



Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 120S – November 2014

This month's summary 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.

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LGPS 2014

LGA/LGPC Response to draft Governance and Cost Management Regulations Consultation

The LGA/LGPC response to the recent consultation from the Department for Communities and Local Government (DCLG) on the draft LGPS (Amendment) Regulations 2014 is available from the [LGPS Regulations website](#). In summary the response included the following information:

Local Pension Boards

- **Membership - regulation 107(3):** The LGA seeks clarification on the restriction on elected members and officers of an administering authority who are responsible for the discharge of any function under the LGPS 2013 Regulations. We believe that such individuals should only be precluded from being on the local pension board for that administering authority, rather than being precluded from sitting on any local pension board in England and Wales and the regulation should make this clear (i.e. an elected member or officer from fund A should be able to sit on the local pension board of fund B).
- **Membership - Otherwise appointed members:** The nature and number of other members of a local pension board should be spelt out and their number limited to ensure they cannot out-vote the employer and scheme member representatives on a board.
- **Membership - Chair:** The appointment of a chair from outside of the local pension board membership should be subject to confirmation by the membership of the local pension board.
- **Timeframe for implementation:** The very restricted timescale remaining before 1 April 2015 may result in flawed structures being hastily created which may not provide for an effective employer voice.
- **Joint Pension Boards and also provisions for specific cases (closed funds):** Provision for joint boards where there is a joint discharge of the function across two or more scheme managers should be expressly provided for in the regulations. In addition the regulations should make provision for flexibility in the case of closed funds with a small employer base, providing more dynamic ways in which these atypical administering authorities can establish a local pension board.

Scheme Advisory Board

- **Funding:** Clarity on the amount of, and arrangements for, Scheme Advisory Board funding should be forthcoming as soon as possible.

Cost Management

- **Interaction between two cost management processes:** We are concerned over the silence in the regulations with regard to the interaction between the two cost management processes but welcome the letter from the Minister inviting the Scheme Advisory Board to set out proposals for such interaction.

HR and Payroll Guides

In November the HR (now version 3.6) and Payroll (now version 3.5) Guides were both updated and are available on the [LGPS Regulations website](#). Please see tracked changes versions for details of the amendments that have been made.

APC Calculator

Since the introduction of the Additional Pension Calculator (APC) calculator to buy extra and lost pension the LGPC Secretariat have received numerous comments and suggestions to improve how the calculator works as well as how the information is displayed. The Secretariat consider all comments received but it is not always possible to make the suggested amendments. This is normally due to the fact that we need to ensure the calculator meets the requirements of all Pension Funds.

Going forward, unless the calculator has an error in the way the calculation is being carried out, or there is a legislative change requiring an amendment, we will only review comments on process and design every quarter. To incorporate comments we've received over recent months we will make the final update for 2014 at the end of December and release in early January 2015.

Following receipt of a number of comments the following changes will be made to the APC calculator in December 2014:

- **Buying Lost Pension Facility** – When a member wants to make an election to buy lost pension the calculator will produce two forms (one for the Pension Fund and one for the Employer) and relevant headings will be added to both forms to indicate the recipient of each form and the text will be amended on the bottom of each form to also indicate the correct recipient for that form).
- **Main page for the APC calculator** – Additional text is to be added in the introductory section (top of APC calculator homepage) that confirms that if a member draws their benefits earlier than their Normal Pension Age then the APC will be reduced (other than in the case of ill-health retirement) or increased if benefits are drawn after the member's Normal Pension Age.

We have also considered a number of other suggestions but decided **not** to incorporate these in the next review of the APC calculator including:

- **To add a start date to the input details on buying lost pension for the period they are buying lost pension for** – The reason for rejecting this request is that if DCLG change the regulations to allow for a person to buy multiple periods of lost pension through a Shared Cost APC in, for example, one scheme year then this date would become obsolete.
- **Add a tick box that indicates whether the period the member is buying lost pension for is for the whole period of absence or only part of the absence** – we don't think this should be included, the idea being that a member is being given the lost pensionable pay/assumed pensionable pay by their employer for their whole period of absence and, therefore, the expectation is that the lost pension they are covering would cover the whole of that amount. Where they wish to buy a partial amount of the lost pension they should instead do so through the buying extra pension route.
- **Add field for employer's name** – we feel that given that the main NI identifier and post reference number are included this information isn't also required. In addition if Pension Funds receive a form and cannot locate the member on their database (or an employer for that matter) they can use the LGPS database (once available) to identify which Fund that request should be sent to.

