

Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 127 – April 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.

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Leavers from scheme on 31 March 2015

In recent weeks the LGPC Secretariat have received numerous queries about those members who left employment on 31 March 2015 but where those members receive pay in arrears which is paid in the 2015/16 scheme year (e.g. in April 2015). As a reminder it should be recalled that regulation 23(10) of the LGPS Regulations 2013 states:

23 (10) Where pensionable pay relating to a period before a member ceased to be an active member is paid after the period of active membership has ended, it is to be treated as if it were received on the day before the active member's account was closed.

Therefore those amounts paid in the scheme year after leaving should be treated as if it were received in the scheme year that membership of the scheme in that employment ended.

Annual Benefit Statement Template

In [Bulletin 126](#) details of the annual benefit statement (ABS) template were provided. In April the LGPC Secretariat in conjunction with West Midlands Pension Fund (WMPF) undertook three workshops involving scheme members where their 2014 ABS experience was discussed through customer journey mapping. In addition, as part of this event, the LGPC Secretariat collaborated with WMPF on testing their version of the 2015 ABS template on scheme members. The WMPF template is based very closely on the template supplied to Funds in March and the Secretariat believes that Funds would benefit from being made aware of the feedback received, to help in the development of their own ABS statement locally. The time available to carry out the focus testing was limited but nonetheless the Secretariat believes it would be helpful to share this experience so other Funds can make use of the information. To read the outcome of this focus testing please read version 1.1 of the ABS template which can be found on the [LGPS Regulations website](#).

In addition the recent announcement in the 2015 Budget regarding the reduction in the Lifetime Allowance (LTA) from £1.25m to £1m from 2016/17 onwards has resulted in the LGPC Secretariat adding more information to the design brief on this topic. A factsheet prepared by HMRC after the Budget indicates that scheme members can get details of their LTA from their "most recent pension statement". Whilst it's not clear what statement HMRC are referring to it does appear they may be referring to a member's ABS. The LGPC Secretariat are not aware of any legal requirement to supply LTA details on a member's ABS. However, given the recent announcement of a reduction to £1m from 2016/17, it may now be a sensible approach to include this information on ABSs given the potential impact on more LGPS members with the new lower threshold. Each Fund will need to determine locally what information they wish to supply as part of the ABS process regarding LTA figures.

An amended template (version 1.1) is now available from the [LGPS Regulations website](#).

Finally in the spirit of collaboration the Welsh communication group have given the LGPC Secretariat permission to share a copy of their ABS template to assist other Funds when developing their ABSs for 31 March 2015. To view the Welsh ABS template for 31 March 2015 please visit the [LGPS Regulations website](#).

Ill-health Retirement - FAQs updated

In April 2015 the Department for Communities and Local Government (DCLG) issued updated FAQs in respect of ill-health retirement provisions for the 2014 scheme. These FAQs aim to support LGPS practitioners and Independent Registered Medical Practitioners (IRMPS) and replace any earlier editions which are now obsolete. The updated FAQs are available on the [LGPS Regulations website](#).

Updated Employee Guides

In April 2015 updates were made to the full and brief employee guides in England and Wales. The latest version of the full guide (1.7) and brief guide (1.4) are both available on the [LGPS Regulations website](#) and incorporate the necessary changes to reflect the amendments made via the LGPS (Amendment) Regulations 2015 [SI 2015/755].

The aggregation leaflet for members was also updated in April and the latest version (1.2) is available on the [LGPS Regulations website](#).

Updated HR, Payroll and Administrator Guides

In April 2015 updates have been made to the following guides:

- [HR Guide](#) (latest version 3.10 issued 17 April)
- [Payroll Guide](#) (latest version 3.8 issued 8 April)
- [APC Guide](#) (latest version 1.6 issued 1 April)
- [Aggregation Paper](#) (latest version 1.7 issued 20 April)
- [Discretions Policies](#) (latest version 1.7 issued 20 April)
- [Discretion List](#) (latest version 1.5 issued 20 April)
- [Practitioners' Guide](#) (latest version 2.7 issued 20 April)
- [Transfers In](#) (latest version 1.2 issued 8 April)
- [The Underpin](#) (latest version 1.5 issued 8 April)
- [Annual Benefits Statements](#) (latest version 1.4 issued 20 April)

Tracked changes of earlier versions are all available on the [LGPS Regulations website](#).

LGPS Contribution Calculator

The LGPS2014 contributions calculator located at <http://lgps2014.org/contcalc/> has now been updated to reflect changes to the scheme contribution bandings, national insurance thresholds and tax bandings for the 2015/16 year.

LGPS Scotland

Aggregation Leaflet - Scotland

The LGPS Secretariat has prepared an aggregation leaflet for LGPS Funds in Scotland to help when communicating with scheme members who require information when they have the option to aggregate earlier or concurrent benefits. The leaflet is available from the [LGPS Regulations website](#).

