



Pensions News



Welcome to the July edition of Pensions News. The big news this month is the government has been refused leave to appeal in the McCloud case. Although much remains unclear, the focus is now very clearly on the remedy that will have to be found. See below for more details, and our other stories, including a selection of interesting facts and figures from the 2016 valuations.

Sue Vivian, Head of Public Service Pensions

McCloud / Sargeant legal case – next steps



On 27 June 2019 the Supreme Court denied the government permission to appeal the Court of Appeal's judgment that transitional provisions introduced to the reformed judges and firefighters pension schemes in 2015 gave rise to unlawful age discrimination.

In a [written statement](#), the Chief Secretary to the Treasury has confirmed that the difference in treatment will need to be remedied across all the main public service pension schemes. This includes schemes for the NHS, Civil Service, local government, teachers, police, armed forces, judiciary and fire and rescue workers.

The matter will be remitted to the employment tribunal in respect of the litigants in the firefighters and judicial pension schemes. It will be for the tribunal to determine a remedy, and government will engage fully with that process. Government will also engage with employer and member representatives, as well as the devolved administrations, to help inform its proposals to the tribunal and in respect of the other public service pension schemes.

Although we do not yet know how long it will take to determine the remedy, or what form that remedy will take, we do now know that:

- a remedy will definitely have to be found
- that process can start now, rather than being queued behind an appeal to the Supreme Court

We propose taking a number of work streams forward to assist with this process and we will be writing to all our public service pension scheme clients with details.



Local government pension scheme valuation frequency

The Ministry of Housing, Communities and Local Government (MHCLG) is consulting on amending the local valuation cycle which applies to the 89 funds that make up the local government pension scheme (LGPS). The proposal is to move from the current 3-year cycle to a 4-year one, to align with the 4-year cycle of cost cap valuations that apply to all public service pension schemes.

Less frequent assessment of required contributions could reduce the ability of LGPS funds to manage risks from changes in the financial strength of some participating employers, so the proposals:

- include powers to commission interim valuations
- strengthen existing powers to amend employers' contributions between valuations

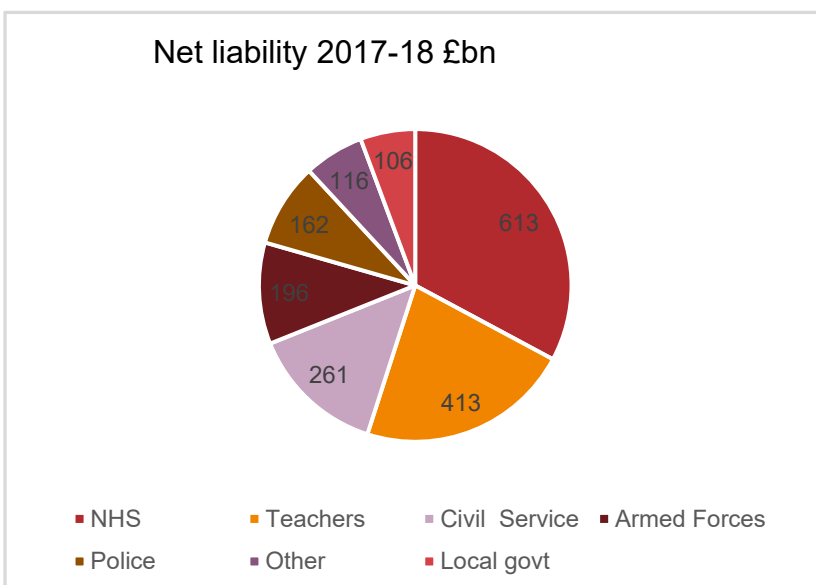
The consultation also includes proposals to address issues for employers currently in the scheme:

- more flexibility over employer exit payments on leaving the scheme
- removing the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS



Whole of Government accounts

In May, HM Treasury published the [Whole of Government Accounts: year ended 31 March 2018](#). The accounts provide a comprehensive view of the government's financial position and performance. At £1.8 trn, these liabilities make up more than half of the liabilities falling more than one year after the accounting date.



The unfunded public service pension scheme liabilities shown in the adjacent chart come from each scheme's own accounts. These pensions liabilities are not the same as those calculated for the 2016 actuarial valuations, as accounting guidelines require the use of different financial assumptions. In the meantime, schemes have started to publish their own accounts – for the year ended 31 March 2019



News roundup

Review of Pensions Regulator

In May, the DWP published its [tailored review](#) of the Pensions Regulator (TPR). The government's 2015-20 [tailored review programme](#) aims to provide a robust challenge to, and assurance on, the continuing need for individual organisations. Where it is agreed that an organisation should be retained the review includes assessments on performance and control and governance arrangements in place. Although the TPR review did make some recommendations, it concluded that TPR is a well-run organisation that effectively carries out its statutory objectives.

