



Local Government Pensions Committee  
Secretary, Jeff Houston

## **LGPC Bulletin 145 – May 2016**

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

### Consultation on amendment regulations

On Friday 27<sup>th</sup> May, DCLG commenced a consultation on draft amendment regulations for the LGPS in England and Wales. Amongst other amendments, the consultation covers Fair Deal and changes to AVC provisions in light of the recent Freedom and Choice reforms. The consultation document is available under [Drafts and Consultations](#) on [www.lgpsregs.org](http://www.lgpsregs.org) and on [Gov.uk](http://Gov.uk). According to the Government webpage, the consultation closes at 12.00am on 20<sup>th</sup> August 2016 (effectively on the evening of Friday 19<sup>th</sup> August).

### Actuarial guidance issued April 2016

Following the issue of a number of updated items of actuarial guidance on 29<sup>th</sup> April 2016, the [DCLG Statutory Guidance](#) page of [www.lgpsregs.org](http://www.lgpsregs.org), has now been updated to link to the new items of guidance.

The LGPC Secretariat have raised a number of technical issues arising from the new items of guidance with DCLG for their consideration and our thanks go to the funds who have come to us with issues they have spotted. If any further issues are spotted that may require the guidance to be clarified or amended, please may these be emailed to [query.lgps@local.gov.uk](mailto:query.lgps@local.gov.uk).

In the covering letter that was circulated to funds with the updated guidance, DCLG confirmed that a transitional arrangements document would follow outlining the approach to be adopted for quotations provided prior to 29<sup>th</sup> April 2016. This document has still to be issued but DCLG are aware of the necessity of this and this will be circulated as soon as possible.

The covering letter also confirmed that updated late retirement guidance would follow. On 26<sup>th</sup> May, an email was sent to funds by the LGPC Secretariat confirming that late retirement cases should not be stockpiled whilst the new guidance is awaited. Until that time, funds should continue to use the extant guidance on [www.lgpsregs.org](http://www.lgpsregs.org). When the new guidance is issued, this will contain confirmation of the guidance's implementation date, which we understand will not be retrospective.

Whilst we understand that the delays to the transitional arrangements document is problematic and does cause administrative issues, the continuing delay is out of the hands of the LGPC Secretariat. In particular, funds should not be advising members or members' representatives that the delay is because guidance is awaited from the LGA or suggest members contact the LGA. We are however working with DCLG to ensure that funds have all the information needed to fully implement the new actuarial guidance as soon as possible.

### Exit payment reform consultation

The Government's February consultation on further reforms of public sector exit payment reforms, as reported in [bulletin 142](#), closed in early May. The LGA's response to the consultation is available under [Drafts and Consultations](#) on [www.lgpsregs.org](http://www.lgpsregs.org). The response focusses on technical aspects of the proposals and highlights a number of issues that the Government would need to consider if it took the proposals further.

## Enterprise Act 2016

The Enterprise Bill received Royal Assent in May and is now the Enterprise Act 2016. The Act provides the legislative framework for the introduction of the £95k cap on public service exit payments which it is expected will become effective later this year, but no earlier than 1<sup>st</sup> October. We now await HM Treasury regulations which are due to provide further detail on how the cap will work in practice (and which will confirm the cap's implementation date). HM Treasury directions are also expected providing detail of the circumstances in which the cap may be relaxed by permitted bodies. We expect regulations to include local authorities as such permitted bodies having the power to relax the cap in certain circumstances.

## HMRC

### Countdown bulletin 17

In May, HMRC issued its [17<sup>th</sup> countdown bulletin](#) (covering issues arising from the cessation of contracting-out). As mentioned in LGPC bulletin 144, the bulletin included clarification of when form CA1597 (GMP increments) needs to be sent to HMRC by pension scheme administrators.

### Pension schemes newsletter no. 78

During May, HMRC issued [Pension Schemes Newsletter no. 78](#).

### Scheme reconciliation – recalculation of LGPS pensioner payment

The below question was raised with HMRC regarding contracted-out scheme reconciliation with the following response received on 23<sup>rd</sup> May.

**Question:** Where an LGPS fund agrees a revised GMP with HMRC, and this triggers a recalculation of LGPS benefits, how will the LGPS fund know, if as a result of the revision to the value, the status from AP<GMP or AP>=GMP would change from that already applied?

