

LGPC Bulletin 158 – May 2017

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

2016 LGPS annual report

At the 2017 PLSA local authority conference, Cllr Roger Phillips, the chair of the scheme advisory board for the LGPS in England and Wales (SABEW) launched the 2016 annual report for the English and Welsh scheme.

The report is foremost a compilation of each of the 91 funds' individual reports. However, the report also includes analysis of scheme trends at a national level and, this year, a summary of the 2016 fund valuations.

Some of the key highlights of the report are listed below:

- The total membership of the LGPS grew by 134,000 (2.5%) to 5.3m members in 2016 from 5.2m in 2015 and number of LGPS employers increased by 2,635 (22%) to 14,435.
- The total assets of the LGPS held at £217bn. These assets were invested in pooled investment vehicles (43.6%), public equities (34.6%), fixed interest/index linked (7.5%), property (7.8%), as well as other asset classes (6.5%).
- The net return on investment over 2015/2016 was +0.1% compared with +12.1% in 2015. The 2016 figure reflecting less favourable market conditions than in 2015.
- The scheme remained in a cash-flow positive position in 2016, including investment income.
- As at 31 March 2016, the LGPS liabilities were estimated at £254bn indicating an overall funding level of 85%, increased from 79% at 31 March 2013. The increase in the funding level means there was an overall reduction in the cash deficit from £47bn in 2013 to £37bn in 2016.

The report is available at www.lgpsboard.org under [Scheme Annual Report 2016](#).

Launch of SAB Investment Transparency Code

The PLSA local authority conference also saw the launch of the SABEW Investment Transparency Code. The Code has been issued to assist LGPS funds in obtaining the data they require in order to report costs on a transparent basis.

The move toward investment fee transparency and consistency is seen by the Board as an important factor in the LGPS being perceived as a value led and innovative scheme. Transparency is also a target for the revised CIPFA accounting standard issued for inclusion in the statutory annual report and accounts and was included in the government's criteria for pooling investments.

The Code applies to LGPS asset managers on a voluntary basis and signing up to the Code requires that asset managers submit transactions data using a standard template that the SABEW have published, without their LGPS clients having to request that they do so.

Signatories to the Code may use the Transparency "tick" logo on promotional material subject to the Code and Code Logo Use and Guidance.

Further detail is available from www.lgpsboard.org under [Cost Transparency](#) and an email regarding the code was sent to the list of fund investments contacts held by the LGPC secretariat.

Local pension board survey

On 26 May, the SABEW commenced a survey to test the effectiveness and operational efficiency of the new governance arrangements with particular emphasis on the role and function of local pension boards and interaction with their administering authority.

Administering authorities are asked to encourage their local pension board members and pensions committee chairs to complete the survey, which is available via <http://lgpsboard.org/survey.php>.

The survey will run until 28 July 2017 and following its completion the SABEW will be writing to DCLG with their findings and, if applicable, their recommendations for any regulatory changes they consider necessary.

Publication of PwC academies report

The SABEW have [published the PwC report](#), "Options for Academies in the LGPS", on [their website](#). The report was commissioned by the SABEW in 2016 to look into the issues associated with the participation of academies in the LGPS.

Publication of the report will enable the Board to engage with key stakeholders including pension funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PwC. The Board will continue to gather relevant evidence and then develop specific proposals for change before submitting its recommendations to Ministers for their consideration.

Academies information note

As reported in [last month's bulletin](#), DfE and DCLG have, with the assistance of the LGA, [published a short guide](#) to the LGPS for academy employers which was circulated to the LGA distribution list during April.

A number of comments have been received about the accuracy of the guide in certain places and these are currently being collated. The comments received will be discussed with DCLG and DfE with a view to considering whether an updated version of the document needs to be issued. Any comments or suggestions in respect of the guide should be sent to [Bob Holloway](#).

Updated version of actuarial guidance on interfund transfers

GAD have issued an updated version of their actuarial guidance on interfund transfers for the LGPS in England and Wales to correct a mistake made in the version dated 14 April 2016.

Paragraph 3.8 of the guidance has been updated to state the following, with the words 'of cessation' added in sub-paragraph (a)

3.8 The relevant date for the Interfund transfer for a member with deferred benefits to whom regulation 10(6) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 does not apply is the day after the last date on which the member could elect for benefits not to be aggregated (i.e. the end of the 12 month period), or, if sooner, the earlier of:

- a) the date *of cessation* of active membership with the employer with whom the deferred membership is to be aggregated; and
- b) the date on which the member confirms in writing that he/she does not wish to retain separate benefits/elects for the aggregation to proceed.

Due to the minor nature of the correction, the guidance has been re-issued with the same date as the previous version.

