

FALKIRK COUNCIL

Subject: LOCAL GOVERNMENT PENSION SCHEME - NEW SCHEME DEVELOPMENTS
Meeting: PENSIONS COMMITTEE
Date: 25 SEPTEMBER 2014
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1. INTRODUCTION

- 1.1 This report updates the Pensions Committee on latest developments regarding the implementation of the new Local Government Pension Scheme (LGPS) from 1st April, 2015.

2. BACKGROUND

- 2.1 The LGPS is being updated to meet the requirements of the Public Service Pensions Act 2013 (“the 2013 Act”). This involves the Scheme becoming a Career Average (CARE) arrangement with each member’s Normal Pension Age becoming equivalent to their State Pension Age (i.e. between age 65 and 68). Members will still be able to retire at any age between 60 and 75, however the penalty for taking benefits at age 60 will generally be greater than at present due to the linkage with State Pension Age.
- 2.2 Other significant features of the new scheme are:
- accrual rate of 49ths
 - revaluation of benefits in line with the Consumer Price Index (CPI)
 - protection of pre-April 2015 rights on final salary basis
 - additional protection for those born before April, 1957
 - cost management regime
 - new governance regime
- 2.3 Two Heads of Agreement – one on scheme design and the other on governance matters - have been reached between COSLA, the Trade Unions and the Scottish Government.

3. REGULATORY POSITION

- 3.1 A number of statutory regulations require to be in place so that the new scheme can be implemented on 1st April, 2015. These are as follows:

Main Scheme Regulations

These regulations have been made and describe how benefits and contributions will be determined under the CARE arrangements. A number of defects have been identified in the Regulations and a set of amendments is awaited.

Transitional Regulations

These are about to be made and describe out how existing members' accrued rights will be treated in the new scheme.

Governance Regulations

These are not expected to be made until January, 2015 although a first draft will be available in October, 2014. These will specify how the governance requirements of the 2013 Act are to be applied in the LGPS

- . 3.2 The work that is still needed on the Main Scheme and Transitional Regulations is primarily of a non-critical nature and unlikely to impede software development or Fund implementation plans. However, the timetable for Governance regulations being produced means that, in order to comply with the April, 2015 deadline, Funds will have to undertake their Governance reviews in advance of final regulations being available.
- . 3.3 The Governance implications of the 2013 Act are the subject of a separate report on today's Committee agenda.

4. EMPLOYER TRAINING

- 4.1 Fund employers have been invited to attend training events on either September 18th or October 2nd. These are aimed mainly at Payroll and HR practitioners. Around 35 employer delegates have signed up for each event.
- 4.2 A further resource for employers is www.lgpsregs.org at which the actual scheme rules and explanatory guides can be found.

5. EMPLOYEE INFORMATION

- 5.1 The Member's website www.scotlgps2015.org can be now be accessed. Fund employers have been asked to bring the website to the attention of their employees. The site is still being refined but already has substantial information about the new scheme, including FAQs and worked examples. Member briefings and a video are close to completion and will be uploaded shortly.

6. NEW PENSIONS ADMINISTRATION SYSTEM

- 6.1 The new local government pensions environment with its melding of pre-2015 Final Salary benefits and post-2015 CARE benefits has necessitated the purchase of a new computerised pensions administration system to replace the existing in-house system. Following a procurement exercise, the system selected is Heywood's "Altair" product, which is used by the majority of Scottish and English/Welsh LGPS Funds.
- 6.2 The total project costs are estimated at £1.5 million for a contract lasting 4.5 years. It is estimated that once the initial migration exercise has been completed using Altair will increase administration costs from around £16 per member per year to £22 per member. The additional costs should be viewed in the context of the increasingly complicated pension landscape where the demands of the new scheme have been increased by initiatives such as Auto Enrolment and Contracting Out abolition. Despite the additional cost, comfort can be taken that Altair is an

LGPS 2015 compliant product that will offer an array of new functionality to members and employers, including member self-service and employer transmission of electronic data. There are therefore opportunities for improved member service and longer term efficiencies.

- 6.3 The exercise to migrate data securely from the in house system to Altair is underway. The aim is to have data transferred to both the basic Altair system and the Altair payroll module by February, 2015.
- 6.4 Approval for the procurement of a replacement pensions administration system was given at the Pensions Committee meeting of 12 December 2013. Procurement of the Altair system has been undertaken in accordance with the Council's Contract Standing Orders.

7. CONCLUSION

- 7.1 Various workstreams are moving forward with a view to the implementation deadline of 1st April, 2015 being met.
- 7.2 With around 6 months left before the new scheme comes into operation, some gaps remain in the regulatory framework. The most significant void relates to the Governance arrangements. In view of the tight timescale, Funds will have no alternative but to press forward with their governance reviews. Proposals relating to this matter will be brought forward to the next round of Panel and Committee meetings.
- 7.3 Arrangements are in place to brief employers about the new scheme at Fund organised training events. Employees now have access to a website focusing exclusively on the new scheme provisions. Further publicity will be made available in the coming months
- 7.4 Procurement of a new administration system has been completed and engagement is taking place with the supplier to ensure the smooth and accurate transferral of data.

8. RECOMMENDATION

- 8.1 The Committee is asked to note the developments taking place towards the implementation of the LGPS (Scotland) 2015.

Chief Finance Officer

Date: 12 September 2014

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LIST OF BACKGROUND PAPERS

NIL