



Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 117 – July 2014

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 information on [LGPC Circulars](#) and the [Communications Working Group](#).

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LGPS Consultation Response - LGPS: Opportunities for collaboration, cost savings and efficiencies

The LGA responded to the Department for Communities and Local Government's (DCLG's) structural reform consultation in July. The consultation asked a number of questions regarding Common Investment Vehicles (CIVs) and about passive management. In respect of CIVs the LGA believes that there are benefits to using collective investment arrangements but are of the view that CIVs are only one such arrangement and others (such as co-investment in infrastructure for example) might prove to be as, if not more, beneficial. In addition the response notes that asset allocation is best left to local determination, but with a need for further clarity on this subject. Ultimately the LGA believe that it is for the Government to set the objectives of collective investment (where necessary in regulations) and then for the sector to decide upon the style and scope of any such arrangements.

In respect of passive management, the LGA outlined that they do not consider there is a case for across the board imposition of pure passive management. Instead it considers that there is a place for enhanced passive and/or targeted increases in pure passive in the sector. To read the consultation response in full visit the [LGPS regulations website](#). We understand that DCLG are reviewing the 196 responses received and will provide an update in due course.

Updates to the Additional Pension Contribution (APC) calculator

In July updates were made to the APC calculator for both buying extra and buying lost pension. These updates were made based on the feedback received by the LGPC secretariat over recent weeks. The updated version is now available on the [LGPS 2014 website](#) and includes the following changes:

Buying Lost Pension (v1.3.5)

- 30 day override tickbox added (where employer provides written permission they will pay 2/3rd share of cost of APC where the date returned to work is more than 30 days prior to the member completing the APC application)
- Date of Birth – Must input DD/MM/YYYY (new error codes if not input correctly)
- Added four weekly to pay frequency drop down menu (and calculation amended)
- In the results field moved 'cost per £100' to footnote
- All help fields amended to reflect above changes
- All reference to assumed pensionable pay amended to lost pensionable pay
- Terms and Conditions document text updated
- Application Form document text updated (including reference to 'date returned to work' changed to 'last date of absence')
- Flowchart on homepage amended to reflect addition of 30 day override tickbox.

Buying Extra Pension (v1.4.6)

- Date of Birth – Must input DD/MM/YYYY (new error codes if not input correctly)
- Added four weekly to pay frequency drop down menu (and calculation amended)
- In the results field moved 'cost per £100' to footnote
- All help fields amended to reflect above changes.

We continue to invite feedback from funds and employers on the APC calculator to ensure it is fit for purpose. Any further changes will be notified to pension funds by email. Please note that for funds who wish to amend the code for their own individual fund website the code for this updated version is now also available to download on the [LGPS Regulations website](#).

Secretary of State Guidance

In [Bulletin 116](#) the LGPC secretariat included a number of points where clarification has been sought in respect of various items of Secretary of State Guidance. In addition another slight amendment is required for the Late Retirement guidance in respect of councillor members.

Late Retirement Guidance

Point raised: Should councillor members who leave the scheme on or after 1 April 2014 with an entitlement to a late retirement increase have that increase based on all benefits up to date of leaving or just those up to age 65 given the wording of the latest Late Retirement guidance (dated 26 March 2014).

Response: Paragraph 1.2 of the Late Retirement guidance dated 26 March 2014 says "This guidance also applies to benefits accrued before 1 April 2014, including members who left active service before 1 April 2014, **and to councillor members.**"

However, regulation 26 of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 provides that the LGPS Regulations 1997 shall still apply to councillor members. Paragraph 5 of Schedule 8 to the LGPS Regulations 1997 amends regulation 20 of those Regulations and provides that:

"(5) Benefits payable to a councillor member who remains in service after his 65th birthday as referred to in regulation 25A(1) (as that regulation applies to a councillor member) shall be increased at such a rate as is shown as appropriate in guidance issued by the Government Actuary in respect of each day that payment of benefits is delayed between his 65th birthday and the date of his retirement."

It therefore appears that the Late Retirement guidance dated 26 March 2014 should be used but with one proviso, that benefits accrued post 31 March 2014 should, for the purposes of the guidance, be treated as if it were service accrued pre 1 April 2014 i.e. it has a Normal Retirement Age of 65. DCLG have been notified of this point and a correction slip has been requested.

