Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 87 – November 2011

This month's Bulletin contains a number of general items of information.

Please contact Dave Friend 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.

This month's Bits and Pieces includes an item on LGPC Circulars, LGPC Communications, LGPC Training, the Timeline Regulations, the Office for National Statistics on pensions, Mercer Global Pensions Index and pension provision in a new jobs.

Contents

LGPC Pensions Section

We are pleased to announce that the LGA has appointed Jeff Houston as its new Head of Pensions.

Jeff was appointed on 14 November to head up the Pensions Team and will primarily be concentrating on policy matters relating to the Local Government Pension Scheme.

Jeff has had many years of pensions experience prior to joining the LGA. He started in pensions in 1981 at Merseyside County Council before moving to London in 1985. He worked in the pensions sections of LB Sutton, LB Lewisham and LB Croydon before taking on the pension manager's role at the City of Westminster in 1991. Joining the London Pensions Fund Authority a year later Jeff had a number of roles over the next 19 years including Operations Manager, Assistant Director of Corporate Resources and Director of New Business.

Terry Edwards has chosen to step down to a technical role within the Pensions Team and will concentrate on providing technical guides to the LGPS administering authorities.

The current contact details for members of the Pensions Team are shown at the end of this Bulletin. Please note that Jeff Houston has now taken over the phone number on which Terry Edwards used to be contactable i.e. 020 7187 7346. The new phone number for Terry is 01954 232834.

LGPS: Statement to the House of Commons

The Right Honourable Danny Alexander, Chief Secretary to the Treasury, made a statement to the House of Commons on 2 November 2011 concerning the reform of the public sector service pension schemes. To accompany the statement, HM Treasury released a document entitled, "Public Service Pensions: good pensions that last". The document represents an updated offer by the Government to the Trade Unions with respect to the public service pension schemes.

The key points of the latest offer are:

- accrued benefits are protected including the link to final salary;
- members within 10 years of Normal Pension Age (NPA) as at 1 April 2012 will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current Normal Pension Age. In effect, they will continue in the current scheme until they leave / retire;
- the Government's preferred scheme design is:
    - an 1/60th accrual rate and earnings indexation for benefits while still working in public service (being an increase from the 1/65th accrual rate in the original offer);
    - guaranteed, index-linked benefits on retirement;
    - fairer distribution of benefits across the workforce; and
    - the majority of low and middle earners, who work a full career, will receive retirement benefits at least as good as the current scheme;
- members will not be forced to work longer.

The Chief Secretary of State to the Treasury wrote letters to the TUC General Secretary on 2 and 11 November. The first letter was a summary of the statement made to the House of Commons on the same day. The second letter outlined the key points discussed at a meeting with the Trade Unions on 1 November which were:

- agreement on the main points of the new scheme should be reached by the end of this year;
- it is appropriate to consider the longer term reform options alongside the short-term savings sought by the Government with the intention of agreeing a single package of changes;
- the initial cost ceiling for the LGPS is purely illustrative and it will be finalised after the completion of negotiations and consultation on alternatives to increases in the employees' contribution rates;
- further consideration is required on the matter of how transitional protection will be applied within the LGPS context; and
- the LGPS Model Fund data can be used during negotiations as the basis for indicative assessments and costing of different options. However, these costings will need to be reconciled by the Government using the data, methodology and assumptions used by HM Treasury and the Government Actuary to assess the cost of any variations from the reference scheme that are proposed.

The Local Government Association (LGA) has written to the Chief Secretary about the revised offer and setting out its views on how negotiations should proceed.

If there is a failure to reach agreement on the Government's latest offer, the default position is the reference scheme.

LGPS 2008: Academies

The Secretariat and DCLG have met with DfE officials on three occasions in recent weeks to discuss a number of issues relating to Academies including:

- how the employer contribution rate for an Academy should be calculated;
- how the past service deficit of a converting maintained school should be dealt with, and
- why some Administering Authorities are taking a short-term view of Academies and what assurances Administering Authorities would need to enable them to take a longer term view of the management of Academies' pension liabilities.

