



Local Government Pensions Committee  
Secretary, Jeff Houston

## **LGPC Bulletin 99 – February 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](#) include an item on [Timeline Regulations](#).

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## Automatic Enrolment

### Government announces forthcoming Automatic Enrolment consultation

The Department of Work and Pensions (DWP) announced on 11 February 2013 that they plan to consult on proposals to make the process of automatic enrolment simpler. The consultation will be launched in March 2013 and is expected to cover a number of areas which could benefit from practical or technical improvements including:

- Making assessment of the workforce easier
- Making it easier for money purchase schemes to show they meet the scheme quality requirements
- Removing the duty to enrol particular groups such as those who benefit from protection because they have already exceeded the lifetime allowance for tax purposes

Minister for Pensions Steve Webb stated "We've been listening to the experience of employers that have enrolled their workforce so far and recognise that some parts of the process could be improved. By consulting on these changes we can address this before automatic enrolment is rolled out to small and medium sized businesses. We don't want to make changes to legislation lightly but we do want to make sure that automatic enrolment is working as well as possible."

## LGPS 2014 Update

### Public Service Pensions Bill - Update

On 12 February, the [Public Service Pensions \(PSP\) Bill](#) progressed to Report Stage in the House of Lords. The LGA, working with the trade unions, briefed Peers ahead of Report Stage. The Government tabled amendments on retrospection, a change which the LGA and trade unions were campaigning for. The Government also tabled an amendment to clause 25, which without amendment could allow employers to undermine the LGPS by offering alternative pension arrangements. The amendment to clause 25 would make provisions in the clause subject to scheme regulations. We campaigned for changes to this clause and welcomed this amendment. Assurances were also secured during report stage on a number of issues, including on Fair Deal and recognition of our concerns over final salary link provisions in Schedule 7, which could have resulted in significant costs for schemes.

On 26 February the PSP Bill had its Third Reading in the House of Lords. The Government tabled amendments on negative revaluation providing for the the affirmative Commons procedure, if revaluation is negative. In addition the Government also tabled an amendment that makes provision within scheme regulations for amendments relating to Schedule 7 (Final Salary Link). The PSP Bill will now return to the House of Commons and is expected to be laid before Parliament in the coming month.

## **Scheme Advisory Board**

Recent amendments to the Public Service Pensions (PSP) Bill include the addition of new clause 7 which requires each public service pension scheme to have a scheme level advisory board.

As outlined in [Bulletin 96](#), work has already started to help develop the Scheme Advisory Board for the LGPS from April 2014. The working group set up to create a shadow board by spring 2013 met for the second time on 5 February 2013 to discuss topics such as membership of the Board and the role of potential sub-committees. Once created the Shadow Board will be responsible for refining the details of the remit and membership of the formal Scheme Advisory Board for April 2014.

## **LGPS 2014 – Draft regulations consultation**

As outlined in [Bulletin 98](#) the consultation on draft regulations on membership, contributions and benefits for LGPS 2014 closed 8 February 2013. Further consultations are expected in early March 2013 from the Department for Communities and Local Government (DCLG). The first of these is expected to be an updated version of draft regulations on Membership, Contributions and Benefits. A second consultation will follow shortly afterwards containing draft regulations on Transitional Provisions.

A set of Miscellaneous Provisions regulations to amend the current LGPS regulations is also expected to be issued in March.

## **News and Updates**

### **2013 Pensions Increase**

HM Treasury have published details of the 2013 Pensions Increase and multiplier tables on their website. Please [click here](#) to access this information. The PI increase taking effect from 8 April 2013 is 2.2%. The Statutory Instrument is yet to be laid in Parliament; once this final PI Order has been approved in March 2013 the LGPC will issue the annual update circular and add the Order to the Timeline Regulations.

### **Reminder from HMRC regarding PSTR number on APSS 262 (QROPS)**

HMRC have asked for a reminder to be issued to LGPS administering authorities to ensure that the sub-scheme Pension Scheme Tax Reference (PSTR) number is quoted on APSS 262 (QROPS) rather than using the main PSTR number for the LGPS.

