



Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 93 – April 2012

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

Please contact a member of the LGPC Pensions Section 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 items on [the Pensions Section](#), [LGPC Bulletins](#), [LGPC Circulars](#), [LGPC Communications](#), [LGPC Conferences](#) and the [Timeline Regulations](#).

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Early Retirement factors

New early retirement factors were issued by DCLG on 3 April 2012. SPPA published new GAD guidance on early retirement for members of the LGPS in Scotland on the day before. On 10 April, DCLG issued a note on the application of the new early retirement actuarial reduction figures together with a covering letter. All of the documents have been added to [the Post 31 March 2008 GAD guidance page for England and Wales](#) and [the post March 2009 GAD guidance page for Scotland](#) on the Timeline Regulations website.

Early Retirement factors: Pension Debits

The updated early retirement factors were accompanied by new GAD guidance on the application of early retirement factors when calculating pension debits for divorced members. The new guidance have been added to [the Post 31 March 2008 GAD guidance page for England and Wales](#) and [the post March 2009 GAD guidance page](#) for Scotland on the Timeline Regulations website.

ARCs

On 3 April 2012, DCLG issued new GAD guidance on the payment of ARCs. Similar GAD guidance for ARCs was issued by SPPA on the previous day. The guidance is effective for any elections which occur on or after 1 April 2012. The updated guidance and spreadsheets of the factors have been added to the appropriate sections of the [GAD guidance pages for England / Wales](#) and [for Scotland on the Timeline Regulations website](#).

The Local Government (Discretionary Payments) (Injury Allowances) Regulations 2011

[Bulletin 88](#) contained [an article on the Local Government \(Discretionary Payments\) \(Injury Allowances\) Regulations 2011 \[SI 2011/2954\]](#) (“the 2011 Discretionary Payments Regulations”).

The article stated that the Secretariat would produce a circular on the 2011 Discretionary Payments Regulations at a later date. After reviewing those regulations further, the Secretariat believes that a detailed circular is unnecessary. The original article had already identified the key points from the 2011 Discretionary Payments Regulations which are reproduced below:

- the requirement for local government employers to publish a written policy statement (which must be kept under review) on whether they intend to adopt a discretionary injury benefit scheme;
- admission bodies have been removed from the definition of local government employers and so the injury benefit provisions will not directly apply to them;
- at the request of HMRC, a provision has been included to ensure National Insurance contributions are deducted from injury allowances paid on account of a reduction of remuneration as per other public service injury benefit schemes;

- the employer’s independent registered medical practitioner will need to certify the employee’s injury or disease before the employee can receive a permanent or temporary injury allowance*;
- death benefit provisions now include payments to “nominated co-habiting partners” who will be expected to sign a declaration which states they meet certain conditions;
- appeals will no longer involve the Secretary of State but will be part of the local internal dispute resolution procedure; and
- the provisions to award a gratuity have been revoked.

*Note: the LGPC Secretariat had considered issuing sample injury certificates for completion by independent registered medical practitioners (IRMPs) but has decided against doing so. The rationale for this is that a centrally produced sample certificate would not be practical given that the nature of individual employers’ schemes will be different and thus the questions to be included on a certificate will vary from employer to employer.

Bulletin 92

Earlier this month, the Secretariat published an additional Bulletin to cover important issues. [Bulletin 92](#) included articles on:

- legislation affecting QROPS;
- a further update on the ending of contracting-out for defined contribution schemes;
- amendments to the LGPC’s sample transfer out declaration forms; and
- information provided for optants out.

It has been brought to the attention of the Secretariat that the sample transfer out declaration forms for transfers to a QROPS should be further updated to include a Lifetime Allowance (LTA) declaration from the transferring scheme member. The Secretariat will issue an updated sample QROPS transfer declaration form shortly.

Club Memorandum

Last month, a new version of the Club Memorandum was issued along with an updated list of members of the Public Sector Transfer Club. Both documents are available from [the Public Sector Transfer Club page of the Timeline Regulations website](#).

LGPS 2008: Annual allowance tax charge – scheme pays option

Last month’s Bulletin reported that DCLG had released [a note on the Annual Allowance tax charge](#) where the member elects to use the scheme pays option. The examples quoted are limited in that both refer to a member who is retiring with immediate payment of benefits. If administering authorities have any cases which do not match the examples given in the note, they should contact DCLG for further guidance on how to treat those cases.

