Supplementary Agenda – 4 August 2021

Surrey Local Pension Board

Date & time	Place	Contact	Chief Executive
Thursday, 5 August 2021 at 2.00 pm	Woodhatch Place, 11 Cockshot Hill, Reigate RH2 8EF	Angela Guest Tel 07929 724773 angela.guest@surreycc.gov.uk	Joanna Killian

AGENDA

14 RECENT DEVELOPMENTS IN THE LGPS (Pages 5 - 42)

Background documents.

Joanna Killian
Chief Executive
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Our Ref: Increasing the normal minimum pension age consultation
Your Ref:

HM Treasury,
1 Horse Guards Road,
London,
SW1A 2HQ

nmpaconsultation@hmtreasury.gov.uk

By email

20th April 2021

Dear Sir or Madam,

Increasing the normal minimum pension age: consultation on implementation

Surrey County Council (Surrey) welcomes the opportunity to respond to the consultation on the proposed increase in the normal minimum pension age.

Surrey is the Administering Authority for the Surrey Pension Fund (the Fund) as part of the Local Government Pension Scheme (LGPS). The Fund has assets of almost £5 billion and includes over 110,000 members and over 300 employers.

Introduction

Surrey is of a view that the proposals contained in the consultation are generally well considered, however, we do highlight some areas where the consequences may not have been fully appreciated.

Although general life expectancy is gradually increasing, the normal minimum pension age (NMPA) must be viewed through the prism of healthy life expectancy in retirement remaining static.

The long lead time for the new NMPA may soften perception of the likely consequences but it will, nonetheless, have a significant impact when it does bite.

Protections

Surrey notes that the proposal will not affect members of the Firefighters, Police or Armed Forces public sector pension schemes and it thinks that this is sensible.

A member of any registered defined benefit or defined contribution pension scheme on 11th February 2021, the date of the consultation, with an unqualified right (i.e. without another party's consent) to retire from age 55 will have the whole of their pension protected from the proposed increase in NMPA.

The consultation says that individual members who transfer from (say) Teachers' Pensions where they have protection, to (say) the LGPS after 11th February 2021 would lose their NMPA unless it was a "block transfer" (a specific type of transfer where two or more members transfer simultaneously; PTM062240 - Pensions Tax Manual - HMRC internal manual - GOV.UK (www.gov.uk)).

1 Are there any specific considerations that should be taken into account regarding the government's proposed framework for the increase to the NMPA?

This approach introduces a two-tier work force with members in post on 11th February 2021 enjoying a protected NMPA and those who enter employment or move to another pension scheme afterwards losing out. The real watershed is the 11th February 2021, albeit that the consequences do not become apparent until 2028, and there is no period of grace in which to prepare for it / make contingency plans.

Under the plans consulted on, the protected retirement age (55) only applies to members who remain in the same job or are "block" transferred. This may stifle employment mobility because members who are considering retiring at 55 after 2028 are now (say) in their 40s, and arguably in their working prime, may be averse to changing jobs.

The early retirement reductions are sufficiently punitive to deter all but the highest earners and most highly motivated members from retiring ten years early, so twelve years' reductions are likely to be even less appealing, at least on the tranche of membership accrued after 2028. Nonetheless, the members who are most likely to take advantage of this tend to be key employees.

The Government seems to imply that early retirements/redundancies are just additional costs. This is not necessarily the case as, for many years, all early retirements are fully costed and supported by comprehensive business cases that demonstrates net savings for the organisation. These proposals are meant to save

money; however, the unintended consequences could be to frustrate savings and impede reorganisations designed to make workforces more efficient.

As voluntary early retirements are cost neutral, because the actuarial reductions offset any additional costs, and compulsory early retirements are funded by the employer anyway (through a strain cost), it is difficult to see how the increase in the early retirement age will drive any reduction in pension costs. It may instead drive up employers' contributions in the long-term as they tend to increase as the median age of the membership grows.

The increase in NMPA proposal undermines flexibility because local government has used judicious flexible retirement to retain key skills and mentor new recruits into sensitive positions. These employees are, by virtue of their skills, very marketable and members who started after 11th February 2021 could be more likely to leave local government if the employer is unable to offer flexible retirement. Also, what happens if a business with a closed admission agreement is TUPE transferred with only one employee who is eligible to be in the LGPS? Technically, this is not a block transfer but it would have been if the admission agreement had been open - and this seems arbitrary and unfair.

The block transfer rule is open to manipulation as Freedom and Choice transfers can sidestep it by finding a "buddy". This option is not available to defined benefit scheme members unless it is a genuine bulk transfer.

Another unintended consequence of this change is likely is likely to be that local government will have an increasingly aging workforce with many employees hanging on in employment longer than they would have liked to.

It will particularly difficult to remove very high earners before age 57 because they are likely to have input into their remuneration package, their reason for timing of leaving and the timing of their departure.

A significant minority of members may have health issues in their mid-50s, which may be very debilitating, but not sufficient to qualify for the top two tiers of ill-health retirement (e.g. heart disease, stroke and cancer). Will employers feel pressure to selectively relax the criteria for ill-health retirement rather than allow employees to linger in employment until age 57 to the detriment of the service and their health? Although it may appear pragmatic to do this, and there are unlikely to be many cases, it would be a step in the wrong direction.

Although the Government has signalled its intention of increasing the NMPA to 67 in 2028 (currently 66 rising to 67 and then [Office for Budget Responsibility estimate] 68 in 2036) and keeping the gap with State pensionable age (SPA) at 10 years – the consultation asserts that they are not establishing a fixed relationship between NMPA and SPA at this time.

The proposed NMPA appears to introduce a disconnect with the Pensions Increase Act 1971 (PIA), which currently engages at age 55. In Surrey's opinion, it is better to leave the PIA as it is as, otherwise, protected members who can draw their pensions

at 55 would not benefit from Pensions Increase until (say) 57 and, more worryingly, ill-health retirements of any age - who might be capable of further employment at some point - would not benefit from indexation until (say) age 57.

2 Are there any particular issues that the government should consider in the way NMPA is defined in pension scheme rules?

At first sight, a protected NMPA seems like a good idea but, although it may be good for individual members, on closer inspection the avoidance of a “cliff edge” introduces additional complexity for practitioners.

The key date affecting NMPA is 11th February 2021, and software systems will have to have a separate field to record this information, particularly if the member has transferred within the LGPS. It would be sensible to build in a variety of codes in order to accommodate further changes in the future.

As there is little difference between Pensions Increase awards and career average revalued earnings (CARE) increases in the LGPS, it may be tempting to leave an existing preserved in the LGPS, in order to keep the protected NMPA, rather than transfer it to another scheme. This may lead to the fragmentation of individuals’ pension benefits over time.

The consultation envisages members who are in post on 11th February 2021 keeping a protected pension age unless they change pension schemes for any reason apart from a block transfer.

1) What happens if someone leaves the LGPS, defers their pension benefits (with a protected NMPA) and subsequently returns to the LGPS?

2) Will there be any circumstances where they retain NMPA protection or will they have to keep the two tranches separate?

3) Will there be a mechanism for protecting final salary pension benefits - as long as there has not been a five year gap in membership of a public sector pension scheme - or will they be forced to choose between final pay protection and a protected NMPA?

4) Presumably the LGPS counts as one employer - so we are going to have to record the protection date if they move within the LGPS?

5) There will be a requirement to alert members to and explain the implications.

6) As the existing protection trigger is an arbitrary fixed date in the past, it is likely that members are going to argue that they would not have transferred-out if they had known about it. If the Government is intent on a trigger, it might be better if it was a fixed point (say) six months in the future?

