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## McCloud update

Some of our previous newsletters have highlighted the McCloud case. This is based on a claim that younger members of public sector pension schemes were discriminated against when protections were applied for older members when career average schemes were introduced. The Local Government Pension Scheme (LGPS) implemented these changes in 2014.

After the Court of Appeal ruled that younger pension scheme members had been discriminated against, the government confirmed that changes will be made to all main public sector schemes (including the LGPS) to remove this age discrimination. This ruling is commonly known as the 'McCloud judgment'.

## Consultation

The government published a consultation on 16 July 2020 regarding proposed amendments to the protections (underpins) in the LGPS Regulations in response to the McCloud case.

The changes proposed by the government will extend the original protections to all members who were active in the LGPS on 31 March 2012 and who have accrued benefits under the 2014 scheme without a disqualifying break in service and subject to aggregation requirements. This means that members' pensions accrued for the period 1 April 2014 to 31 March 2022 would be the best of the old and new regulations.

Initial analysis has indicated that almost a quarter of scheme members are expected to fall within the scope of the proposed changes to the underpin. The implementation of the proposed remedy will, therefore, have a significant impact on the administration of the scheme.

Although the extended protections are unlikely to result in an increase in pension entitlement for a large proportion of those members, there may be an impact on funding levels for individual employers.

The Fund's actuary made an allowance for the potential impact of McCloud in the assessment of employer contribution rates at the 2019 actuarial valuation by increasing each employer's required likelihood of reaching their funding target. However, McCloud related changes to employers' contribution rates are not expected to be applied until after the next valuation in 2022.

The consultation is aimed at all LGPS stakeholders including:

- administering authorities
- scheme employers
- scheme members

It's open until 8 October 2020 and you can view the consultation documents and instructions on how to respond on the gov.uk website:

[Local Government Pension Scheme – amendments to the statutory underpin](#)

We have added a page on our website for members about [McCloud](#) and the consultation.

## Part-time hours

In newsletters [165](#) and [166](#) we asked employers to retain employee records in case we need to ask for confirmation of any details when we're working out whether a scheme member benefits from the proposed extended protection as a result of the McCloud judgement.

This relates to part-time hours worked by contracted and casual / relief employees.

As well as retaining information back to 2014, please remember that any changes to part-time contract hours must be reported to us via our "Change of employment details" C2 form, which is available on the [Forms for employers](#) section of our website.

## Public sector exit payment cap

On 21 July 2020 the government published its [response](#) to the 2019 consultation on restricting exit payments in the public sector, including [draft regulations](#) for capping public sector exit payments. Employers covered by the cap are listed in the draft regulations.

You can find a summary about the cap on the [LGPS Advisory Board's website](#).

A further consultation is open about [reforming local government exit pay](#) and the impact on the local government workforce. The consultation is open until 9 November 2020 and is aimed at local government employers, Trade Unions and other workforce representatives.

## Exit credits policy

Thank you to the employers who submitted comments in response to the consultation on the fund's exit credits policy.

All comments received were considered in the final version of the policy which has now been formally approved. The policy will be included in our Admission, Cessation and Bulk Transfer Policy. The revised version of the policy will be available in the [Policies, strategies and statements](#) section of our website within the next few days.

## Local Government Association (LGA) update

### LGA employer resources

The LGA have added an [employer resources](#) section to the LGPS Regulations and Guidance website. This new area includes:

- Employer guides and documents
- Employer bite-size training
- Other employer training (including employer role training and webinars)

- COVID-19 FAQs for employers.

The first training exercise covered in the bite-size training is Assumed Pensionable Pay (APP). More topics will be added in the coming months.

### LGA HR and Payroll Guides

New versions of the [HR and payroll guides](#) are now available. Versions 4.1 of both documents have improved accessibility and include updates for 2020, such as updated information on calculating APP. Please check that your payroll team is applying APP correctly in accordance with the payroll guide.

