

Local Government Pensions Committee
Secretary, Lorraine Bennett

LGPC Bulletin 185 – May 2019

Foreword

This bulletin contains a number of important updates for LGPS administering authorities, scheme employers and software providers; whilst also providing a general update for all stakeholders.

Of particular importance are the following articles:

- MHCLG consultations which provide an update of the latest position ([closing date for valuation and employer risk consultation 31 July 2019](#))
- MHCLG advice note on McCloud and 2019 valuation
- SPPA publication of new regulations ([effective from 28 June 2019](#))
- Countdown bulletin 45 regarding the payment of CEPs ([deadline for notification 4 June 2019](#))

If you have any comments on the contents of this bulletin or wish to suggest items that might be included in future bulletins, please contact query.lgps@local.gov.uk.

Contents

LGPS England & Wales

MHCLG

[Consultation: Late retirement guidance – implementation update](#)

[Consultation: Local valuation cycle and the management of employer risk](#)

[Consultation: Pooling guidance](#)

Scheme Advisory Board (SAB)

[2018 annual report](#)

[Code of Transparency and compliance system](#)

[Code of transparency – CTI templates](#)

[Good Governance project](#)

[McCloud and valuation guidance](#)

[Simplification project](#)

Administration

[Outstanding actuarial factors](#)

LGPS Scotland

SPPA

[SPPA new website](#)

[The LGPS \(Miscellaneous Amendments\) \(Scotland\) Regulations 2019](#)

Administration

[Actuarial factors update](#)

HMRC

[Countdown bulletin 45](#)

[Pension schemes newsletter 109](#)

TPR

[New round of pension compliance checks](#)

[TPR publish corporate plan for 2019-2022](#)

[The Pensions Regulator: tailored review](#)

Other news and updates

[McCloud / Cost management](#)

[LGPC draft minutes published](#)

[LGPC Subscriptions](#)

[NI database](#)

Training

[Aggregation course and Insight residential course](#)

[Fundamentals training](#)

[Governance Conference 23 – 24 January 2020](#)

Wider landscape

[Consultation: Changes to unmarried partner and same-sex survivor benefits in the England and Wales Teachers' pension scheme](#)

[House of Commons briefing paper – pensions tax relief](#)

Legislation

Useful links

LGPS pensions section contact details

LGPS England & Wales

MHCLG

Consultation: Late retirement guidance – implementation update

In March 2019 MHCLG published a [consultation](#) on proposed changes to the late retirement guidance that closed on 17 April 2019. The proposals included a change in methodology as well as a change in factors.

MHCLG confirmed that a number of the responses they have received raised concerns about the 1 May 2019 implementation date. Discussions are ongoing between MHCLG, LGA and software suppliers to fix a date from which the new methodology and factors will apply; however, MHCLG have confirmed the implementation date will no longer be 1 May 2019.

Consultation: Local valuation cycle and the management of employer risk

On 8 May 2019 MHCLG issued a 12 week [policy consultation](#) called 'LGPS: Changes to the local valuation cycle and the management of employer risk'.

The consultation closes on 31 July 2019 and covers the following areas:

- amendments to the local fund valuations from the current 3 year (triennial) to a 4-year (quadrennial) cycle
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle
- proposals for flexibility on exit payments
- proposals for further policy changes to exit credits
- proposals for changes to the employers required to offer local government pension scheme membership

Regarding the change to exit credit payments, given that the consultation proposes backdating the change, we are of the view that it would be legitimate to delay payment of an exit credit (where a side agreement was in place) pending the consultation outcome.

Action for administering authorities and scheme employers

We encourage administering authorities to forward details of the consultation to their Scheme employers to ensure that they have an opportunity to respond. The consultation documents are available on the [scheme consultations](#) page of www.lgpsregs.org

Consultation: Pooling guidance

In [bulletin 181](#) we confirmed that on 3 January 2019 MHCLG had issued [draft statutory guidance](#) on LGPS asset pooling. The consultation was an informal one with interested parties only invited to respond. The consultation closed on 28 March 2019.

In May 2019, at the PLSA Local Authority Conference, Rishi Sunak the Minister for local government pensions announced that a formal consultation on pooling guidance would be published in the forthcoming months.