7) The government says that it is not tying NMPA to SPA, but SPA also rises to 67 in 2028. Surrey is of the view that keeping age 55 is more flexible but (who

is going to go 10 years, let alone 12 years [post 28] early) but, if the Government is intent on going ahead, it should consider introducing a fixed relationship with SPA – if only as an aspiration – to facilitate retirement planning.

8) The change in NMPA means that it moves out of step with Pensions Increase but Surrey's view is that there is no need to change the latter because the mismatch was easily accommodated prior to 2010.

9) It appears that the protection is an attempt to address the issue that members may have planned to retire aged 55 at or shortly after 2028. The form of protection consulted on seems to imprison members in their existing pension schemes and it may have been more progressive if it had been based continuous membership of approved DB or DC pension schemes?

10) There will be a two-tier workforce from 2028.

11) Finally, and crucially, the block transfer regulations are complicated and there needs to be a simple and clear definition for the purposes of these regulations.

3 The government proposes that the protected pension age will apply to all the member's benefits under the scheme (if the conditions for a protected pension age are met), not just those benefits built up before 2028. Are there any other alternative options or issues the government should consider around the treatment of accrued and future pension savings?

If the government decides that having protection is the best approach, it would be simpler if all the pension benefits are protected as, otherwise, how would practitioners handle flexible retirement?

4 Are there any issues associated with schemes informing members who meet the conditions of their rights to a protected pension age?

None, depending on the complexity of the final arrangements.

5 Are there any circumstances why the increase in NMPA may impact on pension flexibility (which was introduced following the 2014 consultation on "Freedom and Choice in Pensions")?

As scheme reductions are largely self-regulating the main impact will be to reduce the number of Freedom and Choice transfers. Practitioners have noticed that many cases go ahead in spite of clear financial advice stating that a transfer is not in the member's best interests, and this is likely to lead to poverty in retirement. If improving the regulation of Freedom and Choice was one of the key drivers behind this reform, perhaps it would have been better to draft specific amendments to that legislation instead.

6 Are there any implications the government should consider by not requiring that all scheme benefits must be crystallised on the same day as a condition for a protected pension age?

It would be both regressive and undermine flexible retirement if members were required to draw all their pension benefits at once.

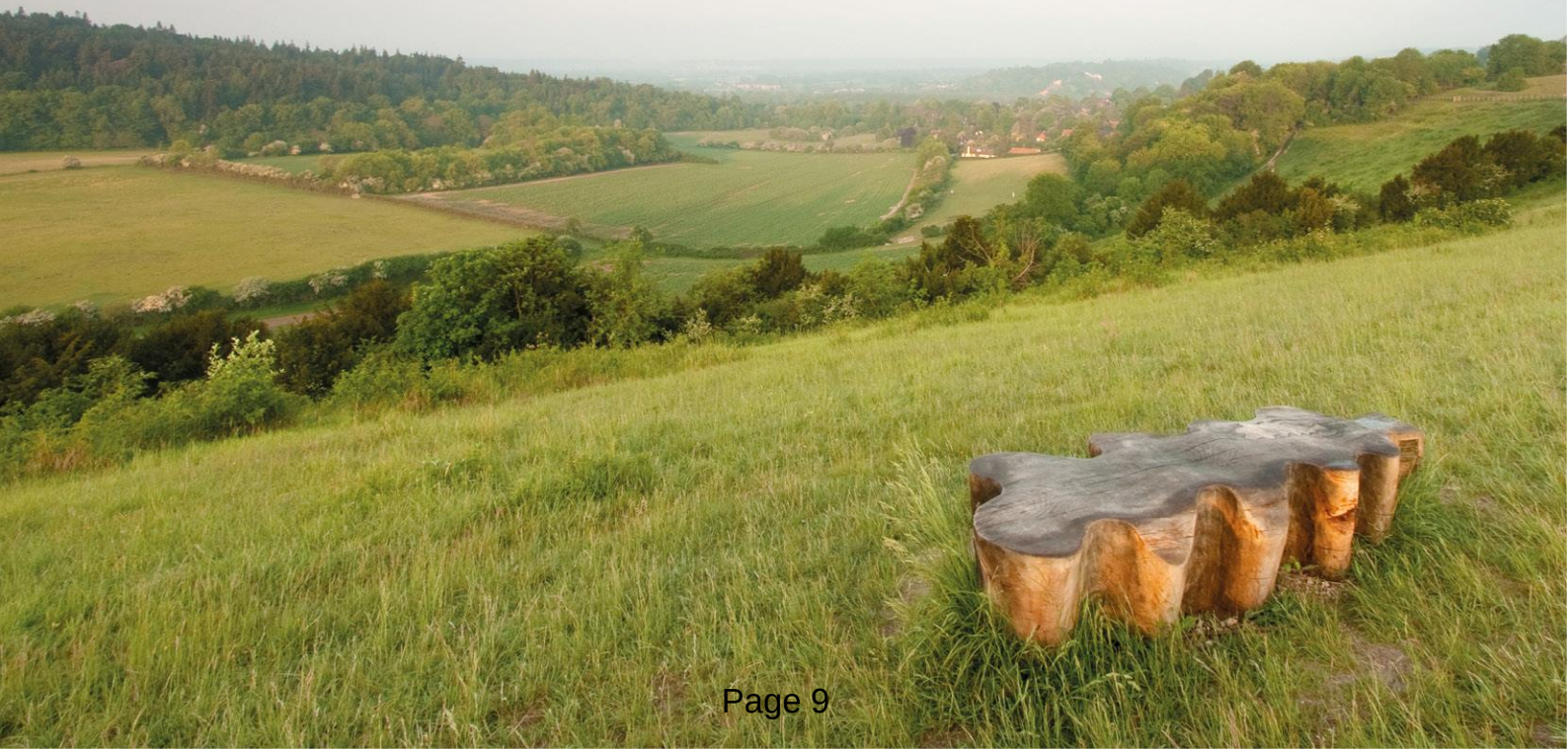
Yours sincerely

Anna D'Alessandro

SURREY COUNTY COUNCIL

Surrey Pension Fund

Communication Policy 2021/22



Contents

Introduction

This is the communication strategy for the Surrey Pension Fund administered by Surrey County Council (the Administering Authority). Communication is at the heart of everything the Fund does and has a dedicated communication team in place to help the Fund meet its current and future communication challenges. This Policy provides an overview of how the Surrey Pension Fund will communicate with its full range of stakeholders. An effective communication strategy is vital for the Fund to meet its objective of providing a high quality and consistent service to the stakeholders.

The Fund has over 300 employers with contributing members and a total membership of over 105,000 scheme members, which are split into the categories below and with the approximate numbers of members in each category:

Type of membership	Surrey Pension Fund
Active scheme members	37,000
Deferred scheme members	40,000
Pensioner members	28,000

The policy outlines the Fund's strategic approach to communications and is effective from April 2021. This Policy should be read in conjunction with the Communication Plan which is detailed in Appendix A of this document.

Regulatory framework

The policy has been produced in accordance with regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013. The regulation requires that:

1. An administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with:
    a) scheme members (active, deferred, retired and dependant)
    b) representatives of scheme members
    c) prospective scheme members
    d) scheme employers

2. In particular the statement must set out its policy on:
    a) the provision of information and publicity about the scheme
    b) the format, frequency and method of distributing such information or publicity
    c) the promotion of the scheme to prospective scheme members and their employers.

The strategy must be revised and published by the administering authority following a material change in their policy on any matters referred to in paragraph (2).

