

Local Government Pensions Committee  
Secretary, Lorraine Bennett

## LGPC Bulletin 186 – June 2019

### Foreword

This bulletin contains a number of important updates for LGPS administering authorities, scheme employers and software providers; whilst also providing a general update for all stakeholders.

Of particular importance are the articles on:

- [McCloud judgment – leave to appeal denied](#)
- [Ill health certificates updates](#)
- [Updates to other guides](#)
- [NI Database updates](#)

the last three of which require the attention of certain stakeholders.

If you have any comments on the contents of this bulletin or wish to suggest items that might be included in future bulletins, please contact [query.lgps@local.gov.uk](mailto:query.lgps@local.gov.uk).

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## LGPS England & Wales

### MHCLG secondment opportunity

A one year, full time secondment opportunity has become available in the MHCLG local government pensions team for a Grade 7 policy advisor. More information including how to apply can be found in [appendix 1](#).

### Actuarial guidance review update

On 18 June 2019 Rachel Abbey notified administering authorities that MHCLG have issued a revised version of the actuarial factor spreadsheet – the updated version now includes factors for:

- annual allowance scheme pays
- inverse commutation
- conversion of AVCs to transfer credits
- conversion of accumulated AVCs for added pension (pre 2014)
- conversion of accumulated AVCs for added pension (post 2014).

The factors take effect from **21 June 2019**. The [transitional table](#) has been updated to include guidance covering the implementation of these new factors.

The factor spreadsheet can be viewed on the [actuarial guidance page](#) of [www.lgpsregs.org](http://www.lgpsregs.org).

MHCLG issued a [covering letter](#) with the new factors that confirms they have authorised the use of earlier factors in a case where:

- a member has already been provided with a formal retirement quotation
- that quotation includes an estimate of the added pension they would receive if they used their AVC to buy additional pension in the LGPS, and
- it would be beneficial to the member if the old factors were used.

Other points to note:

### Annual allowance scheme pays

There has been a change in methodology and [new actuarial guidance](#) has been issued to reflect this change. There has also been a change from earlier versions of the guidance in that only a single factor table is included in the current version ie scheme pays factors for calculating the pension offset for a member who is not retiring immediately and who is under their Normal Pension Age (NPA).

As set out in the guidance, administrators are referred to other factors for calculations which do not fall into this category:

- if the member is not retiring immediately, but has attained their NPA, then the factors for calculating a Lifetime Allowance debit should be used (non-ill health factors). These can be found in tab x-609 of the factor spreadsheet.
- when a member retires before their NPA, and had previously made a scheme pays election relating to an Annual allowance tax charge that arose in an earlier year, the reduction in the pension offset is the same as the reduction that would apply to a pension debit. You should note that there are four sets

of factors depending on whether the scheme pays election was made before or after 1 April 2014, and whether or not the member is retiring on ill health grounds. The relevant factors are shown in tabs x-314, x-315, x-316 and x-317 of the factor spreadsheet.

- if a member retires after their NPA, the pension offset is increased in line with the standard late retirement increase factor. Please note the calculation set out in section 2.23.2 of the guidance which is to apply when a member retires having made an earlier Scheme pays election after they attained their NPA.
- if a member makes a Scheme pays election when their retirement benefits are already being processed then the same factors apply as would be used to calculate a Lifetime Allowance debit. These factors are shown in tabs x-609 and x-610 of the factor spreadsheet and different factors apply depending on whether or not the member is retiring in ill health grounds.

Please note: the guidance incorrectly refers to the pension input period (PIP) running from 1 April to 31 March, and states that the relevant date would be 31 March. As you will be aware, since 2016 the PIP has been aligned with the tax year and ends on 5 April, meaning that the relevant date will be 5 April. We have raised this with GAD and await a response.

