

Local Government Pensions Committee  
Secretary, Lorraine Bennett

## **LGPC Bulletin 177 – October 2018**

Please contact [Lorraine Bennett](#) with any comments on the contents of this bulletin or with suggestions for other items that might be included in future bulletins.

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## LGPS England & Wales

### SCAPE discount rate – impact on actuarial guidance

#### Transfer calculations

On 31 October, Jayne Wiberg notified administering authorities that, as expected, the Chancellor of the Exchequer confirmed the reduction in the SCAPE discount rate from CPI + 2.8% to CPI + 2.4% in the [2018 Budget](#).

The SCAPE discount rate is used to set the employer contribution rates in the unfunded public service pension schemes and determine the actuarial factors used across all of the public service pension schemes (see [bulletin 176](#) for further background information). The reduced rate is effective from 29 October for the calculation of actuarial factors in the LGPS – this means that some non-club transfers, some interfund calculations and all CETVs for divorce will need to be put on hold until new transfer factors are issued. We understand that new transfer factors will be issued by the Secretary of State in due course, within approximately 6 weeks (i.e. hopefully in early December 2018).

MHCLG have confirmed the following [transitional arrangements](#) will apply concerning non-club transfers, interfund calculations and CETVs for divorce. Please note it is not necessary to suspend Club transfers.

#### Other actuarial guidance

MHCLG have confirmed that the remainder of the scheme's actuarial factors will be amended for the reduction in the SCAPE discount rate in due course. Their intention is to introduce revised factors from around February/March 2019. MHCLG and GAD have agreed that where any change to the calculation methodology is introduced this will be communicated with the software providers in advance of its introduction, in order that changes can be made to pensions administration systems in time for the implementation of the new factors.

We suggest that administering authorities communicate the impending changes to the actuarial factors to members when providing retirement quotations with an effective date on or after 1 February 2019.

#### Section 13 report published

On 27 September 2018, MHCLG published the first [statutory review](#) of the LGPS under section 13 of the Public Service Pensions Act 2013. The department is required to report on the Scheme every three years; this report covers the period up to 2016. The Government Actuary reported that in aggregate, the LGPS is in a strong financial position and funds have made significant progress since the 2013 valuation.

#### MHCLG open consultation on technical amendments to benefits

MHCLG opened an eight-week policy consultation called 'LGPS: technical amendments to benefits'. The consultation document is available on the scheme [consultations page](#) of [www.lgpsregs.org](http://www.lgpsregs.org). It looks at three areas:

- Survivor benefits – introducing changes to provide that pensions paid to survivors of civil partnerships or same-sex marriages will be equal to those provided to widows of male members. The changes will be backdated to the date civil

partnerships and same-sex marriages were implemented, this means that LGPS administering authorities will need revisit all awards made under the current rules to civil/same-sex partners and pay any additional sums due.

- Introducing a general power for MHCLG to issue statutory guidance.
- Correcting the unintended error in the LGPS (Amendment) 2018 Regulations to provide that deferred members who left under the 1995 Regulations are able to take payment of their LGPS pension without the need for their former employer's consent from age 55, with the appropriate reduction for early payment.

The consultation closes at 11:45pm on 29 November 2018.

The LGA will respond to the consultation and publish its response on the [consultations page](#) of [www.lgpsregs.org](http://www.lgpsregs.org)

MHCLG are currently undertaking a separate technical consultation on draft amendment regulations to give effect to the changes above. The technical consultation is not a public consultation meaning that only interested parties, including the LGA, are being invited to respond.

### **SF3 data published**

Ministry of Housing, Communities & Local Government (MHCLG) have published "[Local government pension scheme funds for England and Wales: 2017 to 2018](#)" (SF3) statistics. Highlights include:

- Total expenditure was £12.7 billion. Removing the effect of mergers and large transfers in 2016-17 and 2017-18 there was a like-for-like increase of £0.8 billion or 7.4% on 2016-17.
- Total income was £17.4 billion. Removing the effect of mergers and large transfers in 2016-17 and 2017-18, there was a like-for-like increase of £3.0 billion or 21.4% on 2016-17. This is mainly due to an increase in employer contributions in 2017-18.
- Employer contributions amounted to £9.5 billion, up 27.7% on 2016-17, and employee contributions to the scheme were £2.1 billion. Employer contributions increased due to some large upfront pension contribution payments (deficit contributions) by some employers and higher contribution rates following the triennial valuation.
- The market value of the Scheme at the end of March 2018 was £270.9 billion, an increase of £12.1 billion or 4.7%.
- Membership encompassed 5.8 million people at the end of March 2018 (5.6 million 31 March 2017). Of this number, 2.0 million are employees who are still contributing to the scheme, 1.7 million are pensioners and 2.1 million are former employees who are entitled to a pension at some time in the future.
- The number of people leaving the Scheme due to redundancy reduced by 19.9% from 2016-17 to 10,847. A number of funds reported there were special redundancy exercises or restructuring in 2016-17 and that the large reduction in 2017-18 was a consequence of that.

