

Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 134 – August 2015

This month's Bulletin contains a number of general items of information.

Please contact [Con Hargrave](#) 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 England and Wales

Annual Benefits Statements 2014/15

On 6th August an email was sent to administering authorities in England and Wales requesting information on the number of 2015 annual benefit statements they expected to issue prior to this year's deadline of 31st August 2015, and the issues that have made this years' deadline particularly challenging.

More than two thirds of funds have now responded and the main issues noted in the responses were largely as anticipated, particularly late/ incorrect data submitted by employers, pensions software issues and internal resourcing issues caused by both cuts and a general increase in the workload of the pensions function.

Following the survey, we have now been in contact with TPR in respect of the information provided and will be in touch with all funds with regards this issue shortly.

Further work will be undertaken within the LGPS Secretariat during September to establish what, if any, further guidance should be provided to employers to try improve the timing and quality of data for next year.

Public sector exit payment cap consultation

In late July, the Government [commenced a short period of consultation](#) on a proposal to limit the aggregate exit payments payable by public sector bodies in England to, or in respect of, an individual to £95,000. Under the proposal, employer strain payments due to the pension fund where an individual is made redundant would be included in considering whether the £95k limit is breached or otherwise. An email was sent to LGPS funds on 4th August asking for comments in respect of the policy to be submitted to us by 20th August.

The LGA's [response to the consultation](#) has now been submitted and was a 'technical response' which did not consider the merits or otherwise of the policy itself. Nonetheless, the response drew attention to a number of fundamental policy questions and we await the Government's response to these, such as:

- The planned timescales for implementing the limit, given the probable need to amend Scheme Regulations prior to the policy's effective date.
- Whether the policy will be applied to all employers participating in public service schemes like the LGPS, or only those that fall within the definition of 'public sector bodies'.
- If an individual may be allowed to choose to give up another type of 'exit payment' in exchange for receiving an unreduced pension.
- Whether the Government intends to prescribe a standardised methodology for calculating employer strain costs in order to ensure consistency across the LGPS.
- Whether other events that could result in an employer strain cost will also be caught by the cap (for example, an employer agreeing to switch on the 85 year rule or an employee going on flexible retirement).

The proposed policy extends to England alone, but the consultation document states that the Scottish government, Welsh government and Northern Ireland Executive should determine if and how they want to take forward similar arrangements in relation to their own jurisdictions.

Request for software contacts

On 29th July, an email was sent to all pension funds in England and Wales asking for names and contact details of all authorities' pensions payroll and payments software providers. This followed initial conversations the LGA pensions team had with DCLG, GAD and CIPFA on possible future changes to the Accounts and Audit Regulations 2015 which would require some pensions transactions to be recorded in a more detailed fashion within an English or Welsh LGPS pension fund's accounts than is currently required. This information would be required so that GAD may obtain a more detailed breakdown of pension fund cashflows for their 2019 cost control calculations in England and Wales. The possible changes may mean that updates would need to be made to pensions administration, payroll and payments systems in how pension fund transactions are recorded.

We await confirmation from GAD as to the specific information that will be required for their cost control calculations so that we can set up a meeting with representatives of the software providers and outline if any changes need to be made to software as a consequence of GAD's additional data requirements.

LGPS Scotland

Timeline versions of Scheme Regulations

Following confirmation in Bulletin 133 that timeline versions for the LGPS (Scotland) Regulations 2014 had been made available on www.lgpsregs.org, on 4th August an email was sent to administering authorities in Scotland confirming the availability of timeline versions of the remaining LGPS 2015 Scheme Regulations. These comprise:

- A timeline version of the [LGPS \(Governance\) \(Scotland\) Regulations 2015](#) as made through SSI2015/60 (with associated PDF versions on the [Regulations and Legislation](#) page).
- An [LGPS \(Transitional Provisions and Savings\) \(Scotland\) Regulations 2014 resources](#) page comprising:
 - [Clean current timeline transitional regulations](#) including the changes made by SSI2015/87,
 - [Tracked current timeline transitional regulations](#) including the changes made by SSI2015/87,
 - [Original timeline transitional regulations](#) as originally laid,
 - An [amendments by SSI](#) page, and
 - An [amendments by regulation](#) page.

