

SURREY COUNTY COUNCIL**PENSION FUND COMMITTEE****DATE:** 11 DECEMBER 2020**LEAD OFFICER:** ANNA D'ALESSANDRO, DIRECTOR OF CORPORATE FINANCE**SUBJECT:** MINISTRY OF HOUSING COMMUNITIES AND LOCAL GOVERNMENT – CONSULTATION ON AMENDMENTS TO THE LOCAL GOVERNMENT PENSION SCHEME STATUTORY UNDERPIN**Strategic objectives****Governance****SUMMARY OF ISSUE:**

To provide details of the Ministry of Housing Communities and Local Government's (MHCLG) consultation on amendments to the Local Government Pension Scheme (LGPS) statutory underpin and the response from Surrey.

RECOMMENDATIONS:

To note the report and annexe.

REASON FOR RECOMMENDATIONS:

The Pension Fund Committee will be made aware of all national initiatives with a consultation process with a response sent within stated deadlines, in accordance with the Fund's strategic governance objectives.

BACKGROUND:

1. In July 2020 the MHCLG issued a consultation on amendments to the LGPS statutory underpin, which provided transitional protection to older workers when they moved from the 2008 scheme into the 2014 Scheme.
2. The consultation outlines proposed changes to the LGPS statutory underpin protection to remove unlawful discrimination following a successful legal challenge to transitional protection arrangements in the firefighters' and judicial pension schemes (the McCloud and Sergeant cases).
3. Specifically, it proposes to remove the condition that required a member to have been within ten years of their normal pension age on 1st April 2012 to be eligible for underpin protection. In removing the discrimination, it proposes a number of supplementary changes to ensure the revised underpin works effectively and consistently for all members.

DETAILS:

4. MHCLG propose to remove the age requirements from the underpin qualification criteria. Furthermore, they are also proposing additional changes to ensure that the underpin works effectively and consistently for all qualifying members following the extension of the underpin to younger members.
5. From April 2022, it is proposed that the period of underpin protection will cease and all active LGPS members will accrue benefits in the career average scheme, without a continuing final salary underpin.

Surrey's response

6. Surrey's response to the consultation (shown as Annexe 1) is supportive of most of the proposals although it thinks that adjustments are needed in order to eliminate age discrimination.
7. Surrey posits that the replacement for the original (flawed) underpin should have been designed from scratch, as, by recycling elements of the original mechanism MHCLG appears to have inadvertently introduced direct age discrimination that curtails the final salary membership of older members who could, otherwise, have remained in the 2007 scheme until 31st March 2022.
8. Surrey recommends making the provisional underpin the earlier of 31st March 2022 and the date of leaving active membership and that serious consideration is given to extending the underpin to all members who were active on 31st March 2014.

CONSULTATION:

9. The Chairman of the Pension Fund Committee has been consulted on this report

RISK MANAGEMENT AND IMPLICATIONS:

10. Risk related issues have been discussed and are contained within the report.

FINANCIAL AND VALUE FOR MONEY IMPLICATIONS

11. Financial and value for money implications are discussed within the report.

DIRECTOR OF CORPORATE FINANCE COMMENTARY

12. The Director of Corporate Finance is satisfied that all material, financial and business issues and possibility of risks have been considered and addressed.

LEGAL IMPLICATIONS – MONITORING OFFICER

13. There are no legal implications or legislative requirements.

EQUALITIES AND DIVERSITY

14. This does not require an equality analysis, as there is no major policy, project or function being created or changed.

OTHER IMPLICATIONS

15. There are no potential implications for council priorities and policy areas.

WHAT HAPPENS NEXT

16. The following next steps are planned:

- Provide the Pension Fund Committee with details of the results of the consultation.

Contact Officer: Neil Mason, Strategic Finance Manager (Pensions)

Consulted:
Pension Fund Committee Chairman

Sources/background papers:

1. The MHCLG consultation on amendments to the LGPS statutory underpin
http://lgpslibrary.org/assets/cons/lgpsew/20200716_CD.pdf

Annexes:

1. Surrey County Council response to the MHCLG consultation on amendments to the LGPS statutory underpin
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