The reason this is particularly important is because if the main PSTR is used rather than the sub-scheme PSTR and HMRC issue a scheme sanction charge assessment in respect of an unrecognised QROPS transfer the assessment will be sent to the main scheme address (DCLG or SPPA) and, if this charge isn't paid, the debt will be pursued at the wrong address (i.e. the main scheme address) rather than the Fund to which the scheme sanction charge relates.

### **Annual Allowance Tax Charge Scheme Pays GAD Guidance - Clarification**

On 12 September 2012 DCLG issued GAD guidance relating to the Annual Allowance Tax Charge Scheme.

The LGPC has been made aware of a query raised by Capita in respect of this GAD guidance and has agreed with both DCLG and Capita to bring this to the attention of LGPS administering authorities.

The query relates to the provisions outlined in section 2.26 of the guidance which state that:

*2.26 The pension offset to be applied if the scheme pays election occurs just before retirement is as follows:*

*Pension offset at retirement = AATAX / AAFAC*

*Where:*

*AATAX = the Annual Allowance tax charge that the member has notified the scheme that they wish to meet via the scheme pays mechanism.*

*AAFAC = if the member is retiring on age grounds then the Annual Allowance scheme pays factor shown in Table D1 based on the member's gender and age at the Relevant Date. If the member is retiring on ill health grounds then consider the factor from Table E1.*

This section details that the process for applying a scheme pays charge differs where the member incurs the tax charge in the year in which they receive payment of their pension benefits. The process in such cases being that 1) the pension offset is calculated and 2) the offset is deducted from the pension benefits without any reduction for early or late payment.

The query raised relates to the fact that as different factors for such a calculation are used (in comparison to the factors used for members when the tax charge is not within the scheme year they draw their pension benefits) that it's reasonable to presume that the calculation of the debit in the scheme year of retirement already takes into account any actuarial reduction that would be applied to the member's benefits due to the differing methodology.

DCLG sought further input from GAD on this issue and in particular whether some form of actuarial reduction is built into the guidance on annual allowance scheme pays option where the member incurs the tax charge in the year they draw their pension benefits.

GAD have provided confirmation that where the tax charge election is made in the same year as the member draws their pension benefits the factors (issued 12 September 2012) do already account for the early release of benefits and therefore do not need further adjustment by the administrator when being calculated. The following example is given by DCLG as an explanation.

*Example:*

*Male member aged 60. Tax charge £10,000.*

*If the factors in table A1 of the GAD guidance is used then the debit is £10,000 / 14.46 = £692 from age 65. If instead he retires at age 60.5 exactly then this debit will be subject to four and a half years' worth of actuarial reduction (i.e. 22.5%) and will be £536.*

*If a member retiring at age 60 has a tax charge of £10,000 incurred immediately prior to retirement then the pensioner offset factors in table D1 of the GAD guidance should be used. The pension debit will then be £10,000 / 18.56 = £539\**

*(\* the minor difference between the two methods is due to rounding).*

## **Investment by Lancashire County Pension Fund in Solar Power Station**

Lancashire County Pension Fund has invested £12m in a community owned solar power station located in Oxfordshire.

The index-linked bond, to be repaid over 24 years, provides the solar cooperative (Westmill Solar Cooperative) with long-term finance and the LCPF with a low risk investment that helps match their index linked pension fund liabilities.

Cllr David Westley, chair of Lancashire CC's pension fund: 'There has been a lot of discussion about local authority funds investing in community infrastructure. I'm pleased that Lancashire has been able to put this into practice with this £12m investment.

For further information regarding this investment project please visit [Lancashire County Council's website](#).

## **LPFA invest in Capital Investment Platform**

The London Pension Fund Authority (LPFA) has recently become the tenth founding member of the Pension Infrastructure Platform (PIP), which has been developed with the National Association of Pension Funds (NAPF), the Pension Protection Fund (PPF) and the Government following the signing of a [Memorandum of Understanding with HM Treasury in 2011](#).

The LPFA has invested £100m and becomes the third LGPS Fund to invest in the platform following Strathclyde Pension Fund and West Midland Pension Fund who signed up last October.

The PIP forms part of the Government's plans to encourage private sector finance for UK infrastructure over the next decade. The investment made by the ten founding investors means the programme now has £1bn of committed funding, with the aim for the platform to eventually have £2bn available to invest in capital infrastructure projects.

Investment criteria, such as asset preferences, have still to be agreed, but subject to these being confirmed, the founding investors will provide capital for major projects.

