

ExitPaymentCap@hmtreasury.gov.uk

Workforce, Pay & Pensions Team,
HM Treasury,
1 Horse Guards Road,
London
SW1A 2HQ

'Consultation on Exit Payment Cap'

2nd July 2019

Dear Sirs,

'Consultation on Exit Payment Cap'

I am pleased to provide a response to HM Treasury's 'Restricting exit payments in the Public Sector: consultation on implementation of regulations. I am responding in a capacity of Pension Administration Manager for Shropshire County Pension Fund. This response has not been able to be agreed by the Pension Committee because of timing. The consultation fell between committee meetings.

Shropshire County Pension Fund has around 50,000 members and 150 Fund Employers. An area for concern is that the members that will be covered by this cap earn a lot lower, down to £23,500 per year, than this consultation or the government suggests. Definitely not high earners or 'fat cats'. Also, there should be choice introduced into the Local Government Pension Scheme rules. The member should not be forced to take a reduced pension for life they should have a choice to defer their benefits and choose when then take them.

No implementation period is mentioned. Due to the amount of regulation changes required because of the introduction of an exit cap and changes to software and procedures a period is required for the necessary reforms. I fully support the issues raised by the LGA in their submission and agree with their suggestion that a 9-month implementation period for all additional regulatory issues seems to be a much more sensible approach.

Question 1

Does draft schedule 1 to the regulations capture the bodies intended (described in section 2.1 above)? If not, please provide details.

Not fully. Whilst further and higher education establishments are Schedule 1 bodies I believe they should be covered by the Cap. Also, there will be an issue with having to wait for amendments to include new employers. It will be difficult to keep track of who is covered and who isn't.

Question 2

Do you agree with the current list of bodies in scope, for the first round of implementation? If not, please provide reasons.

All LGPS employers should be covered for consistency.

Outsourced workers should also be covered to ensure consistency with TUPE and Fair Deal.

Question 3

Do you agree with the exemptions outlined? If not, please provide evidence.

Clarity on how exemptions would apply on a 'day-to-day' basis is required as following full council approval, the proposal appears to be very bureaucratic and long.

Early Retirement Strain should be exempt. However, if it is kept in then LGPS regulations must be changed to allow members affected by the CAP only the choice of a deferred benefit rather than an enforced permanently reduced benefit paid immediately.

Question 4

Does the guidance adequately support employers and individuals to apply the draft regulations as they stand? If not, please provide information on how the guidance could be enhanced.

LGPS will be better placed to answer this question regarding the affect this Cap will have on their plans for service redesign and staffing reductions.

My comments from a Pensions Administration perspective are; An implementation period is required for software systems to be changed and re tested as they will need the ability to calculate the exit cap and reductions to scheme member benefits based on GAD factors. As mentioned above a minimum of nine months from the date the Regulations are passed is required for the necessary reforms to the LGPS to be introduced with the need for consultations on changes.

Inconsistency will be introduced where the value of strain to be used is determined locally by each Fund's Actuary. I suggest this to be valued by a national set of factors provided by GAD for exit payment purposes only. Another reason to exclude strain from the CAP.

Inconsistencies and contradictions between the draft Regulations, Guidance and Directions need to be corrected. Part Two of the LGA Response, June 2019, fully details the areas of concern.

Question 5

Is the guidance sufficiently clear on how to apply the mandatory and discretionary relaxation of the regulations, especially in the case of whistleblowers?

Clarity is required on the definition of 'undue hardship' to ensure the intention of the regulation is applied consistently.

Question 6

Is there further information or explanation of how the regulations should be applied which you consider should be included in the guidance? If so, please provide details.

I refer to the LGA response which comprehensively covers this question.

Question 7

Are there other impacts not covered above which you would highlight in relation to the proposals in this consultation document?

Non- indexation or review of the Exit Cap of £95,000 –The amount set in 2015 should of already been indexed. The current indexed value would be £105,000. Going forward at the proposed level will cause further issues as more members of the LGPS get caught by it.

Further clarity is needed on how employer National Insurance contributions will be considered when employer NICs on termination payments above £30,000 are introduced.

Question 8

Are you able to provide information and data in relation to the impacts set out above?

Support and agree the information provided in Appendix 1 of the LGA response dated June 2019.

Yours faithfully

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