

Local Government Pensions Committee
Secretary, Lorraine Bennett

LGPC Bulletin 181 – February 2019 (2)

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:

- [cost management \(response by 1 March 2019\)](#),
- [the LGPS \(Miscellaneous Amendment\) Regulations 2018](#),
- [Your LGPS contacts](#), and
- [Tell Us Once \(response by 27 February 2019\)](#),

all of which require action by certain stakeholders.

We have also [published](#) the latest dates for understanding workshops, insight residential course and advance notice of the 2020 Governance Conference.

Additionally, a number of new consultations (pooling guidance and fair deal) have been published by MHCLG to which stakeholders may wish to respond.

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 [Jayne Wiberg](#).

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LGPS Scheme Advisory Board (SAB) England & Wales

Cost management update

On 21 December 2018, Lorraine Bennett emailed administering authorities with a [cost management update](#) on behalf of SAB.

On that same day it was [reported](#) that the Court of Appeal held that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015, were unlawfully discriminatory. This case is known as the 'McCloud case'.

Following the judgment, on 30 January 2019 the Government published a [written statement](#) that paused the HMT cost management process for public service pension schemes, pending the outcome of the application to appeal the McCloud case to the Supreme Court. This was supplemented by the [publication](#) of the Public Service Pensions (Valuations and Employer Cost Cap) (Amendment and Savings) Directions 2019, on 15 February 2019.

On 8 February 2019, SAB confirmed it had no option but to pause its own cost management process pending the outcome of McCloud. As a result there are currently no changes to benefits planned in respect of the cost management process (either the LGPS process or HMT process) from 1 April 2019. This situation will be reviewed once McCloud is resolved which is not expected for some months.

The [cost management page](#) of the SAB [website](#) has been updated with all of the background information to the above, including the [Q&A](#) that Lorraine Bennett emailed to administering authorities on 15 February 2019. The Q&A is in HTML format to enable it to be easily updated as events move forward. It sets out potential timescales and possible outcomes of the McCloud case, and its impact on the cost cap process.

Action for administering authorities

At the end of the Q&A there is a question for administering authorities regarding the approach to the 2019 valuation.

Please can administering authorities consider their view on this important matter and send their responses to robert.holloway@local.gov.uk by **Friday 1st March 2019**.

SAB and MHCLG infrastructure event

On 15 November 2018, SAB and MHCLG hosted an infrastructure event, chaired by Cllr Roger Phillips, including keynote speaker [Rishi Sunak MP](#) (Minister for Local Government). Following the event Liam Robson published a [note](#) summarising the day in full.

SAB update

The SAB met on 16 January 2019. An update of the matters covered at the meeting can be found on the [board publication page](#) of www.lgpsboard.org. A brief look at some of those discussions (not already covered elsewhere in this bulletin) follows:

- The procurement process for the cost transparency compliance system is progressing smoothly.
- The academies administration group and the third tier employers' working group had been put on hold, but are due to restart as a matter of urgency.
- The separation project has been renamed 'Good Governance in the LGPS'. The contract to make recommendations to enhance the LGPS function within local authority structures has been awarded to Hymans Robertson. This work will begin immediately and Hymans Robertson will be in touch with administering authorities with details of the project, including information on how to complete a questionnaire and further engagement plans.
- The draft responsible investment guidance should be extended to include a checklist enabling administering authorities to measure whether their ESG policy, including climate change risk, represents the minimum to comply with the law, good practice or best practice.
- To avoid any potential legal challenge to the way IORP II has been transposed into legislation by the UK government, the board will undertake discussions with MHCLG.
- To establish the effectiveness of Local Pension Boards, a further survey (building on that undertaken in 2017) is planned for the summer of 2019.
- SAB [wrote](#) to TPR in November 2018 expressing concerns about the burdens being imposed by TPR on individual administering authorities. TPR [replied](#) in December 2018 and in due course will meet with SAB to discuss the issues further.

LGPS England & Wales

MHCLG issue consultation on pooling guidance

On 3 January 2019, MHCLG issued [draft statutory guidance](#) on LGPS asset pooling. The guidance sets out the requirements on administering authorities, replacing previous guidance, and builds on previous Ministerial communications and guidance on investment strategies.

The consultation is an informal one with interested parties only, including the Scheme Advisory Board, Pensions Committees, Local Pension Boards, the pool Joint Committees or equivalent, the Cross Pool Collaboration Group, the pool operating companies where owned by participating funds, CIPFA and ALATS.

