

Local Government Pensions Committee  
Secretary, Lorraine Bennett

## LGPC Bulletin 188 – August 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 articles on:

- [Equitable Life - update \(urgent\)](#)
- [TPR 2019 public service pension scheme return](#)

which require the attention of certain stakeholders.

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](mailto:query.lgps@local.gov.uk).

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### **Consultation: Local valuation cycle and the management of employer risk - update**

In [bulletins 185 and 187](#) we confirmed that MHCLG had launched a policy consultation on changes to the local valuation cycle and the management of employer risk. The consultation closed on 31 July 2019.

MHCLG received around 280 responses and expect to publish their response in the autumn of 2019.

### **Good governance project - update**

In [bulletin 187](#) we confirmed that the Scheme Advisory Board (SAB) had published their [Good Governance Report](#) on 31 July 2019.

Hymans Robertson project team will assist SAB in taking forward the next stage of the project. Two working groups will be established to:

- define what is meant by good governance outcomes and provide the accompanying guidance, and
- focus on options for the independent assessment of outcomes and the mechanisms to improve the delivery of those outcomes.

Both groups will comprise of a variety of stakeholders to ensure a wide range of views and options are considered. The aim is for an options report to be ready for consideration by SAB in November 2019. Any proposals agreed by SAB will be subject to a full stakeholder consultation before being put to MHCLG. Details of both working groups will be published on the [SAB website](#) in due course.

### **SCAPE discount rate – impact on actuarial guidance – ASBCs**

On 14 August 2019 Rachel Abbey confirmed that MHCLG has issued new factors for the purchase of Additional Survivor Benefits.

Before 1 April 2014, members could elect to pay additional survivor benefit contributions (ASBCs) for their membership before 6 April 1988 to count towards cohabiting partners' pensions.

The new factors should be used from 1 April 2020 for existing contracts. They should reflect the member's age and payment period when the contract started. The cost of purchasing additional survivor benefits is based on a percentage of whole time equivalent pensionable pay (2008 Scheme definition of pensionable pay).

The [actuarial guidance](#) page of [www.lgpsregs.org](http://www.lgpsregs.org) has been updated with the new factor spreadsheet and the covering letter issued by MHCLG clearing the factors for use.

## HMT

### Consultation: Exit payments cap – update

In [bulletin 184](#) we confirmed that HM Treasury (HMT) had launched a consultation called '[Restricting exit payments in the public sector: consultation on implementation of the regulations](#)'. The consultation closed on 3 July 2019.

HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. We understand that HMT are to introduce the cap no sooner than 1 April 2020.

## DWP

### Government updates no-deal Brexit pension's guidance

On 9 August 2019 the Department for Work and Pensions (DWP) updated two sets of guidance covering the pension and benefit rights for:

- [UK nationals in the EU, EEA or Switzerland](#)
- [EU, EEA and Swiss citizens in the UK](#)

if there is a no deal Brexit.

## TPO

### Consultation on changes to TPO – Government response published

In [bulletin 179](#) we reported that on 19 December 2018 the government published a consultation seeking views on proposals for a new function at the Pensions Ombudsman (TPO) for the earlier resolution of disputes prior to a determination; allowing employers to make complaints or refer disputes to TPO on behalf of themselves; and associated signposting provisions.

On 8 August 2019 the government published its [response](#) to the consultation. On the whole, responders were supportive of the government's proposals.

Going forward, the government will:

- collaborate with HMT and the FCA to ensure the services work to support the best interests of parties that will use those services, and
- bring forward legislation to provide a framework for the proposals.

Any amendments to signposting requirements will need to be set out in secondary legislation. If needed, draft regulations will follow on from the necessary primary legislation.

### Tailored review of TPO – outcome published

In November 2018 DWP led a tailored review (last review 2014) of The Pensions Ombudsman (TPO) to ensure that the body remains fit for purpose, well governed

and properly accountable for what it does. The government published the [outcome](#) of this review on 27 August 2019.

Findings indicated that:

- TPO is a well-respected and effective organisation.
- there was strong support from all consulted stakeholders for the quality, clarity and impartiality of its determinations on pension disputes.
- there was improvement to case clearance times, whilst embracing an ambitious internal change agenda.

