



Surrey Local Pension Board

22 July 2021

Recent developments in the LGPS Quarter 1

Recommendations:

1. This paper outlines recent developments that affect the LGPS.
2. The Board is asked to **note** the content of this report.

For Information:

3. This paper is based on the Local Government Association bulletins

The Pension (Non-Taxable Payments Following Death) (Real Time Information) Regulations 2021

4. Following changes to the tax regime in 2015, pension schemes are required to report non-taxable benefits, apart from non-taxable defined benefits lump sum death benefits and non-taxable uncrystallised funds lump sum death benefits, to HMRC.

Direction on GMP indexation updated

5. The Government has decided not to formulate a long-term solution and has, instead, decided to make the temporary solution permanent. HMT has updated their direction under section 59A of the Social Security Pensions Act 1975, implementing the decision with effect from 6 April 2021. This means that public service pension schemes will pick up the whole cost of index-linking GMPs that came into payment after 5th April 2021.
6. The Government overlooked the cost of index-linking GMPs when it costed the flat rate state pension. That left a shortfall in funding that was initially passed to pension funds as an interim solution. The interim solution was reviewed and extended before it eventually became the final solution - and the whole cost of index-linking GMPs has been passed to pension funds.

The Department of Work and Pensions consulted on increasing the normal minimum pension age (NMPA)

7. Surrey Pension fund has responded, and the reply can be found here;



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normal pension age.pc

Reminder to review communication policy statement

8. Administering authorities in England and Wales are required to publish a written statement on its policy regarding communications with various parties (such as members and employers) under regulation 61. Surrey Pension Fund's revised and updated policy can be found here;



Communication
Policy.docx

Prudential announce update to their brand

9. Prudential will be updating their brand with a *"fresh new look and feel (including a new logo)"*. It is hoped that they will address performance issues as part of the re-boot.

LGA updates its non-club transfers-out guide

10. The latest guide can be found here; [LGPS Non Club transfers technical guide \(lgpslibrary.org\)](https://lgpslibrary.org)

Supreme Court refuses to hear claim against SPA changes

11. The Supreme Court confirmed that it will not hear the claim against the State Pension age (SPA) changes. In the claim, the campaign group Backto60 argued that the increase in the SPA affecting women born in the 1950s, the so called WASPI women, was discriminatory and that the government did not give the women enough notice.

SAB statement on local pension board meetings

12. The legislation allowing remote council meetings has not been extended beyond 6 May 2021 but, after taking legal advice, the SAB is satisfied that this does not affect local pension board meetings.

Written Ministerial Statement on McCloud

13. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination and can be found here; [Written statements - Written questions, answers and statements - UK Parliament](#)

GAD guidance published

14. MHCLG circulated updated versions of the following guidance:
 - Annual allowance charges: Calculation of scheme pays offset
 - Conversion of AVCs to transfer credits
 - Purchase of additional pension (elections April 2012 to March 2014)

- Purchase of additional pension (elections before April 2012)
- Application of a pension credit (pre-2014 leaver)
- Purchase of additional survivor benefits
- Conversion of lump sum into pension – old regulation 58
- Early payment of pension
- Late retirement.

DWP Consultation on pension scams

15. The consultation proposed: -

- No additional checks will be required if the transfer is to a low-risk scheme.
- If the transfer is to an occupational scheme (including a QROPS) the member must demonstrate an employment link before the transfer can be completed.
- If the transfer is to a QROPS and the member cannot demonstrate an employment link (where the QROPS is an occupational scheme), they must prove residency in the same financial jurisdiction as the potential receiving scheme.
- Before any other transfer can be completed, the trustee or scheme manager must decide whether there are any 'red flags' that would prevent a transfer.
- If there are no 'red flags', the trustee or scheme manager must also establish whether there are any 'amber flags'.
- The member must provide the information needed by the trustees or the scheme manager or the transfer cannot proceed.
- Surrey Pension Fund's response to the consultation can be found here;



210609 DWP scams
consultation.pdf

TPR has consulted on its single code of practice

16. Surrey Pension Fund's response can be found here;



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normal pension age.p

Public sector “Club” transfer arrangements and CARE added pension

17. The Cabinet Office, which is responsible for the Club transfer rules, has confirmed that added pension related to CARE benefits cannot be transferred under Club arrangements.

Providing information about the distribution of a death grant

18. In the LGA's view, anyone receiving a death grant should be told:

- the total death grant and how it was calculated
- the proportion of the death grant that has been awarded to them

19. Anyone who has made a claim against the death grant, but has not been awarded any money, must also be informed of the decision.

