

Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 126 – March 2015

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 Training.

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LGPS England and Wales

LGPS England and Wales Amendment Regulations

The Department for Communities and Local Government (DCLG) has published the [Government's response](#) to the consultation on amendments to the Local Government Pension Scheme rules and the resulting [Local Government Pension Scheme \(Amendment\) Regulations 2015 \[SI 2015/755\]](#) come into force on 11th April, albeit that most of the amendments have effect from 1st April 2014.

As mentioned elsewhere in this Bulletin, the LGPC Secretariat is currently in the process of updating the [Technical administration guides](#), the HR and Payroll guides and the [Employees' Guide to the LGPS](#) to take account of the amendments.

An article cover the main changes (as they affect scheme members) which can be included in a Newsletter to comply with Disclosure of Information Regulations is also being worked on.

Aggregation - Relevant Date for Interfund Adjustment (IFA) in England and Wales

In [Bulletin 123](#) the LGPC Secretariat outlined the position arrived at following discussions with the Government Actuary's Department about what the relevant date should be for an IFA in England and Wales. It was noted that we were awaiting DCLG's agreement on the position and this has now been received. Please see the [LGPS Regulations website](#) to read the letter confirming the position. The letter says:

Local Government Pension Scheme (England and Wales) - Secretary of State's actuarial guidance on Interfund Transfers

Following recent email correspondence GAD has had with Terry Edwards of LGA, I write to confirm the conclusions we reached regarding the aggregation of a member's membership, and the associated transfer payment between funds, in the light of the possibility that the member might elect for non-aggregation. These conclusions are set out below:

Relevant date

Where the benefits for a member with a deferred refund are automatically aggregated, the relevant date for the Interfund transfer is the date the member re-joined the Scheme (or the day following the cessation of the concurrent employment that resulted in the deferred refund).

The relevant date for the Interfund transfer for a member with deferred benefits to whom regulation 10(6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 does not apply is the day after the last date on which the member could elect for benefits not to be aggregated (i.e. the end of the 12 month period), or, if sooner, the earlier of:

- a) the date of cessation of active membership with the employer with whom the deferred membership is to be aggregated; and*
- b) the date on which the member confirms in writing that he/she does not wish to retain separate benefits/elecs for the aggregation to proceed.*

The relevant date for a member with deferred benefits to whom regulation 10(6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 does apply is the date of the election that triggers the transfer.

Late payment adjustment

If the Interfund transfer is not paid within 3 months of the relevant date, it should be recalculated as at the date of payment (which would take account of any change in age and pension increases or revaluation that had occurred between the relevant date and the date of payment).

I suggest that it will make sense for the guidance document “Interfund Transfers” to be updated to reflect the above practical arrangements at the next convenient opportunity, perhaps when changes are next needed to other guidance documents. If you are happy to do so, please pass a copy of this letter to the LGA for them to advise administering authorities as to the above arrangements.

As a point of clarification, if a member with a pre-1st April 2014 deferred benefit re-joins the scheme after 31st March 2014 with a break of 5 years or less and elects within 12 months of re-joining to be treated as if he had been a member on 31st March and 1st April 2014, then the benefits will automatically be aggregated. It is the act of making the election to be treated as if he/she had been a member on 31st March and 1st April 2014 that causes the automatic aggregation. Thus the member would fall within (b) i.e. the relevant date would be the date on which the member elects for the aggregation to proceed.

LGPS Employee Guides – England and Wales

The full, brief and promotional guides for employees in England and Wales are currently being updated to reflect the changes made by [the LGPS \(Amendment\) Regulations 2015 \[SI 2015/755\]](#) and the change in the contribution bands.

These will be e-mailed to administering authorities shortly and will also be available on the [LGPS Regulations website](#).

Update to HR, Payroll and Practitioners’ Guides, etc. – England and Wales

In March 2015 the following guides were updated. The following are the latest versions of these guides on the [LGPS regulations website](#).

- Version 3.8 of the HR guide (clean and tracked version)
- Version 3.7 of the Payroll guide (clean and tracked version)
- Version 2.5 of the Practitioners’ guide (clean and tracked version)

Work is currently underway to further update the above guides and the majority of the Technical Guides to take account of the amendments which were made by the LGPS (Amendment) Regulations 2015 [SI 2015/755] to the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. The Amendment Regulations can be viewed on the [Government’s legislation website](#) and will be available on the Timeline Regulations shortly.

APC Calculator – England and Wales

The APC calculator for England and Wales is being amended to move to a single form process (to be sent to the employer first where the APC is to buy lost pension; and to be sent to the administering authority first where the APC is to buy extra pension). This

change will be incorporated in a release of the national APC calculator that is due to be effective from 1st April 2015 or soon thereafter.