**HMRC response on 23/05/16:** “Where as a result of SRS, HMRC amend the GMP for someone over SPa, then a review of the State Pension will be automatically performed by HMRC's IT system. A supplementary record for benefit will be sent to DWP to reconsider the State pension awarded and they will adjust if necessary. If the SP award is adjusted and this changes the AP/GMP relationship for a PSP scheme, then a trigger will be automatically sent back to the HMRC system and a RD614 will be issued as a result.”

## DWP

### New state pension materials

More new state pension materials were issued by DWP during May to help pension scheme administrators to communicate with their members about the changes:

- A new state pension [resource pack](#), and
- New state pension [handouts](#).

## Other News and Updates

### Revaluation of pension accounts

DCLG have confirmed that they plan to advise funds in England and Wales that negative revaluation of -0.1% under the HM Treasury Revaluation Order should be applied to deferred members who left the LGPS in the course of the 2015/16 Scheme year. Additionally, DCLG have confirmed that this negative revaluation should be applied on a proportioned basis.

However, we await confirmation of the methodology that should be adopted for proportioning the negative revaluation. We have asked DCLG for confirmation that the approach set out in the LGPC Secretariat's [revaluation paper](#) should be adopted. As soon as this is received from DCLG, we will send an email to funds to make them aware.

### **Certification of LGPS for automatic enrolment**

Following the cessation of contracting-out, the Occupational and Personal Pension Schemes (Automatic Enrolment) (Miscellaneous Amendments) Regulations 2016 introduced a new quality requirement for assessing whether a formerly contracted-out scheme can be deemed a qualifying scheme for automatic enrolment purposes. This is known as the Alternative Quality Test and provides the facility for Schemes who:

- a) ceased to be contracted-out on 5 April 2016, and
- b) whose rules have not been amended in a way that would mean that the Scheme would no longer satisfy the former contracting-out requirements

to obtain a written report from their scheme actuary to confirm the Alternative Quality Test is met. GAD have provided this certificate for both the LGPS in England and Wales and the LGPS in Scotland and these are enclosed in [appendix 1](#) and [appendix 2](#) respectively.

### **Public Service Pensions Forum – transfer calculations**

At the next meeting of the public service pensions forum, due to take place in Darlington in July, attendees from public service pension schemes have been asked to consider the following issue by the LGPC Secretariat:

*“Further to the changes in transfer factors (between Club and Non-Club) we have had several queries from Local Authority LGPS Funds which I think may be best placed to be discussed at our next forum.*

*The extant version of the Club Memorandum dated December 2015, confirms in paragraph 4.4 that a Club transfer can only be accepted if the length of the break between leaving the sending scheme and joining the receiving scheme is no more than 5 years. However, where a member transfers from Scheme A to Scheme C with more than a 5 year break between the sending and receiving schemes (but has not had a continuous break of more than 5 years in active membership of a public service scheme, because he / she had been a member of Scheme B in between A and C) the transfer will still be a non-Club transfer but would still entitle the member to a final salary link where the conditions in Schedule 7 of the Public Service Pensions Act 2013 are met.*

*The GAD Guidance for the LGPS England & Wales dated 8 April, confirms in paragraph 5.2 that a NON Club CETV should be calculated in the same way as a Club Transfer Value but should use the NON Club CETV factors.*

*The Club and outgoing NON-Club CETV factors are different because: -*

- *The Club factors only account for a limited period of revaluation in the receiving club scheme (i.e. between club schemes the transfer value does not truly reflect the benefits being transferred, liability is shared between Club Schemes)*
- *The NON-Club factors provide the true value of the benefits being transferred.*

*Therefore, when an LGPS Fund (or any other Public Service Scheme) is transferring to another Club scheme or vice versa, they must first understand at the outset as to what basis the transfer should be calculated (i.e. club or non-club determined by eligibility). Where the transfer is an incoming non-club transfer the usual non-club rules apply.*

*Clearly this is a change to the process which will need to be built into all of our workflows. The question that seems to be most topical is ‘How does the paying scheme know upon what basis to calculate the transfer value?’ I guess what we need to avoid, is delays in the transfer process because calculations are being returned by the receiving scheme requesting that they be redone on another basis (I am aware of at least one occasion where this has already happened).*

*Please can members of the group consider this question and agree a solution at our next meeting.”*

## **Tell Us Once**

As reported in previous bulletins, the Tell Us Once service is now live for public service pension schemes, and – since the end of April 2016 – has moved to the business as usual part of DWP.

LGPS funds not yet fully set up for Tell Us Once can still sign up to the service and are encouraged to do so. For assistance with the onboarding process, please refer to the [LGPS on-boarding guide for Tell Us Once](#) in the first instance.

