Report To:	**Pension Fund Management Panel**
Date:	1 July 2016
Reporting Officer:	Sandra Stewart, Executive Director of Governance, Resources and Pensions Ged Dale, Assistant Executive Director of Pensions (Administration)
Subject:	**LGPS UPDATE**
Report Summary:	The report provides information about recent developments regarding the Scheme, in this case regarding a DCLG consultation about possible changes to the Scheme Regulations, and academy schools.
Recommendation:	That the content of the report be noted.
Policy Implications:	None.
Financial Implications: **(Authorised by the Section 151 Officer)**	If the changes to the Scheme are made as proposed, these should be broadly cost neutral or slightly to the Fund's advantage. It is usually considered to the Fund's advantage, for example, to have benefits brought into payment early with an actuarial reduction applied, as liabilities are crystallised and the ten-year pension guarantee period starts whilst people are younger. Thus, there is a reduced likelihood of a death grant becoming due.
Legal Implications: **(Authorised by the Solicitor to the Fund)**	The LGPS is a statutory scheme – any changes to the Regulations will be applied by the Fund.
Risk Management	For employers that are admitted to the Fund following a transfer of members, the intention is that when actuarial advice requires it, a "protected transferee employer" would be required to provide a bond, indemnity or guarantee to mitigate any risks identified.
ACCESS TO INFORMATION	**NON – CONFIDENTIAL** **This report does not contain information which warrants its consideration in the absence of the Press or members of the public.**
Background Papers:	The DCLG's document *Consultation: LGPS Regulations* may be found here: http://www.lgpsregs.org/images/Drafts/2016-05LGPSAmendsCons.pdf For further information please contact Ged Dale, Assistant Executive Director, tel 0161 301 7227, email ged.dale@gmpf.org.uk.

1. DCLG CONSULTATION

Fair Deal

1.1. On 27 May 2016, the DCLG published a consultation about the LGPS Regulations 2013, regarding how they might be amended to incorporate new “Fair Deal” provisions, ie. rules to govern how employee members of the Scheme that are being transferred out of the public sector may remain employee members of the Scheme.

1.2 For central government employees, the guidance that currently applies is HM Treasury’s *Fair Deal for Staff Pensions: staff transfers from central Government.* In local government, the equivalent is the Best Value Staff Transfers (Pensions Direction) 2007.

1.3 The intention is to build on the existing admitted body status framework. This is to be done by designating a local government employee who is subject to a compulsory transfer to the private sector as a “protected transferee”. A new category of Scheme employer will also be introduced, being the self-explanatory “protected transferee employer”.

1.4 It is envisaged that “…a ‘protected transferee employer’ can itself transfer staff to a new provider and these staff would also be regarded as ‘protected transferees’. The original ‘protected transferee employer’ will be regarded as a Scheme employer for these purposes as will the receiving second ‘protected transferee employer’.”

1.5 Under the proposed regulations, protected transferee employers will be obliged to enter into admission agreements, with all bidding organisations to be under the same pension obligations.

1.6 When actuarial advice requires it, a protected transferee employer will be required to provide a bond, indemnity or a guarantee.

1.7 If, at the end of a contract, a protected transferee employer’s sub-fund is in deficit, an exit payment must be paid to that administering authority to address the shortfall or alternative provision made.

Changes to the 2013 Scheme Regulations

1.8 DCLG is also consulting about providing more options regarding additional voluntary contributions, how the Scheme operates within the Public Sector Transfer Club, plus a number of detailed changes for the sake of clarity or to otherwise improve the administration of the Scheme.

1.9 In order to meet the aims of the Government’s pension reform *Freedom and Choice in Pensions*, it is proposed to introduce a new set of options for accessing benefits accrued through the Scheme’s additional voluntary contribution (‘AVC’) arrangements. A member who has accrued benefits under these arrangements may, depending on when they access those benefits, use them for one or more lump sums, to purchase additional pension, to purchase an annuity, or transfer the benefits into another appropriate pension arrangement.

1.10 Currently, when a member with a deferred pension account becomes an active member again, the two accounts are automatically aggregated and the member has 12 months to opt to separate the former deferred account from the new active account. This has proved to be complex to administer and to allocate earned pension into the correct tax year, as the 12-month option period can mean decisions are made outside specific tax years. To remedy the position, it is proposed to give the member the option to aggregate their deferred and active pension accounts within 12 months of becoming an active member. This prevents situations occurring where automatically aggregated pensions accounts have to be disaggregated and follows the policy in the 2008 Scheme.

1.11 The Public Sector Transfer Club allows easier movement of staff mainly within the public sector, by making sure that employees receive broadly equivalent credits when they transfer their pensionable service to their new scheme. As the LGPS participates in the Club, it is proposed that the relevant administering authority calculates the transfer in accordance with provisions in the Club Memorandum, during both the transfer out and the transfer in of the accrued rights.

1.12 It is proposed to remove the need for an employer or former employer to give their consent when a member aged between 55 and 60 wishes to have early payment of benefits under the 2007 Benefits Regulations. As these benefits will be actuarially reduced there is no cost to the employer, and the proposal gives the member more options about how to access their benefits which is in line with the Government's Freedom and Choice in Pensions policy.

1.13 The change described in 1.12 has been one that has been sought by the Fund. Currently those leavers who have been members of the 2014 version of the Scheme may, once they are 55, draw their benefits as of right, albeit subject to early retirement reductions. But 55-60 year olds who left under earlier versions of the Scheme have no such right. This has led to some deferred members in this age group taking transfers to private sector arrangements, so as to access their pension. The charges relating to these transfers however tend to make them poor value. Far better then, that earlier deferred members will also be able to draw their benefits direct from the Fund, albeit again subject to early retirement reductions.

Response to the consultation

1.14 A response to the consultation will be sent. The closing date is 20 August 2016.

2. ACADEMIES

2.1 As members will be aware, it was announced in the Budget that all local authority schools were to be compelled to become academies. This raised the daunting thought of approximately 1,000 new LGPS employers in Greater Manchester alone. As members will also be aware however, the Government has withdrawn this policy.

2.2 The meeting of the Pensions Administration Working Group on 8 April 2016 took place however before the policy was withdrawn, with the Working Group advising that a letter should be sent to schools to warn them about the pension implications of becoming a standalone employer, eg. the employer contribution rate for an academy tends to be higher than the former parent local authority's rate. Academies are also responsible for the costs relating to early retirements, with some Tier 1 incapacity retirement being very expensive. These items however still apply to schools choosing to become academies, so the letter to schools was still sent.

3. RECOMMENDATION

3.1 That the content of the report be noted.