The discussions have sought to find a way forward which allows for Academies to see little or no change to the employer pension contribution rate when compared to that of a maintained school in the Fund whilst at the same time protecting the local authority and other employers participating in the Fund.

It is expected that a letter from the Minister(s) will be issued shortly and that guidance will subsequently be issued.

LGPS 2008: actuarial increase for late retirement - Councillors

On 20 November 2009 DCLG confirmed that the actuarial increase guidance issued under the LGPS Regulations 1997 should continue to be applied to Councillor members who retire after age 65.

At its meeting on 1 December 2011 the Technical Group were presented with a copy of an e-mail from DCLG to an Administering Authority dated 7 July 2011 stating that the current late retirement guidance issued under the LGPS (Benefits, Membership and Contributions) Regulations 2008 should now be applied as “the numbers involved make it impractical to do otherwise”.

LGPS (Scotland) 2009: aggregation of membership

The Secretariat has written to SPPA seeking clarification of the amendments made by the LGPS (Miscellaneous Amendments) (Scotland) Regulations 2011 [SSI 2011/349] with respect to aggregation of previous membership.

Leavers before 1 April 2009 who rejoin after 31 March 2009

Regulation 31 of the LGPS (Scotland) Regulations 1998 permitted a person to aggregate membership at any time up to the time the person ceased to be an active member of the scheme. However, those regulations were revoked by the LGPS (Transitional Provisions) (Scotland) Regulations 2008. The Transitional Regulations were amended (as from 14 November 2011) by regulation 39 of SSI 2011/349 which introduced a 12 month time limit for people with deferred benefits under the 1987 or 1998 Regulations, and who rejoin the scheme post 31 March 2009, to opt to aggregate membership. The employer can extend the 12 month time limit at their discretion. There are two issues arising.

What happens if an employee with a deferred benefit under the 1987 or 1998 Regulations has, as at 14 November 2011, already gone past the 12 month time limit? Is it expected that the employer should, in all such cases, extend the 12 month time limit to 13 November 2012 (or, perhaps, 30 September 2012, as that is the date mentioned in regulation 13(7A) of the LGPS (Administration) (Scotland) Regulations 2008 for another category of member)?

Secondly, what happens if an employee with a deferred benefit under the 1987 or 1998 Regulations is, as at 14 November 2011, still within the period of 12 months from the date of rejoining the scheme? Technically, the employee will have to make an election within that 12 month period (i.e. within 12 months of rejoining the scheme) or such longer period as the employer may allow. However, given that some people who thought they could elect at any time up to leaving may only now have a few days to make an election to aggregate membership, Funds will quickly have to let such employees know of the change in the rules. Given that the message may not get out to such employees until after their 12 month deadline has expired, is it expected that the employer should, in all such cases, extend the 12 month time limit to, say, 13 November 2012 (or, perhaps, 30 September 2012, as that is the date mentioned in regulation 13(7A) of the LGPS (Administration) (Scotland) Regulations 2008 for another category of member)?

Leavers before 1 April 2009 who rejoined before 1 April 2009

The amendments made by SSI 2011/349 do not cater for members who left and rejoined the scheme pre 1 April 2009. Do they still have an option under the 1998 Regulations to elect to aggregate at any time up to the date of cessation of membership? If not, what regulations specifically apply to them? If they, too, are now subject to a 12 month time limit (albeit that there is no reference in any regulations to this category of member) they may well already be outside the period of 12 months since rejoining the scheme. The two issues mentioned in above would then arise.

Leavers after 31 March 2009 who rejoin on or after 2 April 2009

Regulation 13 of the LGPS (Administration) (Scotland) Regulations 2008 has been amended (as from 14 November 2011) by SSI 2011/349 to say that members who left the scheme with a deferred benefit after 31 March 2009 and who subsequently rejoin the scheme can only aggregate if they elect to do so within 12 months of re-joining (or such longer period as the employer may allow). Again, there are two issues arising.