Automatic enrolment

Staging dates

DWP has commenced [a consultation on proposals to amend staging dates for small to medium size employers](#) with a closing date for responses of 4 May 2012. Small employers are defined as organisations with less than 50 employees while medium-sized employers have between 50 and 249 employees. The consultation also covers the issues of small employers who are part of a multiple employer PAYE scheme, PAYE schemes that are artificially swollen due to non-workers so there are really fewer than 50 employees and extending the automatic enrolment transitional period for defined benefit schemes from 1 October 2016 to 1 October 2017.

The consultation document contains the relevant draft legislation.

Automatic Enrolment Earnings Threshold

The DWP has issued its [response to the consultation on thresholds for automatic enrolment](#). The DWP are going to lay statutory instruments before Parliament which will align the thresholds for automatic enrolment with income tax and N.I. contribution rates. For 2012/13 the automatic enrolment earnings trigger will be £8,105. The lower and upper limits for the qualifying earnings band will be £5,564 and £42,475 respectively.

The Chancellor of the Exchequer announced in last month's Budget that the tax threshold for 2013/14 will be £9,205. DWP's response to the consultation is silent on the thresholds for automatic enrolment in 2013/14.

Small Pension Pots

The DWP consultation on how to deal with small pension pots "[Meeting future workplace pension challenges: improving transfers and dealing with small pension pots](#)" was covered in [Bulletin 89](#).

The LGPC has responded to the consultation paper. The LGPC response makes the point that Defined Benefit schemes should not be compelled to accept transfers of small pension pots and that the automatic transfer of pension rights from a Defined Benefit scheme such as the LGPS to an aggregator scheme, or to a new employer's scheme that the person is automatically enrolled into, may not be in scheme members' best interests.

The NAPF and the Economic and Social Research Council jointly funded [a report on small pension pots by the Institute for Fiscal Studies](#) (IFS) which indicates that small pension pots are a significant issue. In their report, the IFS claim their analysis suggests that 3.5 million people have 3.9 million small pension pots in DC schemes. Although each of the small pension pots is worth less than £5,000, the total assets are roughly £7.9 billion. 700,000 of 3.5 million small pension pots are employer-related defined contribution savings worth approximately £1.4 billion. As some individuals hold more than one pot, there is scope for reduction in the total number of small pension pots where an individual consolidates all of his / her pots into one arrangement.

The NAPF argue that the suggested approach in the DWP consultation document entails a risk for scheme members where a member's small pension pot is transferred from a good quality scheme with low charges to a poor quality scheme with high charges. The NAPF

add that it is not clear from the consultation document what will happen if the member elects not to join another DC scheme on changing jobs or leaves the labour market altogether.

Instead, NAPF propose the creation of large-scale good quality trust-based schemes.

GMP Equalisation

The NAPF has submitted its official response to the DWP consultation on GMP equalisation – [see Bulletin 89 for more details](#). The NAPF contend there are several grounds on which to withdraw the intended amendments to the legislation. These include:

- it is possible to argue that the equalisation of the GMPs is not required under EU law;
- the new legislation is not guaranteed to remove the uncertainty surrounding GMP equalisation without test cases;
- confusion will abound as some schemes equalise GMPS and others do not; and
- an estimate by one law firm suggests the cost of paying extra benefits in the public service pension scheme would be £4.6 billion. A full Impact Assessment should be conducted by DWP to determine the additional liabilities and administration costs.

NAPF's concerns about DWP's proposals on the equalisation of GMPS are shared by the Association of Pensions Lawyers and the Association of Consulting Actuaries.

Bits and Pieces

The Pensions Section

David Friend's departure means that the Pension Section will be under resourced until the new member of staff is appointed. In the meantime, administering authorities and employing authorities are requested to only send urgent queries. Any queries should be emailed to elaine.english@local.gov.uk who will forward them to the appropriate member of the Pensions Section.

LGPC Bulletins

Production of the normal monthly Bulletins will be suspended until the vacant position of Pensions Adviser is filled. In the meantime, bulletins will be published as and when required to cover important and pressing issues.

