

Local Government Pensions Committee
Secretary, Lorraine Bennett

LGPC Bulletin 194 – February 2020

Foreword

This bulletin contains important updates for administering authorities, scheme employers and software suppliers. It also provides a general update for all LGPS stakeholders.

This bulletin contains important articles on:

- [2020/21 Draft employee contribution bands](#)
- [Ill Health retirement and IDRPs guidance](#)
- [LGPS National Knowledge Assessment](#)
- [The Teachers' Pension Scheme grant](#)

which need action by certain stakeholders.

If you have any comments or articles for future bulletins, please contact query.lgps@local.gov.uk.

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LGPS England & Wales Scheme Advisory Board (SAB)

Scheme Advisory Board - latest meeting

SAB met on 3 February 2020. You can read an [update from the February SAB meeting](#) on the board website. A summary of the ongoing projects follows.

Good Governance project

SAB approved resources for Phase three of the Good Governance project. This phase will determine:

- the outcome measures it will use
- the format of this work, and
- a timetable for implementation.

McCloud

At the SAB meeting in February, the Board agreed to create two working groups to help implement the outcome of the McCloud judgment for the LGPS. These will be:

- a small policy group to help MHCLG consider areas of policy not determined by HMT.
- a larger implementation group made up of practitioners, member representatives, actuaries, software providers, employers and representatives from the Scottish and Northern Irish schemes. It will consider the challenges of implementing and communicating the scheme changes.

We expect a consultation on the LGPS regulation changes in the spring; however, there might be a long delay before new regulations come into force. This will depend on the level of changes to primary legislation. This waiting period could lead to uncertainty for members which might make legal claims against the LGPS and employers more likely. SAB will be issuing communications for employers and scheme members in this period.

Practitioner Representative

Rachel Brothwood (West Midlands Pension Fund) is the new practitioner representative on the SAB. Rachel replaces Nicola Mark (Norfolk Pension Fund) and was elected to the role following a vote by LGPS administering authorities.

Commenting on Rachel's appointment, Councillor Roger Phillips said "Stepping into Nicola's shoes was never going to be an easy task, but Rachel joins the board with a wealth of knowledge and experience of the scheme. I know that she will continue to represent scheme practitioners to the same high standard enjoyed by the Board in recent years."

Responsible Investment guidance

On 24 February 2020 SAB published a [statement on the draft responsible investment guidance](#).

Responses to the earlier consultation were generally positive with some helpful drafting points. Some respondents raised concerns about fiduciary duty in the context of the LGPS.

The issue of fiduciary duty was discussed in the Supreme Court hearing involving the Palestine Solidarity Campaign and MHCLG. When the judgment is handed down, it might help shed some light on how the fiduciary duty test applies to investment decision makers in the LGPS.

The Government recently introduced amendments to the Pension Schemes Bill 2020. These changes could also impact how investment strategy statements are prepared in relation to issues like ESG and climate change.

For these reasons, the SAB has decided not to offer definitive advice or guidance on how the fiduciary duty test applies in the LGPS at this time. It will change direction and restructure the draft guidance to:

- explain and clarify the terminology associated with responsible investment
- provide investment decision makers with a range of information, case studies and tools to help them meet the challenges associated with responsible investment.

SAB will circulate the revised draft guidance to scheme stakeholders for comment in the normal way.

LGPS England & Wales

2020 Data collection for cost management

On 14/02/2020 Lorraine Bennett forwarded a [letter to administering authorities](#) on behalf of the Government Actuary's Department (GAD). The letter confirms that:

- GAD will provide each administering authority with a short report on their 2019 data, and
- GAD plan to request 2020 data in September 2020.

The LGPS (Amendment) Regulations 2020 – exit credits

On 27 February 2020, MHCLG published a [partial response](#) to the consultation covering changes to the local valuation cycle and the management of employer risk. The response covers the proposals on exit credits only. MHCLG will submit a further response to the other proposals covered by this consultation in due course.