What happens if an employee with a deferred benefit under the 2008 Regulations has, as at 14 November 2011, already gone past the 12 month time limit? Is it expected that the employer should, in all such cases, extend the 12 month time limit to 13 November 2012 (or, perhaps, 30 September 2012, as that is the date mentioned in regulation 13(7A) of the LGPS (Administration) (Scotland) Regulations 2008 for another category of member)?

Furthermore, what happens if an employee with a deferred benefit under the 2008 Regulations is, as at 14 November 2011, still within the period of 12 months from the date of rejoining the scheme? Technically, the employee will have to make an election within that 12 month period (i.e. within 12 months of rejoining the scheme) or such longer period as the employer may allow. However, given that some people who thought they could elect at any time up to leaving may only now have a few days to make an election to aggregate membership, Funds will quickly have to let such employees know of the change in the rules. Given that the message may not get out to such employees until after their 12 month deadline has expired, is it expected that the employer should, in all such cases, extend the 12 month time limit to, say, 13 November 2012 (or, perhaps, 30 September 2012, being the date mentioned in regulation13(7A) of the LGPS (Administration) (Scotland) Regulations 2008 for another category of member)?

General

The window of opportunity to aggregate appears to have been given to that group who could not previously aggregate (due to the now removed regulation 13(7) of the LGPS (Administration) (Scotland) Regulations 2008) and not the groups who thought they had plenty of time to decide. Clarification is being sought.

LGPS: suspension of CETVs, etc

At its meeting on 1 December 2011 the Technical Group discussed the letter from DCLG dated 1 November 2011 concerning the suspension of CETVs etc. The Technical Group concluded that the following line should be taken in relation to CETVs, Inter-Fund Adjustments and Divorce quotes:

Description	View	Comment
Club / Non-club outgoing transfers where the quote was issued prior to 1 November 2011 in England and Wales.	Proceed, and pay sum quoted, providing the election to transfer is received within the 3 month guarantee period.	Even though the new CETV factors are likely to produce a higher CETV, the Technical Group, at its meeting of 1 December, were of the view that LGPS funds should pay the guaranteed transfer value quoted.
Club / Non-club outgoing transfers where quote has not been issued.	Suspend until new factors are received.	
Club / Non-Club incoming transfer where the CETV estimate has not been requested by the administering authority.	Suspend until new factors are received.	
Club / Non-Club incoming transfer where the CETV estimate has been requested by the administering authority but not received.	Suspend until new factors are received. Write to the former scheme explaining that the request should be put on hold until such time as GAD have clarified factors to be used for transfers in.	Hopefully the sending scheme will accept the “please hold” request but if they say they are too far down the line in processing the original request and will charge for a new quote, revert to next row below.

Club / Non-Club incoming transfer where the CETV estimate has been requested and received.	Proceed – honour service credit quoted (even though it is likely the new CETV factors, when received, would produce a lower service credit).	There is concern that if the administering authority does not proceed: a) the sending scheme may issue a charge to calculate a new CETV; and b) if the member has been offered a service credit and elected to accept, the scheme may be challenged via IDRP if it does not act upon the member's wishes within the prescribed timescales.
IFA in / out where election to aggregate was made by the member before 1 November 2011 in England and Wales.	Use old factors.	
IFA in / out where election to aggregate was made by the member after 31 October 2011 in England and Wales.	Suspend until new factors are received.	
Pension Sharing on Divorce quotes.	Proceed but append a caveat to the quote saying that it is based on GAD guidance which is currently being reviewed. This review may have the effect of meaning that the current quote provided underestimates the correct value of the member's pension rights.	This seems a reasonable approach given the statutory timescales attached to the production of pension sharing on divorce quotes. Where a CETV has been provided over the last 12 months (which, for convenience, is regarded as being since 1 November 2010), but no pension sharing order has been received, administering authorities

		might wish to consider writing to the member (or their representative) to advise them the actuarial factors are being revised. If the ancillary relief hearing has not yet taken place, the member (or the representative) could be offered the option of receiving an updated CETV once the new factors become available.

