



Local Government Pensions Committee
Secretary, Jeff Houston

LGPC Bulletin 118 – August 2014

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

Please contact Mary Lambe 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.

Contents

LGPS England and Wales

Updates to the Additional Pension Contribution (APC) calculator

Secretary of State Guidance

LGA responds to draft governance regulations

LGPS 2015 Scotland

LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014

LGPS 2015 Regulations website

Shadow Scheme Advisory Board

Response to the draft governance regulations

Governance Guidance

Collaborations in the LGPS

Other News Items

Revised version of Cabinet Office Statement of Practice - Staff transfers in the public service

New Address for DCLG

New section on tPR website for public service pension schemes

HMRC Scheme Reconciliation Service

HMRC Newsletter no. 64

Pensions Policy Institute (PPI) Automatic Enrolment Report 3

TPR publications relating to automatic enrolment

LGPS England and Wales

Updates to the Additional Pension Contribution (APC) calculator

Updates to the APC calculator available from <https://apc.lgps2014.org/index.php> went live on 22 August 2014. The updates to the **buying lost pension** calculator (now version 1.4) and the **buying extra pension** calculator (now version 1.5) included:

- the addition of a quick quote facility (where the output is a quote only and there is no requirement for the user to tick that they have read the terms and conditions in order to produce a quote)
- a new help field added to explain the quick quote facility
- the terms and conditions relating to an APC application are now accessed via a hyperlink rather than listed on the application form.

A minor amendment was made to the **buying lost pension** terms and conditions where the 4th paragraph now states "You can cover lost pension for any length of period of absence but the maximum period for which an employer must meet 2/3rds of the cost, is a period of 36 months".

There were also some general updates made to the flowchart found on the APC calculator landing page as well as a restructuring of the introductory text. Funds and employers are asked to continue to share their comments on the APC calculator with the LGPC secretariat to help with further development of this resource.

In addition the APC guidance paper has also been updated. Version 1.4 (as well as a tracked changes version) is available from the administration guides section of the [LGPS regulations website](#).

Secretary of State Guidance

In [Bulletin 116](#) the LGPC secretariat included a number of points where clarification has been sought in respect of various items of Secretary of State Guidance, including the Annual Allowance Charges: Calculation of Scheme Pays Offset guidance.

At paragraph 15 of the article we included a query which asked "*Does this guidance apply to an election made now for the 2013/14 Pension Input Period (ending 31 March 2014). Whilst the relevant date to be used would be 1 April 2014 (as per paragraph 2.3) it isn't clear as to whether new NPA conversation factors in table A2 should be applied to the pre 2014 benefits only, with a NPA of 65.*"

Upon further consideration the response provided by the LGPC secretariat to the question was unclear. The reference to "election" is a reference to the scheme pays election made by the scheme member. If the election for the 2013/14 Pension Input Period was made (by a retiree) prior to 1 April 2014 the former GAD guidance on the calculation of the Scheme Pays Offset would apply. However, for elections made by a scheme member on or after 1 April 2014 the new Secretary of State guidance should be used. We've deleted this query from the list shared with DCLG as the position is now clear.

LGA responds to draft governance regulations

The LGA issued their response to DCLG's consultation 'the LGPS (Amendment) Regulations 2014, draft regulations on scheme governance' in August.

The response outlined the LGA's views relating to the introduction of local pension boards and the Scheme Advisory Board (SAB). In respect of local pension boards the LGA is strongly opposed to elected members being prevented from serving on local pension boards in the capacity of employer or member representatives. The LGA see a need for as much flexibility as possible at local level when establishing local pension boards and would support the second option for draft regulation 106(5) leaving discretion to administering authorities. In terms of the provision for combined pension committee/local pension boards the LGA believe that provision should exist but that a high hurdle should be set to ensure that both the wording and spirit of both the Local Government Act 1972 and the Public Service Pensions Act 2013 are met.

In respect of the introduction of the SAB the LGA would support the proposal to fund the SAB through scheme administration costs and would consider a subscription using fund membership bands to be the fairest way to achieve this aim. In addition the LGA would like to see the addition of a requirement for the SAB chair to ensure board members have the required knowledge and understanding to undertake their role as well as having access and regard to appropriate advice when making recommendations to the Secretary of State.