### **Conversion of accumulated AVCs for added pension**

Separate factors have been supplied for pre and post 2014 AVCs. The post 2014 AVC factors are to be used for post 2014 AVCs and 'protected post 2014 AVCs' (see the [AVC technical guide](#) for information on the different categories of AVCs). It is our expectation that only the factors for post 2014 AVCs will be used because:

- a member who left before 1 April 2014 only has the right to use their AVC to purchase added pension if they took immediate payment of benefits on leaving active membership. We would expect that retirements that occurred before 1 April 2014 have now been processed.
- Post 2014 factors should be used in respect of a member who takes payment of their benefits from deferred or active status, providing their active membership ended after 31 March 2014 and their BCE date is after 13 May 2018 – irrespective of whether the AVC contract commenced before or after 1 April 2014. See page 40 of [bulletin 171](#) for more information.
- councillor members do not have the option to convert their AVC to added scheme pension.

### **Late retirement guidance**

As reported in [bulletin 183](#), MHCLG recently undertook a consultation on proposed changes to the late retirement guidance; the consultation closed on 17 April 2019.

MHCLG have confirmed that a number of the responses to the consultation raised concerns about the complexity of the methodology and the proposed implementation date (which has now passed). We understand that GAD are currently working on revised guidance that will include a simplified methodology and that MHCLG are working towards an implementation date of 1 September 2019.

## Outstanding factors

**Additional Survivor Benefit Contributions (ASBCs)** – MHCLG have confirmed these should be released in the next few weeks.

**Non-club final salary transfer credit (A-to-B-to-C) transfers** – these are expected later in the year; currently factors are issued by GAD via MHCLG on a case by case basis.

### Ill health certificates updated

On 12 June 2019 Jayne Wiberg informed administering authorities that a revised version 2.0 of the ill health certificates have been published. The certificates are updated to include:

- the updates made by the LGPS (Amendment) Regulations 2018 [SI 2018/493],
- changes to the State Pension age, and
- a number of other minor corrections.

Since that date further changes to the document have been made – these are:

- the re-instatement of the certificate titled ‘3<sup>rd</sup> tier ill health retirement review certificate for a suspended 3<sup>rd</sup> tier pensioner where the cessation of employment occurred before 1 April 2014 – review taking place within 3 years of date of cessation of the 3<sup>rd</sup> tier pension (and before normal retirement age)’ as this remains valid until 31 March 2020, and
- an adjustment to the wording in paragraph one of the explanatory notes of the 2014 Tier 3 Ill Health certificates to remove reference to a ‘deferred benefit’.

The subsequent changes are highlighted in yellow (and track changes) on the track changed version and are included in clean version 2.0. The certificates can be found in the ‘[guides and sample documents](#)’ page of [www.lgpsregs.org](http://www.lgpsregs.org).

### Action for administering authorities

Inform employers and occupational health contacts that the ill health certificates have been updated.

### Supplementary Pensions Increase guide issued

On 27 June 2019, Jayne Wiberg informed administering authorities of the publication of a new technical guide called ‘Scheme administrator guide - When and how to apply supplementary pensions increase to a lump sum’.

The purpose of the guide is to set out the LGPC Secretariat’s understanding of how supplementary pension increases are applied to LGPS lump sums. It is available under the ‘[guides and sample documents](#)’ page of [www.lgpsregs.org](http://www.lgpsregs.org).

## Updates to other guides

The guides below have been updated and are available to view under the [Guides and sample documents](#) page of [www.lgpsregs.org](http://www.lgpsregs.org).

20/06/2016	Employees	Full guide	Version 5.1
21/06/2019	HR and Payroll	Payroll guide	Version 4.0

### Action for administering authorities

- inform employers/payroll providers that an updated version of the payroll guide is available.
- update local versions of the employee full guide.

## LGPS Scotland

### Actuarial factor spreadsheet updated

On 3 June 2019, Roddy McLeod confirmed that the [actuarial guidance spreadsheet](#) has been updated to correct the implementation date of the factors for pension debits and credits; it was previously recorded as 29 October 2018 but has now been corrected to 26 March 2019.

### SPPA launch new website

On 11 June 2019 SPPA launched their new [website](#). Since the launch they have received feedback about a lack of online services for police and fire members and issues with calculators not working. In response to the feedback, they have confirmed that they are:

- currently testing new online services for police and fire members and will be launching a pilot service for those members very soon.
- aware that downloading Excel calculators doesn't always work for everyone and that their new online services will feature calculators that don't need to be downloaded and will work on any device.

