

Local Government Pensions Committee  
Secretary, Jeff Houston

## **LGPC Bulletin 138 – December 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.

### **Contents**

#### **LGPS England and Wales**

[Reporting of pension fund transactions for cost control](#)  
[Consultation on clawback regulations](#)  
[Investments events – January 2015](#)

#### **LGPS Scotland**

[Publication of amendment regulations – SSI2015/448](#)

#### **DWP and New State Pension**

[Updated state pension factsheets](#)  
[New State Pension Materials](#)  
[Letter to Finance Directors and public sector factsheet](#)

#### **HMRC**

[End of C/O and changes in NI categories](#)  
[Countdown Bulletin 12 – December 2015](#)  
[Pension Schemes Newsletter no. 74](#)  
[Publication of Pensions Tax Manual](#)  
[Lifetime allowance messages](#)  
[Submission of pensions savings statements](#)

#### **Automatic Enrolment**

[Review of the earnings trigger and qualifying earnings for 2016/17](#)  
[Automatic enrolment evaluation report 2015](#)  
[NAO report on automatic enrolment](#)

#### **The Pensions Regulator**

[LGA meeting with the Pensions Regulator](#)  
[TPR publishes survey findings](#)

#### **Other News and Updates**

[LGPS Database](#)  
[Tell Us Once](#)  
[Actuarial guidance for career average portions of Club transfers](#)  
[NIESR report on public sector pensions reforms](#)  
[GAD paper on risk and governance challenges](#)

## [Training](#) [Legislation](#)

### LGPS England and Wales

#### Reporting of pension fund transactions for cost control

In July 2015, an email was sent by the LGPC Secretariat to pension funds in England and Wales to inform them of anticipated changes to accounting regulations which would require some pension fund transactions to be recorded in a more detailed manner than is currently the case. The changes were being considered in order that GAD could obtain a more detailed breakdown of pension fund cashflows for 2019 and subsequent cost control processes in England and Wales.

As set out in the July 2015 email, the broad principle is that GAD will need to be able to split cashflows, where appropriate, into the below three categories:

- a) Elements that relate to pre-2014 benefit accrual,
- b) Elements that relates to post-2014 main section benefit accrual, and
- c) Element that relate to post-2014 50/50 section benefit accrual.

Following further discussions and correspondence with GAD, DCLG and CIPFA, we now have a firmer understanding of the specific requirements which are anticipated, and early in 2016, the LGPC Secretariat will be seeking to:

- arrange a meeting with pensions payroll and payments software suppliers in order to discuss the requirements and consider the software amendments which will be needed, and
- issue a draft briefing paper/ specification confirming how cashflow elements will need to be split under the new requirements.

The new accounting requirements are anticipated to be effective for the 2017/18 financial year onwards, and, once the new data split is confirmed, funds should be seeking to ensure that their payroll, payments and accounting software systems are capable of reporting in line with the requirements from April 2017 onwards. In the 2017/18 accounts, prior year comparator figures will also be needed for 2016/17 and funds will therefore need to be able to make reasonable estimates of the data split for the 2016/17 year.

#### Consultation on 'clawback' regulations

The Government has [commenced a short consultation](#) on draft regulations that will give effect to the powers enacted in the Small Business, Enterprise and Employment Act 2015, which allow for the recovery of exit payments when a high earner returns to the public sector shortly after exit from their employment.

Importantly, the Government has modified some elements of the policy since the last public consultation on this topic. These changes include:

- lowering the minimum earnings threshold for individuals subject to the recovery provisions from £100,000 to £80,000

- applying the policy to qualifying returns to any part of the public sector, instead of only returns to the same part of the public sector
- the recovery amount will be reduced over time for a return at any point up to 12 months from exit, and
- LGPS employer strain payments are now no longer excluded from the definition of the payments to be recovered.

We draw particular attention to this last bullet point, which is a fundamental change from the Government's previous position. The LGA will be considering the implications of this change further and will be submitting a response to the consultation before it closes on 25<sup>th</sup> January 2016.

### **Investments events – January 2015**

The LGA have recently organised two investments meetings following the publication of the Government's guidance on investment pooling, which was issued in November (as covered in [Bulletin 137](#)).

