHCLG has confirmed that they will consult again on further reforms to exit payments before any changes are made.

The Government has not confirmed when the exit cap or further reforms will be introduced, although we think it is unlikely to happen in the next few months due to the changes necessary to legislation. You will need to consider both when undertaking future workforce reforms. We advise that you include appropriate warnings when providing employees with information on their potential exit packages.

However, for the time being if an LGPS member exits due to redundancy or business efficiency at age 55 or over on or after 12 February 2021:

- the member is entitled to and must take an unreduced pension under regulation 30(7) of the LGPS Regulations 2013
- you must pay the strain cost associated with the early payment of that pension to the administering authority
- you must not make a cash alternative payment to the member nor to the administering authority on behalf of the member.
- You must not make a cash alternative payment in respect of any redundancy or business efficiency exits that take place on or after 12 February 2021.

2021/22 employee contribution bands

Below are the employee contribution bands, which will be effective from 1 April 2021. They are calculated by increasing the 2020/21 employee contribution bands by the September 2020 CPI figure of 0.5 per cent and then rounding down the result to the nearest £100.

Table 1: Contribution table England and Wales 2021/22

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,900	5.80%	2.90%
3	£22,901 to £37,200	6.50%	3.25%
4	£37,201 to £47,100	6.80%	3.40%
5	£47,101 to £65,900	8.50%	4.25%
6	£65,901 to £93,400	9.90%	4.95%
7	£93,401 to £110,000	10.50%	5.25%
8	£110,001 to £165,000	11.40%	5.70%
9	£165,001 or more	12.50%	6.25%

Government confirms 2021 revaluation and releases PI multiplier tables

On 12 January 2021, the Government made a written statement on indexation and revaluation in public service pension schemes and published the 2021 pensions increase multiplier tables.

The statement confirms that public service pensions will increase on 12 April 2021 by 0.5 per cent, except for pensions that have been in payment for less than a year, which will receive a pro-rata increase. The statement also confirms that active LGPS CARE accounts will increase on 1 April 2021 by 0.5 per cent. Active CARE accounts in the other public service schemes will increase as follows:

- Police Pension Scheme: 1.75 per cent
- Firefighters' Pension Scheme: 2.4 per cent
- Civil Service Pension Scheme: 0.5 per cent
- NHS Pension Scheme: 2 per cent
- Teachers' Pension Scheme: 2.1 per cent
- Armed Forces Pension Scheme: 2.4 per cent
- Judicial Pension Scheme: 0.5 per cent.

The Government expects to make the relevant annual revaluation orders in March 2021.

The PDP publishes dashboard data standards

On 15 December 2020, the Pensions Dashboard Programme (PDP) published the key data standards which will underpin pensions dashboards.

Data standards provide a common language to describe the pensions information that will be found and displayed on the dashboards. Pension schemes will need to make sure that their data is consistent with the standards, so that members can access this through the dashboards. With on-boarding to dashboards expected from 2023, the PDP urges all schemes to start preparing their data now.

Coronavirus Job Retention Scheme extended

On 17 December 2020, the Government announced an extension to the Coronavirus Job Retention Scheme (CJRS). Commonly known as 'furlough', the CJRS will now run until the end of April 2021. Furloughed employees will receive 80 per cent of their current salary for hours not worked, up to a maximum of £2,500 per month. Employers will be asked to cover National Insurance and employer pension contributions for hours not worked.

McCloud Update

MHCLG has shared the feedback on its consultation on the proposed changes to the statutory underpin which closed on 8 October. The main themes from the consultation are:

- Implementation will be a highly significant project for administrators and employers, and obtaining data and finding resources are of real concern
- There is a strong desire for national guidance and communications
- There is general support for the two-stage underpin proposal, with some concerns raised regarding scope and including underpin estimates in the ABS

In addition, the LGA has recently reiterated its encouragement for funds to make a start on gathering McCloud data, identifying gaps in hours and service break data, issuing data templates to employers and consulting with software providers with regard to loading the data onto their administration system to allow the proposed new underpin to be calculated for active members and leavers. WYPF's McCloud project team will be issuing the data template to Employers shortly.

Clearly it would be preferable for the LGPS regulations to be finalised as early as possible to enable software providers and WYPF sufficient time to prepare for implementation. In the meantime, there is plenty to do to prepare and we have started work to identify how many members we may have in scope, formally set up their project, consider our resource.