



Pensions News

As the Public Sector pensions world continues to await developments on the 'McCloud' age discrimination case, this month we highlight some developments in the wider pensions environment.

Sue Vivian, Head of Public Service Pensions

Mortality trends

The Actuarial Profession has released an update on trends in mortality improvement in the UK population since 2011. Improvements in standardised mortality rates were historically high between 2000 and 2011, averaging around 3% a year (meaning the population was on average living longer year on year). The rate of improvement fell to only 0.8% between 2011 and 2017, meaning the increase in average length of life year on year slowed down considerably. This update mirrors recent reports from other sources.

The outlook for future improvements remains unclear. Beyond the direct personal implications for us all, this issue is highly relevant to the cost of providing pensions. For the public service schemes, costs include an assumption about future mortality improvements based on ONS analysis. Part of the slowdown shown in the Actuarial Profession's update was included in the most recent ONS analysis, and so contributed to the results of the 2016 valuations of the public service schemes. That effect offset, to some extent, the increase in costs resulting from other factors. Whether further downwards cost pressure will emerge remains to be seen.

On a related point, GAD has updated our standard mortality reference tables to align with the latest set published by the actuarial profession based on the experience of self-administered pension schemes. These tables are known as the SAPS S3 tables. For the first time the data underlying these tables includes significant amounts of public service pension data. GAD submitted that data (suitably anonymised) with the involved schemes' consent. (See GAD's December 2018 [Mortality Insights](#) for more details.)

GMP equalisation by conversion

DWP has published guidance on how the existing GMP conversion legislation (provided for by the Pension Schemes Act 1993 and the Occupational Pension Schemes (Schemes that were Contracted-out) (No 2) Regulations 2015) (SI 2015/1677) might be implemented. This involves converting an individual's GMP which comprises part of their scheme entitlement into normal scheme pension. Following GMP conversion, the GMP rules will no longer apply to a member's benefits.

As you will be aware, for the public service schemes, the Government has made a commitment to comply with GMP equalisation requirements either through conversion or indexation (which means the full scheme pension is increased in line with inflation once it is in payment). As an interim measure, since the change to State pensions in April 2016, any public service scheme member reaching State Pension age from April 2016 until April 2021 is to be provided with full indexation. A decision on whether conversion is preferred for those reaching State Pension age after April 2021 is yet to be made. Thus the DWP guidance may not be of immediate interest to the public service schemes.



Exit payments

Powers to cap exit payments for public servants were introduced in the Small Business, Enterprise and Employment Act 2015. The Government has launched a [consultation](#) on draft regulations to implement a cap of £95,000 on exit payments, such as payments associated with loss of employment, across the public sector (with some exceptions). This consultation sets out secondary legislation to implement this cap, including a proposed method and details of which bodies should be in scope. We are aware that some schemes have provisions which will interact with this cap and so changes to scheme regulations are likely to be needed.

Pensions dashboard

In April the Government published its [response](#) to its consultation: *Pensions Dashboards: working together for the consumer*. The Government envisages the project being completed over the next 3 – 4 years with some staging of compliance.

Schemes will be compelled by a staged timeline prioritising membership coverage. It is likely that large DC schemes will be among the first in any compulsory staging, with DB schemes following later. State pension is considered to be an essential part of any design. As well as staging coverage, the dashboard functionality will be increased over time too.

Much had already been achieved by the group of mainly private-sector organisations leading the project before the consultation was launched. A working prototype had been developed, and demonstrated to stakeholders.

Mid-life MoT

The Government has launched a [web site](#) to help people in mid-life assess their finances and plan for the future. It includes a State pension checker, and other helpful sources of information. Scheme members may find it interesting, especially around the time they receive their annual benefit statements.

Bridging pensions

DWP is [consulting](#) on a technical amendment to legislation affecting the operation of bridging pensions. This corrects the existing legislation which is still aligned with the historic State Pension ages of 65 (men) and 60 (women) and currently only allows for any reduction in scheme pension (after the bridging period) to start between ages 60 and 65. The 2019 Order will enable schemes to apply a reduction to pension commencing between age 60 and the relevant new State Pension age*, without breaching equality requirements relating to age.

*Since 6 December 2018 State Pension age has been increasing from age 65 for both men and women.



Annual uplifts to pensions and thresholds etc.

Following the publication of the 2019 pensions increase order summarised below are some of the key pension related parameters for the coming year.

Public Sector Pensions Increase from 8 April 2019: 2.4%

Public Sector Pensions earnings measure revaluation for 2018-19: 2.8%

Basic State Retirement Pensions (effective from 8 April 2019):

Single Person (reached SPa before 6 April 2016): £129.20 per week

Married Person (reached SPa before 6 April 2016): £206.65 per week

Single tier State Pension (reached SPa after 6 April 2016): £168.60 per week

Lifetime Allowance (2019/20): £1,055,000

Annual Allowance (2019/20): £40,000 (subject to taper)

Money Purchase Annual Allowance (2019/20): £4,000 (applies after taking some pension savings)

Automatic Enrolment Earnings Thresholds (2019/20):

Lower Level of qualifying earnings: £6,136

Earnings trigger for automatic enrolment: £10,000

Upper level of qualifying earnings: £50,000

GAD Contacts

NHS:	Garry Swann	garry.swann@gad.gov.uk
AFPS:	Alan Dorn	alan.dorn@gad.gov.uk
Fire:	Samantha Watts	samantha.watts@gad.gov.uk
Police:	Samantha Watts	
Judges:	Michael Scanlon	michael.scanlon@gad.gov.uk
LGPS:	Michael Scanlon	
NI Schemes:	George Russell	george.russell@gad.gov.uk
Scotland Schemes:	George Russell	
PCSPS:	Steve Lewis	steve.lewis@gad.gov.uk
RCPS:	Sandra Bell	sandra.bell@gad.gov.uk
TPS:	Garth Foster	garth.foster@gad.gov.uk
UKAEA	Louise Fletcher	louise.fletcher@gad.gov.uk

Any material or information in this document is based on sources believed to be reliable, however we cannot warrant accuracy, completeness or otherwise, or accept responsibility for any error, omission or other inaccuracy, or for any consequences arising from any reliance upon such information. The facts and data contained are not intended to be a substitute for commercial judgement or professional or legal advice, and you should not act in reliance upon any of the facts and data contained, without first obtaining professional advice relevant to your circumstances. Expressions of opinion do not necessarily represent the views of other government departments and may be subject to change without notice.