The response confirms that most respondents supported the proposal to allow administering authorities to take account of an employer's exposure to risk when calculating an exit credit. MHCLG confirms in the response that they will amend the LGPS regulations so that:

- administering authorities may determine the amount of any exit credit payment due, having regard to any relevant considerations

- the period within which an exit credit must be paid is increased from three months to six months
- administering authorities will not be obliged to enquire into the precise risk sharing arrangement adopted
- any exit credits that have not been paid shall only be due if the administering authority exercises its discretion to pay them
- any exit credits that have already been paid shall be treated as if the administering authority exercised its discretion to pay that amount – an administering authority may not seek to change the amount paid
- the Pensions Ombudsman has jurisdiction to hear complaints if any dispute is not resolved using the internal dispute resolution process
- administering authorities should set out their exit credit policy in their Funding Strategy Statement.

[The Local Government Pension Scheme \(Amendment\) Regulations 2020](#) giving effect to these proposals were laid in Parliament on 27 February 2020. They come into force on 20 March 2020 but have effect from 14 May 2018. We will update the Timeline regulations on www.lgpsregs.org to reflect the changes before they come into force on 20 March 2020.

2020/21 Draft employee contribution bands

Below are the draft employee contribution bands, which will be effective from 1 April 2020. They are calculated by increasing the 2019/20 employee contribution bands by the September 2019 CPI figure of 1.7% and then rounding down the result to the nearest £100.

Table 1: Contribution table England and Wales 2020/21

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,800	5.80%	2.90%
3	£22,801 to £37,100	6.50%	3.25%
4	£37,101 to £46,900	6.80%	3.40%
5	£46,901 to £65,600	8.50%	4.25%
6	£65,601 to £93,000	9.90%	4.95%
7	£93,001 to £109,500	10.50%	5.25%
8	£109,501 to £164,200	11.40%	5.70%
9	£164,201 or more	12.50%	6.25%

Action for administering authorities

Please pass the draft employee contribution table to Scheme employers and other relevant parties.

The LGPS (Buckinghamshire Structural Changes) (Amendment) Regulations 2020

[The LGPS \(Buckinghamshire Structural Changes\) \(Amendment\) Regulations 2020](#) take effect on 1 April 2020. They put in place local government reorganisation in Buckinghamshire. The authorities listed below will cease to exist on 1 April 2020:

- Buckinghamshire County Council
- Aylesbury Vale District Council
- Chiltern District Council
- South Bucks District Council
- Wycombe District Council.

They will be combined into a single unitary authority known as Buckinghamshire Council from 1 April 2020.

LGPS Scotland

Ill Health Retirement and IDRP guidance

On 19 February 2020, the Scottish Public Pensions Agency (SPPA) published [circular 2020/01](#) providing guidance for:

- persons responsible for making decisions about ill-health retirement
- the Appointed Person to assist them when making a 'First Instance Decision', when they review an employer's decision at the request of the member.

This guidance follows the Pensions Ombudsman's requirements. It applies to both active and deferred members. If a case reaches the second stage of IDRP, SPPA will return the case to the decision maker where the guidance is not followed.

Action for administering authorities

Please pass the guidance on to Scheme employers and any other relevant parties.

Purchase of additional survivor benefits (ASB) – new factors

The Government Actuary's Department (GAD) has added new ASB factors to the [factor workbook](#). GAD have adjusted the factors to take account of the reduction in the SCAPE discount rate in October 2018. GAD has recommended that the factors become effective from 1 April 2020.

GAD is working on updated guidance notes to go with the factors. Meanwhile, GAD recommends that administrators send them sample calculations using the new factors to ensure that they have been implemented in line with current guidance.

Once you confirm that you are happy with the new factors, SPPA will load them to their website. If you spot any errors or have any questions, please contact michael.rae@gad.gov.uk. If you would prefer a meeting with GAD, please contact kimberly.linge@gov.scot.

Section 13 report

As reported in [bulletin 192](#), GAD published a review of the actuarial valuations of the 15 funds in LGPS Scotland as at 31 March 2017. The report made two recommendations for future valuations about standardisation.

On 14 February 2020, SPPA wrote to Scottish administering authorities to ask for the views of administering authorities and actuaries about how best to:

- adopt an agreed methodology and assumptions for future valuation reports, and
- put in place a standard way of presenting relevant disclosures.