The consultation closes on 28 March 2019.

MHCLG issue consultation on fair deal

On 10 January 2019, Jayne Wiberg on behalf of MHCLG, circulated a policy consultation and draft regulations on '[Fair Deal – strengthening pension protection](#)' in the LGPS.

The consultation contains proposals to strengthen the pension protections that apply when an employee of a LGPS employer is compulsorily transferred to the employment of a service provider. The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff a continued right to membership of the LGPS. These changes are intended to bring the LGPS in line

with the government's October 2013 [Fair Deal guidance](#) that applies in relation to transfers from central government. The consultation closes on 4 April 2019.

The LGPC will be responding to the consultation in due course. In addition, the national LGPS Technical Group have created a sub-group to review the impact of the consultation and to make recommendations for response. The sub-group will be working closely with the LGA and MHCLG.

Contribution bands for 2019/20

On 17 October 2018, the Office for National Statistics (ONS) announced that the Consumer Prices Index (CPI) rate of inflation for September 2018 was 2.4%. Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year.

The table below sets out the draft contribution bands¹, which will be effective from 1 April 2019. These are based on the pay bands for 2018/19 as increased by the September 2018 CPI figure of 2.4%, with the result rounded down to the nearest £100.

Draft Contribution table 2019/20			
Band	Actual pensionable pay for an employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £14,400	5.5%	2.75%
2	£14,401 to £22,500	5.8%	2.9%
3	£22,501 to £36,500	6.5%	3.25%
4	£36,501 to £46,200	6.8%	3.4%
5	£46,201 to £64,600	8.5%	4.25%
6	£64,601 to £91,500	9.9%	4.95%
7	£91,501 to £107,700	10.5%	5.25%
8	£107,701 to £161,500	11.4%	5.7%
9	£161,501 or more	12.5%	6.25%

LGPS (Miscellaneous Amendment) Regulations 2018 [SI 2018/1366]

On 4 February 2019, the Secretariat published [bulletin 180](#) dated February 2019.

Bulletin 180 provides a commentary for LGPS administering authorities in England and Wales on the changes to the LGPS made by the Local Government Pension Scheme (Miscellaneous Amendment) Regulations 2018 [SI2018/1366].

¹ To be confirmed once the 2019 Pension Increase (Review) Order is published (expected in March 2019).

The regulations came into force on 10 January 2019, with some provisions having an earlier effect. The regulations:

- introduce a general power for the Secretary of State to issue statutory guidance.
- make a technical amendment to allow early access to benefits between the age of 55 and NRD (as defined by the LGPS Regulations 1995²), for deferred members who left before 1 April 1998.
- address the [Walker v Innospec judgment](#) by providing that survivors of registered civil partnerships or same sex marriages will be provided with benefits that replicate those provided to widows.

Action for administering authorities

There are actions that LGPS administering authorities **must** take as a result of these changes. A summary of the actions is noted below; more detail is provided in the appropriate sections of [bulletin 180](#):

- note and make any necessary changes to procedures / documentation to reflect that from 17 April 2018 deferred members who left the Scheme before 1 April 1998:
 - must now make a written election for early payment to the administering authority, instead of their former employer.
 - no longer have to have left all local government employment in order to receive early payment of their benefits under regulation D11(2)(d) of the LGPS Regulations 1995³ i.e. election for early payment.
- revisit calculations of pensions paid to surviving civil partners and same sex spouses and pay any additional amounts due. Await statutory guidance with regard to any further adjustments that may be due e.g. to CETVs, trivial commutations paid to surviving civil partners and same sex spouses and trivial commutations paid to members where the member was in a civil partnership or married to a same sex spouse at the date of payment. MHCLG have confirmed they will issue statutory guidance to assist administering authorities in this exercise.
- make adjustments to the calculation of some widows' and widowers' pensions where the member dies after 9 January 2019.

Discretionary policies

The Secretariat has published revised versions of the Discretionary policy list and guide (versions 1.7 and 1.9 respectively). Clean and tracked changes versions, can be found in the [guides and sample document pages](#) of www.lgpsregs.org.