Stakeholders of the Fund

The Fund has a varied audience of stakeholders with whom it communicates, including:

- Scheme members (active, deferred, pensioner and dependant members)
- Prospective scheme members
- Scheme employers
- Pension Fund staff
- Pension Fund Committee
- Local Pension Board
- Border to Coast
- External bodies:
  - Her Majesty's Revenue & Customs (HMRC)
  - Ministry of Housing, Communities and Local Government (MHCLG)
  - Trades Unions
  - Pension Fund Investment Managers, Advisers and Actuaries
  - Pension Fund Custodian
  - The Pensions Regulator (tPR)
  - The Scheme Advisory Board (SAB)
  - The Local Government Association (LGA)
  - Department of Work and Pensions (DWP)
  - Pension Officers Groups
  - Pensions and Lifetime Savings Association (PLSA)
  - Chartered Institute of Public Finance and Accountancy (CIPFA)
  - The Local Authority Pension Fund Forum (LAPFF)

Key objectives

To ensure that Fund delivers clear, timely and accessible communication with a broad range of stakeholders. To achieve this, the Fund will:

- Communicate information about the Scheme's rules and regulations in an effective, friendly and timely manner to the different groups of stakeholders.
- Communicate information about the investment decision made by the Fund.
- Inform customers and stake holders to enable them to make the decisions regarding pension matters.
- Inform customers and stakeholders about the management and administration of the Fund.
- Consult with key stakeholders on changes to policies and procedures that affect the Fund and its stakeholders;
- Support employers to enable them to fulfil their responsibility to communicate and share information with members in relation to the scheme.
- Seek continuous improvement in the way the Fund communicates.

Accessibility

- The Fund is committed to ensuring communications are accessible to all stakeholders and is committed to develop further use of electronic means of communicating through e-mail and internet site (including a Member Portal). Wherever possible, responses are

sent to stakeholders by electronic means. However, more traditional methods of communications will continue to be offered as required.

- The Fund also make sure that communications are easy to understand through use of Plain English accreditation and readability scores.

Social Media

The Fund recognises the growing importance for organisations to have an online presence and has recently developed a corporate LinkedIn profile.

A LinkedIn account is used to raise Fund online profile in a business, promoting the Fund's innovations and achievements, and helping build relationships with other LGPS Funds and professional bodies within the pensions industry https://uk.linkedin.com/in/surrey-pension-fund-81801919a

Investment Communication

The Fund has seen an increase interest in its investments from Scheme Members, Scheme Employers and the wider public. The Fund maintains a large portfolio of assets, which it uses to pay out LGPS benefits when they become due. This is made up of pension contributions paid in by Scheme Members and Scheme Employers, and also any investment income and capital growth. To reduce risk, the Fund diversifies its investments across a wide range of assets both in the UK and Global market.

Responsible Investment

As a responsible investor the Fund Environmental, Social and Governance (ESG) issues are fundamental to the Fund's investment strategy. The Fund has focused communications to stakeholders about its investments. The Fund will regularly report to Scheme Employers and Scheme Members about its investments and the Fund's approach to ESG issues.

Freedom of Information

Anyone has a right under the Freedom of Information (FOI) Act to request any information held by the Fund which is not already made available. FOI requests will be dealt with as openly and swiftly. Requests should be made in writing to the Freedom of Information Officer at the address at the end of this document

A fee may be charged and the Fund reserves the right to refuse if the cost of providing the information is disproportionately high.

Communication Channel

The table below shows the Fund main method of communication with different stakeholders.

Stakeholder	Communication	Key message/Objectives
Active members	• Annual benefit statements • Biannual Newsletters • Member self service • Website • Telephone helpline • Scheme Literature • Calculation and costings (e.g. estimates) • Presentations – face to face / online • Promotion on internal systems, e.g. Snet • Active Member surveys	• Your pension is a valuable benefit. • Your employer contributes to help you save for your retirement. • You need to make sure you're saving enough for retirement • To improve your understanding of how the LGPS works. • You understand the impact of any changes in legislation. • To advise scheme members of their rights and benefits. • To make pensions information more readily available. • To answer member's queries regarding their benefits • To give you more ways that you can contact us or get information. • To provide a method for members to give feedback.
Deferred members	• Annual benefit statements • Annual Newsletter • Member self service • Website • Telephone helpline • Scheme Literature • Calculation and costings (e.g. estimates)	• Your pension is a valuable benefit • You are saving enough for retirement • You keep in touch with the Fund e.g. provide us with address changes • How the LGPS works now, and the impact of any changes in legislation • Understand the implication of transferring out of the scheme • To improve understanding of how the LGPS works • We will update you of any changes
Pensioner members	• Member self service • Pensions Increase letters • P60 • Calculation and costings (e.g. estimates) • Website • Telephone helpline • Annual newsletter • Pensioner member Survey	• You keep in touch with the Fund e.g. provide us with address changes • We are here to help with any questions you might have. • The LGPS is still a valuable part of your retirement package • How your funds are invested. • To improve understanding of how the LGPS works. • The impact of any changes in legislation. • The impact in the larger pension community (e.g. Brexit.)
Dependent members	• Member self service • Payslip	• You keep in touch with the Fund e.g. provide us with address and bank changes.

	• P60 • Calculation and costings (e.g. estimates) • Website • Telephone helpline	• We are here to help with any questions you might have. • The LGPS is still a valuable part of your retirement package. • The impact of any changes in legislation.
Scheme employers	• Ad hoc email alerts • Quarterly newsletters • Website • Webinars • Telephone helpline • Scheme information and guides • Annual Employer survey	• You need to be aware of your responsibilities regarding the LGPS • Your employer contributes to help you save for your retirement. • You understand the impact of any changes in legislation • To improve relationships • Continue to improve the accuracy of data being provided to us
Potential Scheme Members including Opt Outs	• Website • Telephone helpline • Scheme information and guides	• You understand the impact of any changes in legislation • Your employer contributes to help you save for your retirement. • The LGPS is still one of the best pension arrangements available • Increase understanding of how the scheme works and what benefits are provided • To improve take up of the LGPS
Pension Fund Staff	• Team meeting • 1:1 / Appraisals • Training & development • Training Matrix • Ad hoc meetings • Monthly newsletter	• Ensure staff are kept up to date with important information regarding the service, the employing authority and the wider world of pensions as a whole • Management to feedback to staff regarding their individual progress • For staff to feel a fully integrated member of the team
Pension Fund Committee and Local Pension Board	• Committee/Board Papers • Trainings • Minutes • Presentations	• Ensure members are kept up to date with important information regarding the Fund. • Monitor success against the agreed measures
External bodies	• Response to enquiries and consultations	• Respond to enquiries/statutory requirements

Communicating with members

There are 3 categories of scheme member:

- Active members who are contributing to the Scheme.
- Deferred members who have left the Scheme, but have not yet accessed their pension benefits.
- Pensioner members who are in receipt of their LGPS benefits from the Fund.

The Fund recognises that communication with each category requires a different, specific approach and therefore uses a variety of methods to communicate with members.

To ensure members are able to access services easily, we employ a range of media to educate them about the LGPS and their pension benefits, delivered in a clear and easily understood way to ensure that members can make informed decisions about their benefits.

- Website - The Fund has a dedicated Pensions website www.surreypensionfund.org/, which has general information about Surrey Pension Fund and about being a member of the LGPS. There are also scheme forms and guides available to copy or print.

- Telephone Helpline - We provide a helpline service for all our members to use if they need to contact us by telephone or email. There is a dedicated helpline for members to call 0300 200 1031.

- General Correspondence – The Fund provide a generic email address which enables members to email their queries. The emails are picked up and passed to the relevant member of staff myhelpdeskpensions@surreycc.gov.uk

- Member Online - Members can access their pension account using the My Pension Portal. This is a secure area that allows members to see the personal details Fund holds about them. They can also update personal information. Contributing and deferred members can view their annual pension statements and pensioner members can view their pension payment information. There are also scheme forms and guides available to copy or print.