GAD will work with fund actuaries to take forward the recommendations in the report.

Scheme Advisory Board (SAB) annual report 2018/19

SAB published its [2018/19 annual report](#) on 21 February 2020.

The report summarises the financial position of funds across Scotland. The financial position of individual funds varies. The Scheme is 100% funded and sustainable.

The [SAB website](#) contains more information about their work.

The LGPS (Miscellaneous Amendments) (Scotland) Regulations 2020

[The LGPS \(Miscellaneous Amendments\) \(Scotland\) Regulations 2020](#) take effect on 1 and 31 March 2020. They:

- correct a drafting error in the Increased Pension Entitlement Regulations
- allow administering authorities to apply to Scottish Ministers to substitute a different fund for a Scheme employer if that fund is also maintained by the same administering authority.

HMRC

Guaranteed Minimum Pension (GMP) equalisation newsletter

On 20 February HMRC published a [newsletter on GMP equalisation](#). The newsletter supplements the information in the Pensions Tax Manual. HMT are working with MHCLG to assess if GMP equalisation must apply to LGPS members' benefits. We will notify you of the outcome in due course.

DWP

Automatic Enrolment (AE) earnings trigger 2020/2021

The AE earnings trigger for 2020/21 will be £10,000. This is the same as 2019/20. The Government confirmed this in a [written statement on automatic enrolment](#) to Parliament on 13 February 2020. It will lay legislation following the February recess to that effect.

TPO

The Pensions Ombudsman (TPO) News

TPO issued the seventh edition of '[Pensions Ombudsman News](#)' in January 2020. The newsletter includes:

- an introductory message from the Pensions Ombudsman, Anthony Arter
 - an article covering the relationship and promotional work undertaken since June 2019
 - a legal update
 - dates of future events
 - volunteering for the TPO.
-

TPR

The Pensions Regulator (TPR) seeks to extend supervision to select administrators

TPR is seeking a voluntary extension to its supervision regime. This has already been introduced for the largest schemes in the UK. It will attempt to build relationships with pensions administrators of critical importance. These are the top 75 outsourcing companies and in-house teams in the country.

Key areas of focus for interaction will include:

- trustee relationship management
- handling of client transitions
- data quality controls
- due diligence on scams
- member communications
- resourcing and training
- business continuity and cyber resilience.

TPR is hopeful that a final list could be ready by the end of 2020.

Other news and updates

2020 Public Service Pension Scheme (PSPS) Indexation and Revaluation

On 25 February 2020, the Government made a [written statement on indexation and revaluation](#). The statement confirms that the following LGPS benefits will both increase by 1.7% In April 2020:

- pensions in payment, and
- active member career average benefits.

The statement also confirms the increases that will apply to career average benefits in other Public Service Pension Schemes:

- Police Pension Scheme: 2.95%
- Firefighters' Pension Scheme: 4%
- Civil Service Pension Scheme: 1.7%
- NHS Pension Scheme: 3.2%
- Teachers' Pension Scheme: 3.3%
- Armed Forces Pension Scheme: 4%
- Judicial Pension Scheme: 1.7%.

2020 pensions increase multiplier tables

The Government produces annual pensions increase (PI) multiplier tables. This is part of the public service pensions uprating process.

On 25 February 2020, the Government published the [2020 PI tables](#). SPPA and the LGA sent the 2020 PI tables to administering authorities earlier in the month. They are now available to the general public.

Communications Working Group (CWG)

The CWG met on 29 January 2020. Topics covered include:

- member videos
- web content accessibility
- digital engagement
- annual benefit statements
- standardised member letters
- employer responsibilities related to ill health retirement
- CWG workplan for 2020/21.

You can read the minutes of the meeting on the [CWG page](#) of www.lgpsregs.org.

LGPS National Knowledge Assessment (NKA)

Hymans Robertson have launched their NKA. This follows their first ever LGPS National Confidence Assessment (NCA). The assessment will look at the knowledge levels of key decision makers. Key decision makers are Pension Committee (PC) and Pension Board (PB) members.

