

Local Government Pensions Committee  
Secretary, Terry Edwards

## **LGPC Bulletin 79 – February 2011**

This month's Bulletin contains a number of general items of information.

Please contact Dave Friend with any comments you might have on the contents of this Bulletin or to suggest other items that you would wish to see included in future Bulletins. [LGPC contacts](#) can be found at the end of this Bulletin.

This month [Bits and Pieces](#) includes an item on [LGPC Communications](#), [the latest Circulars](#), the [Timeline Regulations](#) and a [Pensions Policy Institute briefing note](#) on the switch from indexation using CPI instead of RPI.

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## **LG Group seeks further consideration of proposed increase in employee contributions**

In the public sector Spending Review statement in October 2010 the Government announced its intention to increase employee pension contributions in the public service pension schemes (other than the Armed Forces Pension Scheme). The increases would be introduced progressively over the period 2012/13 to 2014/15.

The LG Group is concerned that the implications for local authorities, their workforce and the wider economy may not have been fully considered. They have therefore [written to the Chancellor](#) calling for the Government to enter into a dialogue with employers and unions to consider further how best to achieve the Government's aims ahead of the outcomes from the report of the Independent Public Service Pensions Commission.

## **Contracted-out rebate rates**

The contracted-out National Insurance rebate rates for defined benefit schemes, which will apply from 6 April 2012, are 3.4% for employers' secondary Class 1 contributions and 1.4% for employees' primary Class 1 contributions. This represents a drop of 0.3% and 0.2%, respectively, in the employers' and the employees' contribution rebates. A [draft statutory instrument](#) was published on 3 February to coincide with announcement of the change in rebate rates.

## **Pensions Increase 2011**

HM Treasury has published on its website [the multiplier table and covering note](#) for the 2011 Pensions Increase. The pensions increase rate for April 2011 will be 3.1%. Note that the actual statutory instrument has not yet been laid before Parliament.

The LGPC Secretariat is in correspondence with HM Treasury seeking written confirmation that between the date a member's GMP is payable (60 for a woman, 65 for a man) and the date a member attains new State Pension Age, administering authorities should treat the case as AP<GMP. The Secretariat will forward to administering authorities any definitive guidance it receives.

## **Draft Guaranteed Minimum Pensions Increase Order 2011**

The [draft version of the Guaranteed Minimum Pensions Increase Order 2011](#) has been published. The increase on the post 5 April 1988 GMP will be 3.0% from 6 April 2011.

## **Restriction on tax relief: severe ill-health condition**

The Secretariat has responded to the consultation on the draft sections in the Finance Bill 2011 in respect of the new Annual Allowance regime. The concern is that a member, who meets the criteria for Tier 1 ill-health benefits under the LGPS in England and Wales or the LGPS in Scotland, will nonetheless be subject to the annual allowance test because of the way the exclusion from the test in cases of severe ill-health has been worded in the draft amendments to the Finance Act 2004. Individual ill health retirees could potentially be faced with an unexpected (and in some cases, significant) tax charge. The unstated expectation by HMRC is that if the draft amendments to the Finance Act 2004 are not

altered before they are enacted, then individual schemes will have to amend their regulations and rules to meet the Finance Act 2004 definition of severe ill health if they wish scheme members to avoid the annual allowance test in the year of ill health retirement. It is perhaps easier for private sector occupational pension schemes to amend their scheme rules than it is for the public sector schemes. Any update on this issue will be included in a future Bulletin.

### **Restriction on tax relief: provision of information**

On 10 February, HMRC published draft legislation in respect of pension scheme and employers' obligations under the new Annual Allowance regime. The [draft Registered Pension Schemes \(Provision of Information\) \(Amendment No. X\) Regulations 2011](#) intend to insert three new regulations into the Registered Pension Schemes (Provision of Information) Regulations 2006 [SI 2006/567].

Under the proposed legislation, scheme administrators will be required to provide active scheme members whose pension savings in the scheme exceed the annual allowance for a tax year with the information the member will need to work out whether or not the annual allowance charge will be payable for a tax year and if so, the amount of the charge. The information ("pension savings statement") must be provided by the 6 October following the end of the tax year but in the 2011/12 tax year the pension savings statement must be provided by 6 October 2013. For other scheme members the scheme administrator will have to provide a pension savings statement if one is requested by the member.

Employers have to supply information to enable the scheme administrator to calculate the pension saving by 6 July following the end of the tax year (but by 6 July 2013 for tax year 2011/12). If the scheme administrator makes a written request to the employer, the employer must supply the scheme administrator with the information required to calculate the pension input amounts for the periods ending in the tax years 2008/09 to 2010/11. Such information must be supplied within 3 months of receipt of the written request.

If the employer fails to supply the information to the scheme administrator in time, the scheme administrator will have three months from the date the information is received to provide a statement of pensions saving to the member.