- LinkedIn – Fund has a LinkedIn account. We regularly update our account with information that we believe our members might be interested in https://uk.linkedin.com/in/surrey-pension-fund-81801919a

- Visits to our office - Members are welcome to visit our offices if they prefer to speak to us face to face. Ideally, members should make an appointment in advance so we can make sure that someone is available to see them. Due to Covid-19 we are unable to receive visitors at our office. However, the Fund remains in operation during this time and members can contact us at the address at the end of this document

- Annual Benefit Statements – The Fund issues an Annual Benefit Statement (ABS) to all active members, showing the pension they have built up to the previous 31st March. They are subject to the members Scheme Employer providing timely year end

information to the Pensions Administration Team. The ABS are available for members to view on My Pension Portal.

- Presentations / Roadshows / Drop in Sessions available to active scheme members.

- Newsletters - The Fund issues periodic newsletters to Members to update them on topical Pensions matters and changes.

- Pay advices, Pension Increase letters and P60s - We issue pay advices to pensioner members every March, April and May.

Communicating with Pension Fund Staff

The Fund recognises that its staff are its greatest resource and that they are kept informed about the Fund's aims to deliver a quality and accurate service. This is achieved via use of email, internal meetings, as well as internal and external training events on specific topics.

The Fund communicates with staff in a number of ways.

- Performance conversations– the Fund managers ensure that Fund staff have Performance Conversations at least twice yearly, these establish clear objectives and any necessary support that staff members and the team need.

- Training - As part of the Fund's commitment to delivering a professional pensions service to stakeholders an annual training plan in prepared and approved by the Pension Fund Committee. Staff regularly attend LGA and CIPFA training as appropriate, and receive in-house training from actuary, fund managers and via a dedicated Training Officer. Professional courses, such as CIPP are also offered. These are recorded via a staff skills matrix. Ad hoc training courses are produced as the LGPS regulations change.

- Staff Feedback on Fund Communications - Staff are encouraged to report back on any feedback given to them by other stakeholders.

- Weekly update – senior managers send weekly emails to keep staff updated on current issues.

- Quarterly Newsletters - keep staff updated on current LGPS legislation changes, new staff and those leaving and upcoming training courses, etc.

Communicating with the Pension Fund Committee and Local Pension Board

The administering authority, Surrey County Council, has established a Pensions Committee including elected Councillors to discharge the functions of the Council in governing and administering The Surrey Pension Fund. The Pensions Committee is the decision-making body for the Fund, and this includes responsibility for setting the Fund's investment strategy, appointing investment managers, and approving Fund budget, business plan and policies.

The Council also established Local Pension Board in 2015 to assist the Committee in securing compliance with the scheme regulations and the effective and efficient governance and administration of the LGPS.

The Pension Fund Committee and Local Pension Board communicate by:

- Committee and Board meetings - Members of the Pensions Committee and Local Board meet at least quarterly to discuss Pensions issues, following which the Local Board may make suggestions and recommendations, and the Pensions Committee may make decisions.

- Fund officer reports - Members of the Pensions Committee and Local Board receive monitoring reports from Fund staff. This includes the Fund's internal managers delivering reports and presentations to members at Committee and Board meetings.

- Investment Manager Reports – Members receive quarterly investment reports from the Fund officers on the performance of the Fund's investment.

- Training – An annual training plan is presented to Pensions Committee and Local Board to approve. Members receive regular training to ensure they have the knowledge and capacity to carry out their roles.

- Weekly Update - Members of the Pensions Committee and the Local Board receive weekly update from Strategic Finance Manager on Border to Coast and Pension Administration.

Communicating with external bodies

The Fund engages proactively communicates with a number of external bodies. These include:

- Border to Coast, Pension Fund Investment Managers, Advisers and Actuaries – The Fund has regular meeting with:
  - Border to Coast who facilitate the design and implementation of the Fund's investment strategy.
  - Independent Fund managers who make investments on behalf of the Fund.
  - Investment Advisers who provide help and advice on the investment strategy of the Fund.
  - Fund Actuary to discuss Funding levels, employers' contributions and valuation of the liabilities of the Fund.

- Pension Fund Custodian - The Fund's Custodian is Northern Trust, who ensures the safekeeping of the Funds investment transactions.

- Pensions and Lifetime Savings Association (PLSA) - The Fund is a member of PLSA, which provides an opportunity for administering authorities to discuss issues of common interest and share best practice.

- Local Authority Pension Fund Forum (LAPFF) - LAPFF is a collaborative shareholder engagement group representing most of the Local Government Pension Scheme Funds and UK Pension Pools, including Border to Coast Pensions Partnership (BCPP). Its aim is to engage with companies to promote the highest standards of corporate governance and corporate responsibility amongst investee companies.

- Minerva Analytics - The Fund had also appointed Minerva Analytics to assist the Fund in exploring its Investment Core Beliefs as well as its approach in understanding the United Nations Sustainable Development Goals and how it can be integrated into Investment Decision Making.

Data Protection

The Pension Fund has a duty to protect personal information and will process personal data in accordance with the Data Protection Act 1998 and any amendments to the act. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund , for example the Fund's Actuary or AVC provider.

Review

The policy will be reviewed annually and updated sooner if the communications arrangements or other matters included within it merit reconsideration.

Further Information

If you have any queries about this Communications Policy please get in touch:

Pension Services
Surrey County Council
Room 218, County Hall
Penrhyn Road
Kingston upon Thames
KT1 2DN
0300 200 1031
myhelpdeskpensions@surreycc.gov.uk

If you have any Freedom of Information requests, please send them to:

Freedom of Information Officer
Legal Democratic & Cultural Services
County Hall
Penrhyn Road
Kingston upon Thames
Surrey, KT1 2DN
020 8541 7969
foi@surreycc.gov.uk

Appendix A – Communication Plan

Method of Communication	Media	Frequency of Issue in Accordance with SLAs	Frequency of Issue in Accordance with Legislative Requirement	Method of Distribution	Audience Group
Send a notification of joining the LGPS to a Scheme Member – Contractual Enrolment	Electronic	Within 30 working days of receiving new starter information	2 months from date of joining the scheme	E-mail or Letter to Home Address where email not known.	New Members
Send a notification of joining the LGPS to a scheme member – Automatic Enrolment/Re-Enrolment	Various	Within 1 month of receiving jobholder information where the individual is being automatically enrolled/re-enrolled	Within 1 month of receiving jobholder information where the individual is being automatically enrolled/re-enrolled	Employer	New Members
Inform a member who left the Scheme of their leaver rights and options	Electronic	Within 40 working days from receipt of leaver information.	As soon as practicable and no more than 2 months from date of notification (from employer or from scheme member)	E-mail or Letter to Home Address where email not known.	Members leaving the scheme
Obtain transfer details for transfer in, and calculate and provide quotation to member	Paper Based or Electronic	Within 20 workings days from date of request	2 months from date of request	Letter to Home Address or Member Self Service	Active Member
Provide details of transfer value for transfer out, on request	Paper Based or Electronic	Within 20 workings days from date of request (CETV estimate or Divorce), unless there has already been a request in the last 12 months	3 months from date of request (CETV estimate)	Letter to Home Address, Member Self Service or IFA	Deferred Member
Provide a retirement quotation on request	Paper Based or Electronic	Within 15 working days from date of request	As soon as practicable, but no more than 2 months from date of request unless there has	Letter to Home Address or Member Self Service	Active and Deferred Member