SPPA e-mailed a document to LGPS Pension Managers in Scotland on 28 November 2011 setting out the position to be followed by Scottish administering authorities. A copy of the email document will be available on the post 31 March GAD guidance page of the Timeline Regulations website.

Annual Allowance: uprating the opening balance

The uprating of the opening balance for annual allowance purposes is covered by s235 of the Finance 2004 (FA04) as amended by the Finance Act 2011. The text of the section currently reads:

235 Defined benefits arrangements: uprating of opening value

(1) This section applies for adjusting the opening value of the individual's rights as calculated under section 234(4) .

(2) The opening value is to be increased by the appropriate percentage.

(3) The appropriate percentage is the percentage (if any) by which the consumer prices index for the September ***before*** *the start of the tax year is higher than it was for the previous September.*

The "consumer prices index" is defined in s279 of FA04 (Other Definitions) as

(a) the general index for consumer prices published by the Statistics Board, or

(b) if that index is not published for a relevant month, any substituted index or index figures published by the Statistics Board,

The relevant CPI figures to date are:

2008-09	September 2007	1.8%
2009-10	September 2008	5.2%
2010-11	September 2009	1.1%
2011-12	September 2010	3.1%
2012-13	September 2011	5.2%

CPI figures for the percentage change over 12 months to each September can be found on the website of the Office for National Statistics. As mentioned above the figure for September 2011 is 5.2%. Note: the figure is rounded to 1 decimal place.

Pensions Act 2011

The Pensions Act 2011 (c.19) received Royal Assent on 3 November 2011. An Explanatory Notes document has been published which accompanies the Pensions Act 2011. The main measures included in the act are:

- amendments to the timetable for increasing the SPA to age 66 – see the table below for further information;
- amendments to the auto-enrolment legislation, originally enacted in the Pensions Act 2008, as a result of the Making Automatic Enrolment Work review including the introduction of a new higher earnings threshold for automatic enrolment initially set at £7,475;
- changes to the revaluation or indexation of occupational pension schemes and payments by the Pension Protection Fund;
- increased flexibility in the date of consolidation of additional state pension;
- abolition of new awards of Payable Uprated Contracted-out Deduction Increments (PUCODIs);
- amendments to the legislation with respect to the transfer of assets and amount of payments as part of the Financial Assistance Scheme;
- miscellaneous amendments to the Pension Protection Fund legislation; and
- amendments to the legislation regarding the payments of fund surpluses to employers.

Section 1 of the Pensions Act 2011 amends Schedule 4 to the Pensions Act 1995. The effect of the amendments in the Pensions Act 2011 are reproduced below.

Rules

(1) A man born before 6th December 1953 attains pensionable age when he attains the age of 65 years.

(2) A woman born on before 6th April 1950 attains pensionable age when she attains the age of 60.

(3) A woman born on any day in a period mentioned in column 1 of table 1 attains pensionable age at the commencement of the day shown against that period in column 2.

