

NORTHUMBERLAND COUNTY COUNCIL PENSION FUND
Pension Fund Panel Meeting 23 February 2018



South Tyneside Council

Pensions Committee

Date: 13th June 2017

Pensions Administration

Report of the Corporate Director Business and Resources

- **Purpose of Report**

This report briefs the Committee on developments in pensions administration.

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Pension Administration Related Developments

Ongoing Consultations

2. Members will recall that it was reported to the March 2017 meeting that the Fund had responded to an HM Treasury consultation on options for how the Guaranteed Minimum Pension element of pensions paid to those members who will reach State Pension age on or after 6th December 2018 should be indexed.
3. It was hoped that we would hear relatively quickly how the Government intends to proceed, as the decision will have a significant impact in a number of areas of pensions administration and we will need to plan and prepare for implementing the chosen approach. However, nothing has so far been forthcoming from HM Treasury.
4. There has also been no further update upon when the delayed LGPS (Administration) Regulations 2016 will be taken forward. As members will recall, whilst most of the amendments contained in the proposed regulations consist of minor corrections and technical changes, there are included a number of noteworthy changes, including revised access provisions and flexibilities for members who have contributed to an in-house AVC arrangement, a new ability to return excess funding to employers who have left the Fund and a proposed amendment that would allow for an admission agreement to have retrospective effect.

Academies

5. In response to the continuing growth in the number of schools converting to academy status and becoming LGPS employers in their own right, the Scheme Advisory Board (SAB) is reviewing the issues that have been identified in respect of the participation of existing academies.
6. The SAB commissioned PwC to investigate these issues and prepare a report making recommendations for managing them.
7. On the 29th March 2017, Councillor Roger Phillips, Chair of the SAB, met with the Local Government Minister, Marcus Jones, and Lord Nash, Parliamentary Under Secretary of State for the school system to discuss the findings of the PwC report and agree next steps. Councillor Phillips set out the three mechanisms for change highlighted in the report including non-regulatory measures within the LGPS; regulatory measures within the scheme and thirdly, measures outside of the LGPS including through primary legislation.
8. It was agreed that the immediate focus should be to explore how the issues identified in the report could be resolved within the LGPS, either by way of general guidance, statutory guidance or, where necessary, through changes to the scheme's regulatory framework. Although agreeing to focus on solutions within the scheme at this stage, Ministers were also clear that should these not prove effective, more radical measures outside of the LGPS would not be completely ruled out.

9. Ministers agreed that DfE, DCLG, GAD and SAB should continue to work closely together to find solutions, engaging key stakeholders including pension funds, actuarial firms and academy trusts as appropriate.
10. The next stage will be to gather relevant evidence and develop specific proposals for change that SAB will consider before submitting its recommendations to Ministers for their consideration.
11. In addition, the Local Government Association have, in association with DfE and DCLG, devised and published an information sheet for academies on participating in the LGPS.
12. The Fund is concerned about the content of the information sheet, as some statements do not reflect regulatory requirements and/or actuarial practice. The Fund has raised these concerns with the LGA and DCLG.

Overseas Transfer Charge

13. In the Spring 2017 budget the government introduced an overseas transfer charge. This is intended to support the government's objective of promoting fairness in the tax system.
14. It continues to allow overseas transfer from registered UK pension schemes that have had tax relief.
15. However it requires that transfers to a qualifying recognised overseas pension scheme (QROPS) on or after 9th March 2017 will be subject to a 25% tax charge unless, from the point of transfer, both the individual and the pensions savings are both within the country, both are within the European Economic Area or the QROPS is provided by the individual's employer. If this is not the case and or the individual does not provide the necessary information, the overseas charge will apply.
16. It also widens the scope so that following a relevant transfer on or after 9th March the charge may apply to an onward transfer payment of those funds in the full five tax years after the original date of transfer, regardless of where the individual is resident.

Non Pension Administration Related Developments that will impact our Employers - Public Sector Exit Payment Reforms

17. The following items are not a matter for LGPS Administering Authorities to consider. They are employer issues which are brought to the Committee for information purposes.
18. As members will be aware, the Government has committed to restricting the size of redundancy payments and other early exit costs across the public sector. To further this objective the Government consulted on significant changes to the

rules applying to public sector exit payments The current position on these are set out below-

Clawback provisions for high earners (those earning £80,000 or more) returning to public sector employment within twelve months.

19. We had been informed that the regulations required to introduce this had still not been laid before Parliament.

The £95,000 Public Sector Exit Payments Cap

20. Provisions allowing for the introduction of a Public Sector Exit Payments Cap were included in the Enterprise Act 2016. HM Treasury now have to decide how the new requirements will be implemented in the various public sector schemes.

21. The Treasury has decided to undertake a further consultation on the draft regulations and guidance that will cover the cap, but we have still not been advised when this consultation will be issued.

Further fundamental reforms to the rules governing the availability and calculation of public sector exit payments

22. The Government has decided not to introduce a new single exit payment regime across all the public services, instead choosing to allow a more flexible approach reflecting the needs of different public sector workforces.

23. Individual Government Departments are being tasked with compiling proposals for reform that are based around a common Government framework.

24. Each Government Department's proposals will then need to be agreed with unions and other workforce representatives.

25. The Government does, however, retain the right to introduce change via primary legislation if no meaningful proposals are put forward or there is a failure to reach agreement.

26. The Department for Communities and Local Government have put forward some proposals to the unions and workforce representatives in respect of the LGPS, which, we understand, are still being considered.

Recommendation

27. The Committee is recommended to note the report.