Areas identified for improvement include:

- developing the governance and performance framework for the organisation to reflect the increasing size, complexity and maturity of its work.
- ensuring that both DWP and TPO take a more robust approach to scoping and tracking efficiencies. This is expected to yield from the investment TPO has received in its digital infrastructure and the potential to more radically streamline case handling.
- building on the outward facing engagement to position TPO more strategically, working with other relevant organisations to enhance the impact on raising standards more broadly in pensions administration.

The next tailored review will take place in around five years' time and should consider the progress made against the recommendations of this review.

## TPR

### 2019 public service pension scheme return

In [bulletin 187](#) we confirmed that England & Wales SAB had emailed pensions managers and software suppliers with a draft conditional data report for the Pension Regulator's (TPR) public service pension scheme annual return.

We can confirm that TPR intend to issue the 2019 public service pension scheme return to scheme managers in the last week of September 2019. Wake up communications will be issued to scheme managers in the upcoming weeks.

#### Action for administering authorities

- Look out for the 2019 scheme return wake up communications from TPR

### Draft guides to deliver CMA's recommendation to support trustees with guidance

In [bulletin 187](#) we reported on the Investment Consultancy and Fiduciary Management Market Investigation Order 2019 and the DWP consultation covering Trustee oversight of investment consultants and fiduciary managers.

The Competition and Markets Authority (CMA) made recommendations in [its final report](#) for TPR to produce guidance to support trustees in complying with the new duties. TPR have issued a [consultation](#) containing the guidance to support these recommendations. The consultation closes at 12pm on 11 September 2019.

## Other news and updates

### Equitable Life - update

In [bulletin 175](#) we reported that Equitable Life had announced that they had entered into an agreement to transfer the Society and all its policies to Utmost Life and Pensions (formerly known as Reliance Life). The Proposal is in two parts and details can be found on Equitable Life's [website](#).

We understand that Equitable Life has now written to administering authorities affected by the Proposal. Administering authorities as 'Scheme Policy Holders' and 'Eligible Members' are being asked to vote to:

- approve the 'Scheme'
- 'Change the Articles' to make Utmost Life and Pensions the sole Member of Equitable.

The 'Scheme':

- increases with-profits investments with an immediate one-off 'Uplift'
- removes any investment guarantees, and
- converts with-profits policies to unit-linked investments.

Administering authorities are also able to object to the transfer of Equitable Life's business to Utmost Life and Pensions (which does not require a vote but does need the approval of the High Court).

The deadline for the receipt of postal and online votes is 10am on 30 October 2019.

In an email to administering authorities on 28 August 2019, Lorraine Bennett confirmed that the LGA is considering obtaining legal advice on the potential risk to administering authorities of future challenge associated with the above, but before doing so we would like to gauge how many administering authorities are affected? If your administering authority is not affected you do not need to do anything.

### **URGENT ACTION FOR ADMINISTERING AUTHORITIES**

**If your administering authority is affected and is asked to vote please confirm by emailing [Lorraine Bennett](#) by Friday 30 August 2019 and let us know:**

- 1. if you plan to seek the views of your members before voting**
- 2. whether you will offer a default position if they do not respond**

### **Bulk transfers back into a public service pension scheme under 'Fair Deal'**

The Government Actuary's Department (GAD) has published [guidance](#) to help contracting authorities understand the steps that need to be taken when former public service employees with pension protection re-join an unfunded public service pension scheme (PSPS). The guidance is designed to cover situations where employees are re-joining the NHS Pension Scheme or the Civil Service pension schemes, but may apply to transfers into other schemes.

## LGPS community document

On 19 August 2019 Lorraine Bennett notified administering authorities that the Secretariat has published a new document called 'the LGPS Community'. It is available to view on the guides and sample documents page of [www.lgpsregs.org](http://www.lgpsregs.org) and [www.scotlgpsregs.org](http://www.scotlgpsregs.org).

The document has been produced in response to a request from the Local Government Pension Committee (LGPC). The purpose of the document is to explain the relationship between the different bodies that make up the Local Government Pension Scheme (LGPS) community. The document will be particularly helpful to pension committee and local pension board members, as well as administration staff, in explaining how their role fits in to the wider LGPS community.

### Action for administering authorities

- forward a link to the document to your local pension board and pension committee / sub-committee members

## Training

### Annual governance conference

Our annual Governance Conference is taking place in York on 23 to 24 January 2020 and is [open for booking](#). The theme for the conference is 'Public service pension reform – life after Hutton'.