Table 1	
(1)	*(2)*
*Period within which **woman**'s birthday falls*	*Date pensionable age attained*
6th April 1950 to 5th May 1950	6th May 2010
6th May 1950 to 5th June 1950	6th July 2010
6th June 1950 to 5th July 1950	6th September 2010
6th July 1950 to 5th August 1950	6th November 2010
6th August 1950 to 5th September 1950	6th January 2011
6th September 1950 to 5th October 1950	6th March 2011
6th October 1950 to 5th November 1950	6th May 2011
6th November 1950 to 5th December 1950	6th July 2011
6th December 1950 to 5th January 1951	6th September 2011
6th January 1951 to 5th February 1951	6th November 2011
6th February 1951 to 5th March 1951	6th January 2012
6th March 1951 to 5th April 1951	6th March 2012
6th April 1951 to 5th May 1951	6th May 2012
6th May 1951 to 5th June 1951	6th July 2012
6th June 1951 to 5th July 1951	6th September 2012
6th July 1951 to 5th August 1951	6th November 2012
6th August 1951 to 5th September 1951	6th January 2013
6th September 1951 to 5th October 1951	6th March 2013
6th October 1951 to 5th November 1951	6th May 2013
6th November 1951 to 5th December 1951	6th July 2013
6th December 1951 to 5th January 1952	6th September 2013
6th January 1952 to 5th February 1952	6th November 2013
6th February 1952 to 5th March 1952	6th January 2014
6th March 1952 to 5th April 1952	6th March 2014
6th April 1952 to 5th May 1952	6th May 2014
6th May 1952 to 5th June 1952	6th July 2014
6th June 1952 to 5th July 1952	6th September 2014
6th July 1952 to 5th August 1952	6th November 2014
6th August 1952 to 5th September 1952	6th January 2015
6th September 1952 to 5th October 1952	6th March 2015
6th October 1952 to 5th November 1952	6th May 2015
6th November 1952 to 5th December 1952	6th July 2015
6th December 1952 to 5th January 1953	6th September 2015
6th January 1953 to 5th February 1953	6th November 2015
6th February 1953 to 5th March 1953	6th January 2016
6th March 1953 to 5th April 1953	6th March 2016
6th April 1953 to 5th May 1953	6th July 2016
6th May 1953 to 5th June 1953	6th November 2016
6th June 1953 to 5th July 1953	6th March 2017
6th July 1953 to 5th August 1953	6th July 2017
6th August 1953 to 5th September 1953	6th November 2017
6th September 1953 to 5th October 1953	6th March 2018
6th October 1953 to 5th November 1953	6th July 2018
6th November 1953 to 5th December 1953	6th November 2018

(5) A person born on any day in a period mentioned in column 1 of table 2 attains pensionable age at the commencement of the day shown against that period in column 2.

Table 2	
(1)	*(2)*
Period within which birthday falls	*Date pensionable age attained*
6th December 1953 to 5th January 1954	6th March 2019
6th January 1954 to 5th February 1953	6th May 2019
6th February 1954 to 5th March 1954	6th July 2019
6th March 1954 to 5th April 1954	6th September 2019
6th April 1954 to 5th May 1954	6th November 2019
6th May 1954 to 5th June 1954	6th January 2020
6th June 1954 to 5th July 1954	6th March 2020
6th July 1954 to 5th August 1954	6th May 2020
6th August 1954 to 5th September 1954	6th July 2020
6th September 1954 to 5th October 1954	6th September 2020

(6) A person born after 5th October 1954 but before 6th April 1968 attains pensionable age when the person attains the age of 66.

(7) A person born on any day in a period mentioned in column 1 of table 3 attains pensionable age at the commencement of the day shown against that period in column 2.

Table 3	
(1)	*(2)*
Period within which birthday falls	*Date pensionable age attained*
6th April 1968 to 5th May 1968	6th May 2034
6th May 1968 to 5th June 1968	6th July 2034
6th June 1968 to 5th July 1968	6th September 2034
6th July 1968 to 5th August 1968	6th November 2034
6th August 1968 to 5th September 1968	6th January 2035
6th September 1968 to 5th October 1968	6th March 2035
6th October 1968 to 5th November 1968	6th May 2035
6th November 1968 to 5th December 1968	6th July 2035
6th December 1968 to 5th January 1969	6th September 2035
6th January 1969 to 5th February 1969	6th November 2035
6th February 1969 to 5th March 1969	6th January 2036
6th March 1969 to 5th April 1969	6th March 2036

(8) A person born after 5th April 1969 but before 6th April 1977 attains pensionable age when the person attains the age of 67.

(9) A person born on any day in a period mentioned in column 1 of table 4 attains pensionable age at the commencement of the day shown against that period in column 2.

