



Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 96 – December 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 Communications](#).

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Automatic Enrolment

Automatic Enrolment Thresholds for 2013/14

On 14 December 2012 the Government published their response to the [consultation on the automatic enrolment thresholds](#) for 2013/14.

The current thresholds for 2012/13 are as follows:

- £8,105 for the automatic enrolment earnings trigger
- £5,564 for the lower limit of the qualifying earnings band
- £42,475 for the upper limit of the qualifying earnings band

For the 2013/14 tax year, the upper and lower earnings bands will remain aligned to the National Insurance Contribution limits. This will result in a reduction in the upper earnings band for automatic enrolment purposes as a result of a reduction to the National Insurance upper earnings limit.

The 2013/14 earnings thresholds will be as follows:

- £9,440 for the automatic enrolment earnings trigger
- £5,668 for the lower limit of the qualifying earnings band
- £41,450 for the upper limit of the qualifying earnings band

A draft Revision Order will be placed before Parliament in the New Year. The changes to the earnings thresholds will come into force on 6 April 2013.

Information on NEST (National Employment Savings Trust)

We understand that a number of local authority employers are seeking to put in place a qualifying pension scheme for those of their workers who are not employees (and are thus not eligible for membership of the Local Government Pension Scheme (LGPS)) in order to meet their duties under automatic enrolment legislation. Employers may wish to choose NEST for such workers, which is a pension scheme set up specifically for automatic enrolment, run on a not-for-profit basis and open to any employer. If a local authority wishes to use NEST for those of its workers who are not employees then, to help them prepare to meet their obligations in relation to those workers, NEST have some useful links available (please see below). For more information on preparing for auto enrolment with NEST the authority should contact:

Telephone: 0300 0200 090

Email: employerenquiries@nestpensions.org.uk

Useful Links for Employers

NEST Payroll Guide

<http://www.nestpensions.org.uk/schemeweb/NestWeb/includes/public/docs/employer-payroll-guide.pdf>

NEST Employer Material

<http://www.nestpensions.org.uk/schemeweb/NestWeb/public/NESTforEmployers/contents/setting-up-nest.html>

The Pensions Regulator website
www.thepensionsregulator.gov.uk

LGPS 2014 Update

Statutory Consultation – Draft Regulations on membership, contributions and benefits for LGPS 2014

On the 21 December 2012 the Department for Communities and Local Government (DCLG) published its consultation document covering the draft regulations on membership, contributions and benefits for the LGPS from April 2014. The 7 week consultation includes 55 regulations covering core elements of the new scheme. The consultation document can be viewed on the [LGE website](#).

A separate consultation will follow shortly covering the remaining items of the new scheme and the areas of Fair Deal, cost control, governance and councillors' pensions.

Views are sought from all interested parties on these draft regulations by 8 February 2013 and responses can be:

Emailed to: Philip.Perry@communities.gsi.gov.uk

Or sent to: LGPS Regulations 2013
Department for Communities and Local Government
Zone 5/G6 Eland House
Bressenden Place
London SW1E 5DU

The Local Government Association (LGA) is working closely with the other members of the LGPS 2014 project group including DCLG and trade unions to ensure that draft regulations meet with the principles already set out in the agreement reached between trade unions, employers and the government for the new scheme from April 2014.

Shadow Pension Board – LGPS 2014

Stakeholders in the LGPS have taken the first steps toward creating a pension board which will address issues that impact on all 89 funds in England and Wales.

The creation of this board was a central proposal of the agreement reached by the LGA and unions and also featured in the Hutton report on public sector pensions. The proposal has now also received backing from the Government. A working group has been set up to create a shadow board by spring 2013 which in turn will be responsible for refining the details of the remit and membership of the formal board for April 2014.

The first meeting of the working group was held on the 20 December 2012 and initial discussion suggests that the board, although not having any powers of its own, will seek to encourage best practice, increase transparency and coordinate technical and standards issues. It is also likely that it will have a liaison role with the Pensions Regulator.