For more information including the conference programme and confirmed speakers see [circular 314](#) and the [conference flyer](#).

### Fundamentals training

Our Fundamentals training events are aimed at pensions committee and local pension board members as well as officers who deal with governance.

This training is ideal for new committee or board members, as well as giving experienced members an opportunity to keep their knowledge up to date.

Early booking is recommended to secure places at your favoured location. You can make a booking using the links below:

<b>Day 1</b>	London	LGA offices, Westminster	<a href="#">3 October 2019</a>
	Leeds	Marriott Hotel	<a href="#">17 October 2019</a>
	Cardiff	Marriott Hotel	<a href="#">31 October 2019</a>

<b>Day 2</b>	London	LGA offices, Westminster	<a href="#">6 November 2019</a>
	Leeds	Marriott Hotel	<a href="#">14 November 2019</a>
	Cardiff	Marriott Hotel	<a href="#">21 November 2019</a>

<b>Day 3</b>	Leeds	Marriott Hotel	<a href="#">5 December 2019</a>
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Cardiff	Marriott Hotel	<a href="#">12 December 2019</a>
London	LGA offices, Westminster	<a href="#">18 December 2019</a>

## Wider landscape

### Consultation on flexibility in the NHS Pension Scheme to be replaced

In [bulletin 187](#) we reported that in July 2019 the Department of Health and Social Care had launched a [consultation](#) on proposals to increase flexibility for senior clinicians in the NHS Pension Scheme (NHSPS).

On 7 August 2019, the Government confirmed plans to open a [new public consultation](#) proposing full flexibility over the amount senior clinicians put into their pension pots. This will replace the consultation published in July. The aim is to change pension rules for top doctors, surgeons and other high-earning clinicians to allow them to take on extra shifts and treat more patients without losing out financially.

Alongside the proposals for full flexibility, HMT will review how the tapered annual allowance supports the delivery of public services such as the NHS. The Chancellor of the Exchequer Sajid Javid said:

*“This Government is committed to ensuring that British people see a real difference in public services, including getting quicker GP appointments and a reduction in waiting times. Critical to that is introducing flexibility into the system so that our hospitals have the staff they need to deliver high-quality patient care, which is why we’ve listened to concerns and will be reviewing the operation of the tapered annual allowance. This will help to support the delivery of our vital public services.”*

### Army pensions watchdog calls for NHS pension tax reform to be extended to army doctors

In an article in the Financial Times on 16 August 2019, Major General Neil Marshall chief executive of the Forces Pension Society called for the concessions the government is considering for the NHS, to be extended across the public services. Currently the flexibility offered to the NHS will not apply to the Defence Medical Services, he stated:

*“There is a direct read across from the NHS to those military medical professionals serving in the Defence Medical Services many of whom work alongside their NHS colleagues every day but have the additional liability to serve in a potentially life threatening combat situation worldwide at short notice”*

## 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](mailto: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](mailto:jeff.houston@local.gov.uk)

### **Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)**

Telephone: 0207 187 7374

Email: [lorraine.bennett@local.gov.uk](mailto:lorraine.bennett@local.gov.uk)

### **Jayne Wiberg (Pensions Adviser – LGPC Secretariat)**

Telephone: 07979 715825

Email: [jayne.wiberg@local.gov.uk](mailto:jayne.wiberg@local.gov.uk)

### **Rachel Abbey (Pensions Adviser – LGPC Secretariat)**

Telephone: 020 7664 3172

Email: [rachel.abbey@local.gov.uk](mailto:rachel.abbey@local.gov.uk)

### **Alan South (Pensions Adviser – LGPC Secretariat)**

Telephone: 07867 189992

Email: [alan.south@local.gov.uk](mailto:alan.south@local.gov.uk)

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

Telephone: 07464 652886

Email: [karl.white@local.gov.uk](mailto:karl.white@local.gov.uk)

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

Telephone: 07919 562847

Email: [robert.holloway@local.gov.uk](mailto: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](mailto:liam.robson@local.gov.uk)



**Elaine English (LGPS Executive Officer)**

Telephone: 0207 187 7344

Email: [elaine.english@local.gov.uk](mailto:elaine.english@local.gov.uk)

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