Table 4	
(1)	*(2)*
Period within which birthday falls	*Date pensionable age attained*
6th April 1977 to 5th May 1977	6th May 2044
6th May 1977 to 5th June 1977	6th July 2044
6th June 1977 to 5th July 1977	6th September 2044
6th July 1977 to 5th August 1977	6th November 2044
6th August 1977 to 5th September 1977	6th January 2045
6th September 1977 to 5th October 1977	6th March 2045
6th October 1977 to 5th November 1977	6th May 2045
6th November 1977 to 5th December 1977	6th July 2045
6th December 1977 to 5th January 1978	6th September 2045
6th January 1978 to 5th February 1978	6th November 2045
6th February 1978 to 5th March 1978	6th January 2046
6th March 1978 to 5th April 1978	6th March 2046

(10) A person born after 5th April 1978 attains pensionable age when the person attains the age of 68.

Autumn statement: rise in State Pension Age

In his Autumn Statement on Tuesday 29 November, the Chancellor of the Exchequer announced that the Government intends to bring forward by 8 years the period over which the State pension age is increased to age 67. The Government now intends to raise the State pension age to 67 between April 2026 and April 2028. People born on or after 6 April 1960 but before 6 April 1961 will have a State pension age between 66 and 67. People born on or after 6 April 1961 will have a State pension age of 67 or higher. This change is not yet law and will require the approval of Parliament. The government is considering how to make sure that State pension age continues to keep pace with increases in life expectancy and will bring forward proposals in due course, so it may be that the rise in the State pension age to age 68, for example, could occur earlier than currently planned. A full breakdown of State pension ages is available from the Pensions Advisory Service website.

Auto-enrolment

On 28 November, the Pensions Minister, Stephen Webb MP, announced that small organisations with fewer than 51 employees will have their staging date for automatic enrolment deferred until after the next election in May 2015. There is no change to the staging date for larger organisations who have more than 3,000 employees. There will be smaller delays (of up to one year) in the staging dates for those organisations with between 51 and 3,000 employees inclusive. Full details of the changes to the staging dates will be released in the New Year.

RPI / CPI judgment

On 2 December 2011 the High Court issued its judgment (and a summary) in the case of the challenge to the Government's decision to change the basis for uprating public service pensions from RPI to CPI. The High Court found for the Government.

There were three judges (Lord Justice Elias, Justice McCombe and Justice Sales) presiding over the review. The claimants submitted four grounds on which they wished to challenge the decision to switch from RPI to CPI:

> (1) CPI is not a proper measure of inflation within the meaning of the Social Security Administration Act 1992;
>
> (2) the Government went outside the statutory purpose of the review of benefits against prices because the principal reason for the decision was the very substantial savings it anticipated if the change was made;
>
> (3) the change infringed the "legitimate expectations" of the claimants in legal terms that the use of RPI for up-rating purposes would be the norm and, further, the government did not take into account that such expectations were being infringed by the decision it made; and
>
> (4) in making the change, the Government broke its duty under the Sex Discrimination Act 1975 (as amended) to "have due regard to the need to eliminate unlawful discrimination…and to promote equality of opportunity between men and women…".

All 3 judges agreed that submissions (1), (3) and (4) should fail. There was a majority verdict on submission (2) with Justice McCombe giving a dissenting opinion. He agreed with the claimants' QC that the requirement to reduce the deficit was the dominant driver behind the switch from RPI to CPI. In the words of the QC the Government's justification for the switch "put the economic cart before the statutory horse".

The Secretariat understands that the NASUWT is to appeal the High Court's decision.

Lifetime Allowance: Fixed Protection

HMRC have published Newsletter 50 which is a Fixed Protection Special Edition. The Newsletter should be read in conjunction with the Registered Pension Schemes Manual. The main topics covered in the manual include:

- application for fixed protection;
- the taking of benefits by a member with fixed protection;
- benefit accrual for fixed protection and relevant benefit accrual for enhanced protection in relation to defined benefits arrangements;
- the "relevant percentage" (including the application of late retirement factors);
- enhancements on taking benefits;
- death benefits including dearth in service benefits;
- new arrangements;
- penalties for failure to notify loss of fixed protection; and
- the procedure when fixed protection is lost.

Simpler tax rules for pensioners

The current taxation system is regarded as overly complex. Many pensioners are subject to PAYE before retirement but self assessment after retirement even though they may have several small sources of income that may or may not be liable for taxation.

