



Committee and date

Pensions Board

13 April 2018

9.30am

Item

Public

Administration and regulatory updates

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1. Summary

The report provides Pension Board Members with the latest administration and regulatory updates affecting the Local Government Pension Scheme (LGPS).

2. Recommendations

Pension Board Members are asked to note the contents of this report.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

Currently there are no direct financial implications arising from this report.

4. Administration topics covered at Pensions Committee since the last Pensions Board meeting

4.4 In addition to this report the Pensions Board are advised to note the Pensions Administration Reports submitted to the pension committee meetings held on 24 November 2017 and the 16 March 2018, which included updates on;

- Calls received by the helpdesk
- Take up of Member Self Service
- Address tracing update
- Update on GMP Reconciliation Project
- CARE pensions revaluation rate/pensions in payment increase from April 2018
- Benchmarking

5. Administration latest news

5.1 Scheme Advisory Board (SAB) work-plan for 2018/19

Three new projects have been proposed for SAB in 2018/19 these being separation, guidance and data improvement.

5.2 The objective for the separation work stream would be to identify both the issues deriving from the current scheme administrative arrangements and the potential benefits of further increasing the level of separation between host authority and the scheme manager role.

5.3 The second project is proposed to identify regulations which may be better sited within statutory guidance and to both propose the necessary amendments and assist with the drafting of guidance.

5.4 The final project aims to assist administering authorities in meeting the Pension Regulators requirements for monitoring and improving data by the identification of scheme specific conditional data and the production of guidance for authorities and employers.

5.5 Business planning

The Pensions Regulator (TPR) issued guidance in December 2017 to make clearer what it thinks good governance look like, and what it plans to do if those standards are not being met.

5.6 The guidance is part of the TPR's 21st Century Trustee campaign which aims to improve standards of governance across all pension schemes and business planning is one of the ten areas of focus within the Pension Regulator's campaign. More information about the campaign can be found using this link:

<http://www.thepensionsregulator.gov.uk/21st-century-trusteeship.aspx>

5.7 The TPR's specific guidance on business planning states;

Having a business plan will enable Schemes to plan ahead and improve the ability to comply with legal requirements at all times and sets out the following:

- set out strategic goals for the scheme
- checks progress using short-term and medium-term objectives
- actions taken if objectives are not being met
- prioritise scheme business and board agenda items
- plan training and other activities to develop the skills of the board
- co-ordinate activities of advisers and those providing services to your scheme
- engage with employers
- manage risks effectively

The Fund's high level activities are included in Shropshire Council's Finance Governance and Assurance service plan but to keep in line with the TPR's guidance a separate business plan will be developed going forward.

6. Publication of the Pensions Ombudsman public pension scheme statistics enquires & investigations

- 6.1** Pension Board members are asked to note **Appendix A** which provides a summary of the statistics collated by the Pensions Ombudsman concerning the enquiries and investigations undertaken on behalf of the Local Government, Police, Firefighters and Teachers Pension Schemes. For the LGPS, the statistics reveal that ill health remains the most common type of complaint, followed by incorrect calculations.

7. Pensions Dashboard Update

- 7.1** As previously reported to the Board in February 2017 there is a project set up by Government to explore the feasibility of delivering a pensions dashboard providing a single point of access which would allow individuals to view all their pension savings in one place.
- 7.2** It was intended that Public Service Pensions are out of scope for the initial development of the prototype but in February 2018, the LGPC Secretariat attended an informal discussion with the Department of Work and Pensions (DWP) and other public service pension schemes about the Pensions Dashboard.
- 7.3** DWP have undertaken user research, the results of which show a consensus around there being a preference for a single dashboard with a single point of access along with a preference for the dashboard to be government led. Results from the feasibility study once published will be shared with the Board.

8. Key dates for 2018

- 8.1** The Fund's employer meeting has been set and is being held on Thursday 11TH October 2018 at the Shirehall. The agenda is currently

being drawn up however the Fund does intend to invite the Pensions Regulator to present.

- 8.2** The Fund's Annual Meeting date for 2018 has been set for Thursday 15th November 2018.

9. Regulatory latest news

9.1 General Data Protection Regulations (GDPR) – template privacy notices

The LGA have, on behalf of LGPS Administering Authorities, commissioned the legal company Squire Patton Boggs to produce the following three documents:

- 'Template full privacy notices' specifically for LGPS administering authorities to use setting out the information to be provided under articles 13 and 14 of the GDPR. This notice takes into account that most likely, the data will be obtained directly from both the employer and the member.
- 'Summary privacy notice' for use in newsletters / annual benefit statements – this will link to the full privacy notice that would be held on the Fund's website or made available upon request.
- A memorandum of understanding document for employers - the aim of this document is to set out that participating employers in the LGPS are able to share data with the LGPS administering authority without a data sharing agreement being in place (i.e. that there is no legal requirement for employers to have a data sharing agreement with LGPS administering authorities as they are both data controllers). The document will quote the relevant statutory references to inform an employer's data protection officer and legal department of the legal position, to head off any issues with employers uncertain about what data they can / cannot share with LGPS administering authorities.

These documents have recently been made available to the Fund and are currently being reviewed for publishing to the Fund's website and circulated to members and employers.

9.2 Annual allowance and lifetime allowance limits applicable from 6 April 2018

- 9.3** The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2018 amends the Lifetime Allowance limit to £1,030,000 with effect from the 6 April 2018.

- 9.4** The Annual Allowance, as defined by the Finance Act 2004 (as amended), remains unchanged at £40,000 for 2018/19.

9.5 Divorce under Scottish Law

Pension Board members may wish to note that a recent legal case has changed how pension rights are assessed for divorce under Scottish law. It

has always been the case that under Scottish law, only the pension rights accrued during the period of the marriage can be shared. This has previously been understood to mean any period of active pension scheme membership while the member was married – for example, if a member joined the scheme in 1995, married in 2000, retired in 2005 and divorced in 2015, the Cash Equivalent Transfer Value (CETV) used in the calculation would be adjusted by 5/10 (dividing it by the 10 years of active membership and multiplying by the 5 years of active membership while married). However, a recent case has challenged this. The Supreme Court decision in the McDonald case was that all membership during the period of the marriage should be taken into account, including periods while the member was a deferred or pensioner member. This has the effect that in the above case instead of the CETV being adjusted by 5/10, it should be adjusted by 15/20, giving a much larger proportion of the CETV to be included in a pension sharing order.

- 9.6** This case sets a precedent and the change in approach will affect all LGPS funds who deals with any members divorcing under Scottish law. This is currently being discussed at the Local Government Association (LGA) and the Fund is reviewing systems and literature to ensure they are updated accordingly.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Item 5 - Pensions Board Meeting 2 February 2017 - Administration and Regulatory Update

Item 16 - Pensions Committee Meeting 24 November 2017 – Pension Administration Monitoring

Item 23 - Pensions Committee Meeting 16 March 2018 – Pension Administration Monitoring

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

Appendix A - Pensions Ombudsman public pension scheme statistics