Report for:	Pensions Committee and Board 23 July 2018
Title:	Local Government Pension Scheme (Amendment) Regulations 2018
Report authorised by:	Jon Warlow, Director of Finance (S151 Officer)
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Ward(s) affected:	N/A
Report for Key/ Non Key Decision:	Non Key decision

1. Describe the issue under consideration

1.1. The Local Government Pension Scheme (LGPS) Regulations were updated in May 2018 by a new set of 'amendment' regulations – these update the previous 2013 Regulations. This report highlights changes made within these regulations for the Committee and Board to note for information purposes.

2. Cabinet Member Introduction

2.1. Not applicable.

3. Recommendations

3.1. That the Committee and Board note the contents of this report.

4. Reason for Decision

4.1. N/A noting item.

5. Other options considered

5.1. N/A noting item.

6. Background information

6.1. The Local Government Pension Scheme (LGPS), is a national pension scheme administered on a local basis by 'Administering Authorities' (usually County Councils or London Boroughs), but sharing the same benefit structure. The form and structure of retirement benefits afforded to scheme members is prescribed by the LGPS Regulations: pieces of legislation created by the Secretary of State and the Ministry of Housing Communities and Local Government (MHCLG) and predecessor Departments. The LGPS regulations are updated from time to time, either when the scheme undergoes large scale change, or to make more minor changes to amend existing regulations. This update is of the latter category.

6.2. The last large scale update to the administration regulations was in 2013, when the scheme changed from a final salary pension scheme to a career average revalued earnings structure.

6.3. Haringey Pension Committee and Board has constitutional responsibilities for the administration and governance of the fund, hence, changes to the key legislation under which the fund operates are important for the Committee and Board to note.

6.4. The new regulations are published at the below link:
http://www.legislation.gov.uk/uksi/2018/493/contents/made

6.5. The Local Government Association (LGA) has carried out a detailed review and analysis of these regulations on behalf of all funds, and this analysis is at the below link:
http://lgpslibrary.org/assets/bulletins/2018/171.pdf

6.6. There are two particularly pertinent matters raised by these new regulations which are highlighted in further detail below:

Age at which deferred members can draw their pension

6.7. Previously, deferred members of the LGPS had different ages at which they could draw their pension, depending on the date when they left their employment. Members of the scheme who left their employment post 1 April 2014 have the option to access their pension at any age from 55 (with a corresponding actuarial reduction depending on the number of years this is paid early.) Members of earlier schemes, i.e. those who left their employment prior to 1 April 2014 have not automatically had this option, with many only able to access their pension from age 60.

6.8. The new regulations have attempted to harmonise this situation, allowing all members of the scheme to draw their pensions from age 55 (with appropriate actuarial reduction), and this is now the case for those who left employment on or after 1 April 1998. However, the drafting of the new regulations means that members of the scheme who left employment prior to 1 April 1998 will only be able to access their pension during the year of their 55th birthday, or at their normal retirement date. It is understood that this anomaly is a drafting error that was unintended. The LGA has raised this with MHCLG, who have confirmed their intention to allow members who left the LGPS before 1 April 1998 to also be allowed to take early payment of their deferred benefits from age 55 rather than only at age 55.

6.9. Haringey has a legal duty to communicate these changes, officers will do this via the fund's website and annual benefit statements.

Exit Credits

6.10. The new regulations introduce the concept of 'exit credits'. Employers who cease to participate as scheme employers can be due a credit payment, if it is assessed that they are leaving the fund in a surplus position – that is to say, that the assets held on behalf of that employer exceed the liabilities accrued to pay pension benefits for its employees.

6.11. Employers may cease to participate in LGPS in a number of scenarios including:

- when their contract to provide services for a public body ends (i.e. in cases of outsourcing);
- if their last active member the pension scheme leaves their employment;
- if the employer enters insolvency proceedings.

6.12. The more common scenario is that employers cease to participate as LGPS employers, and a pension deficit exits – these employers are then required to make good this deficit by paying a sum across to the fund. However, in the case of a pension surplus existing, previously, no repayment of surplus could be made to employers. This is now made possible from 14 May 2018 under the amendment regulations.

6.13. This could potentially have wide reaching effects on LGPS funds generally, especially those with higher numbers of scheme employers who are providers of outsourced services. Exit credits will be highly sensitive actuarial assumptions which are set with reference to the market on the relevant cessation dates, so funds will have to work with their appointed actuaries to agree the calculation bases to be used when completing exit calculations.

7. Contribution to Strategic Outcomes

7.1. None.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

8.1 The Fund will ensure it complies with the updated LGPS regulations.

8.2 The concept of 'exit credits' which are introduced by these regulations are of particular importance, and could impact on the fund's liquidity, investments and overall financial standing. Work is still ongoing within the LGPS community to understand how this new regulation can be implemented effectively and equitably. As this is a developing issue, Haringey officers will maintain up to date knowledge on this issue, and seek relevant guidance or advice on this matter, for example from the Local Government Association or the Fund Actuary (Hymans Robertson).

Legal

8.3 The assistant director of Corporate Governance has been consulted on the content of this report. The report highlights some of the amendments made. The 2018 Regulations which came into effect on 14 May 2018 and made amendments to both the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014.

Equalities

8.4 There are no equalities issues arising from this report

9. Use of Appendices

9.1 None

10. Local Government (Access to Information) Act 1985

10.1 Not applicable.