HR, Payroll and Administration Guides

In July both the HR and Payroll guides were updated twice (on 21 July and 30 July). For details of the changes made and the latest versions of both guides please visit the [LGPS regulations website](#). The Additional Pension Contributions (APC) Guidance paper (version 1.3 - issued 7 July 2014) was also updated, see a [tracked changes version](#) for details on the updates made.

Shadow Scheme Advisory Board

Consultation Response - LGPS: Opportunities for collaboration, cost savings and efficiencies

The Shadow Scheme Advisory Board responded to DCLG's consultation entitled 'Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies' which closed on 11 July 2014. To read the consultation response in full visit the [Shadow Board's website](#).

Communications Update

The Shadow Scheme Advisory Board in England and Wales issued the second of its regular communication updates to administering authorities in July. To read this update in full, visit the [Shadow Board's website](#).

Other News Items

Freedom and Choice in Pensions - Government Response to Consultation

The Government published its response to the Freedom and Choice in Pensions consultation on the 21 July. Full details can be found on the [Government's website](#).

A significant area of interest for the LGPS was the announcement by government to continue to permit transfers from funded public service pension schemes, such as the LGPS, to defined contribution schemes from next April - see paragraphs 4.33 and 4.36 in the Government's response for more detail.

The government will introduce two new safeguards to protect individuals and pension schemes: a new requirement for an individual to take advice from a professional financial adviser, who is independent from the defined benefit scheme and authorised by the FCA, before a transfer can be accepted; and new guidance for trustees on the use of their existing powers to delay transfer payments and take account of scheme funding levels when deciding on transfer values. Similar safeguards will be introduced, where appropriate, in relation to transfers from the LGPS to defined contribution schemes. The response confirms that discussions will continue with DCLG and other parties (including the LGA) over the coming weeks to discuss the impact of this announcement for the LGPS.

Every individual with defined contribution pension savings will also have a new right to free and impartial guidance at retirement to help them make confident and informed decisions on how they use their pension savings in retirement. This guidance will be tailored to individuals' personal circumstances, but will not recommend specific products or providers. To ensure that this guidance is completely impartial, it will be provided by independent organisations that have no actual, or potential, conflict of interest. The government will legislate to give the Financial Conduct Authority (FCA) responsibility for setting standards for guidance and monitoring compliance with those standards. The FCA has published a consultation paper on its proposed standards. Details can be found on the [FCA's website](#) and the closing date for this consultation is 22 September 2014. Whilst the guidance guarantee does not cover defined benefit schemes, the LGPS will need to review any possible impact this guidance guarantee may have for in-house AVC's.

The trivial commutation and small pot rules will continue to apply to defined benefit schemes with the age at which an individual can make use of these rules due to be lowered from 60 to 55.

The government will increase the minimum age at which people can access their private pension under the new tax rules from 55 to 57 in 2028. The change will apply to all pension schemes aside from those in the public sector that will not link their normal pension age to

State Pension age from 2015, namely for the Firefighters, Police and Armed Forces Pension Schemes.

Finally a Pensions Tax Bill 2014 is expected shortly to cover areas of concern for the Government around perceived tax loop holes which may arise from the introduction of the new freedom and choice rules from April 2015.

HMRC Countdown Bulletin No.2

The second of HMRC's countdown bulletins covering the end of contracting out was issued in July and covers:

- Overview of the DWP Stakeholder Forum
- Scheme Reconciliation Service
- New State Pension
- DWP/HMRC Pension Conference (Q&A)
- Useful links

The Bulletin is available from [HMRC's website](#) (under what's new items from 11 July 2014).

Draft legislation from HMRC to amend annual allowance legislation

HMRC published draft legislation as well as draft guidance and an explanatory memorandum to cover a number of changes to annual allowance legislation (following changes made by the Finance Act 2011). The changes include provisions to ensure that pension scheme administrators do not normally have to test deferred benefit rights against the annual allowance and by addressing unintended outcomes for the 'scheme pays' facility as well as the treatment of certain transfers (including Club transfers). To view the three documents please visit [HMRC's website](#). Comments are invited by the 27 August 2014.