The Government has, therefore, commissioned the Office of Tax Simplification (OTS), which is an independent office of HM Treasury, to review the effect of the current tax system on pensioners. The OTS will make recommendations on how to simplify the tax system and ease tax administration for pensioners. It will provide an initial report, to the Chancellor of the Exchequer prior to the 2012 Budget, which will:

- identify the areas of the tax system that cause the most complexity and uncertainty for pensioners;
- identify how these issues vary across the pensioner population; and
- explore possible measures for simplification and the wider implications of any potential changes.

If the OTS review indicates that there is a case for a change in the tax system, then the OTS will be required to produce a final report. Both the initial and final reports should bear in mind:

- the Government's work on the merging the operation of income tax and National Insurance contributions;
- the current Government's commitment to increase the personal allowance and the flat rate state pension;
- the wider economic and policy implications of any proposals including
    - the impact on individual pensioners,
    - fairness between different tax payers,
    - wider Government policy, and
    - tax receipts;
- the risk of non-compliance; and
- The Spending Review constraints on HMRC.

Throughout the process, the OTS will consult with interested parties which will include the formation of a consultative committee. The OTS welcomes any contributions which:

- highlight how the current tax system adversely affects pensioners,
- its complexity impacts on pension fund administration, and
- any suggest possible reforms of the current tax system.

Readers should send any observations to ots-pensions@ots.gsi.gov.uk.

The Localism Act 2011

The Localism Act 2011 received Royal Assent on 15 November 2011. Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for 2012/13 and for each financial year after that. The Act covers both statutory and non-statutory chief officers, and their deputies. The final version included amendments which reflected concerns over low pay and the Review of Fair Pay 2011 by Will Hutton (executive vice chairman at the Work Foundation). The Act introduces requirements to compare the policies on remunerating chief officers and other employees, and sets out policy on the lowest paid.

Section 38 (1) of the Localism Act 2011 requires English and Welsh local authorities to produce a pay policy statement for 2012/13 and for each financial year thereafter. The implications of this for the process of agreeing remuneration for Chief Executives and other senior officers are considerable. There are also profound consequences for the approach taken to pay and rewards across the whole workforce.

The JNC for Chief Executives has produced guidance to assist councils in developing their local policies. It covers various matters including the interaction of the pay policy statement with policies published under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 and the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007.

Bits and Pieces

LGPC Circulars

Circulars 252 (updated ill health certificates), 253 (absence due to a trade dispute) and 254 (new Head of Pensions appointed) were issued during November. All three Circulars are available on the LGE website.

Notes:

(1) Until the relevant legislation is passed, no amendment is planned to the ill health certificates included in Circular 252 to take account of the Chancellor's announcement in the Autumn Statement on accelerating the rise in the State Pension Age to 67. An appropriate note has been added under Circular 252 on the LGE website.

(2) The LGPC Secretariat has sent an e-mail to all Pension Managers and Pension Client Managers setting out examples of the effect on final pay of a member's decision to pay / not pay contributions to cover the strike day on 30 November 2011.

LGPC Communications

The full and brief guides for employees in England & Wales have been updated. The latest versions (November 2011) are now available on the website.

The Designed brief guide for employees in England & Wales is in the process of being updated.

The two leaflets on the proposed changes to the Local Government Pension Scheme for employees in England and Wales have been updated to take account of the Government's announcement on public service pension reform on 2 November 2011. The leaflets are available on the LGE website.

Guides for employees in Scotland will be updated with provisions of the LGPS (Miscellaneous Amendments) (Scotland) Regulations 2011 [SSI 2011/349] and a new leaflet on aggregating previous LGPS benefits for employees in Scotland will be issued, once the issues discussed in the above article in this Bulletin on aggregation of membership, have been resolved.

LGPC Training

The previously advertised courses on the new Annual Allowance regime and the changes to the Lifetime Allowance all sold out quite quickly. As a result the number of delegate places were increased at several of the venues and a third workshop was added in London for 21 February 2012. The Secretariat is continuing to monitor the situation.

