

Division(s): N/A

PENSION FUND COMMITTEE – 14 JUNE 2013

THE NEW LOOK LGPS 2014 (UPDATE)

Report by Assistant Chief Executive and Chief Financial Officer

Introduction

1. The Committee previously received reports in March 2012 and December 2012 regarding the New Look Local Government Pension Scheme (LGPS). This report is to further update the Committee on the progress of the implementation of the New Look Local Government Pension Scheme (LGPS) 2014 and the Regulations which have been issued to date for comment.
2. This report also looks at the consultation document issued in relation to Councillor Pensions. The consultation papers are attached at Annex 1.

Public Services Pensions Act 2013

3. The Public Services Pensions Bill received Royal Assent on 25 April 2013. The Act sets out the common framework for all public sector pension schemes to have career average revalued earning schemes, and broadly linking normal retirement age to the State Pension Age. Other provisions introduce four defined roles within the governance framework:
 - The Responsible Authority – responsible for policy and making of regulations. For the LGPS this role will be carried out by the Department of Communities and Local Government (DCLG).
 - The Scheme Manager - responsible for managing or administering the scheme. This role will be carried out by the Administering Authority.
 - The Pension Board – has both a compliance and scrutiny role responsible for ensuring the scheme manager is complying with its statutory responsibilities. Currently this function can be carried out by the same committee as The Scheme Manager; however we await confirmation in the new Regulations.
 - The Scheme Advisory Board - to advise the Responsible Authority on appropriate regulatory changes. In advance of the creation of the Scheme Advisory Board, Ministers have agreed to the establishment of the Shadow Scheme Advisory Board for the LGPS to inform and test the process of operation prior to the Board's statutory formation in 2014 as well as five sub-committees
4. The Act allows for the same committee to carry out the role of both Scheme Manager and Pension Board. However there are concerns about the conflict

of interests and how these will be addressed within the legislation. It should also be noted that the Pension Board's must comprise equal representation from employers and employees which may not be deemed appropriate for the responsibilities of the Scheme Manager.

5. The Act also requires schemes to maintain costs within defined margins as part of the revised cost control mechanism.

LGPS 2014

6. In March 2013 DCLG issued further consultation documents covered:
 - Draft Local Government Pension Scheme Regulations 2013
 - Draft Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2013
 - Draft Local Government Pension Scheme (Miscellaneous) Regulations 2013
7. The Draft LGPS Regulations 2013 (bullet point 1) gave the detail of the benefit regulations which will be in place post April 2014. The consultation response which had to be submitted in early May was generally seeking to confirm understanding or seek further advice as to how the detailed regulation would work, as the principles had already been subject to consultation and generally agreed.
8. The second part of the consultation (bullet point 2) deals with issues around pre 2014 membership, what protections apply to that membership and how benefit calculations will be carried out to include these periods of membership.
9. The third part of the consultation updates the Miscellaneous Regulations which came into force in October 2012. The main point of significance included here is the requirement that where a body ceases to be a scheme employer for reasons specified in the Regulations, now including having no active members, there are further requirements on how the administering authority deals with the closure valuation.
10. If the body ceasing to participate in the scheme is unable to pay the closure valuation then the administering authority is required to obtain a further rates and adjustment certificate to either recover the monies from the sponsoring employer, or all fund employers.
11. This revision of employer contribution rates will ensure that assets equivalent to the closure valuation are paid to the fund over such period of time as considered reasonable by the administering authority.
12. It should be noted that there is still a significant amount of work needed to finalise the drafting of these Regulations to make them operable from April 2014. Examples of the work yet to be finalised are:

- How the revaluation will work.
- The potential for negative revaluation.
- Final salary protection in prescribed criteria / cuts in pay
- Membership – how this will be purchased.

Consultation on Councillor Pensions

13. Councillor members were allowed to join the Local Government Pension Scheme from May 2003 provided their Council made a resolution to allow them to do so. In Oxfordshire, the County and all Districts bar one made such an election to allow their Councillors to join the scheme from 2004 onwards.
14. As at 31 March 2013 there were 76 Councillors in the Oxfordshire Local Government Pension Scheme Fund.
15. The Government, as part of their review of the public sector pension schemes, issued a consultation paper in April to determine whether Councillors should be eligible to join the LGPS in future. This followed an earlier statement by Brandon Lewis MP, the Minister of State at the Department for Communities and Local Government which suggested that all Councillor Membership should cease from April 2014.
16. The Consultation paper which is attached at Annex 1 now invites comments on three options including the retention of the status quo. This option reflects the strength of feeling from many across local government about the benefits of retaining the current arrangements, both in terms of recruitment and retention of individuals willing to stand as Councillors, as well as ensuring those who are charged with the local administration of the Funds can bring personal knowledge of the LGPS into their deliberations.
17. This paper has been passed to Oxfordshire County Council and District Councils to respond. Consultation responses are required by 05 July 2013. This Committee are invited to make any comments which can be included within the response from the County Council.

Next Steps

18. It is anticipated that a full set of draft Regulations will be issued for further consultation in June 2013.
19. Nationally, the Local Government Association is in discussion with major systems providers but until the full set of regulations and the supporting government actuary department guidance are in place, we are rather restricted on detailed action.
20. Many of the requirements for record keeping in the new scheme will fall to the scheme employers therefore Pension Services will need to ensure all employers have the capability to manage the requirements of effectively

running two schemes with completely different reporting requirements through their pay systems.

21. A communications strategy about new scheme for both employers and employees is being drafted ready for launch in September.

RECOMMENDATION

22. **The Committee is RECOMMENDED to note the report.**

Sue Scane
Assistant Chief Executive and Chief Finance Officer

Background papers:
Contact Officer: Sally Fox, Pension Services Manager, Tel: (01865) 797111

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