

Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 152 – December 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

New late retirement factors – disclosure requirements

On 4 October 2016, DCLG published new late retirement guidance for the LGPS in England and Wales. The guidance was published with a three month lead-in and is effective from 4 January 2017.

The three month period between the issue of the guidance and the date it comes into force is to reflect the fact that the new factors are significantly less favourable to an LGPS member than the current factors (see guidance dated 26 March 2014) and members may have wished to consider taking payment of their benefits under the old guidance before the new guidance comes into force. The new pensions uplift is just 71.4% of the current rate (0.010% per day compared to the current rate of 0.014% per day) and the new automatic lump sum uplift is just 14.3% of the current rate (0.001% per day compared to the current rate of 0.007% per day).

The LGPS Secretariat have recently been asked whether the significance of the change in the late retirement factors constitutes a ‘material alteration’ under regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (‘the Disclosure Regulations 2013’) [SI 2013/2734]. Our views are set out in [appendix 1](#).

Scheme advisory board meeting – 6 December 2016

The Local Government Pension Scheme Advisory Board (SAB) met on 6 December 2016. An update following this meeting is provided on the [Board website](#).

LGPS Scotland

Income tax rates 2017/18

On 15 December, the Scottish Government published its draft Budget for 2017/18 [including its proposals](#) for income tax rates and thresholds in 2017/18 (see the accompanying [factsheet](#) for more information). The proposed rates and thresholds are as follows, compared to 2016/17:

	Basic rate = 20% Threshold	Higher Rate = 40% Threshold	Additional Rate = 45% Threshold
2016/17	£11,000	£43,000	£150,000
2017/18	£11,500	£43,430	£150,000

HMRC

Off-payroll working in the public sector

At the Autumn Statement 2016, the Government confirmed that it planned to proceed with changes consulted upon earlier this year in respect of off-payroll intermediaries legislation in the public sector (commonly known as ‘IR35’).

Broadly, the reforms provide that instead of a worker being responsible for assessing their tax and national insurance liability under the IR35 rules through their intermediary personal service company, that responsibility will pass to the public sector body engaging the worker, along with responsibility for deducting and paying the correct tax. If an

agency or contractor is supplying the worker to a public sector body, the agency or contractor will be responsible.

The reforms will come into effect on 6 April 2017 and it is the LGPC Secretariat's understanding that the changes will not have any impact on the LGPS. Currently, such intermediaries are not eligible to be in the LGPS as they are not employees of a Scheme employer. This will remain the case after the introduction of the reforms as the fundamental nature of the relationship between off-payroll workers and the public sector body that engages them will not be changing – i.e. they will still not be 'employed'.

Additionally, the Government have [published guidance on the reforms](#) which confirms (paragraph 51) that a public sector body who engages an off-payroll worker has no obligation to that individual under automatic enrolment. The worker will instead have automatic enrolment rights from their personal service company as their 'employer'.

The Government have [published a summary of responses](#) to the consultation on their website.

Contracting out countdown bulletin no. 21

HMRC have [published issue no.21](#) of the contracting out countdown bulletin, focusing in particular on the reconciliation of active member records and the closure scan.

The closure scan will automatically close open periods of contracted out employment held on HMRC records, using the Scheme Contracted-out Number (SCON) provided by Employers on their Full Payment Submissions (FPS).

To obtain your closure scan data, you will need to complete a closure scan request form and return this to HMRC. Details of the form and how to complete this are contained in the bulletin.

Pension schemes newsletter no. 83

HMRC have [published pension schemes newsletter no. 83](#), including articles on the following topics:

1. Autumn Statement 2016
 - a. Foreign pensions
 - b. Pension scams
 - c. Reduction to MPAA
2. Lifetime allowance
 - a. Amending lifetime allowance protections
 - b. Losing lifetime allowance protection
3. Unauthorised borrowing
4. Serious ill-health lump sums - reporting through Real Time Information (RTI)
5. Relief at source - annual returns of individual information for 2015 to 2016
6. Overseas pension schemes
 - a. APSS262 and APSS253 - submitting information by spreadsheet
 - b. QROPS online
 - c. QROPS statistics
7. Scottish rate of Income Tax (SRIT) and relief at source

In particular, the newsletter provides details of additional functionality that was added to the online LTA service during November. Pension scheme members can now:

- amend the amounts entered when they applied for individual protection 2014 (IP2014) and individual protection 2016 (IP2016) if they made a mistake
- add or amend a pension debit because they received a discharge notice as a result of a pension sharing order - within 60 days of receiving the notice.

Members who have a lifetime allowance protection via a paper certificate should inform HMRC in writing of any of the above changes occurring.

The newsletter also includes a reminder that any pension scheme member who has lost an LTA protection needs to inform HMRC of this in writing. This notification must include certain specified information, as set out in the newsletter (in particular, if the member has a paper certificate, they should send this along with the rest of the information needed to HMRC by [post](#)).

DWP

Consultation to tackle pensions scams

As reported in [bulletin 151](#), the Government announced at the 2016 Autumn Statement that they intended to commence a consultation to take steps to tackle pensions scams.

