

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Panel:	Pension Fund Panel and Board
Date:	29 March 2019
Title:	Governance: Administration Strategy changes and Fair Deal consultation response
Report From:	Director of Corporate Resources

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Purpose of this Report

1. The purpose of this report is to seek approval for some minor changes to the Administration Strategy, and to share the proposed response to the current Fair Deal consultation.

Recommendation(s)

2. It is recommended that the Panel and Board:
 - agree the proposed changes to the Administration Strategy
 - approve the proposed response to the Fair Deal consultation.

Executive Summary

3. The Administration Strategy needs to be amended in light of recent LGPS amendment regulations which have an impact on some of the Fund's discretionary policies. In addition two beneficial changes to administration processes have been made as part of the new partnership arrangement with West Sussex and these need to be reflected in the Strategy.
4. The Ministry for Housing, Communities and Local Government (MHCLG) has issued a consultation on the new Fair Deal proposals. These proposals are intended to strengthen the pension protection afforded to employees in the LGPS who are compulsorily transferred to third party service providers. A response on behalf of the administering authority has been drafted for consideration and approval by the Pension Fund Panel and Board.

Administration Strategy

5. The Administration Strategy sets out the roles and responsibilities of the administering authority and scheme employers. It is regularly reviewed to ensure that it is up to date. The Strategy needs to be updated in light of:
 - the impact of the LGPS (Miscellaneous Amendment) Regulations 2018 which came into force on 10 January 2019
 - changes to two administration processes as a result of the new partnership with West Sussex

The opportunity is also being taken to add four discretions to the table held in Appendix C of the Strategy and update team name references in the document.

6. It is not proposed that Employers are formally consulted on these changes as they are either required because of a change in regulations or are beneficial to members. However the updated Strategy will be communicated to Employers and any feedback will be considered and used to inform further updates if necessary.

LGPS (Miscellaneous Amendment) Regulations 2018

7. The LGPS (Miscellaneous Amendment) Regulations 2018 came into force on 10 January 2019. One of the amendments is to allow the administering authority to grant the payment of benefits on compassionate grounds for a particular group of members where their former employer no longer exists.
8. There are existing situations where the administering authority has to use its discretion in relation to granting retirements for members whose former employer no longer exists. The required update is therefore a minor one to add the reference to the specific regulation.

West Sussex partnership

9. As part of agreeing the service standards for key processes with West Sussex, the turnaround time for providing a leaver with their deferred benefit information has been reduced from 40 days to 30 days. Pension Services are already achieving this target informally but the service standard will now be updated to reflect this quicker processing time.
10. The West Sussex Pension Fund allows members to 'trivially commute' pension benefits. This means that if certain conditions are met, a member can receive their pension benefits as a one off lump sum instead of a small annual pension. Hampshire has previously chosen not to allow members this option because the legacy administration system did not have an automatic trivial commutation calculation.
11. The trivial commutation calculation works in UPM so in order to keep consistent processes for Hampshire and West Sussex, this option will now be available to Hampshire members.

Existing discretions

12. There are several discretions which have been agreed by the Pension Fund Panel and Board which are currently codified in the Employer Policy. The opportunity is being taken to add these to the discretions table in the Administration Strategy.
13. The final change is to add a discretion regarding Voluntary Scheme Pays (VSP). HM Revenue and Customs set an annual limit for tax free pension savings. Members who exceed this annual allowance may incur a tax charge, and if the tax charge exceeds £2,000 they have a right to ask the scheme to pay the tax on their behalf and instead have a deduction from their pension when it comes into payment. This is known as Scheme Pays. If the tax charge is less than £2,000 there is no right to request Scheme Pays but funds have the discretion to allow members to have this option.
14. The policy in place for the Hampshire LGPS is to offer the Scheme Pays option if the tax charge is over £1,000 but less than £2,000. To avoid challenge, the discretion allows individual cases to be considered on their merit where the tax is less than £1,000 (to provide an option in case of hardship). This VSP policy is in line with that agreed by Hampshire Fire for the Firefighter's Pension Schemes and that in place under the Police Pension Scheme regulations.
15. The updated Administration Strategy is attached as Appendix A of this report. The full list of changes is shown in the table below.

Number	Change	Reason	Page
1.	Update to the email address for technical queries from Employers.	Change of email address.	p5
2.	Reduction in turnaround time for processing deferred benefit calculations.	Bring service standard in line with that agreed for West Sussex.	p11
3.	Update to the discretions table to reflect team name change from Operations to Member Services.	Team name change.	p14-21
4.	Update regulation references for discretion 11 where the administering authority is acting instead of a defunct employer.	Amendment regulations.	p15
5.	Update discretion 14 to allow trivial commutation.	Bring process in line with that agreed for West Sussex.	p16
6.	Add discretion 55 re allowing backdated admission agreements.	Already part of the Employer Policy.	p21
7.	Add discretion 56 re extending the payment of an exit credit beyond 3 months from the date of exit	Already part of the Employer Policy.	p21
8.	Add discretion 57 re allowing suspension notices for Town and Parish Councils.	Already part of the Employer Policy.	p22
9.	Add discretion 58 re operating a Voluntary Scheme Pays scheme.	Codifying the approach used for 2017/18 annual allowance calculations.	p22

Fair Deal consultation

16. The Ministry of Housing, Communities and Local Government (MHCLG) consulted in May 2016 on the introduction of greater pensions protection for employees of LGPS employers who are compulsorily transferred to service providers. On 19 April 2018, the Government response to the consultation confirmed the commitment to this objective but recognised that the consultation had raised a number of concerns about the specific approach.
17. MHCLG has issued a further consultation on the new policy proposals which closes on 4 April 2019. The main change is to remove the option for a service provider to offer a broadly comparable scheme, and introduce a new way for employers to ensure employees who are transferred can retain access to the LGPS. This is called the Deemed Employer route and would mean that the outsourcing employer retained the responsibility for its outsourced employees in relation to the LGPS.
18. However the Deemed Employer route proposals as drafted do not appear to deliver the objective of making it easier for employers to outsource services whilst protecting the pension rights of LGPS employees. Instead they will increase the administrative burden on both the employer and the administering authority and could lead to greater confusion for the member.
19. The draft response to the consultation is attached as Appendix B to this report.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

Hampshire maintains strong and sustainable economic growth and prosperity:	yes/no
People in Hampshire live safe, healthy and independent lives:	yes/no
People in Hampshire enjoy a rich and diverse environment:	yes/no
People in Hampshire enjoy being part of strong, inclusive communities:	yes/no
OR	
This proposal does not link to the Strategic Plan but, nevertheless, requires a decision because the Pension Fund Panel and Board need to approve changes to a statutory document:	

Section 100 D - Local Government Act 1972 - background documents	
The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)	
<u>Document</u>	<u>Location</u>
None	

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant protected characteristic that are connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic that are different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

Equality objectives are not considered to be adversely affected by the proposals in this report as the proposals benefit all scheme members.