LGPS Scotland

New actuarial guidance on use of AVCs to purchase additional pension

On 10 May, SPPA issued new actuarial guidance on the use of AVCs to purchase additional pension. The new version replaces the previous version dated 26 February 2015 and is available on www.scotlgpsregs.org under [Actuarial guidance](#).

HMRC

Reporting communication and request regarding PSTRs

In May, the LGPC Secretariat met with contacts from the HMRC Customer Liaison Manager (CLM) team to discuss plans to issue a communication to LGPS funds to clarify the information that funds are required to report in the Pension Scheme Return (PSR), the Accounting for Tax (AfT) return and the Event Report. This follows a review HMRC have undertaken of LGPS reporting and some inconsistencies they have observed. The Secretariat will be liaising further with HMRC through June to develop this communication and will issue this to the LGA distribution list once finalised.

To assist with their work in this area, HMRC have asked that we compile a list of the pension scheme tax references (PSTRs) LGPS funds use when submitting reports to HMRC so that these can be checked against their records.

Funds are asked to email their sub-scheme PSTRs to the LGPC Secretariat at query.lgps@local.gov.uk by the end of June.

Reporting of short service refunds

Following a query raised with the LGPC Secretariat, HMRC have confirmed that funds should be disclosing details of short service refund lump sum charges that they have paid in their quarterly Accounting for Tax return.

The [short service refund lump sum](#) charge is due where a scheme pays a refund to a person who has been a member of a scheme for less than two years. The rate of the tax charge is 20% in respect of the first £20,000 refunded and 50% in respect of anything in excess of £20,000.

As set out in the [Pensions Tax Manual](#), in the Accounting for Tax return LGPS funds should report:

- the number of members who received a short service refund lump sum in the quarter
- the total amount of tax payable at 20 per cent, and
- the total amount of tax payable at 50 per cent.

Scottish rate of Income Tax newsletter

HMRC have [issued a detailed newsletter](#) covering the implications of the introduction of the Scottish rate of Income Tax for 'relief at source' pension schemes. In particular, the newsletter outlines the process for ensuring that the right tax relief is claimed on a person's pension contributions, taking into account the country in which they are resident.

As the LGPS in both Scotland and in England & Wales is a 'net pay' scheme rather than a 'relief at source' scheme (see [Gov.uk](#) for more information), the requirements set out in the newsletter have no impact on the administration of either scheme.

HMRC updates tax self-assessment helpsheet

HMRC have [updated their HS345 self-assessment tax return helpsheet](#) which is used to help individuals complete details of their pensions savings tax charges. The helpsheet has been updated to reflect rates, allowances and duties for the tax year 2017/18.

HMRC newsletter 87 – May 2017

[HMRC pension schemes newsletter 87](#) was published on 1 June 2017 containing a number of topics:

- [Pension advice allowance](#)
- [Relief at source](#)
- [Scottish rate of Income Tax](#)
- [The pension scheme return and the SA970 tax return for trustees of registered pension schemes](#)
- [Changes to the scheduled publication of the Recognised Overseas Pension schemes \(ROPS\) notification list](#)

DWP

The draft Occupational Pension Schemes (Employer Debt) (Amendment) Regulations 2017

In April and May, DWP [undertook a consultation](#) on a draft set of regulations entitled the draft Occupational Pension Schemes (Employer Debt) (Amendment) Regulations 2017.

The draft regulations would apply to private sector multi-employer defined benefit pension schemes and would introduce greater flexibility for trustees and scheme managers in handling employer cessation events. In particular, they provide for a 'deferred debt arrangement' meaning:

- An employer in a multi-employer pension scheme, who fulfils certain conditions, could defer the requirement to pay an employer debt on ceasing to employ an active scheme member.
 - One of the conditions is that the trustees or managers of the scheme give their consent to the arrangement.
- Where a deferred debt arrangement is used, the employer would continue to be an ongoing employer for scheme funding purposes and would continue to pay deficit recovery payments (on an ongoing basis) if necessary.
- A variety of circumstances could bring about the termination of the arrangement, including the trustees or managers of the scheme determining that it is no longer in the scheme's interests for the employer to continue in the arrangement.

The consultation proposals would not directly impact on the LGPS as similar arrangements would require amendments to be made to the regulations of both the LGPS in England and Wales and the LGPS in Scotland. At this stage, the LGPC Secretariat are not aware that DCLG or SPPA have any plans to consult on similar proposals.

Nevertheless, administering authorities may wish to be familiar with the proposals as many LGPS employers are faced with similar situations where the current debt framework means they couldn't afford to pay their cessation deficit if their last active member left but continuing to accrue LGPS liabilities may be to their long term detriment.