In addition, the new release will also include amendments to reflect the following:

- The increase to the maximum additional pension that a member may buy from 1st April 2015 to £6,675, uplifted in accordance with regulation 16(6) of the LGPS Regulations 2013,
- The recent change to regulation 16(16) of the LGPS Regulations 2013 allowing employers to extend the period in which a member can make an election to buy back lost pension and have this count as a shared cost APC (to which their employer must contribute two-thirds of the cost),
- A minor amend to the background calculations to correct a roundings issue that was causing some small discrepancies in certain circumstances, and
- Following feedback received, to add an employer field for members to complete.

The LGPC's APC guidance for the LGPS in England & Wales has also been amended to reflect the above changes and will be issued to pension managers at the time the calculator is updated.

Contributions calculator - England & Wales

The [contributions calculator](#) on www.lgps2014.org will also shortly be updated to reflect changes to employee contribution bandings, the tax free allowance and the lower earnings limit (for the purposes of calculating a member's National Insurance rebate) for the 2015/16 Scheme year.

Once the changes to both the APC calculator and the contributions calculator have been made live, an email will be sent to pension managers in confirmation.

Commutation for those retiring on 31st March 2015 – England and Wales

The LGPC Secretariat has been asked whether the revaluation that occurs at one second past midnight on 31st March 2015 counts towards the amount of pension that a member retiring on 31st March 2015 can commute. Logically, the answer has to be “No”.

This can be evidenced by the following. Consider a member who retires on 30th March 2015 and the administering authority just happens to have all the paperwork from the employer and scheme member on 30th March 2015 to allow them to process and pay the benefit on 31st March 2015. The administering authority would not offer commutation of the revaluation amount applied at one second after midnight on 31st March 2015 – so why do so for the person who just happens to have retired one day later. This becomes even more evident if one looks at a member who retires on, say, 31st August 2014. That member will get a part year's Treasury Order Revaluation at one second after midnight on 31st March 2015 but the administering authority will not be offering the member the option to commute up to 25% of that balancing Revaluation payment.

Annual Benefit Statements – England and Wales

The annual benefits statement template together with the notes of guidance were issued to Administering Authorities on 26th March 2015. They are available on the LGPS Regulations website under [Communications Resources](#).

LGPS Scotland

LGPS Scotland Amendment Regulations

The LGPS (Scotland) Amendment Regulations 2015 [SSI 2015/87] were made on 26th February, laid before Parliament on 2nd March and come into force on 1st April 2015. These Regulations amend both the Local Government Pension Scheme (Scotland) Regulations 2014 and the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014. The regulations can be viewed on the [Government's legislation website](#) and will be available on the Timeline Regulations shortly.

As mentioned elsewhere in this Bulletin, the LGPC Secretariat is currently in the process of updating the [Technical administration guides](#) and the HR and Payroll guides to take account of the amendments.

LGPS Employee Guides - Scotland

On 16th March 2015 the full, brief and promotional guides for employees in Scotland were published on the [LGPS Regulations website](#). They take into account the new career average scheme from April 2015 and also reflect the position following the release of the above Amendment Regulations [SSI 2015/87].

Work continues on the guides for Councillor members and these guides will be ready for release in April. In the interim a leaflet containing information for Councillor members can be located on the [Scottish Member's LGPS 2015 website](#).

Update to HR, Payroll and Practitioners Guides - Scotland

In March 2015 the following guides were updated. The following are the latest versions of these guides on the [LGPS regulations website](#).

- Version 1.2 of the HR guide (clean and tracked version)
- Version 1.4 of the Payroll guide (clean and tracked version)
- Appendix 1 to be included with both the HR guide and the Payroll guide
- Version 1.5 of the Practitioners' guide (clean and tracked version).

Work is currently underway to further update the above guides and the majority of the Technical Guides to take account of the amendments which were made by the LGPS (Scotland) Amendment Regulations 2015 [SSI 205/87] to the LGPS (Scotland) Regulations 2014 and the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014. The Amendment Regulations can be viewed on the [Government's legislation website](#) and will be available on Timeline Regulations shortly.

APC Calculator – Scotland

An APC calculator for Scotland is being developed to mirror the APC calculator in England and Wales. This will, in the first instance, be held on www.scotlgps2015.org/ and is planned for an April release.

In advance of the calculator being released, the LGPC [has issued its APC guidance note](#) for LGPS 2015 that outlines our understanding of both the regulatory framework underpinning APC contracts described in the LGPS (Scotland) Regulations 2014 but also the process that should be adopted by Administering Authorities and Scheme Employers in using the national APC calculator.

Shadow Scheme Advisory Board (SSAB) for England and Wales

Questions and Answers document on Local Pension Boards released

In [Bulletin 122](#) we confirmed that the SSAB issued guidance for Administering Authorities on the creation and operation of local pension boards. In addition it was noted that a further Q&A document would be prepared. This has now been released and is available from the [SSAB's website](#).

SSAB event – 24th April 2015

The SSAB will be holding an event on 24th April 2015 at the LGA's offices in London. The SSAB plans to launch its 2014/15 Scheme annual report at this event and will provide a formal introduction of their deficit management project, with Mark Packham from PwC amongst the speakers. To attend this free event, please book on the [LGA's events pages](#).

Automatic Enrolment

Automatic Enrolment Guides

On 4th March 2015 updated full and brief guides to Automatic Enrolment were added to the [LGPS Regulations website](#) (for England and Wales) and to the [LGPS Regulations website](#) (for Scotland).

Work is underway to further update the full and brief guides to Automatic Enrolment to take account of the amendments made by [the Occupational and Personal Pension Schemes \(Automatic Enrolment\) \(Amendment\) Regulations 2015 \[SI 2015/501\]](#). The Amendment Regulations:

- a) reduce the information requirements placed on employers, with the aim of reducing the burden to give several different pieces of information to different kinds of workers at different times,
- b) introduce certain circumstances where an employer duty is turned into an employer discretion. For example, the employer duty to automatically enrol or re-enrol an eligible jobholder is turned into a discretion where:
 - i) the person has opted out of the LGPS in the 12 months prior to the enrolment or re-enrolment date, or
 - ii) notice to terminate employment has been given within 6 weeks of the enrolment or re-enrolment date, or
 - iii) the employer has reasonable grounds to believe the person holds primary protection, enhanced protection, fixed protection 2012, fixed protection 2014 or individual protection 2014 for lifetime allowance purposes.

In addition to issuing the above Amendment Regulations the DWP has released the Government's response to the consultation which took place from 1st December 2014 to 9th January 2015. The response sets out details of the 49 responses which were received and can be read in full on the [Government's legislation website](#).

Freedom and Choice

Pension Schemes Act 2015

The Pension Schemes Bill 2015 received Royal Assent in March - see the [Government's press release](#) - and became the [Pensions Schemes Act 2015](#).

Freedom and Choice - information and guidance

The LGPC Secretariat has prepared and issued:

- a [Freedom and Choice Q&A document for scheme members](#) (v1.1)
- a [Freedom and Choice Q&A document for administering authorities](#) (v1.0)

Both Q&A documents cover the implications of Freedom and Choice in respect of transfers of 'safeguarded rights' from the LGPS to a defined contribution (DC) scheme offering flexible benefits.

The LGPC Secretariat has also issued a [Technical Note "Legislation, Guidance and Information relating to Freedom and Choice" \(v1.1\)](#). The Technical Note:

- sets out the policy relating to AVCs under the Freedom and Choice regime
- provides details of the changes to the Disclosure of Information requirements resulting from Freedom and Choice
- sets out the rules governing transfers out from the LGPS where a member wishes to transfer the value of their accrued LGPS rights and / or AVC fund to a Defined Contribution arrangement in order to access flexible benefits, and
- details the impact that taking flexible benefits has on a member's annual allowance
- includes an Advice Confirmation Form which has to be provided by a member to the administering authority where the total value of the member's LGPS benefits (excluding AVCs) which they wish to transfer to a scheme offering flexible benefits is more than £30,000.
- provides an updated set of template transfer out disclaimer forms which amongst other minor changes:
 - i) include a declaration from the scheme member confirming whether or not they have other LGPS rights (to enable the administering authority, where the transfer is to be made to a scheme offering flexible benefits, to determine whether or not the member needs to provide an Advice Confirmation Form – see above)
 - ii) include a declaration from the scheme member that, if the value of their total LGPS benefits is more than £30,000, they have taken appropriate independent advice from an authorised independent adviser and that they attach a copy of the Advice Confirmation Form signed by that adviser
 - iii) include a statement from the receiving scheme's trustees / administrators that the scheme is / is not one from which the member can access flexible benefits (i.e. information that the administering authority will need to have in order to determine whether or not the member has to provide them with an Advice Confirmation Form)
 - iv) no longer include a statement from the scheme member that they have not re-joined the LGPS within a month and a day (which, prior to 6th April 2015, would have debarred the member from entitlement to a CETV but this restriction, which was contained in regulation 18 of the Occupational

Pension Schemes (Transfer Values) Regulations 1996 [SI 1996/1847], has been revoked as from 6th April 2015).

- v) includes the updated cohabitation statement from the scheme member (as covered in [Bulletin 113](#))

Administering authorities should note three other important changes concerning all transfers out (not just those to schemes offering flexible benefits) in respect of members with an entitlement to a deferred benefit in the LGPS (other than deferred Pension Credit members):

- regulations 3 and 4 of the Occupational Pension Schemes (Transfer Values) Regulations 1996 [SI 1996/1847] which provided that an optant out could only transfer the value of post 5th April 1988 benefits (but could transfer the value of the pre 6th April 1988 benefits when the employment ceased) have been deleted as from 6th April 2015. Thus, optants out will be able to transfer all of their accrued rights (including in respect of any pre 6th April 1988 membership);
- a member must (in respect of benefits other than AVCs) cease membership at least 12 months before Normal Pension Age and elect for a CETV at least 12 months prior to Normal Pension Age. Prior to 6th April 2015, the member had to cease membership at least 12 months before Normal Pension Age and elect for a CETV at least 12 months prior to Normal Pension Age or within 6 months of leaving, whichever was the later; and
- due to the wording of the three conditions introduced, as from 6th April 2015, into section 93 of the Pension Schemes Act 1993
 - i) if the member is already in receipt of a pension from the scheme from which they are seeking a CETV in respect of a deferred benefit (e.g. from the LGPS in England or Wales, or the LGPS in Scotland, or the LGPS in Northern Ireland) they will not be entitled to a CETV in respect of that deferred benefit, and
 - ii) if the member is currently an active member of the scheme from which they are seeking a CETV in respect of a deferred benefit (e.g. from the LGPS in England or Wales, or the LGPS in Scotland, or the LGPS in Northern Ireland) they will not be entitled to a CETV in respect of that deferred benefit unless / until they cease to be an active member of the scheme.

Freedom and Choice and AVCs

Administering authorities in England and Wales should note that the Technical Note contains a major announcement in respect of tax free lump sums from the AVC fund of a post 31st March 2014 AVC member. The Technical Note says:

Members with AVC funds should see no diminution of the current options available to them (as set out above). However, given that:

- i) *despite the HM Treasury policy position, the current LGPS Regulations in England and Wales allow all AVC payers (including those with post 31st March 2014 AVC contracts) to take up to 100% of the AVC fund as a tax free lump sum,*
- ii) *no amendments were included in the LGPS (Amendment) Regulations 2015 in England and Wales to deliver the HM Treasury policy position of*

- restricting the maximum tax free lump sum from a post 31st March 2014 AVC contract to 25% of the value of the AVC fund (and there are no such amendments on the horizon), and*
- iii) *the LGPS in Scotland and in Northern Ireland will not be implementing the HM Treasury policy position*

administering authorities in England and Wales should (from April 2015), allow members with post 31st March 2014 AVC contracts to take up to 100% of the AVC fund as a tax free lump sum at the same time as drawing the main LGPS pension¹ provided, when added to the LGPS lump sum, it does not exceed 25% of the overall value of the LGPS benefits (including the AVC fund).² Regulation 33(2) of the LGPS Regulations 2013 in England and Wales which currently says:

- (2) But the total amount of the member's commuted sum shall not exceed 25% of the capital value of the member's accrued rights under all local government pension provision in relation to that benefit crystallisation event **excluding** those under regulation 17(7)(a) (additional voluntary contributions).*

would need to be amended to read:

- (2) But the total amount of the member's commuted sum shall not exceed 25% of the capital value of the member's accrued rights under all local government pension provision in relation to that benefit crystallisation event **including** those under regulation 17(7)(a) (additional voluntary contributions).*

given that, as presently drafted, regulation 33 allows up to 25% of the capital value of the main benefits to be drawn as a lump sum and regulation 17 allows 100% of the AVC pot to be drawn as a lump sum. So, technically, the member could, at present, draw in excess of 25% of the overall value of their combined main scheme and AVC benefits. However, that would mean allowing the member to take an unauthorised lump sum – something that, as a scheme, we should not permit.

Until any future amendments to the LGPS Regulations in England and Wales are made the above decision effectively places members with post 31st March 2014 AVC contracts in a better position than those with pre 1 April 2014 AVC contracts (in that, under post 31st March 2014 contracts, members can contribute up to 100% of pay into an AVC and take up to 100% out as a tax free lump sum, whereas under a pre 1st April 2014 AVC contract members can only contribute up to 50% of pay into an AVC and take up to 100% out as a tax free lump sum). The [AVC scenarios paper](#) (showing the multitude of AVC scenarios) has, from April 2015, been scrapped. The above decision also means that members who are TUPE transferred to another employer will no longer be disadvantaged.

1 Note: if HM Treasury still wish to insist that a 25% limit is imposed, this should only be from a future date ('A' Day).

2 Provided the total lump sum does not exceed £312,500 (2015/2016 figure) less the value of any other pension rights the member may have in payment.

Freedom and Choice and effect on State benefits

The DWP has issued a [guide](#) on how the defined contribution pension flexibilities from April 2015 could affect entitlement to benefits.

The Pensions Regulator (TPR)

TPR Code of Practice Number 14

TPR's Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes has been brought into force from 1st April 2015 by [the Pensions Act 2004 \(Code of Practice\) \(Governance and Administration of Public Service Pension Schemes\) Appointed Day Order 2015 \[SI 2015/456\]](#). Whilst the content of the draft version on TPR's website will remain the same from April it is expected that from that date the document on TPR's website will be updated to reflect the fact that it is no longer in draft.

TPR refreshes scorpion campaign against pension scammers

In March 2015, TPR issued a press release indicating that they have refreshed their scorpion campaign - see their [website for details of that press release](#). To view the webpage 'pension scams - don't get stung' visit the pension scams part of [TPR's website](#).

TPR publishes automatic enrolment declaration of compliance report

TPR published its monthly report on automatic enrolment, which sets out information based on data submitted by employers. According to the report, 44,969 employers completed their declaration of compliance between July 2012 and the end of February 2015. For more information please visit [TPR's website](#).

TPR publishes determination notice following pension scams investigation

TPR published a determination notice setting out its reasons for prohibiting two individuals and the company they controlled (Avalon Pension Trustees Ltd) from acting as trustees of trust schemes. For more information please visit [TPR's website](#).

TPR warns that better record-keeping is vital ahead of pension changes

TPR has [warned](#) that pension scheme 'trustees' must make accurate record-keeping a priority ahead of major changes to protect members' retirement savings. The forthcoming Freedom and Choice pension flexibilities, minimum governance standards for defined contribution (DC) schemes, and the end of contracting out for defined benefit (DB) schemes will make record-keeping vital to deliver quality outcomes for savers.

Other News and Updates

Club membership

The agreement between employers and unions for LGPS 2014 made no provision for the continuation of club arrangements in its costing of 19.5%.

A revised transfer Club memorandum has been issued by HM Treasury to cover voluntary transfers between Public Service Pension Schemes together with information on valuing Club transfers for the purposes of the Annual Allowance. The new memorandum includes an extension of the arrangements to protected members (those older members in the other public service pension schemes who retain a right to

membership of the open final salary scheme) and those with service in the new CARE schemes.

The LGPS will face additional costs in meeting these new arrangements in the following ways:

- a) as the LGPS does not have an open final salary scheme it would have to offer 'underpin arrangements' to those who would have met the underpin criteria if they had been in the LGPS on 31st March 2012 and who were in another public service pension scheme on that date and would have been within 10 years of Normal Pension Age in that scheme on that date. Note, however, that the LGPS Secretariat is seeking to resist this.
- b) CARE members would have their transferred pension amount continually revalued at the rate applicable to the scheme they left. For example teachers who transfer to LGPS would continue to have the transferred pension revalued at CPI plus 1.6% rather than the CPI rate applying to the LGPS. As the LGPS has the lowest revaluation rate of all the public service schemes (apart from Civil Service) this arrangement is always represents a potential cost to the LGPS.
- c) administration systems and processes will have to be adapted to cope with calculating underpins for members without qualifying LGPS service and multiple pension accounts each with its own revaluation rate.

The LGPS wrote to the Chief Secretary to the Treasury on 19th December 2014 asking that the LGPS in England, Wales, Scotland and Northern Ireland should be allowed to move to a position whereby it would continue to provide club transfers in respect of final salary benefits only (and would therefore remain part of the transfer CLUB for that purpose only). Transfers of CARE benefits would be treated as non-Club transfers in.

A follow up letter has been sent along with a letter from the Shadow Scheme Advisory Board (England and Wales) requesting that CLUB membership in respect of both final salary and CARE be on the table in future discussions on controlling the cost of the LGPS.

On 27th March 2015 the Chief Secretary to the Treasury responded, saying:

Your letter sets out your concerns that LGPS participation in the Transfer Club could lead to increased costs for the scheme and your view that participation of the LGPS in the Club should be included in any future considerations of changes to be made as a result of the cost management process being triggered.

As I have set out in response to the concerns of the Local Government Association I am not persuaded at this time that it would be in the interests of LGPS members of the public sector as a whole if the LGPS did not participate fully in the Transfer Club. However, I do recognise that there may be a case to review this position in future, should increased costs to the scheme become material in the context of the scheme cost cap.

I am therefore happy to agree that LGPS participation in the Transfer Club could form part of any future cost management discussions.

Thus, the LGPS will be required to remain in the Club, at least in the short-term.

Administering authorities should also note that if a member:

- i) moves from Scheme A to Scheme B and then to Scheme C (all of which are public service pension schemes),
- ii) transfers from Scheme A to Scheme C
- iii) the break between Scheme A and Scheme C was more than 5 years but there has been no break of membership of public service pension schemes of more than 5 years (because the person was in Scheme B in the intervening period)

the transfer from Scheme A to Scheme C will be a **non-Club** transfer in. If the transfer includes final salary benefits, that part of the transfer will still buy pre-14 membership (or pre-15 membership in Scotland and Northern Ireland) but on a **non-Club** basis. A transfer from Scheme B to Scheme C would be a **Club** transfer. Conversely, if the member had transferred the pension rights from Scheme A to Scheme B and then to Scheme C, each would have been treated as a **Club** transfer.

Pension Officer Group (POG) Minutes

A decision has been taken not to continue loading POG minutes to the [website](#). POG Secretaries will, therefore, no longer need to forward copies of the minutes to the LGPC Secretariat.

Tell Us Once (TUO)

Further to the update regarding TUO in [Bulletin 122](#), DWP/TUO have confirmed that work to enable the extension of TUO to cover public service pension schemes will, at the earliest, be rolled out in October 2015. This change to timing is as a result of internal governmental discussions being delayed by purdah (from 30th March to 7th May), meaning that ministerial approval for DWP/TUO to continue with the development work will be required from the new administration in May.

Budget 2015

Reduction in the Lifetime Allowance to £1m

In the March 2015 Budget the Chancellor of the Exchequer announced a reduction in the Lifetime Allowance from £1.25m to £1m from 2016-17 onwards. From 6th April 2018, the Lifetime Allowance will increase annually in line with CPI so it maintains its value in real terms. There will be no changes to the level of the Annual Allowance – that will remain at its current level of £40,000. The Government has taken this decision to ensure that the cost of providing this tax relief remains affordable and sustainable.

This change will have implications for members of the public service pension schemes, particularly those with a long service and/or high incomes. We understand that steps will be taken to mitigate the impact for those that have already exceeded the new £1m allowance by establishing new protection regimes. We expect these to operate in a similar way to the current protection regimes from the last time the LTA was changed, but details will be confirmed in due course.

A factsheet prepared by HMRC, which you may find helpful, is attached as Annex 1 to this Bulletin.

Selling annuities

In the Budget the Chancellor of the Exchequer also announced plans to facilitate the creation of a secondary market for annuities from April 2016. HM Treasury and the Department for Work and Pensions have published a [consultation paper](#) on how best to achieve this and how to ensure that consumers are in a position to make an informed decision.

The development of a secondary market for annuities will allow policyholders to assign to a third party the right to their annuity payments in return for a lump sum, or to purchase a flexi-access drawdown fund or a flexible annuity, subject to the agreement of the annuity provider. The third party would, in return for providing this lump sum or funds to purchase an alternative product, receive what would have been the customer's annuity income for the lifetime of the annuity holder. Individuals will be able to take the proceeds of the sale and save or spend them as they see fit, taxed only at their marginal rate.

To assist administrators in responding to any enquiries from pensioner members of Defined Benefit schemes asking whether, from April 2016, it will be possible to "sell" their Defined Benefit pensions, HM Treasury has provided the following lines:-

Why aren't you introducing these reforms for recipients of Defined Benefit schemes?

- *As part of the original consultation on Freedom and Choice, the Government examined whether or not to extend flexibility to those with a defined benefit pension. The overwhelming consensus from stakeholders was that allowing those with a defined benefit pension already in payment the freedom to access it flexibly has the potential to destabilise defined benefit schemes and impact the wider economy.*
- *As set out in the Government's response to the consultation on Freedom and Choice, the Government intends to consult in due course on giving those with a defined benefit pension greater flexibility.*

New Pensions Tax Manual

The HMRC [news article](#) published on 20th March 2015 set out details of the plans to move from the Registered Pensions Schemes Manual to the Pensions Tax Manual.

The [draft Pensions Tax Manual](#) was published on 27th March 2015 and incorporates guidance on recent legislative changes, including the Taxation of Pensions Act 2014 (known as "Pension Flexibility").

This manual is currently in draft form to allow time for comments to be provided on the new guidance. If you have any comments on the PTM please send them to Doreen.Daly@oneSource.co.uk by mid May 2015 so that she can collate comments from the LGPS sector and send them to HMRC for incorporation into the next update of the Pensions Tax Manual.

HM Treasury Directions and Orders

HM Treasury have recently issued two Directions concerning the cost cap applicable to public service pension schemes. These are:

- [The Public Service Pensions \(Valuations and Employer Cost Cap\) \(Amendment\) Directions 2015 \(February 2015\)](#)
- [The Public Service Pensions \(Valuations and Employer Cost Cap\) \(Amendment\) \(No. 2\) Directions 2015 \(March 2015\)](#)

HM Treasury has also issued the [Public Service Pensions Revaluation Order 2015 \[SI 2015/769\]](#). This confirms that, for LGPS members in England and Wales, the full year increase to be applied at one second after midnight on 31st March 2015 to the Career Average pension earned during the 2014/15 Scheme year is 1.2%. Although the Order does not come into force until 11th April 2015, the LGPC has obtained a view from HM Treasury that the Order should be applied in accordance with the LGPS Regulations 2013 i.e. the increase should be applied at one second after midnight on 31st March 2015.

Unlike the Pensions Increase (Review) Order 2015, the Public Service Pensions Revaluation Order 2015 does not set out how a part year revaluation should be applied (i.e. where the member ceased active membership during 2014/15. The LGPC Secretariat takes the view that, in the absence of any guidance in the Order, it would be appropriate to mirror the Pensions Increase (Review) Order apportionment dates in order to ensure that the correct amount of total increase is given to the member (i.e. the correct combined Revaluation Increase, with the 3 step tweak outlined in the [revaluation paper](#), and Pensions Increase).

State Pensions

DWP have released two new State Pension products including a new factsheet on [State Pension Top Up](#) and another concerning [Spouses/Civil Partners](#). They have also issued a guide called [New State pension: glossary of terms](#).

Work and Pensions Committee Report

The Work and Pensions Committee has published a [new report](#) on progress with automatic enrolment and pension reforms, including Automatic transfers and Freedom and Choice.

Cessation of contracting-out

The March 2015 edition of the cessation of contracting-out Countdown Bulletin (Issue 7) is available on the [HMRC website](#). The Bulletin covers Requests for Scheme Contracting-out Numbers (SCON), Ceased Schemes, Maintaining Member Records, Scheme Reconciliation and an update on HMRC's Pension Conferences. Many of these items include important information on the GMP reconciliation exercise.

PASA forms GMP Working Group

The Pensions Administration Standards Association (PASA) has announced the formation of a GMP Working Group. The Group will agree and implement a set of industry standards and guidance that will allow scheme administrators and HM Revenue & Customs (HMRC) to effectively complete GMP and Scheme Reconciliation Service

reconciliations in preparation for the ending of contracting-out in 2016. The LGPC Secretariat will be represented on the Group.

Pension Scams

The Pension Liberation Industry Group has launched a [code of practice](#) for combating pension scams. The code sets an industry standard for dealing with requests by members for transfers from a UK registered pension scheme to another registered pension scheme or Qualifying Recognised Overseas Pension Scheme.

HMRC publishes brief on deduction of VAT on pension fund management costs

HMRC has published [Brief 8 \(2015\)](#) which outlines HM Revenue and Customs position on the use of tripartite contracts to evidence an employer's entitlement to deduct VAT paid on services relating to the management of defined benefit pension schemes. It follows on from Revenue and Customs Brief 43 (2014) which set out HMRC's position following the CJEU judgment in PPG Holdings BV C-26/12 regarding an employer's entitlement to deduct VAT paid on services.

DWP publishes response to consultation on treatment of AVCs under the charge cap

The Department for Work and Pensions (DWP) has published a [response](#) to the consultation on the treatment of Additional Voluntary Contributions (AVCs) under the charge cap. The consultation sought views on a technical change to the draft Occupational Pension Schemes (Charges and Governance) Regulations 2015 to ensure that no arrangement solely receiving AVCs will be subject to the charge cap.

European Pension Tracking Service

A [Press Release](#) issued by the European Economic and Social Committee says that the TTYPE (Track and Trace Your Pension in Europe) project has published a final report for the European Commission with a set of recommendations and a high level design for a cross-border European tracking service. The report shows that it is feasible to establish a cross-border pension tracking service to the benefit of not only mobile workers wanting to keep track of their pension entitlements but also to the benefit of pension providers who need to keep in contact with their beneficiaries.

Other Bits and Pieces

Training

Training for local board members has been organised as shown below:

London 21 st May	- Local Government House, London
Liverpool 28 th May	- Marriott Hotel
Leeds 4 th June	- Marriott Hotel
Cardiff 9 th June	- Radisson Blu Hotel

For further details, including how to book, please see [Circular 289](#).

The annual 'Trustees' conference is again being run. The conference programme will have its popular lunchtime-to-lunchtime format commencing on Thursday 25th and

concluding on Friday 26th June 2015 and the conference is being held in the Marriott Hotel in Cardiff.

The 'Trustees' conference was flagged in Circular 288 and a full programme and booking details will be advertised shortly via a further LGPC circular.

Circular 290 advertises "Understanding Workshops". These cover:

Understanding the employer role

16th April	London	Layden House, Farringdon
21st April	York	Marriott Hotel
28th April	Cardiff	Marriott Hotel

Understanding transfer values

23rd April	London	Layden House, Farringdon
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Understanding pension sharing on divorce

02nd July	Exeter	Rougemont [Thistle] Hotel
07th July	Liverpool	Marriott Hotel
09th July	London	Local Government House
14th July	Cardiff	Marriott Hotel
16th July	Birmingham	Jurys Inn Hotel
21st July	York	Marriott Hotel
23rd July	Peterborough	Marriott Hotel

All these "Understanding" events are now bookable via our website. To book your places there is a hyperlink against each event date to take you directly to that booking page. You can also view all of the events on the main LGA events page here:

<http://www.local.gov.uk/events>

Legislation

United Kingdom

Acts

Pension Schemes Act 2015

SI

Reference	Title
2015/456	The Pensions Act 2004 (Code of Practice) (Governance and Administration of Public Service Pension Schemes) Appointed Day Order 2015
2015/468	The Automatic Enrolment (Earnings Trigger and Qualifying Earnings Band) Order 2015
2015/470	The Guaranteed Minimum Pensions Increase Order 2015
2015/482	The Occupational and Personal Pension Schemes (Disclosure of Information) (Amendment) Regulations 2015