By participating in the assessment, each administering authority will receive:

- their own results report
- Hymans Robertson analysis and suggested next steps
- their benchmarked position against other LGPS administering authorities
- a recommended training plan tailored for their PC and PB.

Following the assessment, Hymans Robertson will publish a National Report. This will contain commentary and analysis on the current LGPS PC and PB landscape. Hymans Robertson will send an invitation to all administering authorities in March 2020. Completion of the survey will take 15 to 20 minutes for each PC or PB member.

For further information please contact marketing@hymans.co.uk.

PASA launches DB Transfers Code of Good Practice Consultation

The Pensions Administration Standards Association (PASA) launched its [Defined Benefit \(DB\) Transfers Code of Good Practice Consultation](#). The consultation closes on 30 April 2020, with the aim of launching the Code in September.

Tell us Once (TUO)

Users of the TUO facility will know that tokens are used to access online death notifications. These tokens are being upgraded for a new model. TUO will be in touch over the coming months to help users move across to the new tokens.

Meanwhile, administering authorities should review their current users, remove users who no longer need access and add any new users. This will help administering authorities to swap users to the new tokens.

It is important that all users access the TUO notification service at least once a month to prevent deactivation of their account. It is enough to log into the first screen to keep an account active.

Training

Insight Residential Course

From 18 to 21 May 2020 we will run the Insight Residential Course in Bournemouth. This is a foundation course covering all aspects of the LGPS in England and Wales. You can read an overview of the [Insight course content](#). The course is for staff who:

- are relatively new to the LGPS, or
- have some experience and want to gain a broader understanding.

The cost is £815 (plus VAT at the standard rate) per delegate. This includes full board accommodation throughout the course and refreshments during the day. Delegates receive a course certificate after the event. We limit the number of delegates, so we recommend booking early. You can make a booking via the [LGA's online events page](#) or by using the link below.

18 to 21 May 2020, [Insight Residential Course](#), Highcliffe Marriott Hotel, Bournemouth.

Understanding death and survivor benefits and Understanding the employer role

In February 2020, we announced that we will be running Understanding training events covering death and survivor benefits and the employer role. We will be delivering both courses in Birmingham, Cardiff, Leeds and London. The dates scheduled in March, April and May 2020 are fully booked.

We are maintaining a waiting list to fill any places that become available. If you would like to add a name to the waiting list, please email elaine.english@local.gov.uk. You will need to let Elaine know which course you would like to attend and your preferred location. Any spaces that become available will be allocated on a first come, first served basis. If any additional dates are arranged the people on the waiting list will be given the opportunity to book before the courses are advertised. Any extra dates may not be at your preferred location.

Please use the links below to read overviews of the course contents:

[Understanding death and survivor benefits – course contents](#)
[Understanding the employer role – course contents](#).

Wider landscape

Teachers' Pension Scheme (TPS) Grant

[Bulletin 191](#) contains an article about the TPS employer contribution grant. The Government have updated their [TPS guidance on the employer contribution grant](#). The guidance covers the grant for the financial years 2019 to 2020 and 2020 to 2021.

Action for administering authorities

Please pass information about the grant on to your schools. Including any academies to which you provide services.

TPS outsourced HR and/or payroll – LGA guidance

Local authorities and their maintained schools on occasion outsource their payroll and HR functions. When this happens, both parties must fulfil their employer obligations under the TPS.

In January 2020, we published [new guidance and tools](#) on the LGA website to assist local authorities and schools understand their obligations.

Action for administering authorities

Please pass the new guidance and tools on to the relevant parties.

Legislation

Acts

[European Union \(Withdrawal Agreement\) Act 2020](#)

Statutory Instruments

The Local Government Pension Scheme (Buckinghamshire Structural Changes) (Amendment) Regulations 2020 [[SI 2020/123](#)]

The Local Government Pension Scheme (Amendment) Regulations 2020 [[SI 2020/179](#)]

Scottish Statutory Instruments

The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2020 [[SSI 2020/31](#)]

Useful links

[LGA Pensions page](#)

[LGPS member website \(England and Wales\)](#)

[LGPS member website \(Scotland 2015\)](#)

[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 and one of the team's LGPS pension advisers will get back to you.

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Further information

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