Councillors' Pensions

On the 19 December 2012, the Parliamentary Under-Secretary of State for Communities and Local Government, Mr Brandon Lewis issued a [Written Ministerial Statement](#) in respect of councillors' pensions. The statement outlined that the current administration do not agree with the provision of the LGPS for councillors. Brandon Lewis MP said "we do not believe that an occupational pension scheme intended for employees, and paid for by taxpayers, is an appropriate vehicle for councillors".

The statement goes on to outline that, subject to consultation, it is proposed to remove access to the LGPS for councillors from 1 April 2014 with no further accrual from this date and protection for accrued rights for those councillors who are already members of the scheme.

When DCLG's consultation on councillors' pensions is released the Local Government Pension's Committee (LGPC)/LGA will issue a formal response on the suggested changes to the LGPS for councillors from April 2014.

Consultations

LGPS: Investment in Partnership Consultation - LGPC Response

In [Bulletin 95](#) details of DCLG's [Investment in Partnership Consultation](#) were outlined. The consultation ended on the 18 December 2012 and the LGPC submitted its response to the consultation.

The consultation set out two options to change the LGPS (Management and Investment of Funds) Regulations 2009. These were:

Option A: Increase the limit on investments in partnerships from 15% of a local authority pension fund to 30%.

Option 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.

The LGPC chose option (b) on the basis that this may be the most effective method of managing any possible reputational risks associated with local investment. The outcome of the consultation once known will be outlined in a future Bulletin.

News and Updates

Contribution Banding from April 2013 – England and Wales

On the basis that the index to be used to uprate the contribution bandings from 1 April 2013 is the September 2012 CPI figure of 2.2% (published in October 2012) the following pay ranges will apply to contribution rates from April 2013.

<u>Whole time equivalent pay range</u>	<u>Employee contribution rate</u>
£0 - £13,700	5.5%
£13,701 - £16,100	5.8%
£16,101 - £20,800	5.9%
£20,801 - £34,700	6.5%
£34,701 - £46,500	6.8%
£46,501 - £87,100	7.2%
More than £87,100	7.5%

Increase in Week's Pay for Redundancy Payments

The [Employment Rights \(Increase of Limits\) Order 2012 \[SI 2012/3007\]](#) comes into force on 1 February 2013. It increased the maximum 'week's pay' for calculating a statutory redundancy payment from £430 per week to £450 per week where the appropriate date falls on or after 1 February 2013. In the case of entitlement to a redundancy payment by virtue of section 135(1)(a) [dismissal by reason of redundancy] or section 135(1)(b) [lay-off or short time] of the Employment Rights Act 1996, the appropriate date means the relevant date as defined by, respectively, sections 145 or 153 of that Act.

Interfunds – Appropriate Factors

A recent query has been raised at the Technical Group meeting held on the 13 December 2012 regarding the appropriate factor table to use when calculating an interfund. The view of Technical Group is that all interfunds should be processed using the current set of club factors. The nature of the query is set out below.

The query stems from cases where administering authorities (on learning that a member with a frozen refund in their Fund has re-joined the scheme with another Fund) make an interfund payment to the new administering authority without a written election from the member. In such cases the effective date for the calculation is the date the member joined their new Fund. However, some administering authorities also use the effective date to determine the factor table used when calculating the interfund.

Whilst previous guidance as outlined in [Bulletin 77](#) indicated using the election date to determine the appropriate GAD guidance to use when calculating an interfund, the Technical Group felt that such guidance was given to avoid delays and administering authorities stockpiling interfund cases. In addition, the Technical Group did not consider such guidance covered specific cases involving frozen refunds and had not set out to create a separate process for interfunds relating to frozen refunds.

In addition, at the Technical Group, Heywood indicated that using the current set of club factors would require a change to software as the administration system would need to access the factor table from the date the calculation is processed, but use the relevant date of the date joined the new Fund for the purposes of assessing age, etc.

AVC Lump Sum Death Benefits

The Technical Group, at its meeting on 13 December 2012, considered the question of whether the administering authority could exercise a discretion in determining to whom lump sum death benefits from an AVC policy should be paid. The Technical Group concluded that, unlike the main LGPS lump sum death benefit, the administering authority

has no discretion as to whom a lump sum death benefit from an AVC policy should be paid and the lump sum should, in all cases, be paid to the deceased's estate.