The Queen's speech

20. The Government's legislative programme was laid out in the Queen's Speech delivered on 11 May 2021 included;
- a Public Service Pensions and Judicial Offices Bill that will introduce amendments to incorporate the McCloud judgment into public service pension schemes, including the LGPS, and
 - a Boycotts, Divestment and Sanctions Bill which aims to stop public bodies imposing their own views about international relations by preventing boycott, divestments or sanctions against foreign countries.
21. The whole speech can be found here; [Queen's Speech 2021 - House of Commons Library \(parliament.uk\)](https://www.parliament.uk/libraries/queen-s-speech-2021/)

Exit credits

22. On 27 May 2021, the High Court handed down its judgment in the case of *EMS & Amey v Secretary of State for MHCLG*. The case concerned a decision not to pay a £6.5 million exit credit and the Court found in favour of MHCLG upholding the retrospective effect of the LGPS (Amendment) Regulations 2020.
23. The judge noted that *'there were compelling public interest reasons for making the regulations retroactive'*, and that *'the aim of avoiding windfall payments and protecting the pension funds was legitimate'*.
24. The requirement to pay exit credits was introduced by the LGPS (Amendment) Regulations 2018 and MHCLG subsequently made the LGPS (Amendment) Regulations 2020, which came into force on 20 March 2020. The later regulations only affect payments made after 19th March 2020 and amend the exit credit rules with retrospective effect, requiring administering authorities to determine the quantum of an exit credit after considering all the relevant factors.
25. It was suggested that some administering authorities are excluding the possibility of paying an exit credit because a pass-through arrangement is in place. All parties

accepted that this is incorrect, and the regulations do not give primacy to any single factor.

Consultation on the cost control mechanism

26. HM Treasury launched a consultation on proposed changes to the cost control mechanism on 24th June 2021.
27. The consultation follows a review of the mechanism by GAD, which was published on 15 June 2021 and it was triggered by concerns that the mechanism was not operating in line with its original objectives, in particular that it would only be triggered by extraordinary, unpredictable events.
28. The consultation sets out Treasury's response to GAD's findings and proposes making three changes, all of which were recommended in GAD's review:
 - only considering past and future service in the reformed CARE schemes in the mechanism (thereby removing any allowance for final salary schemes)
 - widening the 2 per cent corridor to 3 per cent
 - introducing an economic check so that the breach mechanism would only engage if it would still have applied if long-term economic assumptions been considered.
29. The outcome of the consultation will not impact on the 2016 cost control valuations.

The SCAPE discount rate

30. The SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate is used to set actuarial factors in the LGPS and other schemes. The consultation seeks views on the objectives for the SCAPE discount rate and the most appropriate methodology for setting it.

Climate risk reporting

31. The Government published its response to the recent consultation on taking action on climate risk on 8th June 2021. The Government will introduce new rules that will require trustees to report on their scheme's climate change investment risks by October 2021. Although they do not apply to the LGPS, MHCLG is expected to bring forward regulations which will require similar levels of risk assessment and reporting later this year.

LGPS mortality data

32. The Scheme Advisory Board (SAB) in England and Wales updated its LGPS mortality data to the end of March 2021 based on the data from all LGPS administering authorities in England, Wales, Scotland and Northern Ireland. It also published updated reports from Aon and Barnett Waddingham with each report setting out analysis of the mortality data of a single LGPS fund during the pandemic, and you can find the data and the reports on the SAB COVID-19 Mortality page.

Annual Benefits Statements for active members on a website

33. In accordance with the Public Service Pensions (Information about Benefits) Directions 2014, administering authorities may provide annual benefit statements (ABS) to active members by making them available on a website.
34. The Directions set out requirements that must be complied with when doing so;
- if the member requests a copy of the ABS, the administering authority must provide a paper copy (or a copy in a similar form capable of being read) free of charge,
 - the administering authority must be satisfied that members will be able to access, store and print their ABS,
 - the administering authority has taken into account the needs of disabled members,
 - each time the authority uses a website to provide ABS to active members, it must have told the member about it in advance and explained how to access and read the statement,
 - where the authority is using a website for the first time, it must provide the information mentioned in the last paragraph by giving it to the member by hand or by sending it to the member's last known postal or email address.
 - On each subsequent run, the authority must give that information in such manner as the administering authority believes will bring that information to the member's attention, which includes sending it to the member's last known email address.
35. The LGA thinks that one way to bring the information to the member's attention would be through the Scheme employer – providing that they are willing and able to contact all the relevant employees.

MaPS MoneyHelper goes live

36. The Money and Pensions Service (MaPS) revealed plans to launch a single offering for consumers called MoneyHelper on 18 March 2021. It will replace the Money Advice Service, the Pensions Advisory Service and Pension Wise - although Pension Wise will continue as a named service under the MoneyHelper umbrella.

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Sources/background papers: None

Annexes: None