The response also covers the LGA's views on joint pension boards, annual general meetings and the requirements regarding knowledge and understanding for pension committee members. To read the response in full please visit the drafts and consultation section of the [LGPS regulations website](#).

LGPS 2015 Scotland

LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014

The LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014 (SSI 2014/233) were laid before Scottish Ministers on the 22 August 2014. The regulations contain the protections in place for existing members of the scheme who transfer across to the new career average scheme from 1 April 2015. The regulations are available on the Government's legislation website and in addition a link will be made available shortly from the Scottish Public Pensions Agency (SPPA) website alongside their recent circular SPN/LG No.5/2014. Please see the article below for information on how LGPS regulations will be held for Scotland on the LGPC secretariat's website www.lgpsregs.org.

LGPS 2015 Regulations website

At present LGPS regulations for the current scheme in Scotland are held on <http://timeline.lge.gov.uk>. These regulations (for the pre April 2015 scheme) will continue to be held on this website going forward and maintained for reference post April 2015. For the new scheme from 1 April 2015 the scheme regulations will be held on www.lgpsregs.org (as is also the case for the scheme in England and Wales). Over the coming months the LGPC secretariat will work to add the Scottish regulations to this website. In the meantime a separate tab has been created on the LGPS regulations website to hold information relating to Scotland. You will be able to access this from www.lgpsregs.org/index.php/scotland (this page will go live in early September). This includes a link to both the LGPS (Scotland) Regulations 2014 and the LGPS (Transitional Provisions and Savings) (Scotland) Regulations 2014. In early September the Payroll Guide for LGPS 2015 will also be made available and in due course the HR Guide and Administration Guides will also be uploaded to this section. As and when further

developments for Scotland are made to the LGPS regulations website we will inform pension managers in Scotland.

Shadow Scheme Advisory Board

Response to the draft governance regulations

The Shadow Scheme Advisory Board (SSAB) submitted its response to the consultation on the draft LGPS (Amendment) Regulations 2014 covering scheme governance. To read the response in full visit the [LGPS Board's website](#).

Governance Guidance

The SSAB has tasked the Governance and Standards sub-committee of the Board with developing guidance on the creation and operation of local pension boards to further assist pension fund practitioners with the work needed to realise these new boards. Work is underway to prepare this guidance and a first full draft is expected in September.

On 28 August an email was issued to pension managers in England and Wales to give advance warning that the sub-committee plans on holding a consultation to seek the views of practitioners before the SSAB publish this guidance. It is anticipated that this consultation will take place towards the end of September/early October 2014. The reason for the advance warning is to confirm that the sub-committee expect the timeframe for this consultation to be no more than 2 weeks, due to the tight timescales left to create these new boards by April 2015.

It's also important to note that guidance is being created using draft regulations and draft code of practice no.14 from the Pensions Regulator. This may mean that any final guidance will need to be reviewed to ensure that any changes in final laid regulations and the code of practice are reflected in this guidance.

The Board secretariat will keep practitioners up to date with progress relating to the development of this guidance.

The email also made reference to another strand of work being carried out by the Governance and Standards sub-committee namely giving consideration to the level of separation between the scheme manager function and that of the lead authority. Work to identify the desirability of increasing separation will start in autumn 2014 and the sub-committee is tasked with making recommendations to the SSAB on ways in which greater separation could be achieved. The Governance and Standards sub-committee will be consulting with all practitioners on this work later in the year. From there the SSAB will then decide how to proceed with these options during 2015.

For information on discussions to date please see the actions and agreements from recent Governance and Standards meetings available from the Governance and Standard's section of the [Board's website](#).

Collaborations in the LGPS

The Value for Money and Collaboration sub-committee of the SSAB recently published a list of active collaborations within the LGPS. The list includes the activity undertaken within each collaboration, the service provider(s) details, who is eligible to participate in the collaboration as well as relevant contact details. The list can be found on the Value for Money and Collaboration sub-committee section of [the Board's website](#).