If the draft regulations were introduced for private-sector schemes, there may be increased demand for the LGPS to introduce similar provisions.

Automatic enrolment where member opted out more than 12 months before automatic enrolment date

The LGPC Secretariat have received clarification from DWP on the policy intent behind a change to the regulations governing automatic enrolment introduced in April 2015.

The Occupational and Personal Pension Schemes (Automatic Enrolment) (Amendment) Regulations 2015 [[SI2015/501](#)] introduced a number of exceptions to the requirement to automatically enrol individuals into qualifying pension schemes, effective from 1 April 2015.

One of the exceptions relates to members who had previously been members of schemes that would have been qualifying pension schemes but had opted out (regulation 5C).

DWP have confirmed that the impact of this exception is as follows:

- Where an eligible jobholder opts out within 12 months of their automatic enrolment date, the employer *may* automatically enrol the individual at the automatic enrolment date.
- Where an eligible jobholder opts out more than 12 months before their automatic enrolment date, the employer *cannot* automatically enrol the individual at the automatic enrolment date.

The LGPC Secretariat queried the logic of this change because it has some odd impacts. For example, an individual who opted out of the LGPS 10 years before their automatic enrolment date could not be put back into the scheme by their employer on their automatic enrolment date. However, the employer of an individual who opted out of the LGPS only 3 months before their automatic enrolment date would have the discretion on whether to automatically enrol the eligible jobholder or not.

Nevertheless, DWP have confirmed this interpretation is correct. This approach is also consistent with what the Pensions Regulator say in their [detailed guidance 3c](#) (paras 14 – 19).

It should be noted that for the purposes of automatic *re-enrolment*, if an eligible jobholder opts out more than 12 months before their automatic re-enrolment date, they **must** be automatically re-enrolled. However, if they opt out within 12 months of their automatic re-

enrolment date, the employer would have the discretion on whether to automatically enrol them or not.

Our automatic enrolment guidance will be updated in due course to reflect our updated understanding.

Administering authorities may wish to alert employers in the Fund to the above.

The Pensions Regulator

2016 governance and administration survey findings published

Following last year's survey of public service pension schemes (as reported in [bulletin 150](#)), the Pensions Regulator (TPR) have [published their 2017 report](#) on the governance and administration of such schemes. The survey achieved a 90% response rate, covering 98% of public service pension scheme membership.

The commentary in the report highlights a number of points that LGPS funds should be aware of:

- TPR are concerned that, in their view, 'a significant minority of scheme managers and pension board members may not be effective in, or even fully aware of, their governance duties' (p3).
 - TPR have stated they will provide clarity on the roles and responsibilities of those involved in running schemes and will clearly set out the standards they expect of all parties.
- TPR expect all schemes to undertake an annual data review and put an improvement plan in place if required (p4).
 - TPR will provide additional education in 2017 to assist with this, including guidance on developing a good improvement plan.
 - TPR will consider enforcement action where scheme managers fail to demonstrate that they are taking appropriate steps to improve their records, including having a robust improvement plan in place.
- The survey picked up that only 43% of schemes said that all their members received their annual benefit statement on time and that 21% of members did not receive their statement on time (p7).
 - TPR recognise that the reasons for the failure to issue ABSs are complex but they expect schemes to have made 'significant progress' in meeting ABS deadlines by now.
 - TPR also note in this section '*We expect member outcomes, in particular the proportion of members who receive their statements on time, to improve dramatically. Our tolerance for schemes' shortcomings, particularly in the areas identified in this report, is reducing.*'
- The report concludes by saying '*Scheme managers should be aware that we are more likely to move to use of our enforcement powers this year. We have, and will, take enforcement action where scheme managers have not taken sufficient action to address issues or meet their duties.*' (p8)

The report is supplemented by [a research paper](#) which outlines the Pensions Regulator's findings in more detail.

Other News and Updates

Launch of new administrator websites

On Monday 15th May, the new LGPS administrator websites, www.lgpsregs.org and www.scotlgpsregs.org, were launched. The main changes made to the sites were summarised in a document circulated to all funds at the time of their launch and this is attached as [appendix 1](#).

Since the launch, the timeline Regulations pages of www.lgpsregs.org have also been updated to include:

- a [timeline version](#) of the Investment Regulations 2016
- updates to the [timeline versions](#) of the LGPS Regulations 2013 to take into account:
 - SI2016/946,
 - SI2016/1241, and
 - SI2016/653.

In June, the secretariat plan to roll-out a new contacts management system which will allow funds to maintain and update the following contact details online:

- Admin contacts for www.lgpsmember.org
- Pensions manager contacts for www.lgpsregs.org and www.scotlgpsregs.org
- Contacts for the LGA distribution list
- Political contacts
- Investment contacts

Further details on the contacts management system will be sent to each fund individually at launch.