Consultation on amendment regulations

The Scottish Public Pensions Agency recently commenced a consultation on the draft Local Government Pension Scheme (Scotland) (Amendment No. 2) Regulations 2015. The consultation letter, draft regulations, and associated documents are available on the SPPA website under [Local Government Consultations](#). The consultation runs from 1 September 2015 to 12 October 2015.

We would be grateful if funds responding to the consultation could copy the [LGA pensions team](#) in to their responses so that we can ensure our submission includes all items that potentially need addressing.

DWP and New State Pension

State Pension Guides

The DWP has recently updated the following State Pension guidance:

- Revised versions of State Pension [fact sheets](#) with up-to-date amounts: 'Introduction to the new State Pension', 'How the new State Pension is calculated', 'National Insurance and your State Pension', 'Self-employment and the State Pension' and 'The current State Pension scheme'.
- State Pension statement leaflets, "[Your State Pension statement explained](#)" (DWP040 and DWP040b) which are aimed at helping people understand the information in their State Pension statement.
- Guide "[Combined Pension Statement: Your State Pension estimate explained](#)" (CPS5T) that helps explain information in a State Pension statement.

DWP Communications Working Group

A meeting of the DWP Communications Working Group was held in August, at which the following update was received in respect of the new State Pension.

- DWP are working on a short animation about the new State Pension using the analogy of a cake for the different layers that make up a pension i.e. basic state pension, additional state pension and workplace pensions.
- DWP will be publicising the changes to the new State Pension in the coming months via radio adverts, adverts in the national press, TV and digital advertising.
- The new top-up campaign will start on 12th October 2015 – it is open for 18 months and allows those reaching SPA prior to 6th April 2016 to top up their state pension by up to £25 per week. This will be advertised in the national press.
- There will be a series of pension tube episodes running every 4-6 weeks over the autumn period.
- DWP are pushing for people over age 55 to apply for a statement of their State Pension under the new rules, although this will only be an estimate. The statements are still being issued in paper form. They are working on making them available online and hope to have this up and running later in the year.
- DWP will be issuing simple employer packs which will include summaries of the changes and posters
- The contracted out statement will be issued in 2018/19 – the content hasn't been fully decided.

A presentation given by DWP at that meeting is available on the [LGPS Regulations and Guidance](#) website.

In addition, we understand that a DWP factsheet on the new State Pension changes that is being prepared for members of public service pensions schemes is now anticipated to be issued at some point during September.

LGPC Q&A for members on new State Pension changes

In August, the LGA pensions team released a [Q&A for members](#) of the LGPS and of other public service pension schemes on the changes being brought about by the introduction of the new State Pension.

As well as giving a brief overview of the reforms in general, the Q&A covers the National Insurance implication for scheme members of the changes to the state pension and confirms that most individuals who have been members of a public service pension scheme prior to 6th April 2016 will not receive the full amount of the new State Pension when they come to retire. The questions answered in the document are:

1. Why is the State Pension changing?
2. Who will receive the new State Pension?
3. Why will I have to pay more in National Insurance contributions?
4. How much more in National Insurance contributions will I have to pay?
5. Will the benefits provided by the LGPS change because of this?
6. I cannot afford to pay the extra National Insurance contributions. What can I do?
7. Will I qualify for the full amount of the new State Pension?
8. Will the new State Pension provide sufficient income in retirement?
9. Where do I find out more information?

HMRC and Scheme Reconciliation

Pension Schemes Newsletter 71

The August [Pension Schemes Newsletter 71](#) includes information on the qualifying recognised overseas pension schemes (QROPS) stakeholder forum and the ROPS notification list.

Scheme Reconciliation

The LGPS along with other public service pension schemes are awaiting a number of policy decisions to be made by Ministers in respect of HMRC's Scheme Reconciliation of contracted-out service and how Pensions Increase (PI) will be paid on GMP elements from April 2016 onwards (details of these policy decisions are outlined further in the [minutes of Technical Group's June 2015 meeting](#)).