[The consultation commenced](#) on 5 December 2016 and closes on 13 February 2017, containing a package of measures that are intended to reduce the likelihood of scams taking place. In particular, the consultation focusses on three main areas:

- **A ban on cold calling** – the Government propose to introduce primary legislation to bring a ban on pensions cold calling into effect. It is also proposed that the Information Commissioners' Office (the ICO) will have the ability to use their existing enforcement powers to impose civil sanctions on firms located or operating in the United Kingdom who breach the ban, including the power to issue fines of up to £500,000
- **Empower pension schemes to refuse to make transfers where there are legitimate concerns** – the Government propose to restrict an individual's statutory entitlement to a transfer to ensure that individuals are less likely to transfer their benefits into a fraudulent scheme. Under the proposals, an individual will only have a statutory right to a transfer where:
 - the receiving scheme is a personal pension scheme operated by an FCA authorised firm or entity
 - a genuine employment link to the receiving occupational pension scheme could be demonstrated, with evidence of regular earnings from that employment and confirmation that the employer has agreed to participate in the receiving scheme; or
 - the receiving occupational pension scheme is an authorised master trust.
- **Introducing a requirement that only active companies can register an occupational pension scheme** – currently, single member occupational pension schemes do not need to register with TPR and can be set up using a dormant company as the sponsoring employer. They are therefore an easy way for fraudsters to register a pension scheme with HMRC. The Government propose that only active companies (i.e. only those employers with business activity) will be able register an occupational pension scheme with HMRC in the future.

The consultation document is available on [Drafts and Consultations](#) on www.lgpsregs.org.

Review of automatic enrolment

DWP have [commenced a new review](#) into automatic enrolment. The review will consider the success of automatic enrolment to date, and explore ways that the policy can be further developed.

The government is keen that as many people as possible can benefit from their own long-term saving and, in particular, the review will:

- gather evidence on groups such as people with multiple jobs who do not qualify for automatic enrolment in any single job, and
- consider how the growing numbers of self-employed people can be helped to save for their retirement.

Automatic enrolment thresholds for 2017/18

The Government [has published its review](#) of the 2017/18 bands and thresholds for automatic enrolment. The proposed rates for 2017/18 are as follows, compared to 2016/17:

	Trigger	Lower limit qualifying earnings band	Upper limit qualifying earnings band
Current (2016/17)	£10,000	£5,824	£43,000
Proposed (2017/18)	£10,000	£5,876	£45,000

The proposed rates will need to be set out in secondary legislation in order to come into effect from 6 April 2017.

Workplace pension participation and saving trends: 2005 to 2015

On 1 December, DWP published its [annual analysis of workplace pension participation](#) and saving trends of employees eligible for auto enrolment in a workplace pension.

The report reveals that more than 15 million people now have a workplace pension; the number has increased by 4.4 million since the introduction of auto enrolment in 2012.

The Pensions Regulator

Quick guide to record keeping

TPR have [published a short guide on record keeping](#) for trustees and managers of occupational pension schemes (including for managers of public service pension schemes).

The guide follows a survey that TPR undertook on record keeping within occupational schemes in early 2016 which showed that there has been little recent improvement in record keeping standards.

In future, TPR will be asking trustees and scheme managers to report on their record keeping work in TPR's annual scheme return.

Further educational materials will be published in 2017.

Other News and Updates

Charity lump sum death benefits

The Finance Act 2016 introduced minor changes to the rules governing the payment of 'charity lump sum death benefits' with effect from 16 September 2016.

A charity lump sum death benefit is payable in certain prescribed circumstances where a lump sum death benefit arising from a money purchase pension arrangement is paid to a registered charity.

A charity lump sum death benefit is notable as it is paid to the recipient charity tax free and is not a BCE (so does not trigger a lifetime allowance test against the deceased member's benefits).

Prior to the changes introduced by the Finance Act 2016, and insofar as such payments relate to the LGPS, a charity lump sum death benefit could be paid where:

- the member died having reached age 75,
- the member had no dependants,
- it is paid in respect of relevant uncrystallised funds from a money purchase pension arrangement, and
- it is paid to a charity nominated by the member.

The Finance Act 2016 removed the requirement for the member to have been over 75 at the time of their death, but all other requirements continue to apply for payments made on and after 16 September 2016.

For the LGPS, this means that if a member dies *at any age* with:

- an uncrystallised post-2014¹ in-house AVC (England and Wales) / an uncrystallised post-2015 in-house AVC (Scotland),
- has no dependants, and
- has nominated a registered charity to receive his/ her death grant,

this can be paid to that charity as a charity lump sum death benefit and there would be no tax payable on the benefit.

It should be stressed that death benefits paid to charities from defined benefit arrangements are not charity lump sum death benefits. Whilst the LGPS allows its members to nominate a charity as the recipient of their main Scheme benefit death grant, such a payment would not be a charity lump sum death benefit. It would instead be a

¹ For AVCs entered into prior to 1 April 2014 (England and Wales) and prior to 1 April 2015 (Scotland), the relevant scheme regulations do not permit the accumulated AVC fund to be paid directly to a charity on the death of a member.

defined benefit lump sum death benefit and the usual HMRC rules governing payment would apply.