LGPC Circulars

[Circular 257 \(Annual Update\)](#) was published last month. The Circular details the NI contribution rates which apply with effect from 6 April 2012, this year's PI rate for qualifying pensions, the PI rate on the post 88 GMP, an update on the revaluation of earnings factors for 2012/13 (used in the calculation of a scheme member's GMP), and the increase in the maximum "week's pay" used in the calculation of statutory redundancy pay.

LGPC Communications

Updated guides and leaflets to the LGPS for employees in England and Wales - April 2012

The LGPC has updated the following guides and leaflets to the LGPS for employees in England and Wales for April 2012:

- Full guide to the LGPS - booklet and leaflets versions
- Is the LGPS for me?
- Topping up your pension benefits
- Changes to tax controls on pension savings

The updated guides, along with tracked versions showing the changes made to the previous version, are available on [the LGE website](#). The April 2012 versions of the Promotional & Brief Guides to the LGPS were issued in February 2012.

Updated guides and leaflets to the LGPS for employees in Scotland - April 2012

These are being issued. Pension managers in Scotland will be notified when they are available.

LGPC Conferences

[Circular 258](#) issued on 11 April 2012 gave an update on the Annual Trustees Conference which this year is being held in Blackpool on 14th and 15th June. Full details are shown in the [flyer](#).

Although primarily aimed at elected members, the conference will be of interest to other people who attend pension committees, panels or sub-committees etc (e.g. employing authority, trade union and pensioner representatives, as well as officers). Bearing in mind the present LGPS 2014 Project, the 2012 Conference may also be of particular interest to Pension Managers who will be faced with both managing and communicating the transition to another new scheme to the scheme membership, and also Directors of Finance and other budget holders who will be faced with the financial implications of the scheme changes.

All meals from arrival to departure, overnight accommodation at the Blackpool Hilton, and all delegate materials are included in the conference fee of £475 plus VAT. Due to the strictly limited number of places available, booking as soon as possible is highly recommended. See the flyer for full booking details.

Timeline Regulations

April's update for the Timeline Regulations website included the following amendments.

England and Wales

The following GAD guidance and files have been added to the post 31 March 2008 GAD guidance page:

- ARC factors for use on and after 1 April 2012;
ARC factors for use on and after 1 April 2012 in a spreadsheet;
Early Retirement factors along with DCLG's cover letter and explanatory note; and
Factors to be used in the calculation of Pension Debits for divorced members.

Scotland

The following GAD guidance and files have been added to the post 31 March 2009 GAD guidance page:

- ARC factors for use on and after 1 April 2012;
ARC factors for use on and after 1 April 2012 in a spreadsheet;
Early Retirement factors; and
Factors to be used in the calculation of Pension Debits for divorced members.

United Kingdom

The latest versions of the Club Memorandum and the list of members of the Public Sector Transfer Club (which were issued in March 2012) have been added to the Public Sector Transfer Club page.

Legislation

United Kingdom

SI Reference Title

- | | |
|----------|---|
| 2012/972 | The Firefighters' Pension Scheme (Wales) (Contributions) (Amendment) Order 2012 |
| 2012/974 | The Firefighters' Pension (Wales) Scheme (Contributions) (Amendment) Order 2012 |

Scotland

SSI Reference Title

- | | |
|----------|--|
| 2012/106 | The Firefighters' Pension Scheme Amendment (Scotland) Order 2012 |
| 2012/107 | The Firefighters' Pension Scheme (Scotland) Amendment Order 2012 |

Northern Ireland

SR Reference Title

- | | |
|----------|---|
| 2012/151 | The Firefighters' Pension Scheme (Contributions) (Revocation) Order (Northern Ireland) 2012 |
| 2012/152 | The New Firefighters' Pension Scheme (Contributions) (Revocation) Order (Northern Ireland) 2012 |
| 2012/161 | The Firefighters' Pension Scheme (Contributions) (Amendment) Order (Northern Ireland) 2012 |
| 2012/162 | The New Firefighters' Pension Scheme (Contributions) (Amendment) Order (Northern Ireland) 2012 |

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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Distribution sheet

Pension managers (internal) of administering authorities
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