The normal cycle of "Understanding" workshops will commence in the second half of March and a Circular with details should be issued in January.

Timeline Regulations

November's update of the Timeline Regulations website included:

England and Wales

CLG's letter, dated 1 November 2011, on the suspension of CETVs has been added to the post March 2008 GAD guidance and the Statutory Guidance/FAQs pages.

Scotland

SPPA's email, dated 3 November 2011, on the suspension of CETVs has been added to the post March 2009 GAD guidance and the Statutory Guidance and Circulars pages.

United Kingdom

HM Treasury's Note (October 2011), which has the title, 'Basis for setting the discount rate for calculating cash equivalent transfer values payable by public service pension schemes' has been added to the Public Sector Transfer Club page.

Office for National Statistics on pensions

The Office for National Statistics (ONS) has published an updated population estimates for the United Kingdom. In general, the UK population is expected to rise from 62.3 million last year to 67.2 million by 2020 and is estimated to reach 73.2 million by the middle of 2035. Over the same period, the UK population will continue to age with the median age of the population increasing from 39.7 in 2010 to 39.9 by 2020 and is projected to be 42.2 by 2035.

On 27 October 2011, the ONS released two updated chapters from its Pensions Trends publication and its Occupational Pension Scheme Survey. Chapter 1 (Pensions legislation: an overview) of its Pensions Trends is a brief description of the pensions legislation since the early part of the last century, the creation of the welfare state, the implementation of a second state pension, the review of the State's role and the recent reforms in pensions.

Chapter 5 (State pensions) contains a wide variety of statistics with respect to the State pension system. The gross replacement rate (which measures how effectively pension systems replace employment income) is at 32% for the UK State pension. This is relatively low when compared to other OECD countries. On the other hand, recent pensions reforms are expected to lead to 95 per cent of women who reach SPA in 2030/31 receiving full a Basic State Pension compared to 52 per cent of women reaching SPA in 2010/11. Public expenditure on state pensions and other related benefits is expected to increase to 6.9 per cent of Gross Domestic Product (GDP) in 2050/51 from 5.7 per cent of GDP in 2010/11.

The Occupational Pension Schemes Survey 2010 reports that the total number of private sector occupational pension schemes was almost 25 per cent less than the total number in 2007. Under half of those schemes are open to new members. The number of open private sector defined benefit schemes fell from 2,180 in 2009 to 1,480 in 2010. Over 80 per cent of private sector schemes are very small in the range from 2 to 11 members.

The total membership of occupational pension schemes fell from 27.5 million in 2009 to 27.2 million in 2010. There were an estimated 5 million active members in public sector schemes and 3 million active members in the LGPS which is the lowest recorded level since the 1950s. The total number of pensioners receiving benefits is estimated at 9 million.

Mercer Global Pensions Index

The Mercer Global Pensions Index rates pensions systems round the world and rates them according to adequacy, sustainability and integrity. The 2011 index results show that the UK has improved to 66 points from the previous year's rating of 63.7. This improvement is based on an increase in adequacy and sustainability. The UK's overall rating is still better than the average of 60 points but some way behind the leading countries who are the Netherlands and Holland.

Pension provision in new jobs

On 17 October 2011, the NAPF issued a press release on a survey conducted by pollster Populus. The survey revealed that over 30% commenced a new employment without knowing if the job came with any pension provision. NAPF believe not enough employers are referring to the pension provision in job adverts as recent analysis indicated only 1 in 12 adverts provide any information with respect to pensions.

Legislation

United Kingdom

Acts

The Pensions Act 2011 (c.19)
The Localism Act 2011 (c.20)

SI Reference	Title
2011/2700	The Social Security (Contributions) (Amendment No.5) Regulations 2011
2011/2867	The Occupational Pensions (Revaluation) Order 2011

Useful Links

The LGE Pensions page

The LGPS members' website

LGPS Discretions lists all the potential discretions available within the LGPS in England and Wales, and Scotland.

Qualifying Recognised Overseas Pension Schemes approved by HMRC and who agreed to have their details published.

The Timeline Regulations

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