2015/493	The Occupational Pension Schemes (Consequential and Miscellaneous Amendments) Regulations 2015
2015/498	The Occupational and Personal Pension Schemes (Transfer Values) (Amendment and Revocation) Regulations 2015
2015/501	The Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment) Regulations 2015
2015/606	The Registered Pension Schemes (Provision of Information) (Amendment) Regulations 2015
2015/633	The Registered Pension Schemes (Transfer of Sums and Assets) (Amendment) Regulations 2015
2015/667	The Registered Pension Schemes (Splitting of Schemes) (Amendment) Regulations 2015
2015/671	The Pensions Increase (Review) Order 2015
2015/676	The Pensions Act 2011 (Commencement No. 6) Order 2015
2015/742	The Pension Schemes Act 2015 (Transitional Provisions and Appropriate Independent Advice) Regulations 2015
2015/755	The Local Government Pension Scheme (Amendment) Regulations 2015
2015/769	The Public Service Pensions Revaluation Order 2015
2015/879	The Occupational Pension Schemes (Charges and Governance) Regulations 2015
2015/889	The Occupational Pension Schemes (Charges and Governance) (Amendment) Regulations 2015
2015/892	The Funded Public Service Pension Schemes (Reduction of Cash Equivalents) Regulations 2015
2015/916	The Redundancy Payments (Continuity of Employment in Local Government, etc) (Modification) (Amendment) Order 2015
2015/919	The Superannuation (Admission to Schedule 1 to the Superannuation Act 1972) Order 2015

Scotland

SSI

2015/87

Reference Title

The Local Government Pension Scheme (Scotland) Amendment Regulations 2015

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](#)

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Annex 1

The Government is reducing the Lifetime Allowance for pension savings from £1.25 million to £1 million from April 2016. From 2018-19, the Lifetime Allowance will be increased by inflation (the Consumer Prices Index). This factsheet will help you understand if this change might affect you.

1. The Lifetime Allowance

The Lifetime Allowance is the maximum amount of pension savings that you can make tax-free over your lifetime. This is currently £1.25 million. The Government has announced that the Lifetime Allowance will reduce to £1 million from 6 April 2016. The Lifetime Allowance will increase by CPI from 2018-19 onwards.

When you come to take your pension savings, anything over your tax-free lump sum will normally be taxed at your marginal rate of income tax. If your pension savings are higher than the Lifetime Allowance, then any pension savings above this level will be subject to an additional tax charge.

2. How to tell if you are affected

You can check if you are likely to be affected by the Lifetime Allowance by asking your pension provider how much your unused pot is worth and how much of your Lifetime Allowance you've already used up.

You can also get this information from your most recent pension statement. If you're in more than one pension scheme, you will need to add up your pension savings and how much you have across all your schemes. The total amount is the amount that will count towards the Lifetime Allowance if you took your pension today.

3. What counts towards your Lifetime Allowance

This will depend on the type of pension scheme your savings are in.

If you are in a defined contribution scheme, it will be the value of your pension pot that will count towards your Lifetime Allowance.

If you are in a defined benefit scheme, for example a final salary scheme, the calculation depends on how much your provider promises to give you per year when you retire. This amount, multiplied by 20, plus the amount of any lump sum is the amount that will count towards your Lifetime Allowance.

Therefore if you receive a pension of £5,000 per year plus a lump sum of £15,000, this would have a value of $20 \times £5,000$ plus £15,000 = £115,000.

Your pension provider will be able to tell you what kind of scheme you are in if you do not know.

4. What to do if you think you may be affected

For those who think they may be affected by the reduction in the Lifetime Allowance, the Government has announced that transitional protection will be available.

Where this protection applies, any pension savings you have on the 5 April 2016 up to the value of the current Lifetime Allowance of £1.25 million, will be protected from the Lifetime Allowance charge.

If you think you may be affected, you do not need to do anything now but you can prepare for April 2016 by checking the value of your existing savings.

Some individuals will already have transitional protection, either from when the Lifetime Allowance was first introduced, or from previous reductions. If you hold one of these protections, then as long as you continue to hold this, you will not be affected by the reduction of the Lifetime Allowance to £1 million.

5. What happens next

The reduction in the Lifetime Allowance was announced at Budget 2015. Legislation will follow, subject to the will of Parliament.

Individuals will be given sufficient time after the legislation is finalised, to gather any necessary information about their pension savings on 5 April 2016 so that they can opt for transitional protection.

When the Lifetime Allowance was reduced to £1.25 million from 6 April 2014, two transitional protection regimes were introduced, fixed and individual protection. The transitional protection that will be provided this time is expected to be similar to these previous protection regimes. Broadly:

- A protection that will protect the value of pension savings at 6 April 2016 but future contributions and investments will be taxed at 55%
- A protection that will protect existing savings at 6 April 2016 and any future investment growth up to £1.25m, but further contributions will not be allowed

For more information about existing protections, see:

<http://www.hmrc.gov.uk/manuals/rpsmanual/RPSM11100000.htm>

Version: 18th March 2015. Subject to final legislation.

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

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