#### **12<sup>th</sup> January – Meeting for pensions committee chairs**

This meeting has been arranged to discuss investment in infrastructure with LGPS pensions committee chairs. It is due to take place at Local Government House starting at 2.30pm and details were contained in an email sent by Elaine English on 11<sup>th</sup> December.

#### **22<sup>nd</sup> January – Workshop for fund officers**

This pooling workshop has been arranged to assist officers in developing pooling proposals which would meet the criteria that the Government set out in their [guidance document](#). DCLG and HMT will be in attendance to provide assistance and guidance, and the workshop is due to take place at Local Government House starting at 2.30pm. Details were contained in an email sent by Elaine English on 16<sup>th</sup> December.

### **LGPS Scotland**

#### **Publication of amendment regulations – SSI2015/448**

On 21<sup>st</sup> December, [SSI2015/448](#), the Local Government Pension Scheme (Scotland) Amendment (No. 2) Regulations 2015, was issued following a consultation undertaken earlier in the year. The SSI makes a number of changes to the regulations governing the 2015 Scheme and come into force, save for some exceptions, on 2<sup>nd</sup> February 2016.

Any necessary changes to the LGPC Secretariat's LGPS 2015 guides and the Timeline Regulations will be incorporated in the New Year.

### **DWP and New State Pension**

#### **Updated state pension factsheets**

Revised versions of the following state pension [factsheets](#): "Introduction to the new State Pension", "National Insurance and your State Pension" and "Claiming your State Pension through your spouse or civil partner" have been issued.

A revised version of the [guidance](#) "Your new State Pension explained" was also issued.

These documents have been updated to include the final amount for the new State Pension from April 2016.

## New State Pension Materials

The following new materials have been issued in respect of the New State Pension

- A new state pension [factsheet](#), “How to increase your new State Pension”,
- A [Frequently Asked Questions guide](#) explaining the April 2016 State Pension changes, and
- A [PowerPoint presentation](#) explaining the changes to the State Pension.

## Letter to Finance Directors and public sector factsheet

On 11<sup>th</sup> December, Lorraine Bennett circulated a copy of [a letter](#) that has been sent by DWP to public sector Directors of Finance about the ending of contracting out. The letter included a link to the [state pension toolkit](#) to assist employers with their communications and was also accompanied by a public sector factsheet, see [appendix 1](#).

## HMRC

### End of C/O and changes in NI categories

Administering authorities are asked to pass the below information on to their employers. The information confirms the NI categories that will need to be applied for employees in April 2016 following the ending of contracting out.

A slightly amended version of the below summary was included in an HMRC employer bulletin earlier this year.

*“Contracting-out of the additional State Pension on a defined benefit (DB) basis will end on 5 April 2016. This means that from 6 April 2016 employees will automatically be brought back into the State Pension scheme and will no longer be able to use a contracted-out salary related (COSR) occupational pension scheme to contract out of the State Scheme.*

*Employees may, depending on their level of earnings, start to accrue entitlement to the new State Pension instead,*

*Eligibility for the contracted-out National Insurance contributions (NICs) rebate of 3.4% for employers and 1.4% for employees will also cease from this date.*

*The introduction of the new State Pension will bring with it some changes in what and how you report to HMRC:*

- *from 6 April 2016: You will not be able to use your Contracted-out Salary Related (COSR) occupational pension scheme to contract employees out of the new State Pension scheme*
- *there will no longer be a requirement to report the Employers Contracting-out Number (ECON) and Scheme Contracted-out Number (SCON) details on Full Payment Submission (FPS) for tax years commencing 6 April 2016 and onwards*
- *there will no longer be a requirement to separate the National Insurance (NI) earnings between the Primary Threshold (PT) and Upper Accrual Point (UAP) & UAP to Upper Earnings Limit (UEL)*

- *there will be a requirement to report NI earnings between the PT to UEL as there was prior to 2009*
- *there will be one less column to complete on forms P11 and P60. These forms will be updated in due course and will be available on the Basic PAYE Tools or can be ordered from the Employer order line.*

*All HMRC systems will be amended to reflect these changes and the UAP data field will be removed from the FPS and Earlier Year Update (EYU).*

### **National Insurance Categories from 6 April 2016**

*Contracted-out National Insurance tables/categories D, E, I, K, L, N, O and V will be replaced by Standard National Insurance tables/categories A, B, J, M, P, Q, R, T, Y and Z.*

### **National Insurance Categories from April 2015 for employees under age 21**

*Contracted-out National Insurance categories I, K and V will operate for the 2015-16 tax year **only** for individuals who are aged under 21 and are in contracted-out employment.”*

### **Countdown Bulletin 12 – December 2015**

On 23<sup>rd</sup> December, HMRC published [Countdown Bulletin no. 12](#) providing a number of updates on the ending of contracting out and the scheme reconciliation process.

