

LGPC Update – Technical Group

Consultation on amendment regulations

On Friday 27th 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 and on Gov.uk. The consultation closes at 12.00am on 20th August 2016 (effectively on the evening of Friday 19th August).

Actuarial guidance issued April 2016

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

- Individual transfers
- Pension Credits on Divorce
- Pension debits on divorce
- Pensioner cash equivalents on divorce
- Early retirement
- LTA and limit on total amount of benefits
- Scheme pays/ Annual Allowance
- Trivial commutation
- Interfund transfers
- Purchase of Additional Pension
- AVC conversion to Additional Pension
- Inverse commutation
- Flexible Retirement

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.

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 29th 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 26th 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. 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.

Revaluation of pension accounts

During the meeting it was communicated that confirmation had just been received from DCLG as to how revaluation should be applied to part year leavers in 2015/16 who did not take immediate payment of their pension benefits.

The following applies in respect of revaluation for LGPS members who left part way through the 2015/16 Scheme year but did not take their pension (i.e. were deferred members at 31 March 2016):

- The -0.1% revaluation of career average pension accounts does apply and this should be applied to affected members' deferred pension accounts on a proportioned basis.
- Proportioning should be done in line with the dates of the Pensions (Increase) Order as set out in the LGPC's [revaluation paper](#).

Pro-rating the Treasury Order using this approach provides the following results for leavers during 2015/16:

1st April 2015 to 26 th April 2015	-0.00%
27 th April 2015 to 26 th May 2015	-0.01%
27 th May 2015 to 26 th June 2015	-0.02%
27 th June 2015 to 26 th July 2015	-0.03%
27 th July 2015 to 26 th Aug 2015	-0.03%
27 th Aug 2015 to 26 th Sept 2015	-0.04%
27 th Sept 2015 to 26 th Oct 2015	-0.05%
27 th Oct 2015 to 26 th Nov 2015	-0.06%
27 th Nov 2015 to 26 th Dec 2015	-0.07%
27 th Dec 2015 to 26 th Jan 2016	-0.08%
27 th Jan 2016 to 26 th Feb 2016	-0.08%
27 th Feb 2016 to 26 th March 2016	-0.09%
27 th March 2016 to 31 st March 2016	-0.10%

For 2016/17 and beyond, DCLG will consider whether the same approach will continue to apply or whether a different approach to the proportioning of revaluation for members leaving with a deferred benefit during the year will be adopted. It is planned that whatever approach is eventually agreed will either be set out in actuarial guidance or included in amended regulations in the months ahead.

Exit payment recovery – delay in implementation

Earlier this year (as outlined in [Bulletin 139](#)), the LGPC Secretariat responded to a [Government consultation](#) on draft regulations covering the recovery of exit payments.

Under the proposed reforms, when a person leaves a relevant public sector employment with a salary of £80,000 or higher and subsequently rejoins another part of the public sector within 12 months, they may have to pay a proportion of the exit payments they received back to their prior employer.

At the time we submitted our response, it was expected that the reforms would take effect from April 2016. However, the draft regulations have yet to be passed, and the exit payment recovery provisions will not take effect until these are on the statute books. Whilst the Government haven't stated when they now expect the reforms to take effect, we understand that they hope to have laid the regulations before Parliament before the start of summer recess in July.

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. 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 1st 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.

GMP checker service

HMRC have issued a short note outlining details of a new GMP checker service that will be available for all pension scheme administrators via Gov.uk from 6 April 2016. This note was attached as [appendix 1](#) of bulletin 143,

To find the service from 6th April onwards, users should go to Gov.uk and search for 'GMP checker'.

Please note that the log in details for the GMP checker service are not the same as SRS, your SRS login relates to Shared Workspace. The LGPS Fund will need to use credentials for the Pension Scheme online service either as an administrator or as a practitioner. To register for this service please go to

<https://online.hmrc.gov.uk/registration/pensions>. If the LGPS Fund needs any further help with this service they should use the "Get help with this page link" on the page.

Ministerial Direction

On 5 April 2016 HMT issued a revised Ministerial Direction under Section 59A of the Social Security Pensions Act 1975, effective on and after 6 April 2016. The revised Direction affects the payment of pensions to relevant members on and after 6 April 2016.

Additionally, on 6 April 2016, HMT issued a revised note on the operation of pensions increase legislation for public service pension schemes. Funds must ensure that their pension payroll providers are aware of the changes that will affect those members reaching State Pension age on and after 6 April 2016 and prior to 6 December 2018.