Other News Items

Revised version of Cabinet Office Statement of Practice - Staff transfers in the public service

Following the publication of new guidance on the Fair Deal policy in October 2013 (see [Bulletin 108](#) for details) it has recently come to the attention of the LGPC secretariat that the Cabinet Office published a revised version of their statement of practice entitled "Staff transfers in the public service". This document also covers machinery of government transfers. Where a transfer is at the instigation and control of central government these will usually be achieved through specific legislation and such legislation should follow the principles of TUPE and also include protection for occupational pensions. To read the revised statement of practice visit the [Government's website](#).

New Address for DCLG

The Workforce, Pay and Pensions Division (WPPD) of DCLG will be moving to a new location with effect from Monday 8 September 2014.

Their new address will be:

WPPD
Fry Building
SE quarter
2nd Floor
2 Marsham Street
London
SW1P 4DF

Telephone: 0303 44 ext...

All existing e-mail addresses and telephone numbers will remain the same for your usual contacts.

New section on tPR website for public service pension schemes

The Pensions Regulator (tPR) has launched a [new section on their website](#) for anyone involved in the governance and administration of public service pension schemes.

In this new section, you will find two new brief guides about pension boards and being a pension board member that were published by tPR in July, together with tPR's draft code of practice that sets out the standards of governance and administration for the running of public service pension schemes.

HMRC Scheme Reconciliation Service

HMRC issued an update on their Scheme Reconciliation Service on 31 July 2014. To find the latest information on this service visit [HMRC's website](#).

HMRC Newsletter no. 64

[Newsletter 64](#) from HMRC was issued on 18 August and includes information on the following topics:

- Pensions flexibility
- Individual Protection 2014 (IP2014)
- Certificates of residence for registered pension schemes
- Pension Scams

- HMRC Scheme Reconciliation Service.
- Annual tax summaries
- Annual Allowance Charge (Amendment) Order

With regard to the last item on the list above, administering authorities will be aware that if there has been a transfer into the LGPS in the pension input period the amount of pension (and separate lump sum if appropriate) that relates to the transfer in is deducted from the expected benefits at the end of the pension input period before working out the closing value. However, the draft Order provides that there must be a direct link between the amount of the transfer payment and the amount of the increase in pension and, if applicable, separate lump sum (the 'benefits') relating to the transfer. This means that the deduction from the pension input amount is to be the amount of benefits that are funded by the transferred amount. If the amount of benefits relating to the transfer in is more than the amount of benefits that could have been funded by the transfer payment, the 'excess' amount of benefits is to be included in the pension input amount calculation. An exception to these conditions will be where

- accrued benefits are transferred from one registered pension scheme to another as part of a 'block transfer', and
- the value of the benefits given up in the transferring scheme is equal (or virtually equal) to the value of the benefits granted in the receiving scheme in connection with the block transfer, but
- due to underfunding in the transferring scheme, the sums and assets transferred does not support the value of the accrued benefits being transferred.

This change will be effective from the date the Order comes into force and may catch Club transfers (where the pension granted in the LGPS is greater than the transfer payment would purchase on a non-Club basis). New sub-section 236(5B)(a) of the Finance Act 2004 states that "*normal actuarial practice must be used when determining and comparing the amount of reduction, and the amount of increase, in the benefits to be paid to or in respect of an individual*".

Where a transfer takes place:

- 1) between Club Schemes the normal actuarial practice (confirmed by GAD) for the receiving scheme is to calculate the incoming service credit using the pay, benefits (increased by pensions increase where appropriate) and factors of the sending scheme, thereafter adjusted for any differences in the receiving scheme regarding normal pension age and survivor benefits. The outcome produces an equivalent service credit from one Club scheme to the next and does not take into account any difference in pay between the Club Schemes.
- 2) from a non-Club Scheme to a Club Scheme the normal actuarial practice (confirmed by GAD) for the receiving Club scheme is to calculate the incoming service credit using the pay and factors relevant to normal pension age and marital status of the receiving Club scheme. The outcome produces a service credit directly attributable to the CETV paid by the sending Scheme.