Should you have a suggestion regarding the APC calculator not noted above that you wish the LGPC Secretariat to consider please email suggestions to

mary.lambe@local.gov.uk by Friday 19 December 2014 to allow them to be considered in the final review for this year.

Fair Deal in the LGPS

The Fair Deal Working Group held their first meeting on the 2 October 2014. The Working Group, which is comprised of representatives from the Trade Unions (GMB, Unite and UNISON), employers and their representatives (British Services Association, the Compass Group and LGA) and DCLG held discussions on the Fair Deal provisions within the LGPS.

The minutes outline that where public sector staff are compulsorily transferred to a new employer the pension protection "A Fair Deal for Staff Pensions" would be delivered by retaining scheme members in the pension scheme they were in before the transfer. There are however a number of implications for the LGPS. In particular the current Best Value Authorities Staff Transfers (Pensions) Direction 2007 cannot remain as currently drafted and neither can it be altered to widen the scope beyond its current remit (best value authorities).

The Working Group are therefore tasked with working through what is required to ensure the new policy on the provisions of Fair Deal in the LGPS (as agreed as part of the LGPS 2014 reforms through workstream 1) can be implemented into the Scheme's regulatory framework. For further details on these discussions please read the minutes of the meeting which are available on the [LGPS Regulations website](#).

Shadow Scheme Advisory Board

Update of Shadow Scheme Advisory Board activities - November 2014

The November 2014 update of the Shadow Scheme Advisory Board's (SSAB) activities is available on the [LGPS Board's website](#). As well as providing brief updates in respect of the activities of the Board sub-committees over the past few months, this edition also includes content in respect of:

- the deficit management project currently being worked on by the Board, and
- the 2012/13 scheme annual report which was published in November.

Scheme Annual Report 2013

The SSAB issued the first ever scheme wide annual report for the LGPS in England and Wales in November. The aim of this Annual Report is to provide information about the LGPS, the largest defined benefit occupational pension scheme in England and Wales, for its members, employers, and other stakeholders. It aggregates information supplied in the 89 fund annual reports, as at 31 March 2013. For more details please visit the [SSAB's website](#).

Response to draft Governance and Cost Management Regulations

The Shadow Scheme Advisory Board response to the recent consultation from the Department for Communities and Local Government (DCLG) on the draft LGPS (Amendment) Regulations 2014 is available from the [SSAB's website](#).

Guidance on the creation and operation of local pension boards

The consultation on the guidance covering the creation and operation of local pension boards from the SSAB ended 21 November 2014. The Board Secretariat is currently reviewing the 22 responses received and will be making any necessary amendments in

the coming weeks. In addition the guidance will be reviewed in line with final regulations which are expected to be made and laid in January 2015 as well as the Pension Regulators Code of Practice no 14 which is expected to be made and laid before Parliament in December. It is anticipated that the final version of this guidance will be issued in January 2015 in line with the making of final regulations. In addition a Questions and Answers document on the subject of local pension boards is also being developed by the SSAB and due to be issued at the same time as the guidance.

Other News and Updates

Pension Schemes Bill

The [Pension Schemes Bill 2014/15](#) is currently making its way through the House of Lords. This Bill is one of two pieces of legislation (the other is the Taxation of Pensions Bill as referred to in [Bulletin 119](#)) being considered by Parliament at the moment. Both Bills deal in the main with the regulatory changes required for defined contribution schemes following the new flexibilities announced in the 2014 Budget to allow individuals who are over the age of 55 to access their defined contribution pension in more flexible ways from April next year, subject to their marginal rate of tax and scheme rules.