Both documents are available on www.lgpsregs.org under Other Guidance [\[E&W\]](#).

Countdown bulletin 17

In May, HMRC issued its [17th 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.

For scheme members who reach SPA before 6 April 2012

Schemes need to notify pre-and post-88 GMP increments. This is because anyone who became entitled to State Pension before 6 April 2012 may be entitled to a Payable Up-rated Contracted Out Deduction Increase (PUCODI) - an increase to GMP increments that is paid with the State Pension. PUCODIs were abolished from 6 April 2012.

For scheme members who reach SPA before 6 April 2016

If an individual is entitled to pre-1988 GMP increments, schemes must notify HMRC by completing form CA1597 and sending it to HMRC. This form prompts a review of any survivor's State Pension and may result in an increase. This is because surviving civil partners and widowers do not receive that part of the GMP (i.e. pre 1988 increments) from the individual's scheme. The State will, however, pay the equivalent of any pre-88 GMP increments to a surviving civil partner or widower. A scheme will not necessarily know at the time the GMP increments are due whether the member is in a civil partnership or marriage (and one could be formed after that time).

Department for Work and Pensions (DWP) anticipates that individuals who reached State Pension age before 6 April 2016 and deferred their State Pension will be making claims for pre 2016 state pensions for some years to come. There will, moreover, continue to be surviving spouses and civil partners who will be entitled to inherit the increments paid to their late partner under the old system. This includes surviving spouses and civil partners who reach State Pension age on or after 6 April 2016, who will still be entitled to inherit increments in line with the old system rules because their late partner (the scheme member) was in the pre 6 April 2016 State Pension system.

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 23rd 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.”

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 the LGPS in England and Wales. This can be found as [appendix 1](#) of bulletin 145.

EU referendum – counting officer fees

The LGPC Secretariat have been asked whether counting officer fees for the upcoming EU referendum will be pensionable or not. After seeking confirmation with DCLG, we can confirm that these payments are not currently pensionable under the LGPS Regulations 2013 in England and Wales.

Whereas in local and general elections, it is the ‘returning officer’ that fulfils the statutory functions set out in the relevant legislation, under the European Union Referendum Act 2015 it is the ‘counting officer’ which does so instead. Whilst the LGPS Regulations in both E&W and in Scotland provide for specific payments made to returning officers to be treated as pensionable, neither scheme provides for payments to counting officers to be treated as pensionable.

Is a counting officer a type of returning officer? Even though they have similar roles and the counting officer for the EU referendum will in most cases be, the same person as the returning officer for other elections, the conclusion reached is that they are separate roles and a counting officer is not a type of returning officer.

Short service refunds for members over NPA

We recently sent a query to HMRC to enquire if it is policy intention that a refund paid to a member who joins the LGPS over normal pension age and leaves within 2 years is an unauthorised payment.

There is no legal requirement under section 70 or 71 of the Pension Schemes Act 1993 to pay such members a short or long term benefit; they are not entitled to a transfer out (under sections 93 or 101AB of the Pension Schemes Act 1993), nor is there any remit to pay a benefit to these members under the LGPS 2013 regulations.

In our opinion the only logical 'benefit' to pay is a short service refund lump sum but, in these cases, they do not fall within the definition of a short service refund lump sum which is contained in paragraph 5 of Schedule 29 to the Finance Act 2004 meaning that the payment would be unauthorised.

The response we received from HMRC is set out below:

I confirm that the wording in the legislation is deliberate and meets the policy intent.

Once an individual has reached normal pension age (as defined in section 181 of the Pension Schemes Act 1993), then they can take benefits in pension form which will be taxable in the normal way. There is therefore no need to pay such benefits as a short service refund lump sum which would be taxed in full at, at least 20%, rather than 25% being payable tax free, with the rest charged at the recipient marginal rate, if paid in pension form. What the scheme actually does will of course be determined by the scheme's rules. If the scheme pays a lump sum that does not fall within any of the definitions of authorised lump sums set out in the pensions tax legislation then that lump sum will be an unauthorised payment

Of course, even if we make the payment under our Regulations as a refund of contributions we could, potentially, treat it for the purposes of the Finance Act 2004 not as a short service refund lump sum but, rather, as a de minimis payment under regulation 12 of the Registered Pension Schemes (Authorised Payments) Regulations 2009 [SI 2009/1171] provided:

- the payment does not exceed £10,000 and
- the payment extinguishes the member's entitlement to benefits under the scheme.