Scheme Advisory Board (SAB)

2018 annual report

Cllr Roger Phillips, the chair of the scheme advisory board launched the 2018 annual report at the recent PLSA local authority conference.

The aim of the annual report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. It aggregates information supplied in the 89 fund annual reports, as at 31 March 2018.

Key highlights:

- The total membership of the LGPS grew by 197,000 (3.4%) to 5.8m members in 2018 from 5.6m in 2017
- The total assets of the LGPS increased to £275bn (a change of 5%). These assets were invested in pooled investment vehicles (54%), public equities (29%), bonds (7%), direct property (3%), as well as other asset classes (7%)
- The local authority return on investment over 2017/2018 was 4.4%. This was reflective of the market conditions during the year and set against the UK Return of 0.2%
- The Scheme maintained a positive cash-flow position overall. Scheme income was higher than total scheme outgoings by £500m; this is including investment income
- Over 1.7m pensioners were paid over the year.

The full report can be viewed on the Scheme Advisory Board [website](#).

Code of Transparency and compliance system

On 29 April 2019 Liam Robson emailed administering authorities to confirm that a [briefing note](#) on the LGPS Code of Transparency and compliance system had been published on the SAB [website](#).

The briefing note provides the background to the code, the procurement of a compliance system, and answers FAQs from the points of view of both the Investment Managers and the LGPS clients.

Code of Transparency – CTI templates

On 21 May 2019 Liam Robson emailed administering authorities to confirm that a framework of templates and guidance had been published by the [Cost Transparency Initiative \(CTI\)](#). This is as an important step in achieving clarity in cost and value for asset owners and pension scheme members. The templates and guidance have been adopted as an integral part of the SABs [Code of Transparency](#).

SAB are eager to work with existing and new signatories in ensuring the new framework is a success and welcome feedback from managers as they implement or transition to the new templates.

Good governance project

Hymans Robertson have launched a [national governance survey](#) with the aim of capturing as many views as possible from those working within the LGPS. The survey will close on 31 May 2019.

McCloud and valuation guidance

In [bulletin 181](#) published in February 2019 we reported that administering authorities had been asked to inform SAB about their preference concerning the approach to the 2019 valuation. Specifically, whether they would prefer to receive guidance from SAB on how McCloud / cost management should be taken account in the 2019 valuation, or if they would prefer to determine their own approach taking advice from their actuarial adviser.

The majority of funds expressed a preference to receive [central guidance](#) which was issued on 14 May 2019.

CIPFA have provided a separate [note](#) on accounting for McCloud / cost management.

Action for administering authorities

The SAB advice note sets out their proposed approach in five key points. We encourage administering authorities to discuss this approach, together with the CIPFA guidance note, with their actuaries.

Simplification project

MHCLG have identified a need to make the Scheme regulations more adaptable, flexible and easy to administer, whilst maintaining a degree of consistency of approach across administering authorities. This project is called the 'Simplification project'.

The Simplification project is supported by a working group made up of representatives from trade unions, actuarial services, MHCLG, SAB, LGA and where necessary scheme employers, payroll software providers, administering authorities and software providers.

The [terms of reference](#) were agreed at the first meeting held on 8 May 2019. Also at that meeting the group considered a couple of administrative areas that may be improved / simplified. Should these considerations proceed further, a wider consultation will occur. These were:

- (a) application of assumed pensionable pay, and
- (b) employee and employer contributions during the 1st 30 days of an authorised absence)

Administration

Outstanding actuarial factors

As reported in previous bulletins, following the change to the SCAPE discount rate on 29 October 2018, MHCLG have issued a spreadsheet of revised factors along with updated guidance where the methodology has also changed.

The spreadsheet and guidance can be found in the [actuarial guidance](http://www.lgpsregs.org) page of www.lgpsregs.org. Due to the volume of factors and guidance changed, we thought it might be helpful to confirm which factors are still outstanding:

Description of outstanding factors
Additional Survivor Benefit Contributions (ASBCs) ¹
Annual allowance scheme pays offset ²
Use of accumulated AVCs to purchase additional pension under the scheme ³
Conversion of accumulated AVCs to purchase transfer credits ⁴
Non-club final salary link for transfers between club schemes ⁵

Note: Factors for trivial commutation where the member's benefits are brought into payment on ill health grounds before the age of 55 will, for the time being, continue to be calculated on an ad-hoc basis. Administering authorities should refer such cases to MHCLG for onward transmission to GAD.

