

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE
30 June 2016

LOCAL GOVERNMENT PENSION SCHEME (LGPS): DRAFT AMENDING REGULATIONS

Purpose of the Report

1. This report introduces a consultation on the LGPS amending regulations issued on 27 May 2016 from the Department of Communities and Local Government (DCLG). The closing date for responses is 20 August 2016 and Members will be asked to delegate the formal response to officers in consultation with the Chairman and Vice Chairman of the Wiltshire Pension Fund.

Background

2. Following the implementation of the reforms of the LGPS from 1 April 2014, DCLG has continued with practitioners to identify areas in the regulations that require clarification and correction. The amending regulations are the product of that work and contain other policy developments such as provisions as a result of the Pension Schemes Act 2015 and measures relating to Fair Deal.
3. Fair Deal for Staff Pensions sets out how pension issues are to be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. Currently, the provider must achieve admitted body status so staff can continue to be eligible to be in the LGPS, or, they must offer a broadly comparable private pension scheme.
4. The Pension Schemes Act 2015 delivered the government's policy of "Freedom & Choice" that allows members of Defined Contribution pension schemes greater flexibility when accessing their pension benefits.

Considerations for the Committee

5. This latest Government consultation can be found at the following link:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-regulations>

6. This is a technical paper and officers will provide a verbal summary at the meeting.
7. The Fund has drafted an initial response (see Appendix). The Committee is asked to consider the officer's comments and is invited to provide any further feedback. The formal response will then be submitted following agreement with the Chairman and Vice Chairman of the Committee ahead of the closing date of 20 August 2016.

What's in the draft Regulations?

8. The consultation outlines the proposal that staff that are transferring to an independent provider must remain in the LGPS therefore removing the option of transferring to a broadly comparable scheme.

9. The intention is for the current admitted body status framework to continue to apply where the bodies are required to pay the appropriate amounts to the Fund to meet pensions that accrue for members they employ.
10. Under the proposed regulations, the costs of providing the LGPS to transferring staff should be clearly set out in the tender documentation.
11. For previous contracts involving members who were previously transferred out and joined a broadly comparable scheme, the draft regulations do not include a requirement that, at retender, the formerly transferred member must be brought back into the LGPS. This is because the individual is not being transferred out of the public sector at that point as they are employed by the current external provider. It will remain the case that new providers at a retender can access the scheme if they wish via the admitted body status but it is not a requirement to do so.
12. This is an important area for employer to make sure they understand their responsibilities when outsourcing and letting contracts. The Fund has arranged an Employer Forum meeting on 7 September to update them of these potential changes to supplement the technical updates circulated and information available to them on our website.
13. The amendments regulations also intend to increase the scope of AVCs to allow members to withdraw their AVC funds upon reaching 55 but continue to accrue their main LGPS benefits. This is to align AVCs with the government's "Freedom and Choice" policy.
14. A further intention is to extend the ability for members who stopped paying into the LGPS prior to 1 April 2014 to voluntarily access their benefits at age 55.
15. The remaining regulations mainly deal with cleansing minor errors and anomalies to the current scheme working versions.

Areas for consultation

16. The first point DCLG has asked is for comments is to establish if there are better ways to adopt the reformed Fair Deal in local government aside from utilising the current admitted body status framework. They invite respondents to recommend an alternative approach along with their rationale.
17. The second question is to ascertain whether DCLG have outlined the correct approach in not making it compulsory for providers to automatically provide the LGPS for members who previously transferred to a broadly comparable scheme. If consultees recommend an alternative approach they must outline why that approach should be considered and how practically it can be achieved.
18. The third question is to gauge whether consultees think that the regulations should be extended to permit all members to voluntarily access their benefits at age 55 regardless of when they stopped paying into the LGPS and how this can be achieved under earlier revoked regulations.

Summary

19. The proposed response reflects the view of officers from the position of the Wiltshire Pension Fund. Wiltshire Council may wish to respond from an employer's perspective and officers will liaise with the Council to support any separate submission or incorporate any additional comments into the proposed response.

Legal Implications

20. There are no direct legal implications to the Fund from these proposed amendments. The implications will be on the public service employers with the Fund who must ensure their contractors become admitted bodies of the Pension Fund to protect an employee's pension rights.

Risks Assessment

21. There are no direct increased risks from the consultation being issued. Communication with employers will be essential to ensure they are aware of their obligations to protect staff pension rights for public service workers when outsourcing contracts. However, the main material change is that contractors will be unable to utilise 'broadly comparable' schemes and must become an Admitted body within the Fund.

Environmental Impact of the Proposal

22. There is no known environmental impact of this proposal.

Safeguarding Considerations/Public Health Implications/Equalities Impact

23. There are no known implications at this time.

Financial Implications

24. There are no direct financial implications from the amendment of these regulations.

Reason for Proposals

25. The Fund should respond to this consultation to be proactive in shaping the future of the scheme and officers now need to consider the issues for implementation.

Proposals

26. Members are recommended to delegate the approval of the formal response from the Wiltshire Pension Fund to the Chairman and Vice Chairman taking into considerations the officers proposed response and the points raised at this meeting.

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Treasurer to the Pension Fund

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Unpublished documents relied upon in the production of this report: