



Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 123 Summary – February 2015

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.

Contents

[LGPS England and Wales](#)
[2015/16 LGPS England and Wales Contribution Rates](#)

[LGPS Scotland](#)
[LGPS \(Governance\) \(Scotland\) Regulations 2015](#)
[2015/16 LGPS Scotland Contribution Rates](#)

[Freedom and Choice](#)
[Transfers from LGPS to Defined Contribution Schemes - Update](#)
[Freedom and Choice and AVCs](#)

[Other News and Updates](#)
[Compliance and enforcement policy for public service pension schemes](#)
[Monthly automatic enrolment declaration of compliance report](#)
[Public service pensions increase 2015 published](#)
[HMRC Pensions Liberation Newsletter](#)
[HMRC Countdown Bulletin Number 6](#)
[HMRC pension schemes newsletters](#)
[ONS Annual Survey of Hours and Earnings 2014](#)
[Websites maintained by the LGPC Secretariat](#)

LGPS England and Wales

2015/16 LGPS England and Wales Contribution Rates

In [Bulletin 122](#) the LGPS Secretariat indicated that we anticipated that the Shadow Scheme Advisory Board (SSAB) would make recommendations to DCLG (following its meeting on the 6 February 2015) that the approach to uprate LGPS employee contribution bands as laid out in regulations should be followed from April 2015.

A letter from the SSAB to DCLG was issued and DCLG have now responded (see [appendix 1](#)). In that response DCLG have confirmed that they agree that the approach set out in regulations should apply from April 2015. Therefore the employee contribution bandings will be increased in line with the provisions of regulation 9(4) and 9(5) of the LGPS 2013 Regulations by 1.2% (Consumer Prices Index at 30 September 2014) rounded down to the nearest £100.

For information the contribution table (with effect from 1 April 2015) is detailed below. Please do note however that this is subject to the laying of the Pension Increase (Review) Order which is expected to be laid in March 2015:

Contribution Table 2015/16			
Band	Actual pensionable pay for an employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £13,600	5.5%	2.75%
2	£13,601 to £21,200	5.8%	2.9%
3	£21,201 to £34,400	6.5%	3.25%
4	£34,401 to £43,500	6.8%	3.4%
5	£43,501 to £60,700	8.5%	4.25%
6	£60,701 to £86,000	9.9%	4.95%
7	£86,001 to £101,200	10.5%	5.25%
8	£101,201 to £151,800	11.4%	5.7%
9	£151,801 or more	12.5%	6.25%

LGPS Scotland

LGPS (Governance) (Scotland) Regulations 2015

The LGPS (Governance) (Scotland) Regulations 2015 [SSI 2015/60] were made on the 17 February 2015 and laid before the Scottish Parliament on the 19 February 2015. These regulations come into force on the 1 April 2015 and provide for the establishment of the Scheme Advisory Board for the LGPS in Scotland and a Pension Board for each of the 11 administering authorities in Scotland. In addition the Scottish Public Pensions Agency (SPPA) issued [circular number 3/2015](#) announcing these regulations on 24 February 2015.

2015/16 LGPS Scotland Contribution Rates

SPPA issued [version 9 of the guidance](#) on the operation of the tiered contribution rate system for the LGPS in Scotland on 24 February 2015. Changes made to the guidance include updates to table 1 in annex C (tiered contribution pay rates) and table 2 in annex C (look up table for 2015/16). These changes reflect that the tables have been amended to show the salary bands uprated by the Consumer Prices Index (CPI) increase for 2015/16 (subject to the final Pensions Increase (Review) Order being made in March 2015). This updated information which is an appendix to the Payroll and HR Guides in Scotland will be added to the LGPS Regulations website shortly.

Freedom and Choice

Transfers from LGPS to Defined Contribution Schemes - Update

Elections made prior to 6 April 2015

In [Bulletin 122](#) the LGPC Secretariat stated:

The LGPC Secretariat has received calls from administering authorities saying that they are starting to receive numerous requests from scheme members and from financial advisers asking for CETV quotes if the member were to opt out of the Scheme and transfer their accrued rights before April (presumably because this would avoid the need for the member to obtain independent financial advice under Freedom and Choice).