### **Pension Schemes Newsletter no. 74**

On 11<sup>th</sup> December, HMRC published [Pension Schemes Newsletter 74](#), containing updates and guidance on pension schemes.

### **Publication of Pensions Tax Manual**

HMRC has published its [Pensions Tax Manual](#), which provides guidance on the taxation of registered pension schemes. It replaces the Registered Pension Schemes Manual.

### **Lifetime allowance messages**

On 3<sup>rd</sup> December, an email was circulated to the LGPC distribution list enclosing an HMRC document which contained communications for scheme members, scheme administrators and independent financial advisors in respect of the reduction of the lifetime allowance to £1mn. The HMRC document is attached as [appendix 2](#).

### **Submission of pensions savings statements**

HMRC have asked us to share the following information with regards the reporting of pensions saving statements in the 2014/15 Event Report:

*“A number of Customer Liaison Manager (CLM) customers have approached us regarding the submission of data in relation to pension savings statements for 13/14 & 14/15 tax years (reportable event 22). HMRC is prepared to accept from CLM customers, scheme data regarding pension savings statements for 2013/14 & 2014/15 on an excel spreadsheet rather than through the scheme’s Event Report. All other scheme events for 2014/15 **must** be submitted via Pensions Online.*

*This concession is on the clear understanding that the pension savings statement data represents part of the scheme’s formal reporting obligations for the 2014/15 Event Report. The data must be submitted by 31 January 2016 or penalties will be due for late*

filing. HMRC also reserves the right to open enquiries based on any of the pension savings statement information provided.

The data required for each member is as follows:

- Name of Member (Title, First Name, Surname)
- National Insurance Number of Member
- Aggregate Pension Input Amounts for the scheme
- Tax Year Ending (that the information relates to)

All fields must be completed.

For the data to be compatible with HMRC's IT systems it must be submitted in the following format:

Excel 2003

Encryption via Winzip (up to and including version 17.5)

256 bit AES

File to be separately password protected

Passwords to be provided by separate cover (either by e-mail or post)

The file can be submitted on a CD or a flash drive. Once downloaded, HMRC is unable to return the CD/flash drive which will be destroyed in accordance with HMRC's Data Security policies. HMRC will notify the scheme of receipt to enable the passwords to be provided under separate cover.

Alternatively if the file size is below 5MG it can be sent via e-mail. I'm happy to receive the file via my e-mail address. Again, once I've confirmed receipt, the passwords can be sent under separate cover.

Whichever method the scheme chooses to use to provide this information, it is entirely at the scheme's own risk. HMRC accept no responsibility of loss, interception or corruption until data is delivered safely to us.

If you wish to use the spreadsheet method, can you please let Teresa Bartram ([teresa.bartram@hmrc.gsi.gov.uk](mailto:teresa.bartram@hmrc.gsi.gov.uk)) know and confirm that you also understand that late filing penalties may be due if the information is not provided by 31st January 2016. If we do not hear anything from you then we will assume that you will submit this information via the Event Report."

## Automatic Enrolment

### Review of the earnings trigger and qualifying earnings for 2016/17

The Government is to maintain the current automatic enrolment earnings trigger for workplace pensions into 2016/17.

On 15 December, the DWP published its report: [Review of the earnings trigger and qualifying earnings band for 2016/17](#) that confirmed that the earnings trigger would remain at £10,000 for 2016/17. The Government will be keeping the trigger threshold under review in light of the outcome of HM Treasury's recent consultation on pensions tax relief and the introduction of the national living wage which will come into effect in

April 2016. The lower limit of the qualifying earnings band for auto enrolment will remain at £5,824 for 2016/17. The upper limit is to increase from £42,385 to £43,000.