			already been a request in the last 12 months		
Notify the amount of retirement benefits	Paper Based or Electronic	Within 15 working days from receipt of all information	1 month from date of retirement if on or after Normal Pension Age (NPA), or 2 months from date of retirement if before NPA	Letter to Home Address or Member Self Service	Active and Deferred Member
Calculate and notify dependant(s) of amount of death benefits	Paper Based	Initial letter sent no more than 5 days from date of becoming aware of death, and notification of benefit letter sent no more than 10 days from receiving correctly completed forms.	As soon as possible but in any event no more than 2 months from date of becoming aware of death, or from date of request by a third party (e.g. Personal representative)	Letter to Dependants Home Address	Dependant Member
Provide all Active and Deferred members with an Annual Benefit Statement (ABS)	Electronic or Paper Based	By 31 August each year	By 31 August each year	Member Self Service or Statement to Home Address	Active and Deferred Member
Provide Pension Saving Statement to eligible members	Paper Based or Electronic	By 6 October each year	By 6 October each year	Letter to Home Address or Member Self Service	Active Member
General Member Enquiries	Electronic or Paper Based	Within 15 working days		Email or Letter to Home Address	All Members
Pensions Increase Letters	Electronic or Paper Based on Request	By 30 April each year	By 30 April each year	Member Self Service or Letter to Home Address	Pensioner Member

Pensioner P60s (HMRC requirement)	Electronic or Paper Based on Request	By 31 May each year	By 31 May each year	Member Self Service or Letter to Home Address	Pensioner Member
Member Scheme Guide	Electronic or Paper Based by Request	Always Available Online (Link also in New Starter Pack)	Within 2 months of request	Fund Website or Member Self Service	All Members
Active Member Newsletters	Electronic or Paper Based on Request	Spring newsletter by 1 April (in line with Annual Updates) and Autumn newsletter by 31 August (in line with ABS)		Member Self Service or Letter to Home Address	Active Member
Deferred Member Newsletters	Electronic or Paper Based on Request	By 31 August in line with ABS		Member Self Service or Letter to Home Address	Deferred Member
Pensioner Member Newsletters	Electronic or Paper Based on Request	By 30 April in line with Pension Increase Letter		Member Self Service or Letter to Home Address	Pensioner Member
Presentations/Roadshows	Face to Face	Twice per year per Fund as standard. Others by request through fund.		Via Fund	Active Member
Drop In Sessions	Face to Face	As Requested, up to a maximum of 2 per year per Fund		Via Fund	Active Member
Customer Satisfaction Survey – Member	Electronic	Annually (Sample groups, emphasis on new joiners, recently retired, etc)		E-mail	All Members

Changes in Legislation	Electronic	Within 10 working days of notification of change		E-mail to Fund	Pension Fund
Material Alterations to Basic Scheme Information	Electronic	As soon as possible and within 3 months after the change takes effect.	As soon as possible and within 3 months after the change takes effect.	E-mail or Letter to Home Address	All Members
Employer Training	Face to Face	As requested		Via Fund	Scheme Employer
Employer Guides	Electronic	Always Available Online		LGPS Regs Website	Scheme Employer
Employer Newsletters	Electronic or Paper Based on Request	Quarterly Newsletters		E-mail to Fund Contacts	Scheme Employer
Customer Satisfaction Survey – Employer	Electronic	Annually		E-mail	Scheme Employer
Member, employer or third-party enquiries	Incoming to Helpdesk via telephone	Enquiries to be resolved at first contact or referred via case link for further investigation		Telephone Email	All Groups
Member, employer or third-party enquiries	Incoming via post	Workflow cases created based on enquiry type and associated SLA		Various	All Groups
Member Self Service	Electronic, Paper Based or Face to Face	Promotional events and campaigns to be discussed and agreed to promote sign up to Member Self Service.		Various	All Groups

Annual General Meeting	Face to Face	Provide availability to promote MSS at the AGM.		Via Fund	All Groups
Pension Fund Report and Accounts	Electronic	Annually		E-mail	All Groups
Website					All Groups
Helpline					All Groups
Pensions Administration Strategy	Electronic	Always available (reviewed at least every 3 years)		E-mail	Scheme Employer
Pension Fund Valuation Report	Electronic	Triennially		E-mail	Scheme Employer

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Kirsty Knight
Department for Work and Pensions
Policy Group
Private Pensions and ALB Partnerships
Zone A,
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Quarry House,
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Date 9th June 2021

Dear Kirsty,

RE: Consultation on Pension Scams: Empowering Trustees and Protecting Members

Surrey County Council (Surrey) welcomes the opportunity to respond to the consultation from the Department of Work and Pensions on Pension Scams: Empowering Trustees and Protecting Members.

Surrey is the Administering Authority for the Surrey Pension Fund (the Fund) as part of the Local Government Pension Scheme (LGPS). The Fund has assets of over £5billion and over 300 employers.

Surrey Pension Fund (the Fund) believes that the consultation introduces welcome improvements, but it also misses an opportunity. The preamble acknowledges that a significant amount of pension fraud (at least 5% of transfers) occurs but this overlooks the following.

(1) Diligent pension administrators prevent a lot of scams that are not recorded.

(2) Many scams are not immediately apparent and it may not be until years after the transfer, or even at retirement, that the transferee discovers that some or all of their money has disappeared. In short, many pension scams are undetected and ticking quietly.

The Fund acknowledges that HMRC tightened the supervision on new pension schemes following the consultation in 2016, , but it thinks that it is still not sufficiently robust. The Fund believes that too many questionable pension schemes are navigating HMRC's set up requirements. It is convinced that prevention is better than cure and there is no substitute for tightening the requirements for establishing new pension schemes and ensuring that only fit and proper people can do so. In the Fund's opinion, any review that overlooks introducing tighter scrutiny for new pension schemes is insufficient and unlikely to succeed in significantly reducing scams.

The cost of scams is huge, whether it be in terms of life savings stolen, taxes that will never be paid, the costs of compensating defrauded members or the emotional shock of adjusting to a diminished retirement. The Fund believes that HMRC should ensure that new pension schemes meet stringent requirements in order to spare pension administrators discord with their customers (transferees are often incensed by interventions designed to protect their interests) and the costs of policing pension scams. The Fund disagrees with the following statement in the consultation; *"…it should be noted that the additional impact of operational costs on businesses, where activity is required to comply with the regulations, has not been raised with us during our frequent and intensive discussions with industry groups. In fact, the converse is true as it has been suggested that the regulations can act as a guideline for trustees regarding effective due diligence and may potentially avoid nugatory work or activities".*

The Fund would like to anchor its views to a concrete example (Mrs H v Hampshire). An "HMRC approved occupational scheme" approached a local government administering authority requesting a transfer. The fund in question thought the transaction suspicious but, after performing several checks, it seemed to meet the criteria and the fund felt it had no option but to pay. The arrangement turned out not to be an occupational pension scheme, the transferee subsequently lost (possibly) all the money and Mrs H took her case to the Pensions Ombudsman. The claims company that supported the claim was quoted by the determination; *"why on earth a 59 year old lady, who lives in Portsmouth, would be cashing up a gold plated scheme and joining the money purchase occupational pension scheme of a "steel stockholder" based in Warrington?".* The very existence of multiple claims companies underlines the extent of the problem.

This is an extract from the Pension Ombudsman's determination in the Mrs H v Hampshire case, which highlighted the need to establish that members transferring to occupational schemes have earnings (currently any earnings) in order to be eligible to transfer.

"Mrs H was approaching her normal retirement age and was living on the south coast, but the employer running the Scheme was a steel stockholding company and based several hundred miles away. Also, the scheme was recently established. In that situation, one would have expected the Council to make an attempt, by phone or e-mail, to explain its concerns and to point out the possibility that the Scheme could be a scam".