## **AVC member guide**

The national communications working group, in conjunction with the LGA, has produced a member's guide to AVCs.

The guide is available under the [guides and sample documents](#) page of [www.lgpsregs.org](http://www.lgpsregs.org) and is provided in both pdf and word format so that funds can adapt it for their own use e.g. add the fund's and/or their AVC providers' contact details. If printed, the guide is designed to print as a booklet.

## **Updates to AVC technical guide**

We have updated the Freedom and Choice AVC technical guide to clarify the options available where an orphan AVC is left with a previous administering authority. Clean and tracked versions of the guide (version 3.0) are available under the [guides and sample documents](#) page of [www.lgpsregs.org](http://www.lgpsregs.org).

## **Scheme Advisory Board (SAB) update**

A [summary note](#) of the SAB meeting held on 10 October 2018 is available at [www.lgpsboard.org](http://www.lgpsboard.org). The main action points and agreements from the meeting are in relation to cost management, academy and tier three employer projects, separation project, code of transparency-compliance system project, responsible investment guidance and the Pensions Regulator. Going forward, the SAB will send a summary note to stakeholders and publish it on it on the Board website following each meeting.

## **Harvey v Haringey and MHCLG judgment**

On 30 October 2018, in the High Court Mr Justice Julian Knowles handed down his judgment on the above case. The case relates to the non-payment of a cohabiting partner's pension where the member left the LGPS before 1 April 2008.

Ms Harvey maintained that the Council's refusal to pay her a pension was discriminatory and in violation of the European Convention on Human Rights. Mr Justice Julian Knowles found in favour of Haringey Council and MHCLG and dismissed the application for judicial review.

In his judgment Mr Justice Julian Knowles states the central and core justification running throughout this case is that spouses in the 1997 Scheme and cohabitants of 2008 Scheme members are entitled to a pension because it was costed into the relevant Schemes and paid for. Where a member left before April 2008 the member did not pay for a cohabitee to receive a benefit, nor was it otherwise costed into the 1997 Scheme.

## **LGA website – pension pages revamped**

The LGA Pensions team has been collaborating on a [new suite of pages](#) to promote our work across public service schemes, including the LGPS, Teachers' Pension Scheme and the Fire Pension Scheme. We will add information about the Police Pension Scheme later.

Many of the pages are publicly accessible and are re-designed to be as user friendly and engaging as possible. If you have any feedback about the website, or would like

to find out more information about any of the schemes within our remit at the LGA, please email [query.lgps@local.gov.uk](mailto:query.lgps@local.gov.uk) in the first instance.

## HMRC

### Countdown bulletin 37

On 5 October, HMRC published [countdown bulletin 37](#), which includes updates on:

- financial reconciliation
- import amendment to phase 7 rerun plan
- HMRC banking details
- data quality
- contribution adjustment action as a result of scheme reconciliation.

### Countdown bulletin 38

On 2 November, HMRC published [countdown bulletin 38](#), which includes updates on:

- Scheme Reconciliation Service (SRS) - stalemate queries
- phase 7 automated rerun plan
- scheme financial reconciliation
- contribution adjustment action
- requests for SRS data
- scheme cessation.

Of particular interest is the article on stalemate queries. The article sets out three scenarios and confirms that HMRC will accept stalemate queries (based on their three scenarios) up to 31 December 2018. Thereafter, various processes may be followed depending upon the outcome.

### Pension Schemes Newsletter 104

On 31 October, HMRC published [pension schemes newsletter 104](#). It includes updates on:

- Budget 2018
- pension flexibility statistics
- registration statistics
- manage and register pension schemes
- reporting of non-taxable death benefits
- transfers between registered pension schemes
- reporting overseas transfers
- operating PAYE on pension payments.

Of particular interest is that HMRC have updated the Real Time Information (RTI) online service to prevent P6 coding notices being incorrectly issued to beneficiaries in receipt of death benefits that are entirely non-taxable. Pension schemes can now resume reporting non-taxable pension death benefit payments through RTI for 2018 to 2019 – guidance on how to do this is included in the newsletter.

### Contracted out reconciliation

On 1 October 2018, Jayne Wiberg shared [a letter](#) from HMRC to MHCLG with all administering authorities concerning the reconciliation of GMP data. The letter

highlights that the contracted-out reconciliation exercise was approaching conclusion and confirmed that HMT will not be publishing guidance concerning stalemate cases.