We went on to say in [Bulletin 122](#) that:

So, it seems to the LGPC Secretariat that an administering authority has to provide a CETV quote (for post 5/4/88 membership), guaranteed for three months, but based on the assumption that the member terminates pensionable service on a particular date. However, the administering authority has three months from the date of the request to provide the CETV quote. If the administering authority makes use of this provision and delays providing the quote until April they may then, under the Freedom and Choice provisions, be able to require that before a CETV is paid, the member must produce evidence to the administering authority that they have taken proper financial advice and have decided to transfer. If the member does not terminate pensionable service (by opting out) on the date used for the CETV quotation the LGPC Secretariat cannot see how the original quote can then apply or be guaranteed for three months because the assumption on which the quote was given has not been met.

However, having now obtained the draft legislation from the HM Treasury the potential to delay the provision of a CETV quote until on or after 6 April (where the member had already made the request for a CETV quotation prior to that date) and in doing so require the member to seek independent financial advice will not be possible. This is because the draft Pension Schemes Act (Transitional Provisions and Appropriate Independent Advice) Regulations 2015 disapply the requirement to take such advice if the CETV quote request was made before 6 April 2015. Therefore the administering authority has 3 months from the date the CETV request was received to supply that information and if the CETV quote request was made prior to 6 April 2015 the member would not be required to take independent financial advice before they decide to transfer (provided they make an election to proceed within the 3 month guarantee period and, if they were an active member when they made the CETV quote request, they opt out of the LGPS on the date assumed in the CETV quotation).

Legislation, Guidance and Information relating to Freedom and Choice

As part of the Pension Schemes Bill 2015 members of funded public service pension schemes (such as the LGPS) will continue to be allowed to transfer out to Defined Contribution (DC) schemes from 6 April 2015. However, the government will be introducing a number of safeguards for transfers from funded public service pension schemes.

The following legislation, all yet to be enacted or laid before Parliament, will create the framework in which the LGPS will be required to adhere to from April 2015 (subject of course to the legislation being promulgated in the coming weeks). Firstly, there is the Pension Schemes Bill, currently making its way through Parliament and most recently going through ping pong on 24 February 2015. This will become the Pension Schemes Act 2015 (once enacted) and will require members who are transferring their 'safeguarded benefits' to flexible benefits to take appropriate independent advice (where the CETV of the member's benefits in the scheme is £30,000 or more). 'Safeguarded benefits' are defined as those which are not money purchase or cash balance benefits and flexible benefits as those which are part of a DC scheme which are flexible. The Act will also include a ban on transfers from unfunded public service pension schemes as well as setting out the circumstances in which reductions in transfers from funded public service schemes may be introduced.

HM Treasury has made the following draft regulations available as provided for in the Pension Schemes Bill:

- Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015
- The Occupational and Personal Pension Schemes (Disclosure of Information) (Amendment) Regulations 2015
- The Occupational Pension Schemes (Consequential and Miscellaneous Amendments) Regulations 2015.
- Funded Public Service Pension Schemes (Reduction of Cash Equivalents) Regulations 2015
- The Pension Schemes Act (Transitional Provisions and Appropriate Independent Advice) Regulations 2015

Once the Pensions Schemes Bill is enacted the expectation is that the final versions of these five Statutory Instruments will be made and laid before Parliament. They will all come into force on 6 April 2015.

In addition, the Pensions Regulator (TPR) has issued a consultation on draft guidance on DB to DC transfers and conversions. The closing date for responses to that consultation is 17 March 2015. Please see [TPR's website](#) for more information. It is also anticipated that Department for Work and Pensions (DWP) or TPR will shortly make available some further guidance on the disclosure regulations

Whilst it doesn't directly impact on the LGPS it's also worth noting that the Pension Wise website is now available from <https://www.pensionwise.gov.uk>. Further news of the phone-based and face to face service will emerge over the next few weeks. This service

is only to provide guidance on what an individual can do with a defined contribution pension.