We will now take this up with DCLG to confirm how they would like to proceed and if an amendment to the LGPS2013 regulations is required.

Tell Us Once

As reported in 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

As at 1st June 2016, exactly 64 funds had uploaded their membership files into the NI 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 31st March 2012, and
- b) on 1st 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 they were not in the LGPS on 31st 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.

Sample pensions saving statement

Following the introduction of the annual allowance taper and the transitional arrangements for the 2015/16 pension input period, a request has been made for the LGPS Secretariat to produce a sample pensions saving statement (PSS) to be issued for members that breach the annual allowance or make a request for a PSS.

The LGPS Secretariat has commissioned a third party to develop a template statement and once finalised this will be shared with all funds.

We continue to work on an updated version of the annual allowance guidance and this will be put on www.lgpsregs.org as soon as it's published.

Updates to employee guides

In early April, updates were made to the full and brief employee and councillor guides for both the LGPS in England and Wales. These were updated to reflect the following:

- Ending of contracting out
- Changes to automatic enrolment
- Changes to the lifetime and annual allowances
- References from 2015 to 2016 e.g. contribution table
- New member website – www.lgpsmember.org – *England and Wales only*
- Change to the APC limit from 1 April 2016 – *England and Wales only*

The updated documents can be found on www.lgpsregs.org:

England and Wales

- [Employees' guides](#):
 - Full – version 1.4
 - Brief – version 1.4
 - Promotional leaflet – version 1.2
- [Councillors' guides](#):
 - Full – version 1.3
 - Introductory leaflet – version 1.3

- Update for councilors in England – version 1.3

Other updates to lgpsregs.org

During April 2016, the following updates were made on www.lgpsregs.org:

England and Wales:

- A [Withdrawn Guides](#) section was set up to include the following documents that are no longer being updated by the LGPC Secretariat:
 - LGPS 2014 Practitioner's Guide
 - AVC Scenarios document
 - Pensions Sharing on Divorce – *From April 2000, moved from the [LGA Pensions](#) site*
- A [Pensions Administration Strategies](#) page was set up to include sample documents for the use of other funds.
- The [Forms](#) page was updated to include the LGPC's:
 - sample ill health medical certificates,
 - sample opt out forms, and
 - transfer declaration forms and advice confirmation form.
- The [Legal Opinions](#) page was updated to include a July 2011 legal opinion on admission bodies and resolution bodies – *moved from the [LGA Pensions](#) site.*
- The [Administration Guides](#) page was updated to include:
 - an updated APC guide (version 1.8), and
 - the GMP payable table – *moved from the [LGA Pensions](#) site.*

As at 10 June 2016, the following guides were revised and uploaded: -

- Version 6 1 non tracked Automatic Enrolment guide – June 2016
- Version 6 1 tracked Automatic Enrolment guide – June 2016
- Version 6 1 non tracked Automatic Enrolment brief guide – June 2016
- Version 6 1 tracked Automatic Enrolment brief guide – June 2016
- Version 1.3 non tracked Revaluation guide
- Version 1.3 tracked Revaluation guide

Member website

The new LGPS member website for the LGPS in England and Wales is now live and can be accessed at www.lgpsmember.org

It is a 'full' member website containing information on all aspects of membership of the LGPS and holds the current version of the APC calculator and the contributions calculator. This website replaces the content on www.lgps.org.uk and www.lgps2014.org which will both be withdrawn after a period of notice and from a specified date – further information about this will follow. You will need to ensure that your web pages and documents are updated to point to the appropriate pages on the new site in due course. For the time being, redirects have been placed on www.lgps2014.org for the pension account modeller, the contribution calculator and the APC calculator. If you click on the calculators on www.lgps2014.org you will be redirected to the www.lgpsmember.org site automatically.

Feedback about the site is welcome and can be provided by emailing Lorraine.bennett@local.gov.uk or by completing the pop up survey attached to the site. Members can also provide their feedback via the survey.

Training

On 31st 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	Day 1	6 October
	Day 2	1 November
	Day 3	29 November
Leeds	Day 1	18 October
	Day 2	9 November
	Day 3	6 December
Cardiff	Day 1	25 October
	Day 2	15 November
	Day 3	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:

23 August	London	Local Government House
31 August	Liverpool	Marriott Hotel
7 September	Cardiff	Marriott Hotel
13 September	Leeds	Marriott Hotel

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

Jayne Wiberg – 10 June 2016