Pensions Dashboard

In the 2016 Budget the Government announced that it intended to ensure that the pensions industry would, by April 2019, design, fund and launch a 'pensions dashboard', a tool that would allow individuals to view all their pensions savings in one place.

As reported in [bulletin 150](#), HM Treasury have since appointed the Association of British Insurers (ABI) to lead the development of a prototype pensions dashboard by the end of Spring 2017. A project group has been appointed to assist the ABI with this.

In December, the LGPC Secretariat attended a 'challenge session' for defined benefit pension schemes on the dashboard. The session was hosted jointly by HMT and the ABI and the feedback provided will inform the development of the prototype and ideas surrounding the implementation of the dashboard.

The slides from the session are attached to this bulletin as [appendix 2](#). In addition, LGPS pension funds should be aware of the points below regarding the plans for the dashboard:

- As well as the dashboard including details of occupational pensions held by individuals, it is planned it will also include details of the state pension entitlement individuals have built up.
- No decisions have yet been made on the level of detail that individuals will be able to access about their pensions on the dashboard.
- Public service pensions are out of scope for the development of the prototype, but it is intended that public service pensions data will be included in the dashboard when it launches in 2019.
- It is planned that post-retirement data will be out of scope for the dashboard (i.e. the dashboard will only include data for pensions, which are not yet in payment).
- The Government's preference is that the pensions industry participate in the dashboard on a voluntary basis, but they will reserve the right to legislate if needed.
- No decisions have yet been made on whether the Government will provide funding to public service pension schemes to cover the dashboard's implementation costs.

HMT, ABI and the prototype project group will continue to engage with the pensions industry in the development of the prototype. It is understood that, once the prototype is finalised in March/April 2017, both the project group participants and HMT will attend a series of events to demonstrate the service and obtain feedback to inform the development of the live system in 2019.

The ABI are happy to talk to people about this project and to answer their questions. If you wish to get in touch with the ABI, please contact [Yvonne Braun](#).

Consultation on new financial guidance body

DWP and HM Treasury have jointly [commenced a consultation](#) on plans to create a single body providing debt advice, money guidance and pensions information and guidance. The new body will replace the Money Advice Service, the Pensions Advisory Service and Pension Wise and will be launched no earlier than Autumn 2018.

The consultation closes on 13 February 2017.

Tell Us Once

DWP have recently published a newsletter celebrating Tell Us Once's fifth anniversary. The newsletter is attached to this bulletin ([appendix 3](#)) and includes some of the background as to how the service first got started as well as information about the recent change to a cloud based IT system.

As we come to the end of 2016, the Tell Us Once team at DWP are seeking information from participating LGPS pension funds on the benefits that the service is providing. In particular, DWP are looking for:

- Details of the administration savings (time and money) that are being realised where a death notification is received via Tell Us Once. For example, how much time and money is being saved by:
 - a) not having to request death certificates, and
 - b) not having to request next of kin details.
- Examples of instances where receipt of a death notification via Tell Us Once has prevented overpayments being made (including figures where possible).

It would be much appreciated if any funds who have relevant information and/ or examples could contact [Con Hargrave](#) to provide these.

Training

On 26 October 2016, [training circular 301](#) was published containing details of training events taking place in early 2017. Details of each of the below courses are now available on the [LGA events](#) website.

Understanding auto enrolment and the LGPS

Liverpool	10 January	Marriott Hotel
Birmingham	17 January	Novotel, Broad Street ALMOST FULL
London	24 January	Victoria Park Plaza FULLY BOOKED
Cardiff	31 January	Marriott Hotel
Durham	7 February	Marriott Hotel
Exeter	21 February	Mercure Rougemont

Understanding the employer role

Birmingham	28 February	Novotel, Broad Street FULLY BOOKED
Liverpool	7 March	Marriott Hotel
Cardiff	14 March	Marriott Hotel FULLY BOOKED
London	21 March	Victoria Park Plaza FULLY BOOKED
Leeds	4 April	Marriott Hotel ALMOST FULL
Exeter	11 April	Mercure Rougemont FULLY BOOKED

If the session at your preferred location is full and you do not wish to book on one at an alternative location, please send an email to [Elaine English](#) stating the event you wanted to attend, your preferred location and the total number of delegates you wanted to attend. It is important to do so as this will enable us to

judge demand for overflow events – a distinct possibility in the case of the employer role course.

Save the date - the LGPS Trustees' Conference will be held on 29-30 June 2017 in Bournemouth. Details will follow in January 2017.

Legislation

Northern Ireland

SR	Reference Title
2016/423	The Occupational Pensions (Revaluation) Order (Northern Ireland) 2016
2016/419	The State Pension Revaluation for Transitional Pensions Order (Northern Ireland) 2016

Useful Links

[LGA Pensions page](#)

[LGPS E&W member 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

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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.

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Distribution sheet

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