Action for administering authorities and scheme employers

The documents have very minor changes though will require an amendment to both scheme employers' and administering authorities' mandatory discretionary policies:

- whether to grant the application for early payment of deferred benefits (in respect of a member who left active membership before 1 April 1998) on

² SI 1995/1019

compassionate grounds - application may now be granted by the administering authority where the former employer no longer exists³.

- where a member who opted out of the scheme continues to be employed by a Scheme employer, the member is only entitled to receive their benefits at NRD if their employer consents to them doing so (in respect of a member who opted out of the scheme after 31 March 1998 and before 1 April 2008)⁴.

Exit credits

On 19 December 2018, Lorraine Bennett emailed administering authorities regarding the payment of exit credits by virtue of regulation 64 of the LGPS Regulations 2013.

The email acknowledged that the Secretariat is aware that the payment of exit credits is causing some issues, particularly where there is a side contractual agreement in place with the employer and also where contractors are no longer extending contracts/admission agreements but are looking to terminate the contract and re-bid in order to receive payment of an exit credit. We asked for information about the number of exit credits paid and also their monetary value in order that we could raise the issue with MHCLG. Thank you to those administering authorities that responded.

We have now met with MHCLG on this issue – they have agreed that whilst the general thrust of the regulation requiring an exit credit is right, they will consider making a regulatory change or issuing statutory guidance to provide that where the employer bears no risk, this can be taken account in the calculation of an exit credit payment.

SCAPE discount rate – impact on actuarial guidance - update

On 9 January 2019, Lorraine Bennett emailed administering authorities confirming that MHCLG had issued revised factors, effective from 8 January 2019 with transitional arrangements for certain events, for:

- non-club transfers in.
- early retirements.
- trivial commutations.
- pension credits (where the debited member left the LGPS prior to 1 April 2014 or the transfer date is prior to 1 April 2014).
- pension debits (pre and post 2014).

The factor spreadsheet and covering letter are available on the [actuarial guidance](#) page of www.lgpsregs.org. The [transitional guidance document](#) (which sets out the recommended process for administering authorities during the transition to the new factors) has also been updated.

Club transfer factors

New club factors will come into effect from 1 April 2019. GAD have confirmed they plan to include the new club factors in the next copy of the new LGPS factor

³ Regulation 4 of LGPS (Miscellaneous Amendment) Regulations 2018 [SI 2018/1366] effective from 17 April 2018

⁴ Regulation 31(7) of the LGPS Regulations 1997 [SI 1997/1612] - this mandatory discretion had been missed in earlier versions of the documents.

spreadsheet (with the 1 April 2019 implementation date). The revised club factors have already been shared with software providers and we will circulate these to administering authorities when they are officially released by MHCLG (due imminently).

Process to apply the new Club Factors

The following process for applying the new factors has been agreed between public service pension schemes:

- where a Club transfer estimate was issued before 1 April 2019 and the option forms are returned within the guarantee period, the payment is made as quoted (i.e. based on the pre 1 April 2019 factors). In turn, the receiving club scheme completes the transfer in based on the club factors used by the sending club scheme (i.e. the pre 1 April 2019 factors), by reference to the calculation date.
- any new estimates from 1 April 2019 or recalculations where the option forms were received outside the guarantee period would be on the new factors (i.e. the new factors effective from 1 April 2019). Again, the receiving club scheme completes the transfer in based on the factors used by the sending club scheme (i.e. the new factors effective from 1 April 2019), by reference to the calculation date.

Late retirement factors

It is intended to introduce new factors and methodology for members taking payment of their benefits after Normal Pension Age. We understand that MHCLG will undertake a consultation with stakeholders soon.

LGPS Scotland

Cost management update

SPPA have provided the Secretariat with the following update for Scottish administering authorities.

Administering authorities to note

“As you are aware, the Public Service Pensions Act 2013 requires all public service pension schemes to undergo regular valuations, in addition to the regular fund valuations undertaken by LGPS fund actuaries. At the October meeting of the LGPSAB (Scotland), GAD presented demographic assumptions which have been agreed.

The UK Government and Scottish Ministers chose to allow certain exceptions which were designed to protect those closest to retirement from the impact of those reforms. As you will be aware, the Court of Appeal handed down judgment in the cases of McCloud and Sargeant on 20 December 2018: these age-related transitional arrangements were held to be discriminatory. It is anticipated that other public service pension schemes across the UK may be affected by this decision, including LGPS Scotland, notwithstanding that the nature of the comparable transitional arrangements implemented for local government pension schemes [statutory underpin] was slightly different from those adopted for the unfunded schemes.

