



Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 89 – January 2012

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

Please contact Dave Friend with any comments on the contents of this Bulletin or with suggestions for other items that might be included in future Bulletins. [LGPC contacts](#) can be found at the end of this Bulletin.

This month's [Bits and Pieces](#) includes an item on [LGPC Training](#) and the [Timeline Regulations](#).

Contents

[Reform of the LGPS – the New LGPS 2014 project](#)

[Annual Allowance - Technical Guide](#)

[New transfer factors](#)

[LGPS 2008: contribution bands for 2012/13](#)

[LGPS 2008: Academies](#)

[Public health transfers](#)

[Automatic enrolment](#)

[DWP consultations](#)

Reform of the LGPS – the New LGPS 2014 project

An update has been produced by the Local Government Association (LGA), UNISON and GMB in order to keep members up to date with the progress against the joint principles document published just before Christmas. This update along with all of the project documentation can be found on the LGPS members' website by going to www.lgps.org.uk and selecting the "Reform of the LGPS – the New LGPS 2014 project" hyperlink under the Latest section.

Although this joint communication will be updated at least monthly the unions and LGA will still continue to produce their own communications ensuring that all stakeholders and interested parties are kept as informed as possible of the process.

Pension Managers in England and Wales are requested to forward this information to the employers in their Funds. It is important that as many interested stakeholders, including scheme members, are made aware of this information.

Annual Allowance – Technical Guide

The LGPC Secretariat has prepared a draft technical guide on the annual allowance. This has been circulated to the Annual Allowance Working Party (a sub-group of Technical Group) seeking their comments. The Secretariat will then liaise with HMRC to obtain clarification on outstanding issues with a view to publishing the guide by the end of February 2012.

New transfer factors

On 9 January, DCLG issued new actuarial transfer factors (version 4.0) for Club and cash equivalent transfers which the covering letter stated were effective from 1 January 2012. SPPA issued transfer factors (version 4.0) for Scottish administering authorities on 23 January stating that the factors were effective from 1 January 2012. Both suites of factors do not include any factors for inward non-Club transfers. Those factors are to follow. The updated factors mean there are significant changes to methodology used to calculate CETVs etc.

Subsequently, DCLG issued an email on 19 January which stated that, in England and Wales, the old factors (version 3.1) are to continue to be used:

- (a) where Club transfers "commenced last year" or
- (b) for Inter-Fund Adjustments that in England and Wales where the member changed funds and submitted a request to aggregate periods of membership on or before the 31 December 2011.

On 19 January, DCLG issued updated pensioner CEV factors for use in divorce calculations. Updated pensioner CEV factors for use in divorce calculations by Scottish administering authorities have also been issued (dated 18 January 2012). The revised factors come into effect from 1 January 2012. However, the notes to the Pensioner CEV factors indicate DCLG and SPPA will have to decide whether or not the effective date for the pensioner CEV factors should be backdated beyond 1 January 2012.

Updated factors are still awaited for:

- (a) non-Club transfers in
- (b) purchase of additional pension (ARCs)
- (c) buy-back of pre '88 membership for nominated co-habiting partner survivor's pension (ASBCs)
- (d) augmentation of membership
- (e) conversion of AVC pot to scheme 'top-up' pension / annuity
- (f) conversion of AVC pot to service credit (as this uses non-Club transfer in factors)

LGPS 2008: contribution bands for 2012/13

The table below sets out the contribution bands which will be effective from 1 April 2012. These are based on the pay bands for 2011/12 as increased by the September 2011 CPI figure of 5.2%, with the result rounded down to the nearest £100.

Band	Whole-time equivalent pay range	Employee contribution rate (%)
1	Up to £13,500	5.5
2	£13,501 to £15,800	5.8
3	£15,801 to £20,400	5.9
4	£20,401 to £34,000	6.5
5	£34,001 to £45,500	6.8
6	£45,501 to £85,300	7.2
7	More than £85,300	7.5

The LGPC Secretariat has checked the above with DCLG who have agreed the figures. DCLG have also confirmed that whilst the talks between the employers and the unions on the new look LGPS 2014 project are progressing satisfactorily no action will be taken on **increases to the employee contribution rates** in consequence of DCLG's statutory consultation exercise which closed on 6 January 2012.

LGPS 2008: Academies

On 22 December 2011 the Secretary of State for Communities and Local Government and the Secretary of State for Education issued a joint letter recommending that, for the purposes of assessing their employer contribution rate to the LGPS, Academies should be pooled with the local authority from which they had converted from being a maintained school.

DCLG and DfE are liaising with the LGPC Secretariat over the production of a "Frequently Asked Questions" document which they intend to issue. This will cover a wide range of pension issues concerning Academies and their participation in the LGPS.

Public Health Transfers

The LGA is in discussion with DCLG and DoH over the pension implications of the proposed large scale transfer of NHS staff to local government. Preliminary work is underway looking at various options and costings. Further information will be provided in due course.

Automatic enrolment

The Pensions Act 2008, as amended by the Pensions Act 2011, set the initial earnings threshold for auto-enrolment at £7,475 with a requirement that the threshold is reviewed before the commencement of each tax year.

Last month, DWP published a consultation on "[Automatic enrolment earnings threshold review and revision 2012/2013](#)". The consultation document set out DWP's broad proposals for the annual review of the automatic enrolment earnings trigger along with the lower and upper limits of the "qualifying earnings" band.