LGPS Scotland

SPPA

SPPA new website

On 10 June 2019, SPPA plan to launch a new website. Links to the new website will be sent out around the time of launch by SPPA.

The LGPS (Miscellaneous Amendments) (Scotland) Regulations 2019 [SI 2019/161]

The above [regulations](#) were made on 2 May 2019 and come into force on 28 June 2019, with some amendments having a back dated effect to 1 April 2015.

Since publication SPPA have confirmed that they have identified two minor drafting errors in the instrument that appeared in the latter stages of styling. Whilst these have no effect on the functioning of the instrument, SPPA plan to lay a corrective instrument to come into force on the same date.

Administration

Actuarial factors update

Following the change to the SCAPE discount rate in October 2018, SPPA have published a workbook of new factors and updated guidance where the methodology has also changed. These be found in the [actuarial guidance](http://www.scotlgpsregs.org) page of www.scotlgpsregs.org.

¹ Regulation 14 - LGPS(Benefits, Membership and Contributions) Regulations 2007

² Regulation 86 - LGPS Regulations 2013

³ Regulation 17 - LGPS Regulations 2013 & regulation 15 - LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014

⁴ Regulation 66 - LGPS Regulations 1997

⁵ Regulation 9 - LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014

The [APC calculator](#) has also been updated to take into account the change in factors and methodology.

HMRC

Countdown bulletin 45

On 1, 16 and 22 May 2019 Jayne Wiberg emailed administering authorities with information concerning the extension of phase 7 - scheme financial reconciliation. [Countdown bulletin 45](#) provides the details of that extension. Following publication of countdown bulletin 45, the Secretariat received a number of queries and contacted HMRC clarity.

HMRC have suggested that administering authorities could include the following cases on their phase 7 re-run (which must be completed by 4 June 2019). Following which, HMRC will cancel any outstanding liability and include the value of the 'now notified' unpaid CEPs in their final billing exercise:

- outstanding unpaid CEPs **notified** to HMRC in the past, and
- outstanding unpaid CEPs **not notified** to HMRC because the notification had been missed

This should provide administering authorities with a solution for any unpaid CEPs that they have inadvertently missed paying in the past.

This solution only addresses those cases for which the administering authority is confident that the CEP applies to a former member of the Scheme.

Pension schemes newsletter 109

On 30 April 2019 HMRC published [pension schemes newsletter 109](#). Of particular interest to administering authorities are the articles on:

- **Managing Pension Schemes service**
New features have been added and for schemes registered with the service there has been updates to scheme administrator reporting.
- **Overseas transfer charge**
In April 2019 the Pension Schemes (Information Requirements – Repayment of Overseas Transfer Charge) Regulations 2019 [SI [2019/774](#)] and the Pension Schemes (Information Requirements - Qualifying Overseas Pension Schemes, Qualifying Recognised Overseas Pension Schemes and Corresponding Relief) (Amendment) Regulations 2019 [SI [2019/773](#)] were laid. The regulations detail the conditions and process for claiming a repayment of the overseas transfer charge where the charge was either paid in error or a change in the individual's circumstances means the original transfer has now become exempt from the charge. The [scheme administrator factsheet](#) will be updated to reflect these changes in due course.
- **Updates to the recognised overseas pension schemes notifications (ROPS) list**
HMRC has published an update to the Recognised Overseas Pension Schemes (ROPS) list, with 22 schemes added and two removed.

TPR

New round of pension compliance checks

On 15 May 2019 TPR [announced](#) that employers who flout their automatic enrolment pension duties are to be targeted with short-notice inspections. TPR will pinpoint specific employers up and down the country who are suspected of breaking the law, including those who fail to put staff into a pension scheme or who make no, or incorrect, pension contributions.

The inspections started shortly after the announcement and will continue over the summer. Employers who are suspected of non-compliance may also be contacted by telephone to validate the information held. It is mandatory for employers to take part in the inspections. Obstruction of an inspector and failing to provide information when required to do so are criminal offences. Non-compliance could also result in fines or court action.