If at any point when setting up or using Tell Us Once, a fund is experiencing problems or has concerns with the level of service being received from DWP or their suppliers, please contact [Con Hargrave](#) so that the concerns can be addressed.

## **LGPS Database**

Funds are reminded that, as well as being set up to facilitate the extension of Tell Us Once to the LGPS, the [LGPS Database](#) was also set up so that funds can:

- a) search for matching pension records in other funds in cases where there may be a potential duplicate death grant, and
- b) contact funds where a match is found to check on the death grant entitlement.

To ensure this system works in practice, funds are reminded that their procedures in dealing with death cases should be updated so that the LGPS Database is routinely checked for matching records at the time of processing a member’s death.

Later this year, a project will be undertaken to identify further possible usages for the LGPS Database and establish what may be needed to mean the Database can be used for these other purposes, in particular taking into account data protection considerations.

## **NHS public service pensions history form**

In bulletin 137 and subsequently in bulletin 139, we mentioned that the NHS Pension Scheme (NHSPS) were in the process of sending out letters to their members to

establish if their previous public service pension scheme membership entitled them to ongoing benefit accrual in the open final salary section of the NHSPS. As a consequence of this LGPS funds may have received forms from their former members over the last few months asking them to confirm that both the following criteria applied, i.e. the member:

- a) was an active member in the LGPS on 31<sup>st</sup> March 2012, and
- b) on 1<sup>st</sup> April 2012 was 10 years or less from the normal retirement age applicable to the member under the LGPS on that date.

The NHS Business Services Authority have been in touch to mention that they have received some forms from LGPS funds stating that a member has the protection, even though on further investigation it transpired that the member was not actually in the LGPS on 31<sup>st</sup> March 2012. We have been asked to confirm that both criteria need to be met for the protection to apply.

### PLSA employer guides

At the Pensions and Lifetime Saving Association's (PLSA's) annual conference for local authorities in mid-May, the PLSA issued the first of a series of guides for employers participating in the LGPS:

- A guide for employers participating in the LGPS: An introduction to the LGPS for scheduled bodies
- A guide for employers participating in the LGPS navigating entry into the LGPS: for local government contractors

Both documents are available on the [PLSA's website](#). Later this year, the PLSA plan to issue further guides for employers, focusing on participating and leaving the scheme.

### Training

On 31<sup>st</sup> May, [circulares 299 and 300](#) were issued providing details of upcoming training events run by the LGPC Secretariat.

Circular 299 contains details of the Fundamentals training course being held over three days in each of Cardiff, Leeds and London. Designed as always to appeal to pensions committee members and to, more recently, members of local pensions boards, past delegates have also included trades union representatives, member and employer representatives, local government pensions officers and officers from private sector organisations who provide services to administering authorities. Over the three days, Fundamentals provides a 'fundamental' overview of all aspects of LGPS trusteeship/ stewardship. More details are contained in the links below:

London	<a href="#">Day 1</a>	6 October
	<a href="#">Day 2</a>	1 November
	<a href="#">Day 3</a>	29 November
Leeds	<a href="#">Day 1</a>	18 October
	<a href="#">Day 2</a>	9 November
	<a href="#">Day 3</a>	6 December

Cardiff	<a href="#">Day 1</a>	25 October
	<a href="#">Day 2</a>	15 November
	<a href="#">Day 3</a>	14 December

Following the success of the 'Insight' residential course held in Eastbourne during May, circular 300 contains details of a further 'Insight' residential training course being held in Blackpool between 19-22 September 2016 for practitioner staff working in both administering authorities and Scheme employers. Further details of the course content are available on the [LGA Events](#) website.

Circular 300 also contains details of forthcoming Understanding Death & Survivor Benefits workshops being held in August and September at the following locations:

<a href="#">23 August</a>	London	Local Government House
<a href="#">31 August</a>	Liverpool	Marriott Hotel
<a href="#">7 September</a>	Cardiff	Marriott Hotel
<a href="#">13 September</a>	Leeds	Marriott Hotel

A few places remain available for the LGPC Trustees' Conference being held in Manchester on 23<sup>rd</sup> and 24<sup>th</sup> June. Please go to the [LGA Events](#) website for more details and to book.

## Legislation

### United Kingdom

Acts	Reference Title
2016/12	Enterprise Act 2016
SI	Reference Title
2016/590	The Financial Services and Markets Act 2000 (Pensions Guidance) Regulations 2016

### 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**

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## Distribution sheet

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