"Mrs H had not opted to join the fund in 1989, even though it was a generous defined benefit arrangement offering a pension and life assurance benefits. It was not until 2002 that she elected to join the fund. This meant that when she left the fund in 2007 her accrued rights were much smaller than they would otherwise have been. This strongly suggests that she was not financially aware and was susceptible to being taken advantage of."

Pension funds are disappointed that they are often being asked to pick up the bill when it appears obvious that schemes might be a scam from the outset. It invites the question why did HMRC approve this "occupational" pension scheme in the first place? An occupational pension scheme is defined as *"A scheme set up by an employer to provide retirement benefits for its employees. Occupational pension schemes are regulated by the Pensions Regulator*".

The general inference seems to be that administrators should not put too much store in HMRC approval, a scheme may not be what it purports to be (it was not an occupational pension scheme) and administrators may have to compensate transferees if the people operating HMRC approved schemes abscond with the member's money. One step HMRC could consider would be to prevent occupational schemes domiciled in the UK accepting transfers, by withholding listing, until the arrangement has paid its first levy to the Pension Protection Fund.

First condition

Q1. Please provide details of any additional types of receiving scheme to which transfers should proceed without additional checks, including how they can be identified for the purposes of the regulations.

From a local government perspective, the Draft regulations appear to have covered the public sector post-2013 CARE schemes; *"3(3)(a) a scheme for persons in public service as established under the Public Service Pensions Act 2013"* - but not the pure pre-1st April 2014 final salary pension benefits, most of which flow from the Superannuation Act 1972.

The Fund cannot think of a good reason for not including the pure pre-2014/2015 schemes in the regulations as many will lose their final salary protection upon a transfer of any complexion, because it is likely that they will have had a break in membership of a public sector pension scheme of at least five years. However, a possible countervailing argument might be that pure pre-2014 members (who tend to be older) may be entitled to unreduced pensions at age 60.

Second and third conditions

Q2. To what extent is the evidence requirement set out in the regulations to demonstrate an 'employment link' enough and how could it be strengthened?

The Fund welcomes the requirement to demonstrate an employment link and the requirement to prove that both the employer and employee have made contribution to the scheme. However, regulation 4(3)(c) cross refers to regulation *"5(5) For the purposes of regulation 4(3)(c), the minimum salary requirement is that the member must have been paid a weekly salary, during the last 3 months, which was at, or above, the lower earnings limit determined under section 5 of the Social Security Contributions and Benefits Act 1992".* This appears restrict occupational pension scheme transfers to members who are earning at least the lower earnings limit (£6,240 p.a. for 2021/2). As the regulations governing earnings appear to be carefully considered, this seems to be deliberate.

The Fund regards the requirement in regulation 5(2) to provide evidence that that the member has made a previous transfer to the same scheme in the twelve months preceding the current transfer as a potential weakness that is open to manipulation, and it would be better if it was omitted. If DWP is wedded to this requirement, it would be better to restrict it to previous transfers that took place under the **new** regulations as, otherwise, the old (weaker) regulations will undermine the new ones for some time to come.

The Fund thinks that regulation 5(4)(a) should stipulate a certified statement from the pension provider showing the employee's and employer's contributions and the dates they were received. A statement produced by the employer does not prove that the contributions recorded were paid over to the provider.

The Fund thinks although the requirement to record the last three months of employment earnings should relate to the three months preceding the transfer, given that the employee is an apparently an active member in an occupational pension scheme [5(4)(a)(i) and 5(4)(b) and (c)].

As constructed, regulation 5(5) does raise equality issues as (atypically) local government employs a large number of part-time women who may be adversely affected. However, low earners still have a statutory right to changes of fund (transfers within local government) and club transfers (transfer within the public sector) and the policy intention is to prevent scams. Would be transferees who earn less than the lower earnings limit are well within their personal Income Tax allowance and unlikely to pay tax or benefit from Income Tax relief - unless they are eligible for tax relief at source (RAS). Moreover, as their earnings are too low to accrue a state pension there is a balance to be struck between protecting employees with limited means, who have little to gain from pension liberation, and equalities issues.

This is a complicated issue, because most scams seem revolve around pension liberation and employees below the lower earnings limit tend to have smaller pensions and may be able to trivially commute their eventual pensions from occupational schemes without paying commissions to third parties when they retire. They may also be more susceptible to crystallising all or part of their pension benefits in order to address short term liquidity issues. The Fund is aware of study which showed that significant numbers

low earners with relatively little service applied for flexible retirement, even though their pension benefits would be subject to substantial actuarial reductions, which would (otherwise) have fallen away as they approached normal retirement age (after all, they were reducing their hours or their grade - not leaving employment).

Conversely, the Fund also understands that many low earners in local government are very able people: for example a parent who has taken on caring responsibilities, people who have had a fulfilling career and are filling in time before retirement, people who focus on charitable work and people who are simply not ambitious. However, the earnings rule may reflect a view that there are too many dubious funds out there (existing regulation is a fortress with an open door), low earners may not be as financially savvy and, therefore, unfortunately, administrators end up bearing the costs of policing the industry.

Q3. How could the evidence requirement for 'residency link' work in practice?

The Fund is disappointed that DWP is not prescribing in regulations the evidence required to demonstrate a residency link, apparently because different jurisdictions have different forms of residency documentation and the evidence members will be able to provide will vary. The majority of QROPs go to a handful of jurisdictions and DWP has the whole panoply of government at its disposal, including the unrivalled expertise of the Home Office (residency and immigration status) and HMRC (domicile for tax purposes) and they are better placed than anyone to develop generic regulations/effective statutory guidance. It seems unfair to leave it to pension administrators, who have no expertise in these areas whatsoever, to muddle their way through without clear guidance and inevitably making mistakes along the way. There is no pressure on DWP to get it right as it will not cost them anything to wait until pension administrators and the Pension Ombudsman gradually iron out the problems by trial and error. In the Fund's opinion, DWP should invest in developing effective regulations rather than relying on pension funds to develop processes that work and compensate the victims of errors (scams).

The Fund regards the alternative requirement (regulation 5[2]) to provide evidence that that the member has made a previous transfer to the same scheme in the twelve months preceding the current transfer as a potential weakness that is open to manipulation, and it would be better if it was omitted. If DWP is wedded to this requirement, it would be better to restrict it to previous transfers that took place under **new** regulations as, otherwise, the old (weaker) regulations will undermine the new ones for some time to come.

Q4. How should the 'red flags' as set out in the regulations work in practice?

The red and amber flags are a particular concern of pension administrators. A layman might assume that a transferee would welcome the good intentions of pension administrators trying to protect their interests; however, this is a complete misunderstanding of the psychology at work. The reality is that many transferees have often built a close relationship with the person driving their transfer (their friend) and pension administrators are simply regarded as busy bodies standing between them and the lump sum they are "entitled" to (their enemy). They are more inclined to believe the person facilitating their transfer and distrust pension administrators to the point where

they are prepared to give misleading and, on occasion, untruthful answers to key questions. Indeed, it is possible that some facilitators feed their transferees suitable answers.

This problem is nicely illustrated by transferees with funds of over £30,000 who are required to take specialist financial advice. In the Fund's experience, the adviser almost always counsels against transferring out of a public sector pension scheme and the transferee almost invariably ignores them.

The above observations are critical because red flags in 8(4)(d), (e) and (f) can only work if the transferee provides honest answers. An administrator only knows what the transferee tells them.

> *"(d) the member's request to make the transfer was made further to unsolicited contact about making a transfer from a party previously unknown to the member;*
>
> *(e) the member has been offered an incentive to make the transfer; or*
>
> *(f) the member has been pressured to make the transfer quickly."*

Q5. How should the 'amber flags' as set out in the regulations work in practice?