Individual Protection 2014 (IP2014)

HMRC have contacted the LGPC Secretariat to say *"As you may be aware we are approaching the go live date for Individual Protection 2014 (IP2014). We have produced the following document which has been written in a format that means you will be able to tailor it to meet your [scheme members] needs. There will be a 'What's New' article published on the 18th August which will include a link to the application"*.

The Lifetime Allowance (LTA) is the maximum amount of pension savings that you can build up over your lifetime that benefit from UK tax relief. The level of the standard LTA reduced from £1.5million to £1.25million with effect from 6 April 2014 onwards.

You can choose to protect any pension savings built up before 6 April 2014 from the LTA charge (subject to an overall maximum of £1.5million), by applying for Individual Protection (IP2014). There is an online tool to help you decide whether you should apply for IP2014 which can be found at <http://www.hmrc.gov.uk/tools/lifetimeallowance/index.htm>.

If you have pension savings of over £1.25million on 5 April 2014 you can apply for IP2014 as long as you don't have primary protection, see <http://www.hmrc.gov.uk/manuals/rpsmanual/RPSM03100000.htm>.

IP2014 will give you a protected LTA equal to the value of your pension savings on 5 April 2014 subject to an overall maximum of £1.5million. Those applying for IP2014 can continue to make future pension savings but any pension savings above the protected LTA will be liable to a LTA charge when benefits crystallise.

You can apply for IP2014 if you hold open Enhanced Protection, Fixed Protection or Fixed Protection 2014, but the IP2014 will lie dormant until such time as Enhanced Protection, Fixed Protection or Fixed Protection 2014 is lost – at which time IP2014 will move to open.

IP2014 is available even if your pension savings on 5 April 2014 have a value of more than £1.5million. Any pension savings in excess of this will not be protected and subject to the LTA charge when benefits crystallise. See <http://www.hmrc.gov.uk/manuals/rpsmanual/rpsm11105000.htm> for more guidance on the lifetime allowance charge.

If at some time in the future the level of the standard LTA is higher than the level of the personalised LTA, the IP2014 protection will cease to apply and the individual will revert to the higher standard LTA.

There will be a three year period in which you will be able to apply for IP2014 (6 April 2014 to 5 April 2017). Although IP2014 will operate from 6 April 2014, the protection will not be available until after the Finance Bill has received Royal Assent. The application for IP2014 will be available online from 18 August 2014. You will have up to 5 April 2017 to submit your IP2014 application to HMRC.

Pensions Liberation

A new campaign on Pensions Liberation commenced this month from the Pensions Regulator (tPR) entitled "A lifetime's savings lost in a moment". This campaign follows on from an initial drive last year to highlight the increasing impact of Pensions Liberation on the pensions industry. TPR have asked that all schemes include their Scorpion leaflet in this year's annual benefit statements to members as well as those who request a transfer. For more information please visit [tPR's website](#).

Bits and Pieces

Circulars

[Circular 283A](#) was issued in July and rectifies a minor error in [Circular 283](#) which was issued in June 2014. This circular covers absence due to a trade dispute for employers in England and Wales.

Communications Working Group and work plan 2014/15

The Communications Working Group (CWG), a meeting of communication professionals from LGPS funds in England and Wales, is a collaborative forum which meets on a quarterly basis to develop items of communication, primarily for scheme members in the LGPS.

The group worked closely with the LGPC Secretariat on delivering the communications plan for LGPS 2014. Given the success of the LGPS 2014 communication plan it was decided that the CWG would agree an annual plan to detail the areas of work they will be focusing on each year. This is to ensure that all administering authorities pension funds and

employers are aware of the items of communication the group is aiming to produce. For further information on the membership of the Communications Working Group and details of the work planned for 2014/15 please visit the new Communications resources page of the [LGPS regulations website](#).

Legislation

United Kingdom

SI	Reference Title
2014/1912 (c.86)	Public Service Pensions Act 2013 - Commencement Order No.5.

Useful Links

[LGA Pensions page](#)

[LGPS members' website](#)

[LGPS 2014 members' website](#)

[LGPS Advisory Board website](#)

[LGPS 2014 Regulations and Guidance website](#)

[LGPS Discretions](#) lists all the potential discretions available within the LGPS in England and Wales.

[LGPS Discretions](#) lists all the potential discretions available within the LGPS in 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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