### **Equitable Life compensation payments**

In July of last year, the Government established the Independent Commission on Equitable Life Payments with the remit to recommend how to allocate compensation to those Equitable Life policyholders adversely affected by the Government's maladministration over the company's collapse and to advise on the timing of the compensation payments. The commission has now [published the report](#) which has been accepted by the Government.

The commission recommended that:

- 945,000 policyholders should receive compensation equivalent to 22.4% of the amount lost based on how their investments were expected to perform;
- the oldest policyholders and the estates of deceased policyholders will receive their compensation first; and

- no compensation will be paid to those policyholders who would have received less than £10.

### **The Pension Protection Fund levy**

The Pension Protection Fund (PPF) has [announced](#) that the reformed pension protection levy will come into effect in April 2012. The PPF is still considering the responses it received to its latest consultation on the levy reform. The consultation is intended to establish a closer link between the risks posed by each individual scheme and the levy they pay to the PPF.

### **The Pensions Regulator: DC pensions**

The Pensions Regulator (TPR) has published a discussion document entitled, "[Enabling good member outcomes in worked based pension provision](#)". TPR acknowledges that DC provision is becoming ever more popular in the UK and therefore has decided to review its approach to the regulation of DC plans. The underlying principle is that DC schemes should concentrate on providing good outcomes for scheme members.

### **The Workplace Retirement Income Commission**

[The Workplace Retirement Income Commission](#) (WRIC) is a new independent commission which is charged with investigating why the workplace pensions system in the United Kingdom is failing. The WRIC will make suggestions on how to encourage more retirement saving in the United Kingdom and build on the foundations laid by the auto-enrolment legislation.

The WRIC has published [a call for evidence](#) on the future of pensions saving in the country. The commission desires respondent's views on why people are discouraged from saving, on how to improve savings products so they meet employers and employees' needs better and what can be done to encourage people to save more. The call for evidence closes on 26 April 2011.

### **Bits and Pieces**

#### **LGPC Communications**

#### **Updated Guides and Leaflets**

##### **For employees in England and Wales**

The LGPC has updated the leaflet "Options available if you have previous LGPS benefits" (February 2011). The designed version of the "Brief Guide to the LGPS" has been updated (January 2011).

##### **For councillors in Scotland**

The guide and the introductory leaflet to the LGPS for eligible councillors in Scotland have been updated (February 2011).

All guides and leaflets are available from the [LGE website](#).

## LGPC Circulars

Earlier this month, the Secretariat published [Circular 242](#). The Circular advertises two residential courses, one of which will be held in Scarborough between 16 and 19 May and the other in Eastbourne between 19 and 22 September. The target audience for the courses is anyone involved in LGPS administration including Pensions Office staff and Human Resource, Payroll or Finance staff for whom pensions functions are a significant part of their jobs.

Also, the annual LGPS Trustees' Conference will be held in Bournemouth this year between 8 and 9 June. We are pleased to announce that Bob Neill, Parliamentary Under Secretary of State for Communities and Local Government, has agreed to give the keynote address.

Highlights of the rest of the draft programme include:

- Outcomes of the 2010 Valuations in England and Wales and the outlook for Scotland and Northern Ireland
- Legal update – the case load gets heavier
- NEST, auto-enrolment and the LGPS
- Managing Contribution Increases
- Scheme Design – another new-look scheme?
- New Scheme – New Investment Strategy?
- Census 2011 – The Longevity Gap

Further details, including information on costs and how to book, are available in [Circular 243](#).

## Timeline Regulations

CLG's letter (dated 3 February 2011) has been added to the post March 2008 GAD guidance page and to the Guidance and FAQ documents page in the England and Wales section.

In the United Kingdom section, the HM Treasury PI note for 2011 and the associated PI multiplier spreadsheet have been added to the PI page.

## CPI Indexation

The Pensions Policy Institute has published a briefing note entitled "[How could CPI indexation affect pension income?](#)" The note outlines the potential outcome if occupational pensions and State Second Pension (S2P) are indexed by reference to CPI instead of RPI.

## Legislation

### United Kingdom

#### SI Reference Title

|          |   |
|----------|---|
| 2011/169 | The Occupational Pension Schemes (Levy Ceiling – Earnings Percentage Increase) Order 2011 |
| 2011/301 | The Registered Pension Schemes (Provision of Information) (Amendment) Regulations 2011    |
| 2011/302 | The Registered Pension Schemes (Accounting and Assessment) (Amendment) Regulations 2011   |

## Useful Links

[The LGE Pensions page](#)

[The LGPS members' website](#)

[LGPS Discretions](#) lists all the potential discretions available within the LGPS in England and Wales, and Scotland.

[Qualifying Recognised Overseas Pension Schemes](#) approved by HMRC and who agreed to have their details published.

[Tax Guide \(Version 11\)](#)

[The Timeline Regulations](#)

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## Distribution sheet

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