Whilst we wait for these policy decisions to be made, LGPS pension funds are encouraged to commence work on the reconciliation process for their membership and, at the very least, to obtain the membership records that HMRC hold for their fund. In resolving queries between fund records and HMRC's records, funds may also wish to prioritise individuals where HMRC believe you hold the GMP liability but you believe otherwise. Regardless of the policy decisions that Ministers come to, funds will wish to ensure that they are not held responsible for members where there is no GMP liability.

GMP Micro Service

On 11th August, the LGPC Secretariat forwarded a request from HMRC for volunteers to come forward from pensions administrators to help test the new GMP micro service which will be used by pension schemes to obtain a GMP calculation from April 2016.

The service is intended to be self-serve so that schemes can input data for either individuals or multiple scheme members and obtain the GMP figure revalued up to the relevant date. **No automatic GMP statements will be issued after April 2016 (other than AP <= GMP statements for those attaining SPA prior to 6th April 2016).**

The service is currently in development and volunteers are needed to give their views so it can be made to fit the needs of pension scheme administrators. You can provide feedback by telephone, Skype or WebEx discussion. If you would like to be involved please contact Sanne.Verbaan@hmrc.gsi.gov.uk

HMRC have also asked us to draw to your attention the [countdown bulletins](https://www.gov.uk/government/collections/national-insurance-services-to-pensions-industry-countdown-bulletins) about the ending of contracting out – see <https://www.gov.uk/government/collections/national-insurance-services-to-pensions-industry-countdown-bulletins>.

Freedom and Choice

Select Committee inquiry

In July, the Work and Pensions Select Committee [announced an inquiry](#) on “the guidance and advice on offer to people navigating the "choice and flexibility" changes to pensions introduced in April 2015”. The Committee invited evidence on:

- Take-up, suitability, affordability and independence of the advice, guidance and information available to those approaching retirement.
- Recommendations for improvement

Following this, Lorraine Bennett sent a survey around to LGPS pension funds on 22nd July asking for feedback on the number and type of enquiries received regarding the new freedoms since these were introduced in April 2015.

In response to the survey we received responses from 20 pension funds. Of responses received, most funds reported a large increase in the amount of queries received as a result of the changes brought about by the Pensions Schemes Act 2015. However, it was clear that, in the LGPS, it is too early to assess if LGPS members are being provided with adequate advice when deciding to transfer their pension benefits to defined contribution pension schemes providing flexible benefits

In our submission to the select committee we have therefore recommended that the committee revisits the area in the future when the changes have been in place longer, and more transfers requiring the relevant advice have taken place.

Government takes action to support pension savers

On 30th July HM Treasury [launched](#) a [consultation](#) and [online survey](#) to look at whether exit charges could be cut or capped for those looking to access their pensions early, and to ask pensioners and industry experts how to remove other barriers that may be stopping people enjoying the benefits of increased flexibility over their pension pot.

The consultation and on line survey both close on 21st October; they will both form part of the Government’s response that will be published in the Autumn.

The Pensions Regulator (TPR)

Survey of public service pension schemes

TPR have [launched a survey](#) on the governance and administration standards in public service schemes, which they strongly encourage all parties involved in the running of a public service pension scheme to complete.

TPR only require one survey to be completed per LGPS pension fund and the survey will take around 30 minutes to complete. Funds can choose to complete the survey anonymously or provide details of their organisation.

The closing date for surveys to be sent back to TPR is 4th September.

Other News and Updates

LGPC Secretariat changes

As reported in Bulletin 131, from 1st September, Terry Edwards and Tim Hazlewood have both taken flexible retirement and are now working half-time hours. As a result, Jayne Wiberg will be joining the Secretariat on 14th September. Jayne has a number of years' experience working in the LGPS and joins from the NHS Business Services Authority where she is currently Pensions Compliance Technical Lead.