Clarification is, therefore, being sought, for Club Transfers which are not 'block transfers', as to what is meant by 'normal actuarial practice'. If it means that only the value of benefits calculated on a non-Club basis can be subtracted from PE and, where appropriate, LSE at the end of the pension input period then the difference between the value of the benefits

purchased on a Club and non-Club basis will have to be included in calculating the pension input amount for the pension input period.

Pensions Policy Institute (PPI) Automatic Enrolment Report 3

PPI has published [its third report](#) in a series of research reports that investigates the potential impact of automatic enrolment into workplace pensions.

TPR publications relating to automatic enrolment

TPR have released the following reports relating to automatic enrolment recently including:

- A [commentary and analysis report 2014](#) in July 2014 which revealed that 99% of all the UK's largest employers met their legal duties without tPR using their statutory powers.
- A [declaration of compliance \(registration\) report](#) in August 2014 which showed that more than four million workers from over 21,000 employers are now successfully enrolled into workplace pensions.
- The latest quarterly [automatic enrolment compliance and enforcement bulletin](#) which includes an article on the automatic enrolment duties of local authorities and schools.

Legislation

United Kingdom

SI	Reference Title
2014/ 1965	Pensions Act 2014 (Commencement No.1) Order 2014 (c.92)

Useful Links

[LGA Pensions page](#)

[LGPS members' website](#)

[LGPS 2014 members' website](#)

[LGPS Advisory Board website](#)

[LGPS 2014 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.

[Qualifying Recognised Overseas Pension Schemes](#) approved by HMRC and who agreed to have their details published.

[The Timeline Regulations](#)

Pensions Section Contact Details

Jeff Houston (Head of Pensions)

Telephone: 0207 187 7346
Email: jeff.houston@local.gov.uk

Terry Edwards (Senior Pensions Adviser)

Telephone: 01954 232 834
Email: terry.edwards@local.gov.uk

Tim Hazlewood (Pensions Training & Development Manager)

Telephone: 01455 824 850
Email: tim.hazlewood@local.gov.uk

Con Hargrave (Pensions Adviser)

Telephone: 0207 664 3176
Email: cornelius.hargrave@local.gov.uk

Mary Lambe (Pensions Adviser)

Telephone: 0207 187 7374
Email: mary.lambe@local.gov.uk

Liam Robson (Pensions Analyst)

Telephone: 0207 664 3328
Email: liam.robson@local.gov.uk

Elaine English (LGPS Executive Officer)

Telephone: 0207 187 7344
Email: elaine.english@local.gov.uk

Alison Hazlewood (Part-time Administration Assistant - Training & Development)

Email: alison.hazlewood@local.gov.uk

Distribution sheet

Pension managers (internal) of administering authorities
Pension managers (outsourced) and administering authority client managers
Officer advisory group
Local Government Pensions Committee
Trade unions
CLG
COSLA
SPPA
Regional Directors
Private clients

Copyright

Copyright remains with Local Government Group. This Bulletin may be reproduced without the prior permission of LG Group provided it is not used for commercial gain, the source is acknowledged and, if regulations are reproduced, the Crown Copyright Policy Guidance issued by HMSO is adhered to.

Disclaimer

The information contained in this Bulletin has been prepared by the LGPC Secretariat, a part of the LG Group. It represents the views of the Secretariat and should not be treated as a complete and authoritative statement of the law. Readers may wish, or will need, to take their own legal advice on the interpretation of any particular piece of legislation. No responsibility whatsoever will be assumed by the LG Group for any direct or consequential loss, financial or otherwise, damage or inconvenience, or any other obligation or liability incurred by readers relying on information contained in this Bulletin. Whilst every attempt is made to ensure the accuracy of the Bulletin, it would be helpful if readers could bring to the attention of the Secretariat any perceived errors or omissions. Please write to:

LGPC
Local Government Group
Local Government House
Smith Square
London, SW1P 3HZ

or email: [Mary Lambe](mailto:Mary.Lambe@lgpc.gov.uk)
tel: 0207 187 7374