



Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 104 – June 2013

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 update on the [Timeline Regulations](#).

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LGPS 2014 – Consultations

The Department for Communities and Local Government (DCLG) released its third consultation on draft regulations for LGPS 2014 on 20 June 2013. This consultation which closes on the 2 August 2013 contains a set of draft regulations (Annex A). In addition, chapter 2 contains a number of questions upon which views are being sought and Annex B lists 'related specific questions' which consultees are asked to consider. To read the consultation document in full please visit [DCLG's website](#). The Secretariat will be submitting a response and an e-mail will be sent to Pension Managers to inform them when the response is available on the LGA website.

DCLG also issued a discussion paper on scheme governance on 20 June 2013 which takes into consideration key provisions in the Public Service Pensions Act 2013 that are required for the LGPS from next year. Comments are invited by DCLG on a number of questions; these comments will then be used by DCLG when formulating draft regulations on governance due for consultation later this year. The Secretariat will be submitting a response and an e-mail will be sent to Pension Managers to inform them when the response is available on the LGA website. The closing date for this consultation is 30 August 2013. To read the consultation in full please visit [DCLG's website](#).

LGPS 2014 – Shadow Scheme Advisory Board

Practitioner Selection Process

Following the completion of both a nomination and selection process, we now have confirmation of the LGPS fund practitioner representative for the shadow Scheme Advisory Board and the fund representatives for the five sub-committees. Details of the membership of the Board and sub-committees can be found on the shadow Scheme Advisory Board page of the [LGA website](#).

First Meeting

The first meeting of the shadow Board will take place on 15 July 2013. Details of the agenda and minutes of the first meeting will be made available on the shadow Scheme Advisory Board page of the [LGA website](#).

LGPS 2014 – Communications

Communications Plan

The Communication Plan for LGPS 2014 was approved by the LGPC in June 2013. The Communication Plan pulls together the layers of communications for scheme members, employers and practitioners that are being worked on for the new scheme and it's expected that this will be updated as and when required in line with the reform process. To read the plan in full please visit the [LGA's website](#).

Employer Communications

A briefing note for employers was published by the Local Government Association (LGA) on the 18 June 2013. The purpose of this note is to bring to the attention of employers offering the LGPS the implications the scheme changes from 1 April 2014 will have for payroll systems. We would ask funds to please share this note with all employers in the LGPS and any organisations which are due to be admitted into the scheme before April 2014 and to ask them to share it with their payroll sections / providers. To read the briefing note please visit the [LGA's website](#). Work is ongoing to produce a more in depth payroll specification for issue to administering authorities, employers, payroll providers and software providers.

Employee Communications

The first of a suite of leaflets for LGPS 2014 was issued 28 June 2013. The leaflet, entitled 'The LGPS is changing from 1 April 2014' is a short leaflet designed to communicate the main changes to the scheme. It is available for funds and employers as both a PDF and Word file from the [LGA's website](#). It will also be added to the scheme member site www.LGPS2014.org. More detailed topic specific leaflets for members will be available in the coming months.

News and Updates

Call for Evidence

DCLG and the LGA have jointly issued a call for evidence into ways to increase cooperation between LGPS funds. The call for evidence follows moves already put in place to increase transparency and standardise data across the scheme so that fund managers, pension holders and the public can compare performance between funds and identify possible savings. The call for evidence will help inform a consultation to be put forward later in the year which aims to set out a number of broad principles for updating the LGPS to improve efficiency and cost-effectiveness. All interested parties are invited to contribute their ideas by 27 September 2013. The call for evidence can be read in full on the [LGA's website](#).

Automatic Enrolment – Case Studies

Given that automatic enrolment is well underway we've added new information to our website holding case studies and lessons learnt from employers who have already staged. This is available on the technical guides section of the [LGA's website](#) and includes case studies from Derbyshire County Council and Essex County Council as well as a list of key issues to consider for employers yet to reach their automatic enrolment staging date.

Regulation 59 - LGPS Regulations 1997

In [Bulletin 94](#), we stated that DCLG issued updated GAD guidance [on inverse commutation - conversion of lump sum into pension](#) (regulation 58 of the LGPS Regulations 1997). We noted that protected regulation 59 of the LGPS Regulations 1997 cases (commutation of pension to lump sum) continued to be calculated by applying regulation 58 factors in reverse ([see email correspondence from 7 May 2002 - link via regulation 59 GAD guidance](#)). We have recently been provided with a copy of a response from DCLG to a query posed by LPFA on whether the view outlined in the email dated 7 May 2002 is still to be followed. DCLG outlined in their response that "since there are so few cases of this nature, and the scale of liability risk so limited, it is not felt that there is any harm in continuing to use it" (i.e. applying regulation 58 factors in reverse). DCLG have outlined in the letter that they will be taking further actuarial advice on this issue. To read the response in full please visit [Timeline Regulation website](#) – under GAD guidance for regulation 59.