Feedback and suggestions for the new sites are very welcome and can be sent through to [Con Hargrave](#).

Meeting with GAD on actuarial guidance queries

On 23 May, the LGA held a meeting with GAD and DCLG to discuss a number of queries that have been raised relating to actuarial guidance.

Following that meeting, a number of next steps have been agreed and the LGPC Secretariat have compiled a query log which is now available on the actuarial guidance pages [[E&W](#) / [Scotland](#)] of www.lgpsregs.org and www.scotlgpsregs.org detailing:

- The nature of each query,
- The guidance to which it relates,
- The date it was first raised,
- Where relevant, links to further information.

As new queries are added and existing queries are resolved/ amended, the log will be updated accordingly. Administering authorities are asked to review the document before raising any queries directly to the LGPC Secretariat in case your query relates to a known issue.

GAD have also confirmed that they plan to issue standalone guidance to enable funds in England and Wales to process the cases described in paragraph 7.5 of the individual incoming and outgoing transfers guidance dated 8 April 2016 without needing to refer these to GAD. Paragraph 7.5 relates to Club transfer cases where a member is transferring from scheme A to scheme C with a gap of more than five years, but a period of scheme B membership in between the two means that the overall gap in public service pension scheme membership is less than five years. In such a case, the transfer would be calculated on a non-Club basis but would retain a final salary link.

We have asked GAD if they also plan to issue equivalent standalone guidance for LGPS Scotland.

Launch of pensions dashboard prototype

As reported in [bulletins 150 and 152](#), 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.

In Autumn 2016, HM Treasury 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 was created to assist the ABI with this.

During April and May, the project group have launched the prototype at a number of events held around the country. A website has also been set up to demonstrate the prototype and how it works - <https://pensionsdashboardproject.uk/>.

Whilst the prototype demonstrates that the Dashboard is possible from an IT perspective, the major questions regarding the Dashboard remain outstanding, including:

- Mandation – will legislation be issued that requires pension schemes to participate?
- Funding – how will the costs of establishing and maintaining the Dashboard be met?
- Data – what data will members be able to find on the Dashboard and what will be the security arrangements to ensure the data is not compromised?
- Governance – who will regulate the Dashboard on an ongoing basis?

On 17 May, the ABI [announced an interim phase](#) of the Dashboard project in order that this does not lose momentum whilst the general election is taking place. The interim phase has four main aims:

- To establish a cost benefit analysis for the wider industry.
- To research customer needs and establish what features people are likely to find most useful in a dashboard.
- To establish the requirements and costs for a secure end-to-end service between data providers and data consumers.
- To further develop the technical data standards for all firms and work with PASA (the Pensions Administration Standards Association) on agreeing a Code of Conduct in line with requirements from The Pensions Regulator.

Tell Us Once

On 5 May 2017, Dave Mckale of the DWP Tell Us Once support team sent an email to named Tell Us Once contacts advising of the process that should be used by funds to reset their passwords. A copy of this email is attached as [appendix 2](#).

DWP have also made minor updates to their Canopy Digital Connect onboarding guidance for new Tell Us Once users and the updated version is attached as [appendix 3](#).

Training vacancy and Trustees' Conference 2017

On 22 May, the LGPC Secretariat circulated details of a vacancy within the LGA pensions team for a Pensions Adviser (Training). The closing date for applications is 5 June at 5pm and interviews are due to take place on 20 June. Further detail on the role and information on how to apply is held on [the LGA website](#).

The LGPC Secretariat are beginning to receive queries about our training programme for the second half of 2017. With the forthcoming retirement of Tim Hazlewood in July and the recruitment of his replacement currently underway, at the moment we are not in a position to confirm all our plans, but will seek to do this as soon as possible after the new member of staff is in post.

Rest assured that the annual "Fundamentals" training events for elected members, local pension board members and other interested parties will run as normal in October-December. The events will be advertised via LGPC Circular 304 which is scheduled to be issued week commencing 5 June 2017 and the events will then be bookable on the [LGA Events website](#).

Places remain available for the LGPC Trustees' Conference being held this year on 29-30 June at the Marriott Highcliff Hotel in Bournemouth. The conference retains its popular lunchtime-to-lunchtime format and this year is themed 'Brave New World'. Booked speakers come from a range of perspectives on the LGPS and include the Chair of the Scheme Advisory Board (E&W), Cllr Roger Phillips.

Further information on the Conference and details on how to book your place are held [here](#) on the [LGA Events website](#).

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

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.

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346

Email: jeff.houston@local.gov.uk

Terry Edwards (Senior Pensions Adviser – LGPC Secretariat)

*(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

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)*

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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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