### The LGPS (Miscellaneous Amendments) (Scotland) Amendment Regulations 2019

The above regulations were laid on 11 June 2019 and come into force on 28 June 2019, with backdated effect to 1 June 2018.

These Regulations amend the [LGPS \(Miscellaneous Amendments\) \(Scotland\) Regulations 2019](#) [SSI2019/161] to amend two minor errors.

We are in the process of amending the [www.scotlgpsregs.org](http://www.scotlgpsregs.org) timeline regulations in respect of both statutory instruments.

## HMT

### Exit payments cap consultation

On 18 June 2019 Lorraine Bennett informed administering authorities that the LGA has submitted its response to the [consultation](#) on restricting exit payments in the public sector, ahead of the **deadline of 3 July 2019**.

The response is available to view under the non-scheme consultations page of [www.lgpsregs.org](http://www.lgpsregs.org) and [www.scotlgpsregs.org](http://www.scotlgpsregs.org). It considers the draft regulations, guidance and Directions in two sections:

**Section 1:** looks at concerns about the implementation of the policy including potential legal issues, excessive bureaucracy, increased costs, the range of individuals who may be affected by the cap and the possible frustration of effective negotiations related to workforce reform and other sensitive exits.

**Section 2:** considers the technical issues that need to be addressed before the policy could be implemented, with a particular focus on the LGPS.

Introducing a cap on exit payments will have significant implications for employers as well as for administering authorities. We encourage administering authorities to respond to the consultation and share information about the consultation with their Scheme employers to ensure that they have an opportunity to respond.

## HMRC

### Pension schemes newsletter 110 and 111

HMRC have issued [pension schemes newsletters](#) 110 (May) and 111 (June). The newsletters include articles on:

- Managing Pension Schemes service – user research
- Guaranteed Minimum Pension (GMP) equalisation - HMRC working group
- telling HMRC about pension tax charges on the SA100 tax return.

### Lifetime allowance case – appeal dropped

As reported by the [FT adviser](#), HMRC has dropped its appeal in a legal battle over a lifetime allowance tax charge. HMRC revoked the individual's fixed protection as he failed to stop standing orders to his pension schemes. The first tier tribunal found in the individual's favour due to the accidental nature of the breach. HMRC has dropped its plan to appeal the decision.

## DWP

### Pensions dashboards update

The Money and Pensions Advice Service (MAPS) will lead the delivery of the initial phase of the pensions dashboards and will bring together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The delivery group will be accountable to the MAPS board, and MAPS are in turn accountable to the Department for Work and Pensions (DWP).

On 3 June 2019, the Pensions Policy Institute (PPI) announced that its Director, Chris Curry, is to take on the role as Principal of the pensions dashboard industry delivery group with MAPS, starting on 8 July 2019. He will split his role, working three days at the PPI and two days for MAPS.

### **DWP contact information**

DWP have dropped 'gsi' from all of their email addresses. Whilst emails containing the 'gsi' are currently being accepted, they will soon cease to exist. If you hold any email addresses for DWP that include 'gsi' these should be amended now.

## **TPO**

### **TPO newsletter**

The Pensions Ombudsman (TPO) have published the sixth edition of their stakeholder newsletter which is attached to this bulletin as [Appendix 2](#).

## **Other news and updates**

### **McCloud judgment – leave to appeal denied**

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the [McCloud and Sargeant case](#).

The case concerns the transitional protections provided to older members of the judges and firefighter pension schemes when the schemes were reformed in 2015, as part of the public sector pension scheme changes. On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified.

The Supreme Court ruling of 27 June 2019 means that the Court of Appeal's decision will be upheld and the case will be returned to an employment tribunal for a detailed decision.

The [cost management page](#) of the English and Welsh SAB [website](#) contains background information on the case, including a [Q&A](#) which has been updated to take into account the Supreme Court ruling. Further news will follow once we can confirm the next steps in the process.