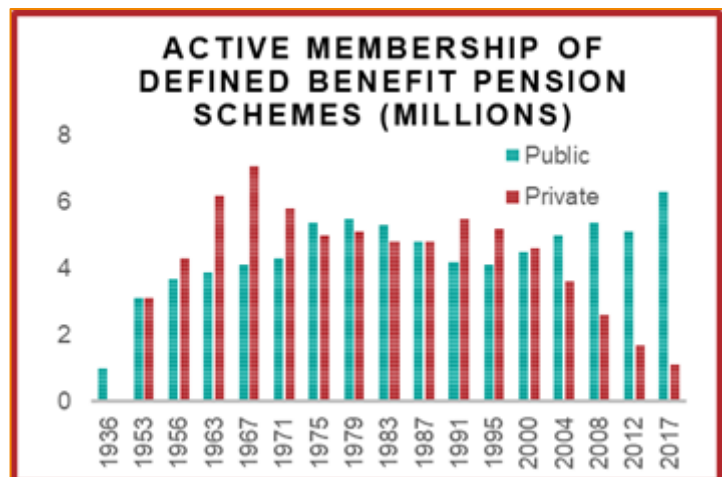
Women's State Pension age change challenge

In June, the High Court heard a judicial review into the way the State Pension age for women born in the 1950s was raised from 60 to 65 under the Pensions Act 2011. The claimants say the government unlawfully discriminated against them on the grounds of age and sex. They claim that the government provided inadequate notice of the change. It is likely that the outcome will not be published for some time as judgment has been reserved. This was anticipated due to the large number of women affected and the associated cost.

Occupational pension schemes survey

The office for National Statistics has published the results of its [2018 Occupational Pension Schemes Survey \(OPSS\)](#). This survey covers both private and public sector occupational pension schemes registered in the UK and provides summary data on the membership of schemes and contributions paid to those schemes.

The total estimated membership of occupational pension schemes was at the highest level recorded by the OPSS - an estimated 45.6 million in 2018, compared with 41.1 million in 2017. Of 17.3 million active members, 6.3 million were members of public service pension schemes. The adjacent graph shows how the active membership of defined benefit schemes has changed over the last 80 years.



Langford case - unmarried partner benefits

The Court of Appeal [ruled on 17 July](#) that Mrs Jane Langford was entitled to an unmarried partner benefit under the Armed Forces Compensation Scheme. Mrs Langford was the unmarried partner of Air Commodore Green, who died unexpectedly in 2011. Under scheme rules, Mrs Langford was unable to claim an unmarried partner benefit from the AFCS due to the fact that she remained married at the time of Air Commodore Green's death. Similar rules apply in many public service pension schemes. The Court of Appeal found this rule was unlawful in Mrs Langford's case.

The government is considering the implications, including a possible appeal to the Supreme Court.