TPR publish corporate plan for 2019-2022

TPR has published its [corporate plan](#) for 2019-22. The plan outlines the Regulator's six priorities for the next three years, which include extending its regulatory reach with a wider range of proactive and targeted regulatory interventions, and enabling workplace pension schemes to deliver their benefits through significant change such as Brexit. The plan also states that TPR is receiving an extra £7.6m in levy funding from the DWP for this tax year, including £400k that will be used to support policy work relating to the pensions dashboard.

The Pensions Regulator: tailored review

On 16 May 2019 DWP published a [tailored review of the TPR](#). The review was undertaken to ensure that TPR remains fit for purpose, well governed and properly accountable for what it does.

As a non-departmental public body the TPR is subject to a tailored review at least once in the lifetime of a Parliament.

The review looked at six key areas and made recommendations throughout:

1. Form and Functions
2. Arrangements between TPR and DWP
3. TPR Governance
4. Operational effectiveness
5. Organisational effectiveness
6. Operational efficiency

The tailored review worked closely with TPR, DWP and Cabinet Office. All of the recommendations of the review were accepted by all parties and approved by the Minister for Pensions and Financial Inclusion. The next tailored review of TPR should take place in around five years' time and should consider the progress made against the recommendations of this review.

Other news and updates

McCloud / Cost management

Further to the article in [bulletin 181](#) and the article within the SAB update in [bulletin 184](#), on 3 April 2019 the Government confirmed in a [House of Commons briefing paper](#) that it expects a decision on its application for leave to appeal this judgment in July 2019.

LGPC draft minutes published

The Local Government Pension Committee (LGPC) met on 8 April 2019. Minutes of the meeting can be found under the LGPC minutes page of www.lgpsregs.org and www.scotlgpsregs.org.

LGPC Subscriptions

The LGPC has a number of outstanding invoices for LGPC subscriptions and a significant amount of time is being used by the team to chase these payments. We request that administering authorities check their records and make any outstanding payments as soon as possible so that our resources can be more productively deployed.

NI database

In [bulletin 183](#) we informed readers that we are in the process of making changes to the database. These changes are almost complete and will go live in June 2019 (around the middle of the month). The changes include:

- restricting the view so that Scottish administering authorities cannot see English and Welsh data (and vice versa)
- a requirement for individual users of the database to have their own log in details, rather than sharing one login and password across each administering authority. Each administering authority will be provided with access, as below:
 - one master user - who will have full functionality including being able to set up users and change passwords
 - two super users who will be able upload data and view the database
 - up to five admin users who will have view-only access
- administering authorities will only be able to view the database if they have uploaded data in the last 90 days.
- weekly reminders will be sent to administering authorities who have not uploaded data for 35 days or more.

Updated list of public sector club transfer members

In April 2019 the Cabinet Office published an [updated list](#) of club transfer members. All of the recent changes have been highlighted in red. The list can also be found in the 'other government documents' page of www.lgpsregs.org and www.scotlgpsregs.org.

Training

Aggregation and Insight residential course

Due to high demand on both the one day aggregation course and our Residential course "Insight", we have put on additional dates to accommodate those individuals that were on the waiting list for the original course. We still have some spaces available as outlined below. These events are now live for booking and booking is on a first come first serve basis.

Birmingham	Aggregation course	11 July 2019
Blackpool	Insight residential course	7 – 10 October 2019

Fundamentals training

An A-Z bespoke **LGPS training course** aimed at elected members and others who attend pension committees and local pension boards. It provides attendees with the knowledge and skills to enable them to carry out their duties effectively. 2019 dates and venues are fixed as:

Day 1	London	LGA offices, Westminster	3 October 2019
	Leeds	Marriott Hotel	17 October 2019
	Cardiff	Marriott Hotel	31 October 2019

Day 2	London	LGA offices, Westminster	6 November 2019
	Leeds	Marriott Hotel	14 November 2019
	Cardiff	Marriott Hotel	21 November 2019

Day 3	Leeds	Marriott Hotel	5 December 2019
	Cardiff	Marriott Hotel	12 December 2019
	London	LGA offices, Westminster	18 December 2019

Full details can be found via Circular [313](#)

Governance Conference 22 – 23 January 2020.