The LGPC Secretariat is currently working through all of the above draft legislation in order to prepare a paper for LGPS administering authorities. Administering authorities will appreciate that it is difficult to provide definitive information on this topic whilst we work with draft legislation. As soon as we have prepared the information outlined above we will email Pension Managers across the LGPS.

Freedom and Choice and AVCs

No decisions have yet been taken on how freedom and choice will be catered for in the LGPS (England and Wales) in relation to AVCs. For example, the following options could apply:

- Pre April 2014 arrangements would have a maximum contribution of 50% of pay, and the ability to draw 100% of the arrangement as a tax free lump sum (subject to HMRC limits)
- Post March 2014 arrangements drawn before April 2015 would have a maximum contribution of 100% of pay and the ability to draw 25% of the arrangement as a tax free lump sum
- Post March 2014 arrangement drawn after March 2015 would have a maximum contribution of 100% of pay and the ability to draw 100% of the arrangement as a lump sum of which 25% would be tax free and 75% taxed at the member's marginal rate.

The LGA is seeking to meet with officials from HM Treasury, DCLG and in-house AVC providers to seek urgent clarification on the position regarding AVCs from 6 April 2015.

It should be noted that the wording of the Pension Schemes Bill 2015 may allow members to transfer an accrued AVC pot out of the scheme without having to also transfer the main LGPS benefits (and vice versa). The LGPC Secretariat is currently considering the wording of the Bill in relation to this.

Other News and Updates

Compliance and enforcement policy for public service pension schemes

On 5 February 2015 TPR published its draft compliance and enforcement policy for public service pension schemes. The policy can be found on the [TPR website](#). It is open for consultation until the 5 March 2015 and sets out details of how TPR intend to regulate public service pension schemes and what those being regulated by them can expect. TPR have indicated in the consultation document that they are keen to hear from anyone to whom legal requirements apply (for example scheme managers).

Monthly automatic enrolment declaration of compliance report

TPR has published its February report on automatic enrolment which sets out information based on data submitted by employers. According to the report, 44,053 employers completed their declaration of compliance between July 2012 and the end of January 2015. The full report can be found on the [TPR website](#).

Public service pensions increase 2015 published

Public service pensions which have been in payment for a year will be increased by 1.2% from 6 April 2015 in line with the September-to-September increase in the Consumer

Prices Index. HM Treasury has issued a covering note and multiplier tables to help scheme administrators correctly apply the annual increase to public service pensions. These can be found on the [Government's website](#).

HMRC Pensions Liberation Newsletter

HM Revenue & Customs (HMRC) has published a pension liberation newsletter, outlining the action it has taken against pension scams and the current work it is carrying out with the pensions industry and other Government departments to reduce the opportunity for savers to lose their savings through liberation schemes. The newsletter can be found on the [Government's website](#).

HMRC Countdown Bulletin Number 6

HMRC's February bulletin provides information about the Pensions Conferences that HMRC is planning to hold in April and May of this year. The bulletin can be found on the [Government's website](#).

HMRC pension schemes newsletters

Newsletters 66 and 67, providing updates and guidance on pension schemes can be found on the [Government's website](#).

ONS Annual Survey of Hours and Earnings 2014

The Office for National Statistics (ONS) has published its 2014 Annual Survey of Hours and Earnings. The survey has revealed that the proportion of employees belonging to workplace pension schemes increased to 59% in 2014, with 87% of public sector workers and 49% of private sector workers in a scheme. The survey can be found on the [ONS website](#).

Websites maintained by the LGPC Secretariat

The LGPC Secretariat are undertaking work to either archive or move the LGPS information on our 'old' website (www.local.gov.uk/web/lgaworkforcepensions/home) to the [LGPS Regulations website](#). The 'old' website page will act as a 'forwarding' page; by clicking on the relevant item on that page, users will seamlessly be redirected to the [LGPS Regulations website](#). The 'old' Timeline Regulations and Bulletins will be held on the [LGPS Regulations website](#). Circulars will, in future, only be issued to advertise training; all other information will be contained in Bulletins. The training Circulars will form part of the online booking facility which will continue to be available from the old website from the [Training and Events webpage](#). Historical Circulars (2014 and earlier) are to be archived and will not be moved to the [LGPS Regulations website](#) (apart from the part-timer Circulars and spreadsheets). Once this work has been completed an update will be provided in a future Bulletin.

