

# ES East Sussex PF Pension Fund

## Local Government Pension Scheme (LGPS)

### East Sussex Pension Fund Employers Newsletter

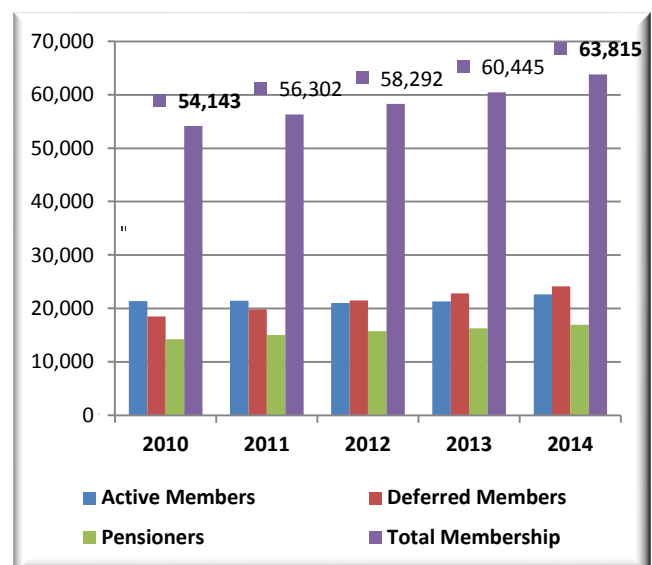
September 2014

Welcome to the “new – look” Newsletter for employers’ participating in the **East Sussex Pension Fund (ESPF)**. This newsletter is designed to inform and update you on issues that will affect you in relation to the LGPS and how the Fund is administered on your behalf.

In this first new – look edition we look at

- ❖ Membership
- ❖ Governance and Setting up a Pensions Board
- ❖ Discretions under the LGPS 2014 Scheme
- ❖ LGPC secretariat communications for Employers
- ❖ Annual Benefit Statements
- ❖ Cessation of Contracting out
- ❖ Administration Strategy Statement
- ❖ Fund Performance & Annual Report
- ❖ Fair Deal Contracting Out Services
- ❖ Employers Forum

**Membership** – The Fund membership continues to grow. As at 31 March 2010 there were over 54,000 members, compared with over 63,000 members as at 31 March 2014. There are three main categories of membership, Actives (current contributing members), Deferred (members who have frozen their benefits) and Pensioners (members who are in receipt of a pension). Please see below a chart showing the East Sussex Pension Fund (ESPF) membership trends since the year 2010.



**Governance** – The Public Service Pensions Act requires all public sector pension schemes to have in place a local pension board by 1<sup>st</sup> April 2015. Draft regulations as to how this impacts the East Sussex Pension Fund have been issued and we have responded to the consultation that accompanied them. This can be seen on our website at:

<http://www.eastsussex.gov.uk/jobs/workingateastsussexcountycouncil/pensions/download.htm>

The Local Government Pension Scheme (Amendment) Regulations 2014 represents a key step in the process of reform that began with the commitment given in the Coalition Government's programme to review the efficiency, effectiveness and sustainability of public service pension schemes. A key aim of the reform process is to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests in that process

The local pension board is required to have on it at least two employer and employee representatives, we are currently assessing how we will meet this requirement and will be in contact with you in due course.

**Discretions** – As a result of the new LGPS regulations applying from the 1<sup>st</sup> April 2014 all employers were required to prepare a written statement of its policy in relation to the exercise of its discretionary functions and send a copy of this statement to the administering authority before **1<sup>st</sup> July 2014**. The discretions are in relation to the awarding and funding of additional pension, flexible retirement, waiving of actuarial reduction and the 85 year rule. A majority of employers have now submitted their revised discretions to us and we thank you for your co-operation. If you are yet to return your policy statements, you will receive a reminder shortly.



**LGPC secretariat communications for Employers** - Please

note that the LGPC secretariat has published an employer briefing note entitled *LGPS 2014 – How are you getting*

*on?* Which is now available on [www.lgpsregs.org](http://www.lgpsregs.org) under [Communications Resources](#).

This document has been issued to provide for employers a summary of the aspects of the LGPS 2014 reforms which have changed the member information they need to hold and provide in their participation in the Scheme. The intention is that this document will encourage employers to review their practices a few months in and check that these are consistent with the requirements of the new Scheme.

**Annual Benefit Statements** – Following



the provision of the year end data by employers, the annual benefit statements for scheme members are now processed. These statements are currently being despatched to individuals over a period of two weeks.

**Cessation of Contracting out** – A knock on effect of the Government's move to simplify the State pension system, and introduce a 'single tier' State pension, is that "contracting out" will be abolished from 6 April 2016. This will have a financial impact on all public sector schemes hitting scheme members and employers with increases to National Insurance contributions.



**Financial Impact:** For local authority employers, which will include academies, further education colleges and admission bodies, the abolition of contracting out will see an increase to the payroll bill for each scheme member who is contracted out, and each of those scheme members will see an increase in their National Insurance contributions. The Pensions Act 2014 contains 'statutory override' for private sector employers who can increase employee contributions or reduce future pension accrual to offset the increase, but this is not an option that is open to public sector employers. The Local Government Association (LGA) did lobby on the increased cost to scheme members and LGPS employers at a time when finances are strained and for the cost to be recycled into LGPS Funds. Without committing that such recycling would occur, the Chief Secretary of the Treasury wrote to the LGA

to confirm that officials could meet to discuss how this could practically be achieved. It is understood that work will be undertaken in the coming months between the LGA and DCLG to establish an agreed method by which recycling could take place. The intention is that discussions will then take place with the Government in the next Parliament on the extent that any recycling of monies lost could take place via an agreed methodology. This recycling however will only apply within the LGPS and employers will still have to find the extra cost for employees who are in the public sector schemes (e.g. Teachers).

**Administration Impact:** From April 2014 HMRC have been offering a Scheme Reconciliation Service to enable scheme administrators to reconcile the contracted-out membership and GMP information held on scheme records against the information held on HMRC records, in advance of the ending of contracting-out in April 2016. In line with good governance and in keeping with the record keeping requirements set out in the Pension Regulator's draft code of conduct in governance and administration. The East Sussex Pension Fund has registered with this service via the SE Shared Service.

### **Administration Strategy Statement**

– The pension scheme regulations give the ESPF the discretion to introduce a pension administration strategy. The purpose of this is to state the service we provide and the Fund's expectation of service delivery from employers. We are currently drafting a pensions administration strategy statement and will be consulting with employers in due course.



### **Fund Performance & Annual Report: -**

The Fund has marginally outperformed its benchmark over the quarter, and over the twelve month period to end June 2014, the Fund has delivered an absolute return matching its benchmark return.

The fund annual report has been finalised and will be uploaded to the East Sussex County Council Website shortly.

**Fair Deal Contracting Out Services** – As an employer in the fund if you are considering out sourcing services to a contractor and TUPE applies, you should as part of your procurement process consider the pensions protection requirements of the transferring employees. They must be provided with a broadly comparable pension or continued membership of the LGPS. Please be aware that any certificates of broad comparability issued by the Government Actuaries Department (GAD) are invalid unless they certify broad comparability to the new LGPS scheme. As a reminder, please ensure that you keep the pension team at East Sussex informed as soon as possible in this process.

**Annual Employers Forum** - This year's East Sussex Pension Fund (ESPF) employers forum is being held on the 21<sup>st</sup> November 2014 at County Hall. Details will be emailed shortly.

### **Contact Details**

Any queries concerning the contents of this Newsletter should be directed to:

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