

**Report To:** **PENSION FUND MANAGEMENT/ADVISORY PANEL**

**Date:** 19 March 2021

**Reporting Officer:** Sandra Stewart – Director of Pensions

**Subject:** **LGPS UPDATE**

**Report Summary:** This report provides an update on the latest developments affecting the Local Government Pension Scheme (LGPS).

**Recommendation(s):** It is recommended that the Panel note the report and consider the potential impact and implications for the LGPS and GMPF.

**Financial Implications:** Some of the matters set out in this report could lead to administrative costs and additional liabilities for GMPF and its employers.  
**(Authorised by the Section 151 Officer)**


**Legal Implications:** The Local Government Pension Scheme Advisory Board is a body set up under Section 7 of the Public Service Pensions Act 2013 and The Local Government Pension Scheme Regulations 110-113. The purpose of the Board is to be both reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues. It will consider items passed to it from the Ministry for Housing, Communities and Local Government ("MHCLG"), the Board's sub-committees and other stakeholders as well as items formulated within the Board. Recommendations may be passed to the MHCLG or other bodies. It is also likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards. The Local Government association represent employers' interests to central government and other bodies on local government pensions policy. Its remit for local government pension policy includes pensions for local authority staff, teachers and firefighters.  
**(Authorised by the Solicitor to the Fund)**


**Risk Management:** There are no material risks to consider at this stage. Any risks that may arise will be controlled and mitigated.

**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:** Further information can be obtained by contacting Euan Miller, Greater Manchester Pension Fund, Guardsman Tony Downes House, 5 Manchester Road, Droylsden

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## **1. INTRODUCTION**

1.1 The purpose of this report is to provide the Management Panel with an update on the latest developments regarding the Local Government Pension Scheme (LGPS). Developments summarised are as follows:

- Public sector exit payments cap
- Department of Work and Pensions consults on increasing the General Levy
- 2021 Pensions Increase
- Work carried out by the LGA relating to Covid-19
- New employer exit flexibilities
- McCloud Update
- MAPS Pension Dashboard update
- The Pensions Regulator

## **2. PUBLIC SECTOR EXIT PAYMENTS CAP**

2.1 The Government disapplied the £95,000 public sector exit payments cap on 12 February 2021 following legal challenges to the exit cap. This means the exit cap does not apply to exits that take place on or after 12 February 2021.

2.2 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 [2020] Regulations should be revoked. HMT Directions have been published that disapply the Cap until the Regulations have been revoked.”*

2.3 The Guidance confirms that HMT expects employers to pay the additional sums that would have been paid, had the exit cap not applied in respect of employees who left between 4 November 2020 and 11 February 2021.

2.4 The Government confirmed in the Guidance that *“HM Treasury will bring forward proposals at pace to tackle unjustified exit payments”*. It is understood that MHCLG plans to introduce further changes to exit payments following the recent MHCLG consultation on reforming local government exit pay. MHCLG has confirmed that it will consult again on further reforms to exit payments before any changes are made.

## **3. DWP CONSULTS ON INCREASING THE GENERAL LEVY**

3.1 On 16 December 2020, the Department for Work and Pensions (‘DWP’) launched a consultation into the General Levy rates for the years 2021/22, 2022/23 and 2023/24. The consultation subsequently closed on 27 January 2021.

3.2 The General Levy is paid by registrable occupational and personal pension schemes, including the LGPS. The levy is used to fund the Pensions Regulator, the Pensions Ombudsman and the pension-related activities of the Money and Pensions Service. The rate of levy is currently based on the number of members and the scheme type.

3.3 The consultation proposes that higher General Levy rates are needed to fund the increased role of the Pensions Regulator, the Pensions Ombudsman and the Money and Pensions Service.

## **4. 2021 PENSIONS INCREASE**

4.1 On 12 January 2021, the Government [published](#) a written statement on indexation and

reevaluation in public service pension schemes. Government confirmed that LGPS pensions would be increasing in line with September's CPI figure of 0.5%, as is the case every year.

4.2 From April 2021 members' CARE pensions will increase by 0.5% to account for inflation.

## 5. WORK CARRIED OUT BY THE LGA RELATING TO COVID-19

5.1 Throughout the Coronavirus pandemic the Local Government Association has been providing guidance and informational updates.

5.2 The LGA created a Covid-19 news and information [webpage](#) that hosts frequently asked question sections for administrators, employers and members. There are additional resources such as webinars and information on the Coronavirus Job Retention Scheme.