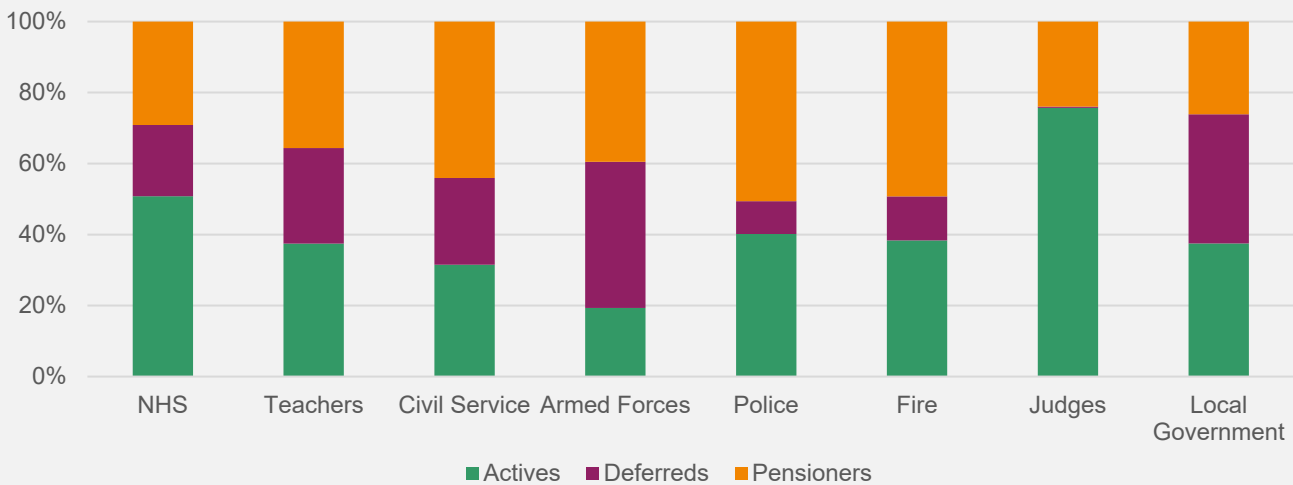


Facts and figures from PSPS valuations

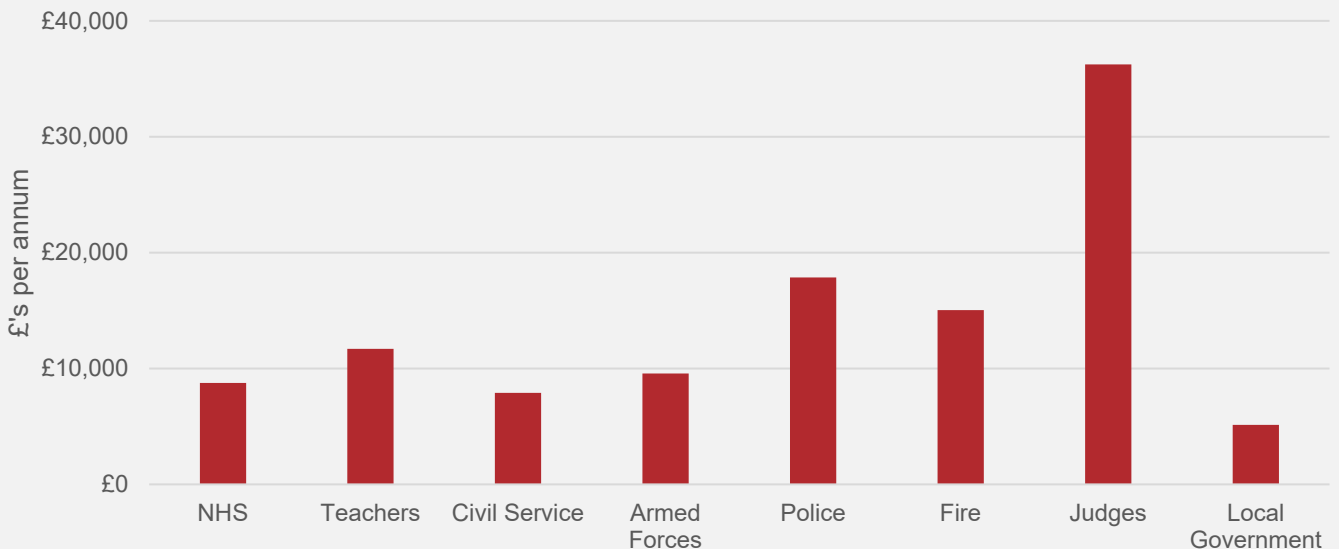
2016 PSPS valuation summary - key facts

- Calculation date was 31 March 2016
- Previous valuations were as at 2012 and next valuations will be as at 2020
- Employer contributions increased overall by 7%
- Outcomes did not allow for McCloud / Sargeant remedy

Membership breakdown



Average pension in payment



Pension in payment

- Judges' average pension is highest, driven by the high average salary
- Police and firefighters have relatively large average pensions, as many members will serve a full career in these schemes
- the average pension for NHS, Civil Service and armed forces is below £10,000 per year

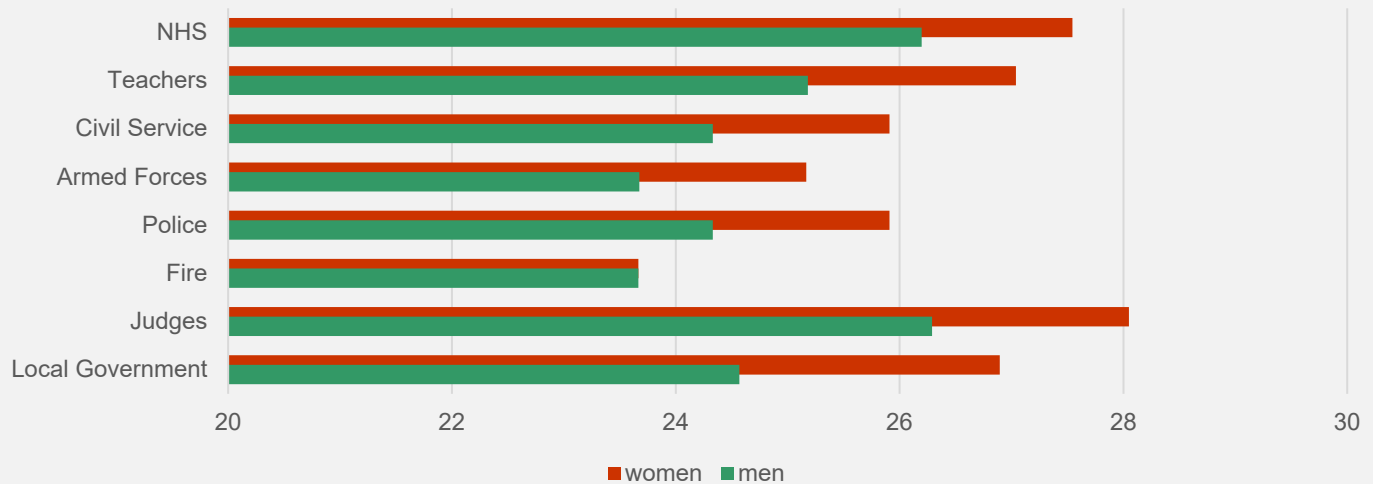


Life expectancy

This graph compares life expectancy at age 65 of an active member currently 45.

- life expectancies are lower for men than women in all schemes (note life expectancy for female firefighters not show due to lack of data)
- Judges and NHS have the longest life expectancy, with women judges expecting to live to age 93 on average
- armed forces and firefighters have the shortest life expectancy

Life expectancy at 65 for active current age 45



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