Following on from the recommendations of the review of the auto-enrolment conducted in the autumn of 2010 (see [Bulletin 78](#) for more information), the DWP has proposed new figures for the 2012/2013. These are:

- (a) the automatic enrolment earnings trigger is set as £8,105 to align with the PAYE threshold; and
- (b) the qualifying earnings band has a lower limit of £5,564 (to align with national Insurance contributions lower earnings limit) and an upper limit of £39,853.

The LGPC Secretariat has commenced work on the production of an auto-enrolment guide. The Secretariat will liaise with the DWP and the Pensions Regulator with a view to publishing the guide by the end of March.

DWP Consultations

DWP have commenced a couple of consultations which are relevant to the administration of pensions.

Equalisation of GMPs

DWP are conducting [a consultation exercise on the equalisation of GMPs](#). The consultation commenced on 20 January and has a closing date of 12 April 2012. The equalisation of member's pensions in general and GMPs in particular goes back to the European Court of Justice ruling in the Barber case on 17 May 1990. The Court deemed that occupational pensions are a form of deferred pay and, therefore, it was unlawful to discriminate between men and women in respect of occupational pensions.

As a result of the Barber judgement, section 62 of the Pensions Act 1995 required that any scheme rule which treated one sex less favourably than the other is to be read as if it did not treat that sex less favourably for pension accruals from 17 May 1990. The provisions contained within section 62 of the Pensions Act 1995 have been carried forward to sections 64 and 67 to 70 of the Equality Act 2010.

It has been the position of successive Governments that the Barber judgment and the Pensions Act 1995 did not require schemes to equalise that proportion of the scheme benefits representing the amount of the GMP. Rather it required schemes to equalise overall scheme benefits which accrue from 17 May 1990 and, for the period 17 May 1990 to 5 April 1997, this includes any inequality arising from the GMP legislation.

The Government understands the current position is that contracted-out schemes which hold GMP liabilities are already under an obligation to:

- (a) equalise pensions for the effect of the GMP for any accruals from 17 May 1990 to 5 April 1997. This flows from *Barber* and current domestic legislation; and
- (b) assume a comparator exists for the purposes of this exercise. This flows from a line of case law from the Court of Justice of the European Union, most notably the case of *Allonby*, which imposes EU law obligations directly on schemes.

The consultation papers include, in addition to the consultation document itself, draft amendment regulations and a proposal on how to equalise pensions due to the effect of the GMP. The DWP's proposals have been greeted with a less than enthusiastic response. For example, the NAPF contends that pension schemes have enough to worry about at the moment without having an additional burden imposed on them by the equalisation of GMPs.

Improving Transfers and dealing with small pension pots

DWP have published a document entitled, "[Meeting future workplace pension challenges: improving transfers and dealing with small pension pots](#)".

It is the Government's intention that pensions savings should remain within DC schemes. The existing short-service refund rules of occupational DC schemes mitigate against this intention and so the Government plans to abolish short-service refunds in DC schemes at the earliest legislative opportunity (expected to be as early as 2014), provided they are able to implement an accompanying solution for small pot transfers at the same time.

With regard to small pots, the Government says that the case for reform in this area is clear: as a result of automatic enrolment and high job churn, there could be up to 4.7 million additional small pension pots in the system by 2050. The problem is compounded by systemic barriers that make transfers of pensions costly, complex and time consuming.

The DWP's consultation document sets out different approaches on how to reform the transfer system and reduced the number of (dormant) pension pots, ranging from small changes to the current system to encourage transfers, to an automatic transfer system where pension pots could either be consolidated in one 'aggregator' scheme or move with people from job to job.

The consultation exercise opened on 15 December 2011 and will close on 23 March 2012.

Bits and Pieces

LGPC Training

The Secretariat has published two Circulars recently. [Circular 255](#) advertises this year's LGPS "Trustees" conference which will be held on 14 and 15 June in Blackpool. The theme of the conference is "Looking ahead to 2014 and what that may bring."

[Circular 256](#) announces the next round of the extremely popular "Understanding" workshops and this year's Insight residential training courses. Three courses will be held between March and July of this year on:

- Employees Discretions and Policies;
- Final Pay; and
- Retirement benefits.

The two Insight residential course will be held in Scarborough between 14 and 17 May and in Eastbourne between 24 and 27 September. The Insight courses are aimed at practitioners employed by both administering authorities and employing authorities.

Delegates can reserve places on all training events via the [LGE's online booking system](#).

Timeline Regulations

January's update of the Timeline Regulations website included:

England and Wales

Version 4.0 of the Actuarial Transfer Factors for Individual and Club Transfers and the latest version of Pensioner Cash Equivalent factors (dated 18 January 2012) together with the associated covering letters from CLG have been added to the post 31 March 2008 GAD guidance. A copy of CLG's email of 19 January 2012 on the subject of CETVs and IFAs has also been added to this page.

Scotland

Version 4.0 of the Actuarial Transfer Factors for Individual and Club Transfers, the latest version of Pensioner Cash Equivalent factors (dated 18 January 2012) and the latest GAD guidance on Trivial Commutations (dated 18 January 2012) together with the associated covering email from SPPA on individual transfers have been added to the post 31 March 2009 GAD guidance.

Legislation

United Kingdom

SI Reference Title

2011/3064 The Police Pensions (Amendment) Regulations 2011

Northern Ireland

SR Reference Title

2011/441 The Pensions (2008 No.2 Act) (Commencement No.6) Order (Northern Ireland) 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.

[The Timeline Regulations](#)

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