Thought is currently also being given to reorganising the layout of [LGPS Regulations website](#) in order to cater for the extra amount of information it is due to hold (including all the information for the LGPS in Scotland).

Work is still ongoing to produce a single national single website for scheme members (and to close down www.lgps.org.uk and www.lgps2014.org/).

Useful Links

[LGA Pensions page](#)

[LGPS members' website](#)

[LGPS 2014 members' website](#)

[LGPS 2015 members' website](#)

[LGPS Advisory Board website](#)

[LGPS 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](#)

Pensions Section Contact Details

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346

Email: jeff.houston@local.gov.uk

Terry Edwards (Senior Pensions Adviser)

Telephone: 01954 232 834

Email: terry.edwards@local.gov.uk

Tim Hazlewood (Pensions Training & Development Manager)

Telephone: 01455 824 850

Email: tim.hazlewood@local.gov.uk

Con Hargrave (Pensions Adviser)

Telephone: 0207 664 3176

Email: cornelius.hargrave@local.gov.uk

Mary Lambe (Pensions Adviser)

Telephone: 0207 187 7374

Email: mary.lambe@local.gov.uk

Liam Robson (Pensions Analyst)

Telephone: 0207 664 3328

Email: liam.robson@local.gov.uk

Elaine English (LGPS Executive Officer)

Telephone: 0207 187 7344

Email: elaine.english@local.gov.uk

Alison Hazlewood (Part-time Administration Assistant - Training & Development)

Email: alison.hazlewood@local.gov.uk

Distribution sheet

Pension managers (internal) of administering authorities
Pension managers (outsourced) and administering authority client managers
Local Government Pensions Committee
Trade unions
CLG
COSLA
SPPA
Regional Directors
Private clients

Copyright

Copyright remains with Local Government Group. This Bulletin may be reproduced without the prior permission of LG Group provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

Disclaimer

The information contained in this Bulletin has been prepared by the LGPC Secretariat, a part of the LG Group. It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LG Group 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 Bulletin. Whilst every attempt is made to ensure the accuracy of the Bulletin, it would be helpful if readers could bring to the attention of the Secretariat any perceived errors or omissions. Please write to:

LGPC
Local Government Group
Local Government House
Smith Square
London, SW1P 3HZ

or email: [Mary Lambe](mailto:Mary.Lambe@lg.gov.uk)
tel: 0207 187 7374

Appendix 1 - Response from DCLG 'Employee Contribution Bands and Rates' to the SSAB Secretariat

APPENDIX 1



Department for
Communities and
Local Government

Jeff Houston
Secretary to the Shadow Scheme Advisory Board
Local Government House
Smith Square
London
SW1P 3HZ

Our Ref:

Your Ref:

23 February 2015

Dear Jeff,

EMPLOYEE CONTRIBUTION BANDS AND RATES

Thank you for your letter of 6 February about proposed changes to the 2013 Scheme regulations to maintain an employee contribution yield of 6.5%. I have seen the data and advice commissioned from GAD and agree with the Shadow Board's recommendation that for 2015/16, the employee contribution bands and rates should remain as they are in the 2013 Regulations until 1 April 2015 when they will be increased by applying the CPI escalator as set out in Regulations 9(4) and (5) of the 2013 Regulations..

You also recommended that we should amend the 2013 Regulations to provide that changes made to bands and rates are not based on the sole criterion of CPI indexation. I would not rule this out as a possibility and suggest that we discuss this in more detail later in the year. If such a change is justified and Ministers are minded to make this change, we would of course need to consult and obtain Treasury consent before amending the 2013 Regulations.

Although the CPI escalator for 2015/16 has yet to be published, on advice from GAD, I am happy for you to publish the table shown in your letter to give software providers and other interested parties an early warning of what the new tariff table will look like from 1 April. However, any communication should make clear that the table is provisional and subject to the publication of the 2015/16 Revaluation Order.

Yours sincerely,

Chris Megainey