

National LGPS Technical Group

Agenda item

The following should be completed by a member of the National LGPS Technical Group and sent to Kelly.Scottford@royalgreenwich.gov.uk the Secretary and jayne.wiberg@local.gov.uk LGA by no later than 12 noon on the date shown in the minutes.

For meeting to be held on: 5 March 2021

Raised by: Kim Linge

Description of agenda item to be discussed: SPPA Update

1) Suggested Amendments – Employer Exits

- In 2018, the UK Government made amending regulations to the Occupational Pension Schemes (Employer Debt) Regulations, amending the section 75 debt regime, to provide a 'deferred debt arrangement'. In September 2020 the Ministry of Housing, Communities and Local Government (MHCLG) adopted some of these provisions in the 2013 Scheme via The Local Government Pension Scheme (Amendment) (No 2) Regulations 2020.
- A review of the current provisions was a recent recommendation of the LGPS Scotland Working Group on employer exits. The Scottish Public Pensions Agency (SPPA) wrote to fund authorities on the 11 January 2021 asking for their views on the merits of these amendments, which would enable administering authorities and employers to agree to defer exit payments in return for an ongoing commitment from employers to meet their existing liabilities in a deferred debt agreement.
- We have asked for replies by the end of February 2021. Responses will inform plans to consult on similar provisions in Scotland.

2) LGPS Scotland Working Group Meeting Actions

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- The LGPS SAB (Scotland) Working Group was convened in 2020, to address problems for charities and other employers in the scheme who cannot afford to stay in the LGPS but find it is too expensive to leave due to the cessation valuation of their liabilities. The group met recently to discuss action points agreed at the Scheme Advisory Board (SAB) meeting on 10 December 2020 to identify next steps and timescales for action.
- The agreed actions include providing guidance for funds from the Scottish SAB and from ICAS and OSCR for the charity sector on accounting and good practice for charity trustees.
- Key actions from the group lie in the review of regulations and we are seeking views of Scottish Ministers on the proposals.

3) Government Actuary's Department (GAD) - Cost Cap

- On 4 February HM Treasury (HMT) announced its proposals to remedy discrimination in the unfunded public service pension schemes. Alongside this, the Chief Secretary to the Treasury made related announcements on the cost control process including that the 2016 (2017 Scottish LGPS) cost cap valuations can now be undertaken.
- At present we are still waiting for HMT Directions to inform the process. GAD and SPPA provided an update on the 2016/ 2020 Cost Cap valuation process at the meeting.

4) The Pension Schemes Act 2021

- The Pension Schemes Bill received Royal Assent on 11 February. The new Act is intended to provide greater protection for savers and further the government's green agenda by supporting progress towards net zero. The UK Government has indicated that the regulatory regime providing the new powers to the Pensions Regulator (TPR) is expected to come into force by Autumn 2021.
- Guidance from TPR is due to be consulted on in the coming months and published before the regulations come into force.
- The main requirements of the Act include new criminal offences; 'Avoidance of employer (section 75) debt' and 'Conduct risking accrued scheme benefits' which have a penalty on conviction of an unlimited fine and/or imprisonment for up to 7 years; and 'Failure to comply with a contribution notice', which could also result in an unlimited fine.
- The Act also introduces statutory obligations for schemes to provide pension-related information to any qualifying dashboards and although the regulations for schemes are not expected to come into force until 2023, Trustees should consider starting to prepare their data now, to ensure that they are ready.

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- The Act also provides Trustees with the tools to fully investigate and block suspicious transfer requests, without facing the risk of legal action, to try to address pensions scams.
- The UK Government is now setting out requirements to ensure analysis and consideration of climate change is 'embedded in the decision-making process of trustees'.
- The proposals will initially affect those schemes with £5 billion or more in net assets, before being extended to schemes with £1 billion or more in net assets by the end of 2023. The application of the proposals to smaller schemes would be revisited in 2024.
- Although the regulations for schemes are not expected to come into force until 2023, Trustees should consider starting to prepare their data now, to ensure that they are ready. TPR has said previously that it will not use these powers retrospectively.

5) HM Treasury consultation

- HM Treasury has issued a consultation on the change to the normal minimum pension age which will increase from age 55 to 57 in 2028.
- The normal minimum pension age is the minimum age at which most pension savers can access their pensions without incurring an unauthorised payments tax charge (unless they are taking their pension due to ill-health). The consultation also seeks views on the proposed protection regime for members of other pension schemes.