Given the changes, the LGPC secretariat are making some changes to how we deal with technical queries received on the team. As a consequence of their move to part time hours, neither Terry nor Tim will be responding to technical queries in the future. A new email account has been set up (query.lgps@local.gov.uk) to which all technical queries will need to be directed. From there, one of the team's pensions advisers will pick up the query and respond to this as soon as possible. To ensure this new system works and that queries are picked up fairly between administering authorities, we ask that no further technical queries are sent to individual team members. As part of the changes, the 'pensions@local.gov.uk' mailing group which some parties have used to submit queries to the team has been closed.

Tell Us Once (TUO)

Work continues on the extension of TUO to include public service pension schemes. A recent update provided by DWP confirmed that this was still on track for launch in mid-October and that their suppliers were making good progress. Testing of the systems with the assistance of a number of LGPS pension funds is due to take place during September.

As the extension of the service will involve some data sharing, DWP will be entering into a Memorandum of Understanding with each of the administering authorities signing up and this document is due to be circulated to all funds shortly. The Memorandum of Understanding which will be used is the product of discussions between the DWP, the Information Commissioner and the Pan Government Security Accreditor, and outlines the obligations and responsibilities of each party in using the service.

We still await confirmation of a web link that DWP are due to supply upon which contact and IP details for each pension fund will need to be input. If your fund has already supplied this information to the LGPC Secretariat following an email sent on 30th June then you will not need to submit this again.

LGPS Database

Work also continues on the set up of the LGPS Database, which it is hoped will be live by the end of September to allow two weeks of 'on-boarding' prior to the go-live of Tell Us Once, and the submission of the first LGPS membership file from the Database to TUO.

An information sharing agreement covering the usage of the LGPS Database is due to be circulated to pension funds in the first week of September, outlining the obligations and

responsibilities of each party using the system, as well as demonstrating how the data sharing is compliant with the Seven Principles of the Data Protection Act 1998.

When the agreement is circulated to all funds, we ask that return of the signed document is prioritised, and that any questions or queries are raised as soon as possible in order that queries may be adequately resolved prior to the date in late September (to be determined) that we will need to have receipt of all signed documents.

Annual allowance and lifetime allowance

Tapered annual allowance

In [Bulletin 133](#), we included an article summarising the reforms announced in the Summer Budget, including the introduction of the annual allowance taper. The LGPC Secretariat have since received a number of queries about the reform, in particular regarding our plans for communications on this topic. Once further detail is known about the reform we will be issuing a communications document for Scheme members on the policy and, in the meantime, it would be much appreciated if any funds who have already started work on a communications document would be able to share this with us to assist in drafting a Scheme-wide document.

Annual allowance communications

HMRC have published three suggested lines of communication on the annual allowance in 2014/15 – one for members, one for scheme administrators and one for independent financial advisers. The suggested lines of communications are available on the [LGPS Regulations and Guidance](#) website.

Lifetime allowance

We still await details of the protections that will be put in place for the reduction to the lifetime allowance to £1million that will be effective from 6th April 2016, and which was announced in this year's Spring Budget. As soon as further details are known on the protections which the Government proposes to adopt, we will make pension funds aware.

In the meantime, administering authorities are encouraged to make any members who may benefit from individual protection 2014 (protection from the reduction to the lifetime allowance of £1.25 million which became effective in April 2014) aware that they may still apply for this protection up until 5th April 2017.

Update to article in Bulletin 132

On page 6 of [Bulletin 132](#) we included the following:

Extant "old" GAD that is still required for certain purposes

The LGPC Secretariat has made the following points in relation to the list of extant actuarial guidance published by DCLG in November 2014 (located [here](#)).

Section A

Footnote 2 should also say that the "Use of accumulated AVCs to provide additional pension under the Scheme" guidance dated 20th March 2012 also applies to councillor members regardless of whether they commenced payment of the AVCs before, on or after 1st April 2014 (because they are still members of the 1998 Scheme and also because the section on dependant's benefits in the current guidance at paragraphs 3.8 to 3.12 quotes the CARE survivor percentages, whereas the percentages for councillors would be different because they are still in the 1/80th 1998 Scheme).