5.3 The latest frequently asked questions were updated on 4 November 2020

## 6. MCCLLOUD UPDATE

6.1 The McCloud case relates to the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform. Tapered protections were provided for those 3-4 years younger. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

6.2 Those members who have been discriminated against will be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. Such remedies will be 'upwards' - that is the benefits of unprotected members will be raised rather than the benefits of protected members being reduced.

6.3 Decisions concerning who is in scope for protection, the extent of final salary service protection and the effect on ancillary benefits such as transfer payments and survivor benefits will be made centrally. The LGPS Scheme Advisory Board ('SAB') will work closely with MHCLG and the Government Actuary's Department ('GAD') to ensure that the remedy to remove age discrimination from the LGPS is robust and comprehensive.

6.4 SAB originally set up two working groups to work with MHCLG in developing and implementing the LGPS McCloud remedy. Due to the current coronavirus complications the chair of the implementation group has formed three subgroups that are meeting virtually. The subgroups are made up of representatives from employers, administering authorities, pension administration software suppliers, unions, actuarial firms and the LGA. The three subgroups are:

- **Data collection:** the data collection subgroup held their first virtual meeting on 22 April 2020. In order to implement the McCloud remedy, most administering authorities will need to gather service information from 1 April 2014 for members in scope of protection from employers. This group has produced a data collection template for employers and payroll providers to use to supply that information and to ensure the message to employers remains consistent.
- **Communications:** the communications subgroup first met on 24 April 2020. The group has been producing templates for administering authorities to use to request service data from employers. The group agreed that their priority is to produce communications for members that explain the scheme changes and make it clear that they do not need to make a legal claim, they will get the protection they are entitled to automatically.
- **Software:** the software subgroup will consider what system changes are needed to implement the eventual remedy.

6.5 Consultations on the remedies to the McCloud issue were launched by MHCLG and HMT in August 2020. On 6 October 2020 LGA released its [response](#) to MHCLG's McCloud consultation.

6.6 HMT responded to the remedy consultation on 4 February 2021. HMT clarified that it will seek to remedy McCloud across the unfunded public sector schemes on the basis of deferred choice underpin whereby affected members will decide whether to apply legacy or reformed scheme benefits for the remedy period just before retirement (when the member is clearer on their retirement planning). HMT's full consultation response can be viewed in the link below:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/958635/Public\\_Sector\\_Pensions\\_Consultation\\_Response.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/958635/Public_Sector_Pensions_Consultation_Response.pdf)

6.7 MHCLG have yet to release their LGPS specific response to the McCloud remedy consultation. It is expected that the MHCLG's response will incorporate the similar principles as HMT's consultation response. It is important to remember that transitional protections operated slightly differently in the LGPS and therefore only the MHCLG consultation will apply when it is released.

## **7. MAPS PENSION DASHBOARD UPDATE**

7.1 On 28 October 2020, the Money and Pensions Service (MaPS) published their second [Pensions Dashboards Programme progress update report](#).

7.2 The October 2020 report sets out:

- the Pension Dashboards Programme's (PDP) high level activity plan
- resourcing to deliver next phases of the programme
- market engagement to help finalise digital architecture requirements
- refining requirements for identity verification
- setting up a working group to ensure consumer focus
- reviewing feedback

7.3 On 15 December 2020 PDP published the key data standards which will underpin pensions dashboards. Pension schemes will need to make sure that their data is consistent with the standards, so that the dashboards can function properly. Onboarding to dashboards is expected from 2023, PDP therefore recommends all schemes to start preparing their data now.

## **8. GUIDANCE ISSUED BY THE PENSIONS REGULATOR**

8.1 Like most organisations TPR has been dealing with the complications arising out of the Coronavirus pandemic. TPR released its initial guidance in early April which was revised as time progressed. The latest [guidance](#) is dated 16 June 2020.

8.2 On 1 September 2020, TPR confirmed that it now intends to launch the formal consultation on a single Code of Practice in early 2021. TPR provides 15 codes of practice, covering topics such as early leavers, internal controls and governance and administration of public service pension schemes which it intends to amalgamate.

8.3 TPR also issued the Public Service Governance and Administration Survey 2020 which was completed by GMPF on 12 February 2021.

## **9. RECOMMENDATION**

9.1 It is recommended that the Panel note the report.