As part of the Pension Schemes Bill 2014/15 one of the impacts on funded public service pension schemes, such as the LGPS, is that the government has sought to extend the flexibility being afforded to defined contribution members as far as possible by allowing transfers out of the LGPS to continue from April 2015. However in order to protect taxpayers from significant cost risk if members of funded public service schemes were to transfer out to a defined contribution scheme and draw down their pension flexibly, the government will introduce a number of safeguards for transfers from funded public service pension schemes.

As a result the Government in November laid a series of amendments to the Pension Schemes Bill. Of these, three affect public service pension schemes. These are:

- A requirement to take independent financial advice when transferring from a defined benefit to a defined contribution scheme (as opposed to the “Guidance Guarantee” that will be offered to those in defined contribution arrangements as they approach retirement);
- A ban on transfers out of unfunded public service schemes to a defined contribution scheme as previously announced by the government, and
- A new safeguard that will give Ministers a power to reduce CETVs in funded public service pension schemes, should it prove necessary to protect the taxpayer.

DCLG recently issued a summary paper on the amendments introduced by government and this can be found on the [LGPS Regulations website](#).

In addition to the impacts around transfers from the LGPS to DC schemes there are also potential impacts for the AVC provisions in the scheme as well as for the conversion factors used in defined benefit schemes (including the LGPS) i.e. to determine if these should be reviewed given the wholesale changes being introduced for DC schemes. Once the Secretariat have further information on these or any further impacts following either the Pension Schemes Bill or the Taxation of Pensions Bill we will include that information in a future Bulletin.

Non-consolidated Pay - Pensions Implications

The National Joint Council for Local Government Services and the Joint Negotiating Committee for Local Authority Craft and Associated Employees have reached agreement on rates of pay applicable from 1 January 2015 in England and Wales. However, the agreements include provisions for non-consolidated payments to be paid in December 2014 and, in the case of employees covered by the NJC for Local Government Services, for a further non-consolidated payment to be made in April 2015 to certain employees.

The non-consolidated payment is pensionable for all active members of the LGPS on 1 December 2014 (except in cases where that member is on a career break). The LGPC Secretariat issued [Circular 286](#) which seeks to provide advice on how the non-consolidated payments should be treated for pension purposes. In particular it deals with the treatment of the non-consolidated payment for both the career average scheme and for those members who have membership before 1 April 2014 as well as how it should be treated for those members who are on relevant child related leave, reduced or no pay sick leave, leave of absence (both authorised and unauthorised) and strike breaks. For more information please read [Circular 286](#).

DWP publishes research on automatic enrolment opt-out rates

The Department for Work and Pensions (DWP) published their ad hoc research report no 9 in November. The research which covered 46 employers who staged between January and July 2014 found that 44% of workers were already members of a pension scheme before the introduction of automatic enrolment. The research states that 35% of workers were automatically enrolled with 12% of these opting out. For more information visit the [Government's website](#).

DWP publishes State Pension leaflets

In November DWP published a host of leaflets relating to the State Pension these include:

- [State Pensions: your guide](#) - which gives information about the basic State Pension
- [Deferring your State Pension](#) - which explains how putting off the date to claim State Pension can mean more an individual gets more money.
- [Your State Pension statement explained](#) - for men born on or after 5 April 1951 and women born on or before 5 April 1953
- [Combined Pension Statement: your State Pension statement explained](#)
- [Combined Pension Statement: your State Pension estimate explained](#)
- [Your new State Pension explained](#) - to help explain the changes to the State Pension from 6 April 2016, and,
- [The new State Pension information for employers and trustees](#) with open, contracted out defined benefit pension schemes (private sector).

DWP publishes 2014 Automatic Enrolment Evaluation Report

DWP has published its Automatic Enrolment Evaluation Report for 2014. Figures (up to September 2014) state that more than 4.7 million workers have been automatically enrolled by nearly 34,000 employers since the start of automatic enrolment. The report can be found at the [Government's website](#).

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

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