SPPA Circular No.4

On 2 April 2015 the Scottish Public Pensions Agency (SPPA) issued Circular No. 4/2015 - Pension Increase (Review) Order 2015 confirming a pensions increase, payable from 6 April 2015, of 1.2% for pensions which began before 7 April 2014 or a proportion of that increase for pensions which began on or after 7 April 2014. See [SPPA's website](#) for details.

Updated Employee Guides

In April 2015 updates were made to the full and brief employee guides in Scotland. The latest versions of the full guide and brief guide (both version 1.2) are available on the [LGPS regulations website](#).

Updated HR, Payroll and Administrator Guides

In April 2015 updates have been made to the following guides:

- [HR Guide](#) (latest version 1.3 issued 17 April)
- [Payroll Guide](#) (latest version 1.5 issued 17 April)
- [85 year Rule](#) (latest version 1.1 issued 20 April)
- [Aggregation Paper](#) (latest version 1.2 issued 10 April)
- [Annual Benefit Statements](#) (latest version 1.2 issued 20 April)
- [Discretions Policies](#) (latest version 1.1 issued 20 April)
- [Discretions List](#) (latest version 1.1 issued 20 April)
- [Practitioners' Guide](#) (latest version 1.6 issued 20 April)
- [Survivors' Benefits Guide](#) (latest version 1.1 issued 20 April)
- [50/50 election form](#) (latest version 1.1 issued 20 April)
- [50/50 guidance note for employers](#) (latest version 1.1 issued 20 April)
- [Transfers In](#) (latest version 1.1 issued 20 April)
- [The Underpin](#) (latest version 1.2 issued 20 April)

Tracked changes of earlier versions are all available on the [LGPS Regulations website](#).

Shadow Scheme Advisory Board (SSAB) England and Wales

Scheme Annual Report 2014

The second Annual Report for the LGPS in England and Wales has now been published. The aim of the Annual Report is to provide a single source of information about the status of the LGPS for its members, employers and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the SSAB. The report aggregates information supplied in the 91 fund annual reports, as at 31 March 2014 and for the first time presents consolidated information about the LGPS from its statutory auditors as well as the Pensions Ombudsman. To view the report please visit the [Board's website](#).

SSAB Event - 24 April 2015

On 24 April 2015 the SSAB held a free event in London to showcase the work of the Board and its sub-committees over the last 18 months as well as discussions on the plans for the forthcoming Statutory Scheme Advisory Board. The slides from the event are available on the [LGA website](#).

Freedom and Choice

The Pensions Regulator issues final guidance on transfers from DB to DC schemes

On 2 April 2015 TPR published its final guidance for administrators on transfers from defined benefit (DB) to defined contribution (DC) schemes. The final guidance aims to explain the new requirements to check that a member has obtained appropriate independent advice before transferred 'safeguarded benefits' to DC benefits, to help

administrators ensure they have appropriate processes in place to manage transfer requests, prompt schemes to consider the impact of transfer values as part of an integrated approach to risk management of their scheme and to assist administrators in the provision of clear information to members on the requirements to obtain appropriate independent advice. TPR also plan on reviewing the guidance in 2016 in light of the experience from Freedom and Choice. To view the guidance visit [TPR's website](#).

Q&A for Scheme employers

In [Bulletin 126](#) we confirmed that a Freedom and Choice Q&A document for scheme members and another for administering authorities was issued covering 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. In addition to these two Q&A documents another Q&A directed at LGPS employers was issued in April aimed at helping that audience understand the impact of Freedom and Choice on their role as LGPS employers. Version 1 of the Q&A can be found on the [LGPS Regulations website](#).

Other News and Updates

Annual Conference - June 2015

The 2015 LGPC Annual Trustees' Conference will take place on 25 and 26 June in Cardiff. The conference entitled "Know your onions" will focus on the coming year for the scheme with an emphasis on big ticket items such as the cessation of contracting out, the impact of freedom and choice as well as the prospects for the valuation next March. In addition emerging issues for the pension sector as a whole following the general election will also be covered. For more information and booking details please read the [conference flyer](#).

LGPC Training update

The LGPC Secretariat is hosting a number of training events in the coming months. The introduction of new local pension boards heralds a new era in the LGPS. With local pension boards having to be established on 1 April 2015 and first meetings to take place by 1 August 2015 many Funds have already signed up their local pension board recruits to attend this training and in doing so making key arrangements in terms of the acquisition of knowledge and understanding for those new board members. Limited availability remains and more details on the four events being held in London, Cardiff, Leeds and Liverpool can be found in [Circular 289](#).