The amber flags place additional burdens on pension administrators at the worst possible time. The Fund is not convinced that local government pension administrators ever had the skillsets to apply amber flags properly at any time, and there has been an unprecedented exodus of experience in the last ten years. The problem would be even worse in unfunded schemes.

In the Fund's opinion, apart from 8(5)(e), the amber flags are better matched to the skillset of a financial advisor than a pension administrator. It ventures to suggest that pension administrators who are able handle 8(5)(a) to (d) competently will not be working in local government/pension administration for long. The chances are that even with 8(5)(e), there will be too few examples in a particular scheme for an administrator to identify a pattern - unless it is a prolific scammer.

> *"(a) there are high risk or unregulated investments included in the receiving scheme;*
>
> *(b) there are unclear or high fees being charged by the receiving scheme;*
>
> *(c) the investment structures of the receiving scheme are unclear, complex or unorthodox;*
>
> *(d) the receiving scheme includes overseas investments or an overseas adviser has advised the member in relation to such investments; or*
>
> *(e) the trustees or managers of the transferring scheme are aware of a high volume of requests to make a transfer from their scheme either to a single receiving scheme, or involving a single adviser or firm of advisers, or both."*

In the Fund's view, DWP's expectations are too high and pension administrators are being placed in a difficult position. There is tremendous pressure on administrators and transferees and their facilitators become very vocal very quickly if there is any delay. If they identify an amber flag when one is not present, they have delayed/prevented a

lawful transfer. If they miss an amber flag, there is no statutory entitlement to a transfer and the fund will have to reinstate the scammed member's pension benefits and bear an eye watering loss.

Q6. Do you have any views on how the requirement to take guidance can work in practice when the pension saver has already taken financial advice?

The Fund is mindful that Freedom and Choice transfers of more than £30,000 are required to take specialist financial advice costing several thousand pounds, but they are not required to follow it. In the Fund's experience, this has led to the absurd position where most advisers counsel against transferring out of a public sector pension scheme, but many members transfer anyway.

The Fund understands that the MaPs guidance will be quite different from financial advice as it is designed to alert members to scams and, presumably, it will focus on amber flags (although it says red and amber flags in the consultation). The Fund feels that the format of the meeting and the details of the evidence required need to be fleshed out as it is difficult to envisage how it would work in practice.

Although DWP would like the information to be proportionate as they do not wish to see members unfairly burdened with excessive information requests or penalised for failure to meet these requests. Nonetheless the Fund believes there should be a requirement that the member's answers should be supported by adequate evidence as experience suggests that, in an incentivised situation, they may not always be candid.

Q7. Annex 3 sets out the proposed list of standard questions that trustees and schemes managers should use to help determine the presence of red or amber flags. Do these questions provide a comprehensive list, which if any questions are not needed and what other questions should be included?

The Fund agrees with the LGA's response to this question, which is rehearsed immediately below.

"• Paragraph 51 assumes that trustees or managers know, when a member requests a statement of entitlement, the destination to which the member is considering transferring their pension scheme benefits. If this is the case, it is easy to determine which questions are relevant to the destination. However, in our experience this is not how the transfer process works. A member requests a statement of entitlement and it is only when the transfer forms are returned (with all the necessary evidence, certification etc) that the trustees or managers know the final destination. If the standard questions in Annex 3 are not included with the statement of entitlement, this will cause delays to an already a lengthy process. We believe the questions in Annex 3 should be included with the statement of entitlement together with a flow chart indicating when they should be completed. This approach will then simply expand on the existing transfer process.

• Whilst the content of the questions is appropriate, we suggest that they are restructured in order to elicit a positive response from the member (as opposed to a simple 'yes/no'), as follows:

• Question 2 assumes that the person who advised or recommended the member to transfer is the same person as referenced in question 1. This might not be the case. We suggest inserting an additional question to identify this point.

• Question 2 suggest changing to 'How were you initially approached to request a transfer?' and give examples including 'your employer'.

• Question 3 suggest remove 'If already known'. If we include 'your employer' at Q2 then the member must know who approached them about the transfer.

• Question 5 suggest changing to 'Were you offered an incentive to transfer? For example…' that way an incentive not on the list might be forthcoming.

• Question 6 suggest changing to 'How will your money be invested? For example…' this will ensure that the member asks the receiving scheme the right question and must elicit a response.

• Question 6 does not address the prescription draft regulations 8(5)(a), (c) or (d) concerning whether the investments are high risk or unregulated, the structures are unclear, complex or unorthodox and whether there are overseas investments. We suggest inserting additional questions to identify these points.

• Question 8 suggest changing to 'What are the costs and charges for your new arrangement? For example…' this will ensure that the member asks the receiving scheme the right question and must elicit a response.

• Question 9(d) the outcome is the wrong way around. The question asks if it is the first time the member has dealt with the advisor/firm, yet the answer states if 'yes' please provide details of your previous relationship when there wasn't a previous relationship."

Conclusion

The paragraph in the preamble concerning the regulatory approach says that it *"strives to achieve a balance between providing greater protection for pension savers, giving trustees and scheme managers greater power to act in their members' best interests and continuing to give savers the right to exercise choice over how to use their pension savings".* The third aspiration has the biggest impact on pension regulation and, as long as there is enough capacity, the Fund thinks that the emphasis should be on having fewer good quality providers rather than a cornucopia of mixed quality providers, including some poor ones. The Fund thinks that the proposals put forward in this consultation would be much more effective if they were coupled with tighter requirements for setting up a new pension scheme.

The Fund accepts that pension regulation will have to evolve to keep pace with scammers and the Fund advocates a holistic approach. It believes that the rules governing the admission of new HMRC approved pension schemes should be tightened in concert with empowering pension administrators. A partnership is the only viable way forward and we are concerned that DWP has unrealistic expectations of pension administrators.

Yours sincerely

Anna D'Alessandro
Director of Corporate Finance

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Our Ref: Increasing the normal minimum pension age consultation
Your Ref:

HM Treasury,
1 Horse Guards Road,
London,
SW1A 2HQ

nmpaconsultation@hmtreasury.gov.uk

By email

20th April 2021

Dear Sir or Madam,

Increasing the normal minimum pension age: consultation on implementation

Surrey County Council (Surrey) welcomes the opportunity to respond to the consultation on the proposed increase in the normal minimum pension age.

Surrey is the Administering Authority for the Surrey Pension Fund (the Fund) as part of the Local Government Pension Scheme (LGPS). The Fund has assets of almost £5 billion and includes over 110,000 members and over 300 employers.

Introduction

Surrey is of a view that the proposals contained in the consultation are generally well considered, however, we do highlight some areas where the consequences may not have been fully appreciated.

Although general life expectancy is gradually increasing, the normal minimum pension age (NMPA) must be viewed through the prism of healthy life expectancy in retirement remaining static.

The long lead time for the new NMPA may soften perception of the likely consequences but it will, nonetheless, have a significant impact when it does bite.

Protections

Surrey notes that the proposal will not affect members of the Firefighters, Police or Armed Forces public sector pension schemes and it thinks that this is sensible.

A member of any registered defined benefit or defined contribution pension scheme on 11th February 2021, the date of the consultation, with an unqualified right (i.e. without another party's consent) to retire from age 55 will have the whole of their pension protected from the proposed increase in NMPA.

The consultation says that individual members who transfer from (say) Teachers' Pensions where they have protection, to (say) the LGPS after 11th February 2021 would lose their NMPA unless it was a "block transfer" (a specific type of transfer where two or more members transfer simultaneously; PTM062240 - Pensions Tax Manual - HMRC internal manual - GOV.UK (www.gov.uk)).