### **Automatic enrolment evaluation report 2015**

On 18 November, DWP published its annual [report](#) evaluating the implementation of auto enrolment into workplace pensions.

### **NAO report on automatic enrolment**

On 4 November the National Audit Office (NAO) published a [report](#) on the Government's automatic enrolment programme. The NAO found that 58,000 employers enrolled 5.4 million workers between October 2012 and August 2015.

## **The Pensions Regulator (TPR)**

### **LGA meeting with the Pensions Regulator**

In December, the LGPC Secretariat met with representatives of the policy team at TPR.

### **Annual Benefit Statements**

Around 20% of the funds in England and Wales who completed the LGA survey undertaken earlier in the year confirming they were unlikely to meet the 31st August 2015 deadline reported their breach to the Regulator. Where funds did report a breach, the Regulator made contact with those funds to clarify the reasons for the breach and to discuss improvement plans. A number of the improvement plans received by TPR were of particularly high quality and TPR will be contacting those funds to see if they would be agreeable to the LGA sharing these with all funds as samples of good practice.

The specific problems with regards receiving timely, quality data from employers were noted and TPR advised that this was something they were aware of, but were limited in their capacity to tackle this problem as the Public Service Pensions Act 2013 does not give TPR direct scope over employers. TPR are giving consideration to producing guidance on what TPR expects of employers to enable scheme managers to fulfil their duties and, if such guidance is published, it is expected to be available in Spring 2016.

### **Record keeping**

HM Treasury are in the early stages of scoping a project on public service pensions record keeping and this is the primary piece of work planned to be undertaken on the public service pensions record keeping requirements in 2016.

The LGPC Secretariat plan to meet with the Regulator again in March 2016.

### **TPR publishes survey findings**

TPR has published the results of [a survey of public service pension schemes](#), which assesses how the schemes are meeting their new governance and administration duties as set out in the Code of Practice no. 14.

## **Other News and Updates**

### **LGPS Database**

As reported in Bulletin 137, the [LGPS Database](#) is now live for the majority of funds who have returned their signed Information Sharing Agreements to the LGA. If your fund has

done this, you should now have received your fund's log in details and instructions for making your first upload to the system.

We are aware that there are a substantial number of funds who have received their log-in details and instructions for using the Database but are yet to make their first upload. We ask these funds if they can prioritise the uploading of data into the system for the first time, as it is only when the vast majority of the LGPS's membership is included in the Database that funds will be able to get the practical benefits of the system for monitoring potential duplicate death grants.

Additionally, your fund will not be able to be part of the Tell Us Once service (see next article) until you have uploaded your data into the Database.

If your fund has not yet returned your signed Information Sharing Agreement, we would be grateful if this could be signed and returned to us as soon as possible.

### **Tell Us Once**

Tell Us Once is planned to go live on Thursday 14<sup>th</sup> January. Attached at [appendix 3](#) is a short summary from DWP of the main benefits of joining Tell Us Once and the steps needed to onboard before the service goes live.

### **Actuarial guidance for career average elements of Club transfers**

A number of queries have been directed to the LGPC Secretariat in recent weeks regarding the calculation of the earned pension for the career average portion of inward Club transfers. We are aware that actuarial guidance is needed from the Secretary of State and Scottish Ministers to process such cases and the issue has been raised with DCLG and SPPA for them to take this matter forward.

### **NIESR report on public sector pensions reforms**

According to [research](#) by the National Institute of Economic and Social Research (NIESR), public sector pension reforms have reduced the pensions paid to teachers, police officers and firefighters while increasing the payouts made to civil servants and council staff.

### **GAD paper on risk and governance challenges**

The Government Actuary's Department (GAD) have [published a short report](#) outlining the challenges around risk and governance faced in public service pension schemes.

### **Training**

[Circular 294](#) was published on 5<sup>th</sup> November 2015. It contains details of the 'Understanding' Workshops being undertaken by the LGPC Secretariat in early 2016. Please note that **all** the Care, Pay and Final Pay events are now fully booked. However, you may add your name to the waitlist by emailing [elaine.english@local.gov.uk](mailto:elaine.english@local.gov.uk) who will advise if any places become available or, if the demand is high, whether new courses will be added later in 2016. Places are still however available on the auto-enrolment and the LGPS courses but are filling up fast, so it is highly recommended that you book your places soon to guarantee a place.