Additionally, on 30 and 31 October, Jayne Wiberg forwarded [two emails](#) on behalf of HMRC to administering authorities, confirming that the clerical deadline for submitting national insurance contribution adjustments was 31 October 2018. However, HMRC will allow schemes up to 4 weeks after submission of those cases to complete and submit the necessary accompanying paperwork. If the necessary paperwork is not completed within that timeframe, any outstanding cases will be rejected.

## TPR and FCA

### FCA and TPR launch joint regulatory strategy

On 18 October 2018, the Financial Conduct Authority and TPR launched a [joint regulatory strategy](#) to strengthen their relationship and take joint action to deliver better outcomes for pension savers and those entering retirement.

### Governance and administration survey

TPR will send out the annual governance and administration survey to scheme managers in the week commencing 5 November. The survey is web based (though it can be printed off for discussion) and the closing date is expected to be the end of November.

We understand that some changes have been made to the survey this year; the survey will seek to find out in more detail how well local pension boards are working and ask for more detailed information about employer data. In addition, a new section on cyber-risks is included.

### FCA publish new rules and guidance on improving quality of pension transfer advice

The FCA has published new rules and guidance on improving the quality of pension transfer advice. In a [policy statement](#), the FCA confirmed that it would be taking forward most of the proposals laid out in its consultation earlier this year

The changes include raising qualification levels for pension transfer specialists and imposing a requirement for companies to provide a suitability report regardless of the outcome of advice.

## Other News and Updates

### High Court ruling on GMP equalisation

On 26 October 2018, Mr Justice Morgan handed down [judgment](#) in Lloyds Banking Group Pensions Trustees Limited v Lloyds Bank PLC, HBOS PLC, Angela Sharp, Judith Cain, Susan Dixon, Secretary of State for Work and Pensions and HMT. The High Court has held that schemes must equalise the discriminatory effects of GMPs and that this can be achieved using several methods.

We are aware that concern has been raised as to the impact to Public Service Pension Schemes. HMT have confirmed that this judgement “*does not impact on the current method used to achieve equalisation and indexation in public service pension*”



*schemes*". For more information concerning the current method of equalisation of Public Service Pension Schemes, please consult the outcome to the Government consultation [on indexation and equalisation of GMP in public service pension schemes](#) published on 22 January 2018.

### **PASA launch GMP stalemate guidance**

The Pensions Administration Standards Association (PASA) has launched its next tranche of [GMP guidance](#). The guidance concentrates on cases that cannot be rectified during the reconciliation exercise and, in terms of seeking to resolve them with HMRC, reach 'stalemate' status.

### **Budget 2018**

On 29 October, the Chancellor of the Exchequer, Philip Hammond, presented the [2018 Budget](#) setting out the government's plans for the economy and public finances.

Announcements relating to public service pensions schemes confirmed as expected the reduction of the SCAPE discount rate to 2.4% plus CPI, indicating an increased cost to employers of providing pensions in the long-term. The government further acknowledged that the provisional valuation results of all public service schemes indicate that an improvement to member benefits is needed from 2019-20.

While there were no major announcements in relation to pension tax, it has been confirmed that the Lifetime Allowance for 2019-20 will increase in line with CPI, to £1,055,000.

In relation to pensions cold calling, the Government's [response](#) to its consultation has been published alongside the Budget, and according to the Budget document the Government will "shortly be implementing legislation to make pensions cold calling illegal".

The government pledged support for pension savers by committing £5m extra funding for the Pension Dashboard, which will allow individuals to see all of their pension pots, including State Pension, in one place. The Budget report confirms that DWP will consult on the project later in the year.

### **Pension scam leaflet changed**

In [bulletin 175](#), we reported that TPR, in conjunction with the FCA, have launched a new ScamSmart TV advertising campaign to raise awareness of pension fraud and the most common tactics used by scammers.

As part of the ScamSmart campaign a [new customer leaflet](#) and other communication materials have been introduced. The new leaflet replaces the scorpion leaflet with immediate effect and, as before, should be included with transfer packs and is suitable to accompany annual benefit statements.

### **Tell Us Once - CDC connection testing**

DWP plan to move the hosting environment that facilitates Tell Us Once from UK Cloud to Microsoft Azure in mid-November.

DWP, with the help of volunteer administering authorities, have undertaken testing to ensure that the CDC connection operates as it should in the new environment. CDC is the DWP web platform on which LGPS funds access their death notifications from Tell Us Once. Thank you to the funds that volunteered to assist with the testing.

If you experience any issues with Tell Us Once please email [TELL-US-ONCE.SERVICEDESK@DWP.GSI.GOV.UK](mailto:TELL-US-ONCE.SERVICEDESK@DWP.GSI.GOV.UK)

### **Technical group minutes published**

The [minutes](#) of the meeting held on 28 September are now available on [www.lgpsregs.org](http://www.lgpsregs.org). Items of particular note are:

- process recommendation where payment of refund is reaching the 5 year maximum retention period
- process recommendation in relation to a CEP reclaim upon transfer from the LGPS to another registered pension scheme
- the group's view on the impact of TUPE on pensionable employment
- recommendation for the group to formally write to SAB requesting a change to the regulations in relation to forfeiture.