1 Are there any specific considerations that should be taken into account regarding the government's proposed framework for the increase to the NMPA?

This approach introduces a two-tier work force with members in post on 11th February 2021 enjoying a protected NMPA and those who enter employment or move to another pension scheme afterwards losing out. The real watershed is the 11th February 2021, albeit that the consequences do not become apparent until 2028, and there is no period of grace in which to prepare for it / make contingency plans.

Under the plans consulted on, the protected retirement age (55) only applies to members who remain in the same job or are "block" transferred. This may stifle employment mobility because members who are considering retiring at 55 after 2028 are now (say) in their 40s, and arguably in their working prime, may be averse to changing jobs.

The early retirement reductions are sufficiently punitive to deter all but the highest earners and most highly motivated members from retiring ten years early, so twelve years' reductions are likely to be even less appealing, at least on the tranche of membership accrued after 2028. Nonetheless, the members who are most likely to take advantage of this tend to be key employees.

The Government seems to imply that early retirements/redundancies are just additional costs. This is not necessarily the case as, for many years, all early retirements are fully costed and supported by comprehensive business cases that demonstrates net savings for the organisation. These proposals are meant to save

money; however, the unintended consequences could be to frustrate savings and impede reorganisations designed to make workforces more efficient.

As voluntary early retirements are cost neutral, because the actuarial reductions offset any additional costs, and compulsory early retirements are funded by the employer anyway (through a strain cost), it is difficult to see how the increase in the early retirement age will drive any reduction in pension costs. It may instead drive up employers' contributions in the long-term as they tend to increase as the median age of the membership grows.

The increase in NMPA proposal undermines flexibility because local government has used judicious flexible retirement to retain key skills and mentor new recruits into sensitive positions. These employees are, by virtue of their skills, very marketable and members who started after 11th February 2021 could be more likely to leave local government if the employer is unable to offer flexible retirement. Also, what happens if a business with a closed admission agreement is TUPE transferred with only one employee who is eligible to be in the LGPS? Technically, this is not a block transfer but it would have been if the admission agreement had been open - and this seems arbitrary and unfair.

The block transfer rule is open to manipulation as Freedom and Choice transfers can sidestep it by finding a "buddy". This option is not available to defined benefit scheme members unless it is a genuine bulk transfer.

Another unintended consequence of this change is likely is likely to be that local government will have an increasingly aging workforce with many employees hanging on in employment longer than they would have liked to.

It will particularly difficult to remove very high earners before age 57 because they are likely to have input into their remuneration package, their reason for timing of leaving and the timing of their departure.

A significant minority of members may have health issues in their mid-50s, which may be very debilitating, but not sufficient to qualify for the top two tiers of ill-health retirement (e.g. heart disease, stroke and cancer). Will employers feel pressure to selectively relax the criteria for ill-health retirement rather than allow employees to linger in employment until age 57 to the detriment of the service and their health? Although it may appear pragmatic to do this, and there are unlikely to be many cases, it would be a step in the wrong direction.

Although the Government has signalled its intention of increasing the NMPA to 67 in 2028 (currently 66 rising to 67 and then [Office for Budget Responsibility estimate] 68 in 2036) and keeping the gap with State pensionable age (SPA) at 10 years – the consultation asserts that they are not establishing a fixed relationship between NMPA and SPA at this time.

The proposed NMPA appears to introduce a disconnect with the Pensions Increase Act 1971 (PIA), which currently engages at age 55. In Surrey's opinion, it is better to leave the PIA as it is as, otherwise, protected members who can draw their pensions

at 55 would not benefit from Pensions Increase until (say) 57 and, more worryingly, ill-health retirements of any age - who might be capable of further employment at some point - would not benefit from indexation until (say) age 57.

2 Are there any particular issues that the government should consider in the way NMPA is defined in pension scheme rules?

At first sight, a protected NMPA seems like a good idea but, although it may be good for individual members, on closer inspection the avoidance of a “cliff edge” introduces additional complexity for practitioners.

The key date affecting NMPA is 11th February 2021, and software systems will have to have a separate field to record this information, particularly if the member has transferred within the LGPS. It would be sensible to build in a variety of codes in order to accommodate further changes in the future.

As there is little difference between Pensions Increase awards and career average revalued earnings (CARE) increases in the LGPS, it may be tempting to leave an existing preserved in the LGPS, in order to keep the protected NMPA, rather than transfer it to another scheme. This may lead to the fragmentation of individuals’ pension benefits over time.

The consultation envisages members who are in post on 11th February 2021 keeping a protected pension age unless they change pension schemes for any reason apart from a block transfer.

1) What happens if someone leaves the LGPS, defers their pension benefits (with a protected NMPA) and subsequently returns to the LGPS?

2) Will there be any circumstances where they retain NMPA protection or will they have to keep the two tranches separate?

3) Will there be a mechanism for protecting final salary pension benefits - as long as there has not been a five year gap in membership of a public sector pension scheme - or will they be forced to choose between final pay protection and a protected NMPA?

4) Presumably the LGPS counts as one employer - so we are going to have to record the protection date if they move within the LGPS?

5) There will be a requirement to alert members to and explain the implications.

6) As the existing protection trigger is an arbitrary fixed date in the past, it is likely that members are going to argue that they would not have transferred-out if they had known about it. If the Government is intent on a trigger, it might be better if it was a fixed point (say) six months in the future?

7) The government says that it is not tying NMPA to SPA, but SPA also rises to 67 in 2028. Surrey is of the view that keeping age 55 is more flexible but (who

is going to go 10 years, let alone 12 years [post 28] early) but, if the Government is intent on going ahead, it should consider introducing a fixed relationship with SPA – if only as an aspiration – to facilitate retirement planning.

8) The change in NMPA means that it moves out of step with Pensions Increase but Surrey's view is that there is no need to change the latter because the mismatch was easily accommodated prior to 2010.

9) It appears that the protection is an attempt to address the issue that members may have planned to retire aged 55 at or shortly after 2028. The form of protection consulted on seems to imprison members in their existing pension schemes and it may have been more progressive if it had been based continuous membership of approved DB or DC pension schemes?

10) There will be a two-tier workforce from 2028.

11) Finally, and crucially, the block transfer regulations are complicated and there needs to be a simple and clear definition for the purposes of these regulations.

3 The government proposes that the protected pension age will apply to all the member's benefits under the scheme (if the conditions for a protected pension age are met), not just those benefits built up before 2028. Are there any other alternative options or issues the government should consider around the treatment of accrued and future pension savings?

If the government decides that having protection is the best approach, it would be simpler if all the pension benefits are protected as, otherwise, how would practitioners handle flexible retirement?

4 Are there any issues associated with schemes informing members who meet the conditions of their rights to a protected pension age?

None, depending on the complexity of the final arrangements.

5 Are there any circumstances why the increase in NMPA may impact on pension flexibility (which was introduced following the 2014 consultation on "Freedom and Choice in Pensions")?

As scheme reductions are largely self-regulating the main impact will be to reduce the number of Freedom and Choice transfers. Practitioners have noticed that many cases go ahead in spite of clear financial advice stating that a transfer is not in the member's best interests, and this is likely to lead to poverty in retirement. If improving the regulation of Freedom and Choice was one of the key drivers behind this reform, perhaps it would have been better to draft specific amendments to that legislation instead.

6 Are there any implications the government should consider by not requiring that all scheme benefits must be crystallised on the same day as a condition for a protected pension age?

It would be both regressive and undermine flexible retirement if members were required to draw all their pension benefits at once.

Yours sincerely

Anna D'Alessandro