### ***UNDERSTANDING... CARE, Pay and Final Pay***

[05 January](#)

London

Local Government House



<a href="#">12 January</a>	Birmingham	Jury's Hotel
<a href="#">19 January</a>	Cardiff	Marriott Hotel
<a href="#">26 January</a>	Leeds	Marriott Hotel

### ***UNDERSTANDING...AUTO-ENROLMENT & THE LGPS***

<a href="#">09 February</a>	Cardiff	Marriott Hotel
<a href="#">16 February</a>	London	Local Government House
<a href="#">23 February</a>	Birmingham	Jury's Hotel
<a href="#">01 March</a>	Liverpool	Marriott Hotel
<a href="#">08 March</a>	Leeds	Marriott Hotel
<a href="#">15 March</a>	Exeter	Rougemont Hotel

For further information on each of the workshops, including intended audiences and a brief overview of the course contents, please click on the relevant link above or go direct to [Circular 294](#).

## **Legislation**

### **United Kingdom**

SI	Reference Title
2015/2058	The Pensions Act 2014 (Commencement No.7) and (Savings) (Amendment) Order 2015
2015/2013	The Transfer of Functions (Pensions Guidance) Order 2015
2015/1985	The Pensions Act 2014 (Consequential, Supplementary and Incidental Amendments) Order 2015

### **Scotland**

SSI	Reference Title
2015/448	The Local Government Pension Scheme (Scotland) Amendment (No. 2) Regulations 2015

### **Northern Ireland**

SR	Reference Title
2015/411	The Pensions (2015 Act) (Consequential, Supplementary and Incidental Amendments) Order (Northern Ireland) 2015
2015/403	The Occupational Pensions (Revaluation) Order (Northern Ireland) 2015
2015/402	The Payment of Pension Levies for Past Periods Regulations (Northern Ireland) 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](mailto:query.lgps@local.gov.uk) and one of the team's LGPS pensions advisers will get back to you as soon as possible.***

#### **Jeff Houston (Head of Pensions)**

Telephone: 0207 187 7346

Email: [jeff.houston@local.gov.uk](mailto:jeff.houston@local.gov.uk)

#### **Terry Edwards (Senior Pensions Adviser)**

*(NB: Normal working days are Thursday and Friday. Works on pension projects and is **not** a contact for technical enquiries)*

Telephone: 01954 232 834

Email: [terry.edwards@local.gov.uk](mailto:terry.edwards@local.gov.uk)

#### **Tim Hazlewood (Pensions Training & Development Manager)**

*(NB: Normal working days are Monday and Tuesday. Works on training events and conferences only and is **not** a contact for technical enquiries)*

Telephone: 01455 824 850

Email: [tim.hazlewood@local.gov.uk](mailto:tim.hazlewood@local.gov.uk)

#### **Jayne Wiberg (Pensions Adviser)**

Telephone: 07979 715825

Email: [jayne.wiberg@local.gov.uk](mailto:jayne.wiberg@local.gov.uk)

**Lorraine Bennett (Pensions Adviser)**

Telephone: 0207 187 7374

Email: [lorraine.bennett@local.gov.uk](mailto:lorraine.bennett@local.gov.uk)

**Con Hargrave (Pensions Adviser)**

Telephone: 0207 664 3176

Email: [cornelius.hargrave@local.gov.uk](mailto:cornelius.hargrave@local.gov.uk)

**Liam Robson (Pensions Analyst)**

Telephone: 0207 664 3328

Email: [liam.robson@local.gov.uk](mailto:liam.robson@local.gov.uk)

**Elaine English (LGPS Executive Officer)**

Telephone: 0207 187 7344

Email: [elaine.english@local.gov.uk](mailto:elaine.english@local.gov.uk)

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

Email: [alison.hazlewood@local.gov.uk](mailto:alison.hazlewood@local.gov.uk)

## Distribution sheet

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

## Copyright

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

## Disclaimer

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

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

or email: [Con Hargrave](mailto:Con.Hargrave@lgpc.org.uk)  
tel: 0207 664 3176