For further details on this investment please visit the [LPFA's website](#).

## **Public Health Transfer – Information for Employers**

In addition to the guidance issued by the Business Services Authority (BSA) as outlined in [Bulletin 98](#), they have also recently published a 'Receivers Guidance Pack' for local authorities to assist them in the administration of the NHS Pension Scheme. This guidance includes more information on obtaining a Virtual Private Network connection to obtain N3/Pensions Online access to provide for online administration of the NHS Pension

Scheme including the relevant costs for each local authority to obtain this connection. Please visit the [BSA's website](#) to view the 'Receivers Guidance Pack'.

Further guidance to assist employers and employees with the transfer taking place on 1 April 2013 is expected to be published by the Concordat Steering Group (the partnership vehicle for developing national HR and workforce guidance to support employers with the transfer of staff from Primary Care Trusts to Local Authorities) shortly.

In addition the Concordat Steering Group released a complete set of documentation explaining the transfer scheme process for public health staff moving to local government, the context in which decisions were made and the options available for councils. This set of documents has now been sent to councils via the regions and includes the following items:

- A covering letter from Carolyn Downs, Chief Executive of the LGA
- A management FAQ document developed with the Department of Health setting out the process and options for councils
- A final version of the core transfer scheme documentation
- A local Memorandum of Understanding document available as an option for councils
- A letter from the Department of Health to the LGA explaining the reasons for final ministerial decisions on the issue

These documents were also issued by the LGPC on 28 February 2013 to Pensions Managers in England and Wales.

### **The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013**

On 18 February 2013, the DWP published a consultation on the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 to seek views on the draft regulations, the main purpose of which is to bring into line with the workplace pension reforms those regulations that require occupational pension schemes to disclose information to members and others (e.g. widows, widowers and civil partners). The consultation document can be found on the [DWP website](#). The consultation closes on 14 April 2013. The regulations are expected to come in to force in October 2013.

### **Draft Finance Bill 2013**

The Government has published draft legislation to take forward various pensions measures announced in the Autumn Statement. Legislation will be introduced to reduce the lifetime allowance to £1.25 million for the 2014-15 tax year onwards. Transitional protection (fixed protection 2014) will be introduced to provide individuals with a lifetime allowance of £1.5 million subject to certain conditions. The Government will also discuss with interested parties whether a personalised protection regime should supplement 'fixed protection 2014' in order to offer a more flexible protection regime. The Autumn Statement also announced that legislation will be introduced to reduce the annual allowance to £40,000 for the 2014-15 tax year onwards. Full details of the consultation can be found [on the HMT website](#).

### **No Change to the RPI**

Following a consultation that was prompted by the need to address the gap between the estimates produced by the Retail Prices Index (RPI) and the Consumer Prices Index, the Office for National Statistics has concluded that the RPI should remain in its current form.

More information can be found [on the ONS website](#). A new RPI-based index will be published from March 2013.

## Bits and Pieces

### Timeline Regulations

The following updates have been made to the Timeline Regulations website and can be viewed at <http://timeline.lge.gov.uk/>.

#### England and Wales

Statutory Instrument 2012/1989 has been reflected in the following regulations:

- Local Government (Early Termination of Employment) (Discretionary Compensation)(England and Wales) Regulations 2006
- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- Local Government Pension Scheme (Transitional Provisions) Regulations 2008
- Local Government Pension Scheme (Administration) Regulations 2008

The following GAD guidance has been added to the post 31 March 2008 GAD guidance page:

- Augmentation Factors: Increase of Membership by Employing Authority including DCLG covering letter with effect from 15 August 2012
- Annual Allowance Charges: Calculation of Scheme Pays Offset including DCLG covering letter with effect from 6 September 2012
- Factors to use for the purchase of Additional Survivor Benefits including DCLG covering letter with effect from 1 October 2012 (replacing previous guidance issued 23 December 2009)
- Factors for Trivial Commutation - lump sums paid on or after 30 November 2011 including DCLG covering letter with effect from 21 November 2012 (replacing previous guidance issued 30 November 2011).

Further amendments to Timeline Regulations are being made to bring scheme regulations up to date for Scotland. In addition further GAD guidance and Statutory Information is being added and confirmation of these updates will be issued shortly.

### 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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