HMRC – New Website Design

HM Revenue and Customs (HMRCs) website has changed to a new design in September 2012. Please read [HMRC's newsletter 55](#) for further detail on the changes made including how and when the Qualified Recognised Overseas Pension Scheme (QROPS) list will be updated.

HMRC – Pension Liberation Information

Further to information included in [Bulletin 94](#) on the Financial Services Authority's '[Scams and Swindles](#)' webpage, HMRC have announced they have improved their capability to help recognise and tackle instances of marketed arrangements and schemes designed to give members early access to scheme funds. In [HMRC's newsletter 55](#) they outline the new contact points which should be used if funds become aware of anyone using these types of arrangements.

The LGPC Secretariat has sought guidance from HMRC on what administering authorities can say to a receiving scheme and/or scheme member regarding any requests for transfers which might appear to be pensions liberation.

The advice given was that if a QROPS has been removed from the QROPS list then the message to go back to the receiving scheme / scheme member is very simple i.e. that the scheme is no longer a QROPS and any transfers to that scheme would not be classed as a recognised transfer in accordance with section 169 of the Finance Act 2004 and the appropriate tax charges would apply if the transfer was to proceed.

However, if the transfer is to a UK scheme or a QROPS that is still registered (UK Scheme) or on the published list (QROPS) then the situation is not as simple. Even if both the administering authority and HMRC suspect that the scheme has only been set up for the purposes of pensions liberation but this has not yet been proved/confirmed (despite what we may suspect) then, because HMRC cannot advise whether an administering authority should proceed with a transfer, all they can say is:

“HMRC is not able to approve, or block, transfers from a registered pension scheme to another registered pension scheme or QROPS. It is for the scheme administrator of the transferring scheme to determine whether the transfer will satisfy the legislative requirements in the Finance Act 2004, in particular section 169 which sets out what is a “recognised transfer” and thus an authorised payment by the transferring scheme. If the administrator of a transferring scheme has concerns the proposed transfer might amount to an unauthorised payment out of their scheme, they need to satisfy themselves that the transfer meets the “recognised transfer” definition, i.e. that the receiving scheme will hold and use the transferred funds for the purposes of a registered pension scheme, namely paying pension benefits at the proper time/in the proper way, and the transfer will not amount to a payment to, or in respect of, the member requesting the transfer.”

HMRC – Customer Liaison Manager

Following the success of Customer Relationship Managers (CRM) across other HMRC business areas, Pension Schemes Services (PSS) set up a new team earlier in the year to

provide a service dedicated to managing the relationship between PSS and its larger customers.

The Customer Liaison Manager (CLM) role within PSS

The Customer Liaison Manager (CLM) role is very similar to that of CRMs. However, the responsibilities of the CLM team reflect that registered pension schemes are separate entities subject to separate reporting requirements, tax charges and repayments processes. By working with a limited customer population the CLM team is able to offer a more tailored service to their customers.

The Customer Liaison Team will work with identified PSS customers to help them understand PSS/HMRC requirements (and how these can be met), PSS services and ways of working and will provide a single point of contact within PSS for scheme administration issues. The team will work with customers to understand the challenges and issues they face and provide the required help and support in dealing with these. General Helpline queries about the day to day running of the scheme, online submissions and returns (Self-Assessment and Relief at Source) should continue to be made in the normal way. Where advice is required from the technical team this should be submitted through the CLM, who will agree a response date with the technical team.

The CLM role will not exempt the scheme or provider from complying with HMRC rules. HMRC will still open enquiries if it is appropriate and the scheme(s) will still need to complete returns by the specified deadlines etc. Being a CLM case does not give administering authorities any special dispensations. However, HMRC would expect issues to be dealt with in as near to real time as possible. So if a CLM customer writes in with a query it would be expected that this would be dealt with quickly.

