

Report To: Pension Fund Management Panel/Advisory Panel

Date: 23 September 2016

Reporting Officers: Sandra Stewart, Executive Director – Governance, Resources and Pensions.

Gerard Dale, Assistant Executive Director – Pensions Administration.

Subject: **LGPS UPDATE**

Report Summary: The report provides a summary of items of note since the last meeting of the Panel.

Recommendations: That the Panel note the contents of the report.

Financial Implications: There are no material implications for the Fund, but the potential capping of exit payments will be of note to employers.
(Authorised by the Section 151 Officer)

Legal Implications: Any amendments to the Scheme's regulations will be implemented.
(Authorised by the Solicitor to the Fund)

Risk Management: The changes to Fair Deal, if enacted as proposed, will compel firms who take on outsourcing contracts to be members of the Scheme. Current admission agreements allow agreements to be terminated by the administering authority, in the event of an employer failing to comply with their duties under the agreement. This ultimate sanction will be removed, which may need recourse to the Pensions Regulator, in the event of an employer not fulfilling their duties.

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 LGA's response to the DCLG's consultation can be found here: <http://lgpsregs.org/images/Drafts/2016-05LGPSAmendsConsResponse.pdf>

For any further information please contact Gerard Dale, Asst Executive Director – Pensions Administration, tel 0161 301 7227, email ged.dale@gmpf.org.uk

1. THE DCLG CONSULTATION ON LGPS AMENDMENT REGULATIONS

- 1.1 In May 2016, the Department for Communities and Local Government (DCLG) issued a consultation on draft amendment regulations for the LGPS in England and Wales. Amongst other amendments, the consultation covers the implementation of Fair Deal and changes to AVC provisions in light of the recent Freedom and Choice reforms. The consultation closed on 20 August 2016.
- 1.2 The GMPF reply to the consultation can be found here <http://www.gmpf.org.uk/documents/consultations/regulations.pdf> which in summary was broadly supportive of the changes proposed by the DCLG, e.g. that more deferred beneficiaries should be able to access their deferred benefits as of right once they are 55 and that firms taking on outsourcing contracts should be compelled to join the Scheme.
- 1.3 Regarding the latter, the DCLG has been requested to make explicit in the Regulations that a ceding employer be responsible for ensuring pension protection of those employees being transferred. In part, this is to avoid a stalemate in negotiations between the administering authority and ceding employers, where the former wants to ensure all liabilities are guaranteed and the latter may not wish to provide this guarantee.

2. EXIT PAYMENT REFORMS

- 2.1 The introduction of the Government's policy which will require high earners (earning £80,000 or more) who leave employment in the public sector with an exit payment to repay the exit payment, or a proportion of it, if they return to public sector employment within 12 months, has been delayed.
- 2.2 The intention had been to implement the legislation in July 2016 to take effect in autumn this year. However, Parliament went into recess without the appropriate legislation being made. It remains the goal of the Government to implement the proposals in autumn. However, this will depend on how quickly the legislation can be made following the return of Parliament on 5 September. Parliamentary time in September appears to be limited given that there will be a further recess during the party conference season.
- 2.3 The Government has also stated that it intends to implement the public sector £95,000 exit payments cap legislation in autumn. Draft regulations are awaited.

3. RECOMMENDATION

- 3.1 That the Panel note the content of the report.