### **NI Database update**

In September 2018, all administering authorities were asked for their agreement to extend the uses of the NI Database so that it can be used for purposes other than death grants - all but two administering authorities agreed. The following changes have now been made:

- Scottish administering authorities are prevented from seeing English and Welsh data (and vice versa).



- each administering authority is required to set up individual user accounts for each staff member who has access to the Database. Each administering authority is provided with:
  - one master user - who will have full functionality including being able to set up users and change passwords
  - two super users who will be able to upload data and view the database
  - up to **fifteen** (increased from five) admin users who will have view-only access
- each master user has been issued with a new PIN (where we have been informed who your master user is). These are being issued to maintain the security of the site as the old PINs have been shared widely across users; going forward only the master user should know the PIN.
- new password requirements.
- administering authorities will only be able to view the Database if they have uploaded data in the last **60 days** (reduced from 90 days).
- weekly reminders will be sent to administering authorities who have not uploaded data for 35 days or more.

#### Action for administering authorities

- Setting up individual user accounts is necessary to comply with data protection legislation. Please ensure you set up these accounts as soon as possible – if you do not set up additional user accounts by **31 July**, we will be obliged to restrict your access to the Database.
- If you have not already done so, please email Lorraine Bennett the name of the master user at your administering authority so that your new fund PIN can be issued. For any administering authorities who are not yet signed up to the Database your PIN will be notified to you once you return a signed copy of the Data Sharing Agreement (DSA).

The **Data Sharing Agreement (DSA)** and annexes have been updated to:

- ensure compliance with GDPR
- expand the uses of the Database as detailed [bulletin 176](#)
- incorporate the updates made to the Database itself.

On 21 June, Lorraine Bennett emailed all administering authorities with the updated agreement and annexes. Please ensure you review these documents and raise any queries as soon as possible. It will not be possible to continue using the Database on the basis of the current Information Sharing Agreement. Please ensure you return your signed DSA to [Lorraine Bennett](#) by **31 July**.

#### Action for administering authorities

Review and sign the updated DSA in order to continue using the Database, or for those administering authorities who did not sign the original agreement, to start using the Database.

#### LGPS National Frameworks newsletter

The National Frameworks team issued a June news bulletin which is attached to this bulletin as [appendix 3](#).

The bulletin is a more condensed version of a soon to be issued full newsletter which will be packed with useful information about who the National Frameworks team are, what's coming up next and handy 'hints and tips' for further competitions and direct awards.

### **GAD newsletter**

The Government Actuary's Department has issued the [June edition](#) of its Public Service Pension Schemes (PSPS) newsletter. This is intended to be an informal note to provide regular updates on what is happening within the PSPS area of GAD and to highlight some current hot topics.

### **Technical Group minutes published**

The [minutes](#) of the meeting held on 14 June 2019 are now available on [www.lgpsregs.org](http://www.lgpsregs.org). Items of importance include:

- agreements regarding the NI Database
- a recommendation to SAB regarding the inability to pay future CEPs
- approval of the Supplementary PI guide
- LGPS knowledge system – next steps.

### **PASA publish cyber security guidance for pension schemes**

On 6 June 2019 PASA announced the publication of its [cyber security guidance](#) for pension schemes. The guidance provides practical support for trustees in formulating a robust and effective review of how they safeguard their scheme from cyber security issues. It covers five main sections - Risk Assessment, Governance, Risk Management, Controls and Incident Management.

### **PSIG launch updated code on combating pension scams**

On the 10 June 2019 the Pension Scams Industry Group (PSIG) published [version 2.1 of Combating Pension Scams – A Code of Good Practice](#). The updated code reflects recent regulatory and legislative changes, as well as the evolving nature of pension scams.

A summary of the key changes to the Code is provided on page 6 of the document, these include:

- the cold calling ban
- TPR & FCA ScamSmart campaign and TPR Threat Assessment update
- Money and Pensions Service (MAPS) reference
- the rise of claims management firms
- TPO determinations update and implications
- revised Action Fraud reporting guidance
- additional case studies
- learnings from PSIG's Scams Survey Pilot 2018.

### **High Court judge places Hadlow College into administration**

On 22 May 2019 a High Court judge placed [Hadlow College](#) in Kent into education administration, making it the first college to go through the college insolvency regime created by the Technical and Further Education Act 2017.

## Training

### Circular 314 issued – annual governance conference

Circular 314 confirms that our Governance Conference taking place on 22 – 23 January 2020 is now [open for booking](#). The theme for the conference is ‘Public service pension reform – life after Hutton’.

For more information including the conference programme and confirmed speakers see [circular 314](#) and the [conference flyer](#).

### Update on Fundamentals training

Circular 314 also advertises the Fundamentals training events aimed at pensions committee and local pension board members as well as officers who deal with governance.

These are ideal for new committee or board members to get a grounding in their roles as well as keeping knowledge up to date for more experienced members.

Early booking is recommended to secure places at your favoured location and this can be done using the links below:

<b>Day 1</b>	London	LGA offices, Westminster	<a href="#">3 October 2019</a>
	Leeds	Marriott Hotel	<a href="#">17 October 2019</a>
	Cardiff	Marriott Hotel	<a href="#">31 October 2019</a>
<b>Day 2</b>	London	LGA offices, Westminster	<a href="#">6 November 2019</a>
	Leeds	Marriott Hotel	<a href="#">14 November 2019</a>
	Cardiff	Marriott Hotel	<a href="#">21 November 2019</a>
<b>Day 3</b>	Leeds	Marriott Hotel	<a href="#">5 December 2019</a>
	Cardiff	Marriott Hotel	<a href="#">12 December 2019</a>
	London	LGA offices, Westminster	<a href="#">18 December 2019</a>

## Wider landscape

### State pension forecast errors

The Minister for Pensions and Financial Inclusion Guy Opperman has admitted incorrect state pension forecasts have been issued for about 360,000 people since 2016. Royal London Director of Policy Sir Steve Webb has been working with ‘[This is Money](#)’ to identify the issue after individuals had reported receiving inconsistent forecasts, in some cases the discrepancy was more than £1,500 per year.

In response to a letter flagging the issue, sent by Sir Steve Webb, Mr Opperman pointed out that members who have transferred between defined benefit schemes may find there is a difference between their online forecast and any paper forecast they receive.

### **Government to consult on 50:50 option for NHS pension scheme**

The Government has launched proposals to make pensions more flexible for senior clinicians delivering frontline care. In an [Interim NHS People Plan](#), the Government states that it is listening to the concerns around current pensions taxation and will publish a consultation at the end of June. One of the solutions is the 50:50 option.

### **Women's State Pension age case goes to High Court**

On 5 June 2019, the BBC [reported](#) that campaigners have taken the Government to the High Court for a judicial review into how ministers raised the state retirement age for women.

### **House of Lords Committee publish a report calling for triple lock to be scrapped**

The House of Lords Committee on Intergenerational Fairness and Provision has published a [report](#) detailing a range of recommendations across different policy areas aimed at tackling the challenge of “retaining the supportive relationship between generations”.

In its report, the Committee said that maintaining the triple lock indefinitely would be “unsustainable”. As a result the Committee's recommendations in relation to taxation and spending include removing the triple lock for state pensions and uprating the state pension in line with average earnings instead.

## **Legislation**

### **United Kingdom**

SI	Reference Title
2019/982	The Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019
SSI	Reference Title
2019/204	The Local Government Pension Scheme (Miscellaneous Amendments) (Scotland) Amendment Regulations 2019

## **Useful links**

[LGA Pensions page](#)

[LGPS member website](#) (England and Wales)

[LGPS 2015 member website](#) (Scotland)

[LGPS Advisory Board website](#) (England and Wales)

[LGPS Advisory Board website](#) (Scotland)

[LGPS Regulations and Guidance website](#) (England and Wales)

[LGPS Regulations and Guidance website](#) (Scotland)

[Public Sector Transfer Club](#)

[Recognised Overseas Pension Schemes](#) that have told HMRC that they meet the conditions to be a ROPS and have asked to be included on the list.

## **LGPS 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 pension advisers will get back to you.*

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### **Distribution sheet**

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