Benefits for the Local Government Pension Scheme

The Customer Liaison Team will focus on developing a joined up approach to customer needs and tax compliance that will create a mutually beneficial relationship going forward. Through better understanding of its customers and their behaviours, the Customer Liaison Team will:

- provide a single point of contact in PSS for scheme administration issues
- work with customers to understand the challenges and issues they face
- provide help and support with these issues as and when they arise
- work with you to improve customer experience
- help improve day to day pensions business
- help customers to understand HMRC requirements (and how these can be met), HMRC's services and their ways of working
- work with customers to identify & correct issues which may otherwise result in tax loss for HMRC
- improve HMRCs understanding and focus on the key tax risks their customers present, leading to improvements in compliance whilst maintaining the customer experience.

All of this can only be achieved through open and honest constructive dialogue by all parties involved. However, we do envisage that by working with the LGPS HMRC will be better able to understand the challenges and issues this unique scheme faces. Where issues are identified HMRC will work with administering authorities to help them understand

the issues, help draw up an action plan to address these and support administering authorities with these issues as and when they arise.

Next steps

HMRC is not resourced at the current time to offer the CLM role to all 101 of the LGPS sub schemes. As a result, following a meeting between the LGPC Secretariat and HMRC on 19 September 2012 and a discussion at the Technical Group on 13 December 2012, it was agreed that, as now, administering authorities should first approach the LGPC Secretariat with any queries they have. The Secretariat will endeavour to answer those queries but, should it be unable to provide an answer, the Secretariat will raise the matter with the CLM.

HMRC - Annual Allowance

The LGPC Secretariat had a very helpful meeting with HMRC on 5 December 2012 to discuss the outstanding issues on annual allowance. The Secretariat has prepared a note on the matters discussed and has sent it to HMRC for agreement. Once the content of the note has been agreed the Secretariat will update and re-issue the Annual Allowance guide. There are a couple of matters where HMRC and the Secretariat agreed to disagree – whether the annual allowance valuation should be pre or post commutation and how to deal with Club transfers. The LGPC is considering obtaining Counsels' opinion on these two matters.

HMRC - Reporting Unauthorised Payments

Alan Piper, Pensions Specialist Manager, London Pensions Fund Authority (LPFA), has kindly agreed that the following guidance, which has been discussed with HMRC, regarding the payment of unauthorised member payment charges and scheme sanction charges may be shared with other LGPS Pension Funds. The guidance note represents the LPFA's current understanding and should not be treated as a complete and authoritative statement of HMRC requirements or tax law. Whilst every attempt has been made to ensure the accuracy of the information, no responsibility whatsoever will be assumed by LPFA for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this note.

Unauthorised Member Charge payments – where the member has signed a mandate agreeing to the tax being deducted before the payment is made.

By cheque only to:

HMRC Pension Schemes Service
Fitzroy House
Castle Meadow Road
Nottingham
NG2 1BD

Cheques should be payable to HMRC.

Attach details of the members name, NI number, unauthorised payment amounts and the tax deducted.

Include Sub-Scheme PSTR

Scheme Sanction Charge

In connection with submitting your Annual Event Report covering then unauthorised payments you can make a payment on account* (Due date is 31 January following end of tax year)

Payment either by cheque or BACS

Sort code 08-32-10

Account number 12001020

Or by cheque payable to HMRC to:

H M Revenue & Customs
Shipleigh RMS (Accounts & Payments)
Victoria Street
Shipleigh
BD98 8AA

Include Sub-Scheme PSTR

*If the Annual Event Report is made before 1 October following the relevant tax year then you should receive an assessment before the end of the year, but you can still make a payment on account.

Failure to make a payment on account by the deadline of 31 January, will lead to interest accruing on the outstanding payments.

The Annual Event Report provides only for reporting the amount of the Unauthorised Payment for each member not for any calculation of the tax due and should show the full Unauthorised Payment amount; but it provides a comments field (150 characters) in which you can indicate that the member unauthorised payment charges have been paid across by the scheme and details of the scheme chargeable amount based on post 5 April 2006 accrual.

If you are making a payment on account, the payment (cheque or BACS) must go to Shipleigh including the sub-scheme PSTR **BUT** any if you want to confirm the scheme chargeable amount (based on post 5 April 2006 accrual) the details should go to Nottingham.

