



Local Government Pensions Committee  
Secretary, Jeff Houston

## **LGPC Bulletin 95 – November 2012**

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

Please contact Mary Lambe 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 Circulars](#), [LGPC Communications](#) and [LGPC Training](#).

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## **Scheme Regulations and Guidance**

### **LGPS (Scotland) 2009: GAD Guidance on Annual Allowance Tax Charge – Scheme Pays**

On the 25 October 2012, the Scottish Public Pensions Agency (SPPA) issued new Government Actuary's Department (GAD) guidance relating to the facility to allow members who incur an annual allowance charge to use the scheme pays mechanism to meet this charge.

The guidance includes factors set out in previous GAD guidance including Late Retirement Factors (1 February 2012), CETV Factors (22 February 2012) and Early Retirement Factors (28 March 2012).

The scheme pays offset is initially calculated using a Normal Retirement Age of 65 and would take effect at the point when the scheme member's benefits are paid. The GAD guidance sets out the adjustment necessary if the scheme member leaves before they are entitled to their benefits or the member retires before or after age 65. In all cases the annual allowance tax charge through scheme pays would have no impact on any surviving spouse's, civil partner's, nominated cohabiting partner's or children's pension which become payable. The scheme pays offset is based on the post 1 April 2009 membership and where the post-2009 pension is insufficient to cover the amount such cases should be referred to SPPA who will seek GAD's advice.

A copy of GAD's annual allowance scheme pays guidance will be available shortly on the post 31 March 2009 GAD guidance page of the Timeline Regulations website along with the associated SPPA cover email.

### **LGPS 2008: GAD advice on Club and Non-Club transfers**

On the 12 November 2012, the Department of Communities and Local Government (DCLG) issued advice obtained from the GAD pertaining to the appropriate factors to use in cases where a member with a transfer in under club rules has changed employment with a reduction in salary.

In such cases it is possible that the reduction in a member's salary is significant enough to impact on the Club transfer in to produce a lesser service credit in the receiving scheme. The advice outlines that "paragraph 2.3 of the Club Memorandum gives the receiving scheme the flexibility to calculate service credits on non-Club terms if this would lead to a greater service credit being awarded".

Paragraph 2.3 of the Club Memorandum states:

"It is not a requirement of Club membership to use the approach described in this Memorandum for non-Club transfers. In the rest of this Memorandum, any reference to a Club transfer means a transfer from one Club scheme to another Club scheme which falls within the Club arrangements. However, if a service credit calculated on non-Club terms would be greater than a credit calculated on Club terms, the receiving scheme may award a non-Club service credit. Such cases are expected to be infrequent and are most likely to arise when an individual has taken a large drop in salary when moving. Club schemes may wish to consult their actuarial advisers on the criteria to adopt if they wish to test whether a non-Club transfer would be more advantageous for the scheme member."

The advice goes on to outline the level of salary decrease which could impact on the level of service credit awarded and advises that the member should be awarded the higher service credit calculated on either a Club or non-Club basis. It is expected that such cases, where using non-Club transfer factors would produce a better service credit for a member with a Club transfer in, are rare.

A copy of this advice issued by DCLG will be available shortly on the post 31 March 2008 GAD guidance page of the Timeline Regulations website.

### **LGPS 2008: GAD Guidance - Trivial Commutation extension of factors to age 100**

On the 23 November 2012, DCLG issued the latest GAD guidance regarding Trivial Commutation factors which replaces the previous version issued 30 November 2011 with immediate effect. The main change in this version is the extension of the Trivial Commutation factors to age 100. These additional factors have been added following changes made in the Finance Act 2011 removing the age 75 limit for trivial commutation and relate to regulation 39 of the LGPS (Benefits, Membership and Contributions) Regulations 2007 and regulation 156 of the LGPS Regulations 1997.

A copy of GAD's trivial commutation guidance will be available shortly on both the post 31 March 2008 GAD guidance page and the pre April 2008 GAD guidance page of the Timeline Regulations website along with the associated DCLG cover letter.

### **Police and Crime Commissioners: Police Civilian Staff Arrangements**

In [Bulletin 94](#) we outlined that a tentative consensus had been reached regarding the use of a pooled contribution rate for the Police and Crime Commissioners (PCC) and the Police Authority organisations.

On the 2 November 2012 DCLG issued guidance from the Home Office regarding the pension implications arising from the transition in England and Wales from Police Authorities to Police and Crime Commissioners and Chief Constables. The letter outlines the 2 stages involved in achieving full implementation of this new model.

