

**DERBYSHIRE COUNTY COUNCIL**  
**PENSIONS AND INVESTMENTS COMMITTEE**

**1 August 2018**

**Report of the Director of Finance and ICT**

**LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT)  
REGULATIONS 2018**

**1 Purpose of the Report**

To update the Pensions and Investments Committee (the “Committee”) on 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.

**2 Background**

The Local Government Pension Scheme (Amendment) Regulations 2018 (“Amendment Regulations”) were laid before Parliament on 19 April 2018 following a period of consultation on potential changes to the Scheme that had commenced in May 2016.

The Amendment Regulations came into force on 14 May 2018 with some provisions backdated to 1 April 2014 when the career average arrangements in the LGPS were introduced. They include new regulations and some minor correcting regulations designed to clarify the existing LGPS regulations and to ensure that the original intention of the regulations is delivered.

Some areas which had been included in the consultation, and where policy change was expected, were not included in this set of amendment regulations (details set out later in the report).

**3 Summary of the Amendment Regulations**

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

**New Regulations**

**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 voluntarily access their benefits without the need for their previous employer's consent from age 55, subject to actuarial reductions.

To comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013, deferred members of the Fund have been notified of this change as part of their Deferred Member Annual Benefit Statement.

### **Admission Agreements**

The Amendment Regulations confirm that admission agreements can be backdated. They also require an Administering Authority to publish a list of its admission agreements by 13 May 2019. This requirement will be met through the Pension Fund's Annual Report, which is required to be published by 1 December 2018.

### **Requirement to pay an exit credit to exiting employers**

When an employer exits the Pension Fund (either through ceasing to be a scheme employer at the end of an admission agreement, or no longer having any active members contributing to the scheme for example), the Pension Fund's actuary is required to prepare a cessation report which includes an exit valuation to identify the employer's funding position as a scheme employer at the point of leaving the Fund.

Where the report identifies a deficit, the exiting employer is required to make an exit payment to the Fund to cover the deficit. However, prior to the Amendment Regulations, where the actuary has reported a surplus at cessation, the surplus remained in the Pension Fund rather than being repaid to the employer. The Amendment Regulations have changed this position and now require that this surplus must be paid by the administering authority to the existing employer as an "exit credit".

### **Technical Amendments**

A number of technical amendments to the LGPS regulations have been made to ensure the original intention of the regulations is delivered, including,

- **Assumed Pensionable Pay** – a minor change allows employers the option to use a higher pensionable pay figure to reflect a member's normal pay where a member is on sick leave and their Assumed Pensionable Pay calculation provides a lower figure.
  - Assumed Pensionable Pay is the notional pensionable pay figure that is used to ensure that a member's pension is not affected by

- moving to reduced or nil pay and mainly covers periods of sickness and child-related leave.
- Scheme employers have been notified of this change via an Employer Newsletter which was released on 15 June.
- **AVCs** – The maximum contribution limit for members who commenced their AVC contract before 1 April 2014 increases from 50% to 100% of pensionable pay. This brings them in line with members who commenced their AVC on or after 1 April 2014.
  - Scheme members are being informed of this change via a Member Newsletter linked to their Annual Benefit Statements.

## **Proposed changes not included in the Amendment Regulations**

### **The introduction of “New Fair Deal” arrangements into the LGPS**

The proposal to extend the “New Fair Deal” arrangements, currently covering central government outsourcing agreements, to the LGPS has not been progressed at this stage and a further consultation will take place before the end of 2018.

### **Increased flexibility in accessing AVC funds**

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 following the consultation which identified 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.

### **Automatic Aggregation**

The proposal to end the automatic aggregation of pension accounts where a deferred member becomes active again was not taken forward. It was concluded that this proposal would not be consistent with the Public Service Pensions Act 2013 which requires that final salary protection must be provided for members who re-join a public service pension scheme within 5 years of leaving their previous public service pension scheme.

## **4 Legal Considerations**

The Director of Legal Services has been notified of the Amendment Regulations and is satisfied that the Fund is taking appropriate measures to ensure that procedures are being implemented to ensure compliance with the new and amended regulations.

## **5 Other Considerations**

In preparing this report the relevance of the following factors has been considered – equality and diversity, financial, health, environmental, transport, property and human rights considerations.

## **6 Officer's Recommendation**

That the Committee:

Notes the introduction of The Local Government Pension Scheme (Amendment) Regulations 2018

PETER HANDFORD

Director of Finance and ICT