## Annual benefit statements

We've issued 2020 annual benefit statements for most of our active and deferred members, and we're currently working through outstanding data queries.

If we've issued queries to you about 2019/2020 data, please treat these as urgent as we'll be unable to issue the outstanding statements until these are resolved.

### Member queries

If one of your employees hasn't received their annual benefit statement and you're unaware of any outstanding queries, please ask them to contact us via our [enquiry form](#) so our team can investigate.

## i-Connect update

We now have over 70 employers live on the i-Connect system. We're aiming for all employers to be experiencing the benefits of completing monthly data submissions on i-Connect by autumn 2021.

If you haven't heard from us yet to confirm your implementation phase, please contact us at: [pensions.iconnect@derbyshire.gov.uk](mailto:pensions.iconnect@derbyshire.gov.uk)

You can find more information about [i-Connect](#) on our website.

## Consultation on Investment Strategy Statement, Responsible Investment Framework & Climate Strategy

We'll be opening a consultation on our proposed Investment Strategy Statement (ISS) Responsible Investment Framework and Climate Strategy in the next few days. A revised ISS has been developed to reflect a new proposed strategic asset allocation benchmark and an extension of the fund's hedging policy (protecting asset values against movements in exchange rates).

A Responsible Investment Framework has been developed for the fund which sets out the fund's approach to responsible investment. Responsible investment is an approach to investment that aims to take into account environmental, social and governance considerations when making investment decisions.

In recognition of the potential material effect of climate change, and the response to climate change, on the assets and liabilities of the pension fund, a separate Climate Strategy has been developed for the fund.

It includes the introduction of targets to reduce the carbon emissions of the fund's investment portfolio and to increase our low carbon and sustainable investments.

Draft versions of the documents and information on how to respond to the consultation will be available on the [Consultations](#) page of Derbyshire County Council's website in the next few days.

## Letter to scheme members

We'll be issuing a letter to all of our scheme members in the next few days which will include information about the McCloud judgement, the above consultation and the launch of our LGPS member self-service website "My Pension Online".

We are planning to issue annual benefit statements to scheme members via this new online portal from 2021 onwards. We'll provide more details nearer to the launch in early 2021 and will be asking for your help to encourage scheme members to register for the online service.

## Reminders and email addresses

### Forms

Please remember to always quote the final 3 digits in your employer reference number on all forms you send us (e.g. S1 starter forms etc). For example, if your full employer reference number, which can be found on your CR1 template (contributions return form) is P940819, please quote 819 on forms.

### Changes of address

Please remember to notify us via a C1 Form (Change of personal details) when any of your LGPS members change their home address. The C1 Form is available on the [Forms for employers](#) section of our website.

### Email addresses

A quick reminder of our email addresses and what they should be used for:

- [dpf.employers@derbyshire.gov.uk](mailto:dpf.employers@derbyshire.gov.uk) - For submitting member notification forms such as the S1, L1, C1 and estimate requests. All found [here](#).
- [pensions.tech@derbyshire.gov.uk](mailto:pensions.tech@derbyshire.gov.uk) - For submitting contribution returns (CR1), data and payment queries.
- [pensions.regs@derbyshire.gov.uk](mailto:pensions.regs@derbyshire.gov.uk) - For queries relating to LGPS regulations, employer visits, events and communications.
- [pensions@derbyshire.gov.uk](mailto:pensions@derbyshire.gov.uk) - For queries and requests from members of the LGPS.

**If you have any queries about the information provided in this Newsletter,  
or about the LGPS in general, please contact us at:**

**Derbyshire Pension Fund, County Hall, Matlock, DE4 3AH**

**Tel: 01629 538862**

**Email: [pensions.regs@derbyshire.gov.uk](mailto:pensions.regs@derbyshire.gov.uk)**

**Website: [www.derbyshirepensionfund.org.uk](http://www.derbyshirepensionfund.org.uk)**