Probation Trusts – Transforming Rehabilitation

A joint Ministry of Justice (MoJ)/DCLG letter issued in May 2013 was e-mailed to Administering Authorities by DCLG. This letter outlined the proposals being put forward by government for reforming the way in which offenders are rehabilitated and the implications these have for existing and former Probation Trust employees and for LGPS administering authorities and Funds. In essence, the proposals are as follows:

- the existing 35 Probation Trusts are to be wound up with a substantial part of their

work being transferred to 21 private limited companies (Newcos) and the remainder of their work being transferred to the National Offender Management Service (NOMS);

- the Newcos will be given transferee admission body status in the LGPS (either via Secretary of State approval or as bodies carrying out services for a scheme employer);
- it is not expected that new employees of a Newco will be offered membership of the LGPS (but, if they are, they would not be covered by the Secretary of State Guarantee mentioned below);
- there will be a Secretary of State Guarantee in respect of Newcos. This will be in respect of contributions or amounts that fall due to the LGPS in respect of past service liabilities that will become the responsibility of the Newcos as part of the probation service transfer and also the future accrual of benefits for transferring staff (including any amounts that become due on a cessation of participation of a Newco, unless responsibility for the liabilities of the ceasing Newco can be transferred elsewhere), in the event of a failure by the Newcos to pay those contributions or amounts;
- NOMS will be admitted as a scheme employer in the LGPS in respect of the continued accrual of benefits for existing staff transferred to the NOMS and new staff engaged by the NOMS (the policy on which employees will be offered LGPS membership and which will be offered Principal Civil Service Pension Scheme membership has yet to be finally decided);
- all of the past service liabilities (and assets) attributable to the existing Probation Trusts (i.e. all active, deferred and pensioner liabilities) will transfer either to the Newcos or, more likely, the NOMS for future funding (with the NOMS also being liable for liabilities for Newcos that cease to participate in the LGPS);
- consideration will be given to all of the Newcos and the NOMS participating in one LGPS fund (the Newcos under individual admission agreements and the NOMS as a scheduled body);
- the alternative (which is not the MoJ's preferred option) is for each Newco to enter into an admission agreement with the most geographically appropriate LGPS Fund for that NEWCO.

Responses to the consultation paper were required by 14 June 2013 with a view to the Newcos and NOMS being approved for participation in the LGPS by **December 2013**. A timetable and action plan for the transfer of liabilities needs to be agreed and ready for implementation by that date.

Technical Group, OAG and LGPC have considered the consultation paper and concluded that, on balance, a single Fund approach would be the preferred option (but if that is not pursued, then keeping the staff in the existing 35 Funds would be preferable to consolidation into 21 Funds). However, there are a number of issues that need to be resolved / clarified. These were raised at a meeting between DCLG, MoJ and LGA on 17 June 2013. Two key matters that were emphasised were the very short timescale to

implement the reorganisation and the need to ensure that the Secretary of State Guarantee is unlimited and open ended.

Pensions Bill 2013/14

The LGA in conjunction with trade union colleagues issued a briefing note for the second reading of the Pensions Bill which took place on 17 June 2013. The briefing note highlighted the unintended consequences for public service pension schemes should the removal of contracting out for occupational schemes take place when a single tier state pension is introduced from April 2016. To read the briefing note in full please visit the [LGA's website](#).

The LGA will be making representations on the financial implications the abolition of contracting out will have for both employees and employers in the LGPS as the Bill makes its way through committee stage in the House of Commons.

In addition, the Pensions Policy Institute (PPI) has published a briefing paper on the Pensions Bill which can be found on the [PPI website](#).

Pensions Tax Relief - Individual Protection from the Lifetime Allowance Charge

As reported in [Bulletin 96](#), on 5 December 2012 the Government announced that the lifetime allowance would be reduced from £1.5 million to £1.25 million from April 2014. The Government also announced that it would be consulting on a “personalised protection regime” for individuals with pension pots valued at more than £1.25 million on 6 April 2014.

On 10 June 2013 HMRC published the consultation: [Pensions Tax Relief – Individual Protection from the Lifetime Allowance Charge](#) setting out the framework of how the individual protection regime will work. It will protect individuals from the lifetime allowance charge on any pension savings they have on 5 April 2014, which has been accumulated with UK tax relief with a value of between £1.25 million and £1.5 million. The consultation closes on 2 September 2013.

DWP guidance: Deferring your State Pension Age

On 18 June 2013, DWP published guidance on ‘deferring your State Pension Age’. The full report can be found on the [DWP website](#).

Pensions Team Changes

You will be aware that Irene Wass, the team’s Pensions Communications Manager, is embarking on early retirement at the end of this month. Irene, who has been with the team for 8 years, has worked closely with all funds and in particular with members of the Communications Working Group, a group created by Irene who worked collaboratively on LGPS communication issues. With almost 40 years in the LGPS pensions industry, her presence will be greatly missed and the rest of the Pensions Team would like to wish Irene a long, happy and fulfilling retirement.

Whilst we wait for the post to be advertised and filled, Mark Crutchley will be assisting the team with communications work for LGPS 2014.

Bits and Pieces

Timeline Regulations

Update to pre 2008 GAD guidance for England and Wales under regulation 59 <http://timeline.lge.gov.uk/GAD/gadidx.htm> to include the letter from DCLG to LPFA regarding regulation 59 of the LGPS Regulations 1997 - see article above on '[Regulation 59 – LGPS Regulations 1997](#)' for more detail.

Legislation

United Kingdom

SI Reference Title

- 2013/1392 The Firefighters' Pension Scheme (Amendment) (No.2) (England) Order 2013
- 2013/1393 The Firefighters' Pension Scheme (England) (Amendment) (No.2) Order 2013
- 2013/1518 The Public Service Pensions Act 2013 Commencement Order No.1 (c.61)

Useful Links

[The LGA Pensions page](#)

[The LGPS members' website](#)

[The LGPS 2014 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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