Please note that an eagle eyed reader (Kath Collumbien at the West Yorkshire Pension Fund) has pointed out that this is incorrect. Please, therefore, ignore the above comment made in [Bulletin 132](#). The reason is that Councillors are not able to use their accumulated AVCs to provide an additional pension under the scheme because Schedule 8 (Councillor Members) of the LGPS Regulations 1997 states at paragraph 22:

*“In regulation 66 (elections as to use of accumulated value of AVCs)-
(a) in paragraph (1)(c)(i), delete "or 26 (redundancy etc.)"; and*

(b) omit paragraphs (4) and (5)”

with regulations 66(4) and (5) being the provisions for a member to elect for the accumulated value of AVC's to be used to provide additional pension under the Scheme.

Updates to documents

In August, the following LGPC documents were updated:

- Trivial Commutations guide – version 1.5 [[England and Wales pages](#)] [[Scotland pages](#)]
- Freedom and Choice technical guide – version 1.4 [[England and Wales pages](#)] [[Scotland pages](#)]

LGA Workforce subscription

Administering authorities may be aware of the Workforce subscription that the LGA currently offers to non-local authority employers. The service is primarily for employers who mirror the pay awards, pay scales and / or apply the terms and conditions that are negotiated nationally. Subscribing organisations come from all parts of the UK and fall into two very broad categories.

- Those that deliver services that are historically closely linked to the local government sector, such as housing associations, charities and out-sourced providers, be they private sector or, increasingly, social enterprises or mutuals.
- Education establishments that apply the national agreements – and often the School Teachers' Pay and Conditions Document – such as independent and special schools or, increasingly, academies and free schools.

Full details of what is included in the subscription are available on [the LGA's website](#), where a [2015/16 subscription brochure](#) is also available. The subscription includes direct access to the latest developments in the LGPS and the Teachers' Pension Scheme as well as a host of other benefits.

The LGA are currently looking to promote the Workforce subscription to organisations who may not be aware of its existence or what it includes. It would be much appreciated if administering authorities could make their non-local authority employers aware of the subscription service, in case this is something they may be interested in signing up to.

ONS Workforce pension participation and saving trends

The Office for National Statistics (ONS)'s annual analysis of workplace pension participation and saving trends of employees eligible for auto enrolment in a workplace pension has revealed that workplace pension participation is at its highest level in a decade, with 70% of eligible employees – 13.9 million people – having paid into a

workplace pension in 2014, a 15 percentage point increase in just 2 years. The ONS report can be found on the [GOV.UK website](#).

The Pensions Advisory Service annual report and accounts 2014 to 2015

The annual report and accounts explaining the service's activities and finances for the year ending 31st March 2015 can be found on the [GOV.UK website](#).

House of Commons briefing paper on public service pension scheme survivor benefits

On 18th August, the House of Commons Library [published](#) a [briefing paper](#) summarising the survivor benefits offered by the major public service pension schemes in the UK and outlining how these have changed in recent years.

Training

The LGPC's Fundamentals training programme takes place as usual this year in the months from October to December, and attendees can now register to attend any of the courses on the [LGA events](#) pages. We recommend that you book early as we anticipate this year's sessions will sell quickly as the content will not only be relevant to pensions committee members, but also to newly appointed members of local pension boards looking to meet the Pensions Regulators' knowledge and understanding requirements for the LGPS.

The dates and locations of this year's Fundamentals training courses are:

Cardiff – [6th October](#) / [3rd November](#) / [15th December](#)

London – [15th October](#) / [10th November](#) / [1st December](#)

Leeds – [21st October](#) / [17th November](#) / [8th December](#)

Legislation

United Kingdom

SI	Reference Title
2015/1614	The Unfunded Public Service Defined Benefits Schemes (Transfers) 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.

[Recognised Overseas Pension Schemes](#) approved by HMRC and who agreed to have their details published.

[The Timeline Regulations](#) for Final Salary Scheme

[The Timeline Regulations](#) for Career Average in England and Wales

Pensions Section Contact Details

If you have a technical query, please email query.lgps@local.gov.uk and one of the team's LGPS pensions advisers will get back to you as soon as possible.

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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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