

# Pension Fund Committee

14 June 2018

## Local Government Pension Scheme (Amendment) Regulations 2018



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**John Hewitt, Corporate Director of Resources**

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### Purpose of the Report

1. This report is to advise the Committee of the changes made to the regulations governing the Local Government Pension Scheme (LGPS) by the introduction of the Local Government Pension Scheme (Amendment) Regulations 2018.

### Background

2. On 19 April 2018 the Local Government Pension Scheme (Amendment) Regulations 2018 were laid before parliament. This followed a period of consultation on potential changes to the scheme that was started on 27 May 2016.
3. The regulations came into force on 14 May 2018 with some provisions backdated to 1 April 2014 (the start of the 'new' career average LGPS). The regulations are a mixture of correcting regulations designed to clarify the LGPS regulations and ensure policy intent is delivered, and new policy changes. Some areas where policy change was expected have not been taken forward.

### Amendment Regulations

4. A summary of the main changes introduced by these amendment regulations is set out below.

### Technical Amendments

5. There are a number of technical amendments to ensure the original policy intent of the LGPS is delivered, for example, to allow employers the option to use a higher pensionable pay figure to reflect the normal pay where a member retires on ill health and their pay was reduced. Most of these amendments will have no practical impact on the way the scheme is administered, as current working practices and guidance already reflect the original policy intent.

### Policy Changes

6. Admission Agreements: The amending regulations confirm that admission agreements can be backdated. They also require Administering Authorities to publish a list of admission agreements it is party to by 13 May 2019. This

requirement will be met through the Pension Fund's annual report, which is expected to be produced by 31 July 2018.

7. Requirement to pay an exit credit to exiting employers: When an employer exits the scheme (either through ceasing to be a scheme employer such as at the end of an admission agreement, or no longer has any active members contributing to the scheme), the actuary has to carry out an exit valuation. Where a deficit is revealed the exiting employer has to make an exit payment to cover this deficit. From 14 May 2018 onwards the amendment regulations introduce a new requirement: where there is an exit valuation and a surplus is revealed the administering authority must pay an exit credit to the exiting employer. Previously any surplus would remain in the Pension Fund. The impact of this is being discussed with the Pension Fund actuary at an upcoming meeting, in particular in relation to scheme employers whose liabilities are currently being wholly or partially underwritten by other scheme employers.
8. Payment of deferred benefits – members who ceased employment before 1 April 2014 and were awarded deferred benefits could only access their benefits from age 55 and before age 60 with their previous employer's consent. The amendment regulations now allow those deferred members to access their benefits without consent from age 55 subject to actuarial reductions.

#### Proposed changes not taken forward

9. Changes to how access to the LGPS is dealt with following outsourcing exercises, to extend the central government 'New Fair Deal' arrangements to cover the LGPS have not been progressed. New proposals will be consulted on by the end of 2018.
10. The proposal to introduce a wider range of options for members to access benefits from the Additional Voluntary Contributions (AVC) arrangements is not going ahead owing to the administrative complexities that would arise. If scheme members want to use their AVC funds more flexibly, they will have to transfer them out of the LGPS.
11. The decision was taken to continue with the automatic aggregation of pension accounts when a member with a deferred account becomes an active member again. This was because the proposed changes would not be consistent with the final salary protection provisions for members who re-join a public service pension scheme within 5 years of leaving their previous public service pension scheme.

#### **Next Steps**

12. The Local Government Association has produced a bulletin summarising the impact of the amendment regulations (attached at appendix A). Analysis will take place to ensure any necessary system and process changes are made to ensure the Pension Fund complies with the amendment regulations. This will include discussion with the Pension Fund actuary as set out in paragraph 7 above.

13. Those scheme members affected by the changes will be advised of the changes. To comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, this communication will need to take place within three months of the date of change, so by 14 August 2018.

#### **Recommendation**

14. That the Committee notes this report.

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