Next year's Governance Conference will be held on 22 – 23 January 2020 at the Principal Hotel, York. Full details will be provided early June 2019.

Wider landscape

Consultation: Changes to unmarried partner and same-sex survivor benefits in the England and Wales Teachers' pension scheme

On 15 May 2019 DoE published a [consultation](#) seeking views on the following proposals:

- to provide civil partners and same-sex spouses with the same survivor pension rights as widows (in line with the Walker v Innospec Ltd case)

- to remove the nomination form requirement for unmarried partner benefits (in line with the case of Brewster v Northern Ireland Local Government Officers' Superannuation Committee)
- other minor amendments.

The consultation closes on 25 June 2019.

House of Commons briefing paper – pensions tax relief

The House of Commons Library updated a [briefing paper](#) which looks at the annual and lifetime allowances. The paper includes useful background information on the reduction in these allowances since 2010 and has been updated to reflect the limits which apply for the 2019/20 tax year. Recent calls for reform of pension taxation in response to concerns about filling senior posts in the public sector are also covered.

Legislation

United Kingdom

SI	Reference title
2019/879	The Equality Act (Age Exceptions for Pension Schemes) (Amendment) Order 2019
2019/774	The Pension Schemes (Information Requirements – Repayment of Overseas Transfer Charge) Regulations 2019
2019/773	The Pension Schemes (Information Requirements — Qualifying Overseas Pension Schemes, Qualifying Recognised Overseas Pension Schemes and Corresponding Relief) (Amendment) Regulations 2019
2019/743	The Financial Guidance and Claims Act 2018 (Commencement No. 6) Regulations 2019
SSI	Reference title
2019/161	The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2019

Useful links

[LGA Pensions page](#)

[LGPS member website](#) (England and Wales)

[LGPS 2015 member website](#) (Scotland)

[LGPS Advisory Board website](#) (England and Wales)

[LGPS Advisory Board website](#) (Scotland)

[LGPS Regulations and Guidance website](#) (England and Wales)

[LGPS Regulations and Guidance website](#) (Scotland)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

LGPS pensions section contact details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pension advisers will get back to you.

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346

Email: jeff.houston@local.gov.uk

Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)

Telephone: 0207 187 7374

Email: lorraine.bennett@local.gov.uk

Jayne Wiberg (Pensions Adviser – LGPC Secretariat)

Telephone: 07979 715825

Email: jayne.wiberg@local.gov.uk

Rachel Abbey (Pensions Adviser – LGPC Secretariat)

Telephone: 020 7664 3172

Email: rachel.abbey@local.gov.uk

Alan South (Pensions Adviser – LGPC Secretariat)

Telephone: 07867 189992

Email: alan.south@local.gov.uk

Karl White (Pensions Adviser (Training) – LGPC Secretariat)

Telephone: 07464 652886

Email: karl.white@local.gov.uk

Bob Holloway (Pensions Secretary – LGPS Scheme Advisory Board (E&W))

Telephone: 07919 562847

Email: robert.holloway@local.gov.uk

Liam Robson (Pensions Analyst – LGPS Scheme Advisory Board (E&W))

Telephone: 0207 664 3328

Email: liam.robson@local.gov.uk

Elaine English (LGPS Executive Officer)

Telephone: 0207 187 7344

Email: elaine.english@local.gov.uk

Distribution sheet

Pension managers (internal) of administering authorities

Pension managers (outsourced) and administering authority client managers

Local Government Pensions Committee
Trade unions
CLG
COSLA
SPPA
Regional Directors
Private clients
The Pensions Regulator
The Pensions Ombudsman

Copyright

Copyright remains with Local Government Association (LGA). This Bulletin may be reproduced without the prior permission of LGA provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

Disclaimer

The information contained in this Bulletin has been prepared by the LGPC Secretariat, a part of the Local Government Association (LGA). It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LGA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this Bulletin. Whilst every attempt is made to ensure the accuracy of the Bulletin, it would be helpful if readers could bring to the attention of the Secretariat any perceived errors or omissions by Emailing [Jayne Wiberg](mailto:Jayne.Wiberg)