### **Date of birth verification for interfunds**

At the [technical group meeting](#) held on 8 June 2018, the group recommended that where neither the sending nor receiving administering authority are able to obtain date of birth verification an interfund adjustment should still be paid if both authorities hold the same date of birth.

### **MHCLG contact information**

MHCLG have dropped 'gsi' from all of their email addresses. Whilst emails containing the 'gsi' are still being accepted, they will not be going forward. If you hold any email addresses for MHCLG that include 'gsi' these should be amended now.

The generic email address for MHCLG is [LGPensions@communities.gov.uk](mailto:LGPensions@communities.gov.uk)

### **Training**

[Circular 311](#) advertises our forthcoming Governance Conference, which is taking place on 17/18 January 2019 in Bristol. Bookings are filling up fast, so if you or your pension committee/local pension board members would like to attend, please book your places as soon as possible to avoid disappointment. The [programme](#) and speakers are now confirmed.

### **The wider landscape**

#### **Simper annual benefit statement launched**

Pensions Minister Guy Opperman recently launched [a simpler annual statement](#) at the Pensions and Lifetime Savings Association (PLSA) Annual Conference in October. The simpler annual pension statement has been produced by former PLSA chair Ruston Smith, in his capacity as an adviser to the Government on its review of automatic enrolment. Input was also received from the pensions industry.

The aim of the statement is to help pension schemes and providers give savers just the key information they need, presented in plain English and with more consistency.



## Civil partnerships to be extended to opposite sex couples

At the Conservative Party Conference, Prime Minister Theresa May announced that heterosexual couples will be able to enter into civil partnerships. The move follows a [decision](#) of the Supreme Court [UKSC 2017/0060] on 27 June 2018 that the existing law around civil partnerships was incompatible with the European Convention on Human Rights as it only permitted civil partnerships between same-sex couples.

## Legislation

### United Kingdom

SI	Reference Title
2018/1103	The Occupational Pension Schemes (Governance) (Amendment) Regulations 2018
2018/1102	The Occupational Pension Schemes (Cross-border Activities) (Amendment) Regulations 2018
2018/1097	The Pensions Act 2004 (Code of Practice) (Authorisation and Supervision of Master Trusts) Appointed Day Order 2018
2018/1029	Financial Guidance and Claims Act 2018 (Commencement No 3 and Transitory Provisions (Modification)) Regulations 2018

## Useful Links

[LGA Pensions page](#)

[LGPS member website](#) (England and Wales)

[LGPS 2015 member website](#) (Scotland)

[LGPS Advisory Board website](#) (England and Wales)

[LGPS Advisory Board website](#) (Scotland)

[LGPS Regulations and Guidance website](#) (England and Wales)

[LGPS Regulations and Guidance website](#) (Scotland)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) approved by HMRC and who agreed to have their details published.

## LGPS pensions section contact details

*If you have a technical query, please email [query.lgps@local.gov.uk](mailto:query.lgps@local.gov.uk) and one of the team's LGPS pension advisers will get back to you.*

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346  
Email: [jeff.houston@local.gov.uk](mailto:jeff.houston@local.gov.uk)

**Lorraine Bennett (Senior Pensions Adviser – LGPC Secretariat)**

Telephone: 0207 187 7374  
Email: [lorraine.bennett@local.gov.uk](mailto:lorraine.bennett@local.gov.uk)

**Jayne Wiberg (Pensions Adviser – LGPC Secretariat)**

Telephone: 07979 715825  
Email: [jayne.wiberg@local.gov.uk](mailto:jayne.wiberg@local.gov.uk)

**Karl White (Pensions Adviser (Training) – LGPC Secretariat)**

Telephone: 07464 652886  
Email: [karl.white@local.gov.uk](mailto:karl.white@local.gov.uk)

**Bob Holloway (Pensions Secretary – LGPS Scheme Advisory Board (E&W))**

Telephone: 07919 562847  
Email: [robert.holloway@local.gov.uk](mailto:robert.holloway@local.gov.uk)

**Liam Robson (Pensions Analyst – LGPS Scheme Advisory Board (E&W))**

Telephone: 0207 664 3328  
Email: [liam.robson@local.gov.uk](mailto:liam.robson@local.gov.uk)

**Elaine English (LGPS Executive Officer)**

Telephone: 0207 187 7344  
Email: [elaine.english@local.gov.uk](mailto:elaine.english@local.gov.uk)

**Distribution sheet**

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Pension managers (outsourced) and administering authority client managers  
Local Government Pensions Committee  
Trade unions  
CLG  
COSLA  
SPPA  
Regional Directors  
Private clients

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