

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



South Tyneside Council

Pensions Committee

Date: 24th November 2017

Pensions Administration

Report of the Corporate Director Business and Commercial Development

- **Purpose of Report**

This report briefs the Committee on developments in pensions administration.

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Ongoing Consultations

2. In February 2017 the Fund 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. Since then members have been provided with an update at each meeting.
3. We had 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, the draft regulations were published on 27th May 2016, with a consultation deadline of 19th August 2016. Whilst most of the amendments contained in the proposed regulations consist of minor corrections and technical changes, they also 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 – SAB Review

5. At the September meeting members were advised that Scheme Advisory Board (SAB) is reviewing the issues that have been identified in respect of the participation of existing academies and had commissioned PwC to investigate these issues and prepare a report.
6. The report made no recommendations but set out three broad types of approach or mechanisms to try and resolve these issues. These are
 - non-regulatory measures within the LGPS
 - regulatory measures within the scheme, and
 - measures outside of the LGPS, including through primary legislation.
7. Following release of the report, on 17th July, the SAB commenced a consultation aimed at seeking responses from interested parties on draft objectives for the development of options for academies. This consultation was aimed at LGPS Pension Fund Managers and Pensions Committees. The following objectives were proposed:

- Protect the benefits of Scheme members through continued access to the LGPS
- Ring fence local taxpayers and other Scheme employers from the liabilities of the academy trust sector
- Improve the efficiency and effectiveness of administrative practices
- Increase the accuracy and reliability of data

In achieving the above, any options for change should not:

- significantly alter cash flows at the fund level
 - significantly alter assets at the pool
8. The Fund responded in agreement with the proposals with the following further caveat added: the options for change should not significantly alter assets at the fund level. We think that this is important to protect the position of individual funds.
9. The committee will continue to be updated on this matter.

Tier 3 Employers – SAB Review

10. In addition to the review noted above the SAB has also commissioned some work in respect of “Tier 3 Employers” in the LGPS.
11. Broadly speaking, Tier 3 employers include any employer with no ability to raise taxes and which is also not an Academy.
12. It is understood that the SAB is seeking to identify the potential funding, legal and administrative issues and liabilities relating to admitted and scheduled bodies that do not benefit from local or national tax payer backing.
13. Aon Hewitt has been appointed to undertake this review.

Pension Regulator Scheme Return

14. The Fund is required to complete an annual scheme return to provide the Pensions Regulator with information in respect of governance arrangements, participating employers, serviced providers and contact details. The Fund submitted the 2017 return within the statutory deadline of 26th October.

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

15. 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.
16. 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. There are three areas of potential report in this area:
- The £95,000 Public Sector Exit Payments Cap
 - Clawback provisions for high earners (those earning £80,000 or more) returning to public sector employment within twelve months
 - Further fundamental reforms to the rules governing the availability and calculation of public sector exit payments
17. There has been very little progress on these areas for some time. The delays have been such that there was speculation whether the required regulatory changes would actually be made to give effect to these areas of previously stated Government policy. This is against the background of the current minority Government and lack of parliamentary time due to the focus on Brexit.
18. However, at a recent conference it was noted that the LGA has recently provided an update, which suggested that officials from the Department of Communities and Local Government had advised that consultations are now expected in October or November. To date no consultation has been received.

Recommendation

19. The Committee is recommended to note the report