In addition a round of "Understanding ... Pension Sharing on Divorce" courses start in July with 7 dates available in the following locations:

- | | | |
|-----------|------------------------------|---------------------------|
| • 02 July | Exeter | Rougemont [Thistle] Hotel |
| • 07 July | Liverpool | Marriott Hotel |
| • 09 July | London | Local Government House |
| • 14 July | Cardiff | Marriott Hotel |
| • 16 July | Birmingham | Jurys Inn Hotel |
| • 21 July | York | Marriott Hotel |
| • 23 July | Peterborough | Marriott Hotel |

More details on these events can be found by clicking on the link on the location of each event above.

GMP Working Groups

In [Bulletin 126](#) reference was made to the new Pensions Administration Standards Association (PASA) GMP Working Group and that the LGPC Secretariat will be represented on that group. That group will be working on a number of areas with a view to issuing guidance to pension schemes on the GMP reconciliation exercise.

In addition to the work carried out by the PASA GMP Working Group another GMP mini-Working Group comprised of representatives from HM Treasury, DCLG, the LGPC Secretariat and public service pension schemes has been established. That group will be working together on the issues stemming from the ending of contracting out from April 2016 including major issues around reconciliation as well as indexation of GMPs.

Transaction Costs Disclosure - Joint Call for Evidence

In March 2015 a joint call for evidence between the Department of Work and Pensions (DWP) and the Financial Conduct Authority (FCA) was released entitled "Transaction Costs Disclosure: Improving Transparency in workplace pensions" to explore:

- What costs should be included in the transaction cost reporting
- How such costs should be captured and reported
- Whether information about other factors that impact on investment return should also be provided
- How Independent Governance Committees (IGCs) and trustees will receive costs information and whether additional disclosure requirements on other parties are necessary to enable this
- When, how and in what format members and/or other prescribed persons should receive transaction cost information.

The closing date for responses is 4 May 2015 and details of the consultation can be found on the [FCA's website](#). The Local Government Association (LGA)/LGPC Secretariat issued a reply to the consultation which can be found on the [LGPS Regulations website](#). The response expresses support for the extension of regulatory transparency of costs and charges to the LGPS. In stating this support the LGA/LGPC would seek to ensure that any such extension:

- Ensures the levels of transparency are those required for effective decision making by LGPS pensions committees.
- Provides an effective balance between the level of detail exposed and the cost of such exposure (similar to that currently in place for Dutch Defined Benefit arrangements).
- Supports a greater degree of understanding of and accountability for scheme investment costs.

The response also indicates that an open and transparent market for LGPS investment costs is an effective way to both drive toward greater value for money and demonstrate increased accountability to the scheme's members, employers and to local tax payers.

TPR sets out corporate plan for 2015-18

In March 2015, the Pensions Regulator (TPR) published its [corporate plan for 2015-18](#). As well as working with government on the statutory review of automatic enrolment due in 2017 and other government reviews, TPRs plan for the next three years include the following:

- establish and run a regulatory regime for public service pension schemes

- embed the regulatory regime around the government's defined contribution pension reforms and flexibilities
- continue to provide auto enrolment guidance to employers
- disrupt pension scams models
- regulate the defined benefit (DB) market
- work with employers and trustees in line with their DB strategy and code of practice.

TPR publishes automatic enrolment research

On 26 March 2015, TPR published [research](#) on employers' awareness, understanding, knowledge, attitudes, actions and intended actions in relation to automatic enrolment. According to the survey findings, while levels of awareness of automatic enrolment remain high among all employers, more than 20% of those due to stage between June and November this year had not yet drawn up plans to meet their duties.

DWP updates State Pension leaflets

On 27 April 2015 the Department for Work and Pensions (DWP) published updated State Pension leaflets which are aimed at helping people understand the information in their State Pension statement. One leaflet is for men born on or before 5 April 1951 and women born on or before 5 April 1953 and the other leaflet is for men born on or after 6 April 1951 and women born on or after 6 April 1953. The updated leaflets can be found on the [Government's website](#).

In addition DWP published two further leaflets, "[Combined Pension Statement: Your State Pension statement explained](#)" (CPS5) and "[Combined Pension Statement: Your State Pension estimate explained](#)" (CPS5T).

PPI publishes transitions to retirement report

The Pensions Policy Institute (PPI) has published the [latest report](#) in its "Transitions to Retirement" series, which uses evidence from Australia, Ireland, New Zealand and the United States to explore how the UK pension system could evolve in the context of changes to the retirement landscape including the new flexibilities introduced in April 2015.

Life Expectancy Report

A recent report from Imperial College London predicts that life expectancy in England and Wales will change with people living longer than current estimates. The researchers say official forecasts underestimate how long people will live in the future, and therefore don't adequately anticipate the need for additional investments in health and social services and pensions for the elderly. They predict that life expectancy nationally will increase for men from 79.5 years in 2012 to 85.7 in 2030, and for women from 83.3 in 2012 to 87.6 in 2030. To read more visit [Imperial College London's website](#).

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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Distribution sheet

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