At stage 1 from 22 November 2012:

- PCC and Chief Constables become participating employers in the LGPS as outlined in the LGPS (Miscellaneous) Regulations 2012
- Police and Crime Commissioner to be eligible for membership of the LGPS
- All Civilian staff of the police authority continue as employees of the PCC
- All pension liabilities (including those for deferred and pensioner members) will become the responsibility of the PCC.

The next stage, stage 2, is more complex and will involve local negotiations between the PCC and the Chief Constable with a possible transfer of staff eligible for membership of the LGPS. At this point it is possible that there will be two distinct employers and the administering authority will need to consider the calculation of the employer rate for both organisations. The Home Office have now confirmed that the recommendation from the working group dealing with this

transition is that a pooled approach is used resulting in a single employer contribution rate for both employers.

In addition the Home Office outline in this letter that the working group is now seeking to secure wider agreement on this pooled employer contribution rate at stage 2 and have asked for feedback to be provided on this issue to the Home Office working party via the Police Authority Treasurers Society.

A copy of this letter from the Home Office and the cover email from DCLG will be available on the Timeline Regulations website shortly under the Statutory Guidance and FAQs section.

## **Automatic Enrolment**

### **LGPC Automatic Enrolment Guide - Updated**

In [Bulletin 94](#) we mentioned that the LGPC new Automatic Enrolment guide was published in July 2012. This guide has recently been updated and version 5.0 is now available on our website. Please click here to read the [Automatic Enrolment guide](#).

A copy showing the tracked changes since version 4.0 is also available online. The main addition to version 5.0 is additional information for those employees with fixed or enhanced protection.

## **LGPS 2014 Update**

### **Joint Statement – LGPS 2014**

On the 1 November 2012 the LGPS 2014 Project Board released a [joint statement](#) to provide an update on the progress of workstreams 1 and 2.

The statement outlined that under workstream 1 the work needed to develop the required detail for scheme regulations has taken longer than originally expected and the expectation is now to obtain draft regulations by the end of 2012. This delay doesn't affect the agreement that was reached earlier this year.

The statement also outlined for the first time the nature of the discussions which have taken place recently between the Local Government Association (LGA), trade unions and the government in relation to workstream 2. A set of proposals was submitted to government in July 2012 and the main elements of those proposals are included in the Joint Statement. To read the Joint Statement [click here](#).

## **Public Service Pensions Bill – Update**

The [draft Public Service Pensions \(PSP\) Bill](#) was outlined in [Bulletin 94](#). The Bill continues to make its way through Parliament and is due to reach Report Stage and Third Reading in the House of Commons on the 4 December 2012 before then moving across to the House of Lords.

The Local Government Association (LGA) was invited to give evidence to the Committee and Cllr Roger Phillips, chair of the LGPS 2014 Project Board and Jeff Houston, Head of Pensions attended the Committee on 6 November 2012. This oral evidence session offered

the LGA an opportunity to share concerns relating to a number of clauses in the Bill. In addition the LGA, in conjunction with trade unions, will continue working with government to ensure the Bill does not impact on the agreement already reached for workstream 1 or raise any issues surrounding ongoing negotiations with workstream 2.

To follow the progress of the Bill please visit the [Parliament website](#).

## Consultations

### Local Government Pension Scheme: Investment in Partnerships Consultation

On the 6 November 2012 DCLG issued a consultation in England and Wales, '[Investment in Partnerships](#)'.

The consultation seeks views as to whether there is a need to amend the LGPS (Management and Investment of Funds) Regulations 2009 to provide more flexibility for Pension funds to diversify their investments into vehicles obtaining potential returns from infrastructure projects. The limits on certain investment categories, particularly those allowing the use of Limited Liability Partnerships, are viewed as possible barriers or restrictive features of the current Investment Regulations and the consultation seeks views on whether there is merit in amending the Investment Regulations to provide further flexibility in the area relating to partnerships.

The two options provided by DCLG include:

- a) Increase the limit on investments in partnerships from 15% of a local authority pension fund to 30%.
- b) Create a new investment class for investment in infrastructure (including via limited liability partnerships), with an appropriate investment limit of 15% of an overall fund.

Increasing the limit of investment in partnerships from 15% to 30% as outlined in option (a) would extend the limit for all limited liability partnerships not just those relating to infrastructure. Option (b) would instead retain the 15% limit of investment partnerships allowing for a new class designed to deal with infrastructure within the Investment Regulations.