Autumn Statement 2012 – Reduction to Lifetime Allowance and Annual Allowance

The Chancellor gave his [Autumn Statement](#) on the 5 December 2012 which included details of a reduction to the lifetime allowance and annual allowance from the 2014/15 tax year. The lifetime allowance is being reduced from £1.5m to £1.25m and the annual allowance from £50,000 to £40,000. For those affected by the reduction to the lifetime allowance, further fixed protection (yet to be consulted on) will be available from April 2014.

Split GMP rights – Notifying HMRC

The LGPC/LGA has recently been informed by an administering authority of advice they received from HMRC regarding how to discharge the post '88 GMP liability for a member who opts out of the LGPS and transfers their post '88 accrued rights to a non-contracted out pension scheme.

The form normally completed for cases where pre and post '88 GMP rights are split would be CA1607. However, this form doesn't cater for the new option of transferring GMP rights to a non-contracted out pension scheme. In cases of a split of GMP rights where the post '88 GMP is being transferred to a non-contracted out scheme but the pre '88 GMP is being retained in the LGPS a letter should be sent to the HMRC National Insurance Office.

The letter should include the following details:

- SCON and ECON number
- Members NI Number, Surname and Initials
- Start and termination date of member's period of contracted-out employment
- Confirmation that the pre '88 GMP is retained in the scheme
- The revaluation rate applicable to the retained GMP rights
- Confirmation that the post '88 GMP is transferring to a non contracted-out scheme - ASCN 7990001X

Address: HMRC
NIC&EO
Live Schemes COSR BP3101
Benton Park View
Longbenton
Newcastle Upon Tyne
NE98 1ZZ

Public Health Transfer from the NHS to Local Authorities

From 1 April 2013 many key public health responsibilities will be transferred from Primary Care Trusts (PCTs) to Local Authorities in England under the Health and Social Care Act 2012. All staff transferring on the 1 April 2013 who are eligible for membership of the NHS Pension Scheme will retain their right to membership of the NHS Pension Scheme for so long as they remain within their role in the Public Health function with the authority to which they transfer on 1 April 2013.

A letter was issued to chief executives of local authorities and PCT's on the 20 December 2012 by the Department of Health and the LGA regarding the treatment of pensions post 1 April 2013. A copy of this letter can be viewed at the [Local Government Association's website](#).

In addition the LGA, in conjunction with the Department of Health and the Business Services Authority (the administrators of the NHS Pension Scheme), are formulating guidance and pulling together information to assist local authorities with the pension implications of this transfer. The guidance is due to be available in early January 2013 and will include information on the actions to be taken by authorities in order to be set up with as a Scheme Employer with NHS Pensions, details on the pension provision post transition

for staff on the transfer list and details of the process involved in applying for an NHS Pension Direction Order.

Bits and Pieces

LGPC Communications

An updated version of the designed brief guide for employees in England and Wales is now available on the [LGE website](#) to bring it in line with the recent changes introduced in the LGPS Miscellaneous Regulations 2012.

All other guides and leaflets for employees in England and Wales have been updated as outlined in [Bulletin 95](#).

Legislation

United Kingdom

SI Reference	Title
2012/2940	The Registered Pension Schemes (Relevant Annuities) (Amendment) Regulations 2012
2012/2952	The Occupational Pensions (Revaluation) Order 2012
2012/2988	The Firefighter's Pension Scheme (England) (Amendment) (No. 2) Order 2012
2012/2992	The Equality Act 2010 (Amendment) Regulations 2012
2012/3007	Employment Rights (Increase of Limits) Order 2012
2012/3057	The Police Pensions (Amendment No. 3) Regulations 2012

Scotland

SSI Reference	Title
2012/347	The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Regulations 2012

Northern Ireland

SR Reference	Title
2012/426	The Occupational Pensions (Revaluation) 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
Pension managers (outsourced) and administering authority client managers
Officer advisory group
Local Government Pensions Committee
Trade unions
CLG
COSLA
SPPA
Regional Directors
Private clients

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