The closing date for this consultation is Tuesday 18 December 2012 and all interested parties should respond directly to Sandra Layne using the contact details set out in the [consultation documentation](#). The LGPC will also be submitting a consultation response.

### Consultation on the Fair Deal policy: Government's response

In [Bulletin 94](#) the Government's Fair Deal consultation was outlined and it was noted that further information was expected in the autumn. On 19 November 2012 HM Treasury published the [Government's response](#) to the consultation. This includes draft guidance on how the new Fair Deal policy is expected to work in practice and also consults further on the treatment of staff who are compulsory transferred out of the public sector under the current Fair Deal framework, and whose contracts are retendered under the new Fair Deal policy.

The Government have outlined that the new Fair Deal policy and the guidance contained within the consultation response are to apply in the same circumstances as the previous Fair Deal policy. This means that transfers from local government and other best value authorities will continue to be outside Fair Deal.

As readers will be aware the provision of continued access to the LGPS for scheme members who are outsourced was part of the agreement reached by employers, trade unions and the Government for the new LGPS scheme in England and Wales from 1 April 2014. The provision proposed for LGPS 2014 provides for scheme members who are outsourced to stay in the LGPS on their first and subsequent transfers (currently this is a choice for the new employer). The LGPS will continue to remain outside the Fair Deal remit and negotiations between principle stakeholders continue to work towards creating the necessary framework to provide for ongoing membership of the LGPS for outsourced members.

## News and Updates

### Future Homes Commission: Report

On 26 October 2012 the Future Homes Commission published its report, '[Building the Homes and Communities Britain Needs](#)', following a year long enquiry into the quality of newly-built housing and how this fits with both a growing and ageing population.

The reports findings outline the need for funding for housing projects and view pension funds and in particular LGPS funds as the potential cash injection needed to kick-start growth in this area. The report outlines that "the lack of government funds means councils and local authority pension funds have to lead this [housing] revolution. While councils have the powers and often the land, the pension funds have the money."

### Centre for Policy Studies: Report suggesting future issues for cashflow within Public Sector Pension Schemes

The Centre for Policy Studies published a report written by pensions analyst Michael Johnson in November 2012 which outlines that the cashflow shortfall between public sector contributions and pensions in payment are rising and voices concerns that the current reform framework will not return savings for 20 to 30 years. The report focuses on public sector pay-as-you-go schemes and doesn't include the funded LGPS in its findings. To read the report in full please [click here](#).

### The Pensions Institute: An Evaluation of Investment Governance in London Local Government Pension Schemes

The Pensions Institute, a UK based academic research centre focused on pension issues, published a discussion paper on the 12 November 2012. The paper concentrates on the investment governance arrangements in the 34 London based LGPS Funds. To read the report in full please [click here](#).

## Bits and Pieces

### Circulars



The LGPC Secretariat has published [Circular 264](#) recently detailing the forthcoming topic specific 'Understanding Workshops' being run between January and March 2013 covering the subjects 'Death & Survivor Benefits', 'Pension Sharing on Divorce' and 'Guaranteed Minimum Pensions'. For full details of the locations and dates of these events read [Circular 264](#).

## LGPC Communications

The LGPC has updated a number of guides and leaflets to the LGPS for employees in England and Wales to ensure information is up to date and in line with the recent Miscellaneous Regulations 2012. The guides and leaflets updated include:

- Full guide to the LGPS - booklet and leaflets versions
- Promotional Guide to the LGPS
- Brief Guide to the LGPS – Word version
- Is the LGPS for me?
- Topping up your pension benefits

The updated guides, along with tracked versions showing the changes made to the previous version, are available on the LGE website. To access the guides please [click here](#).

The updated designed version of the brief guide is currently being worked on. Pension Managers will be notified by email when it is available.

## LGPC Training

The next round of Practitioners Training will commence in January 2013 running through until March 2013. Topics will include:

1. Death and Survivor Benefit;
2. Pension Sharing on Divorce and,
3. GMP's.

Please see [Circular 264](#) for further information on dates and locations of the forthcoming events. This round of Practitioners Training is for England and Wales, for Scotland events will be arranged separately and announced directly to Scottish administering authorities.

## Legislation

### United Kingdom

SI Reference	Title
2012/2480	The Pension Act 2008 (Commencement No. 14 and Supplementary Provisions) Order 2012
2012/2691	The Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment) (No. 3) Regulations 2012
2012/2811	The Police Pensions (Amendment No. 2) Regulations 2012

## Northern Ireland

SR Reference	Title
2012/390	The Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment No. 3) Regulations (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

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