The judgment therefore has implications for post-reform members' benefits, and the UK Government is seeking permission to appeal to the Supreme Court. Meantime, the substantial impact of the judgment is such that it is impossible to assess with certainty the value of current public service pension arrangements. On 30 January 2019 HM Treasury therefore announced in a Written Ministerial Statement that the UK Government intends to pause the 'cost cap' mechanism under the current round of scheme valuations, pending the final outcome of the appeal.

As noted in the Ministerial Statement, if the UK Government is successful in its appeal, the cost cap process will resume. If unsuccessful, steps will need to be taken to compensate members who have been unfairly disadvantaged in the post-reform schemes. Accordingly, the nature, and the timescale for implementation, of changes to the provisions of LGPS Scotland flowing from the actuarial valuation of the scheme for cost cap purposes being undertaken by the Government Actuary's Department (GAD) is not currently clear. We understand that changes which were scheduled to come into force this April in the England & Wales LGPS have been put on hold.

We are liaising closely with HM Treasury and MHCLG on this matter. Meanwhile, GAD is progressing its valuation calculations only to the extent necessary at this stage, pending greater clarity on the legal position and the UK Government's consequent policy intent".

The Local Government Pension Scheme (Scotland) Regulations 2018 [SSI 2018/141]

The above regulations were laid before Scottish parliament on 2 May 2018 and came into force on 1 June 2018, with backdated provisions for some regulations. In February 2019, SPPA published its [response](#) to the consultation concerning these regulations. The purpose of the response is to provide stakeholders with a summary of the feedback received to the 2018 consultation and how this feedback impacted on the regulations that were eventually enacted.

SCAPE discount rate – impact on actuarial guidance - update

In November 2018, SPPA published revised factors relating to non-club CETVs and pensioner cash equivalent on Divorce. SPPA have confirmed that they are still waiting for the remainder of the factors to be published.

SPPA Circular 1/2018 – overpayments arising from the contracted-out reconciliation exercise

In [bulletin 167](#) we reported that on the 8 February 2018, SPPA published [circular 1/2018](#) and a [short update](#) on their website. The purpose of this circular was to:

- a) confirm how Guaranteed Minimum Pension (GMP) related overpayments which arise from the contracted-out reconciliation exercise should be managed going forward, and
- b) provide information that the Accountable Officer may wish to take into account when deciding on how accrued GMP related overpayments are managed.

In [bulletin 174](#), we confirmed that Scottish Ministers had decided that the approach to be taken concerning overpayments arising from the contracted-out reconciliation exercise should be in keeping with a similar exercise that took place in 2008/2009. This means that any LGPS pension in payment affected by the contracted-out reconciliation exercise would not be reduced. On 12 July 2018, SPPA published a [consultation](#) to enable this approach. The consultation closed on 11 October 2018.

We have been informed by SPPA that the Increased Pension Entitlement (IPE) regulations were due to be laid in February 2019. However, due to pressures within the legislative system this will now not happen until later in 2019. Until such a time that the regulations are laid, Scottish administering authorities should continue as set out in [bulletin 167](#).

Review of the structure of the Scottish LGPS

In [bulletin 174](#), we reported that the Scheme Advisory Board (SAB) to the Scottish LGPS issued a [consultation](#) on how the Scottish LGPS may best be structured to serve its members and sponsors. The purpose of the consultation was to seek views on four possible options ranging from maintaining the status quo to full consolidation into one or more larger funds. The consultation closed on 7 December 2018.

On 11 February 2019, the Scottish SAB published the consultation [responses](#) to the Structure review of the Scottish LGPS.

HMT

House of Commons Statement on public service pension schemes

On 30 January 2019, the government [announced](#) a pause to one element of the valuations of public service pensions, following a court ruling on part of the 2015 pension reforms. The full statement is set out below and the [implications](#) for the LGPS in England & Wales are discussed earlier in this bulletin.

“The Coalition Government introduced reforms to public sector pensions, meaning most public sector workers were moved to new pension schemes in 2015.

In December 2018, the Court of Appeal ruled that the ‘transitional protection’ offered to some members as part of the reforms amounts to unlawful discrimination. The Government is seeking permission to appeal this decision. If this is unsuccessful, the Court will require steps to be taken to compensate employees who were transferred to the new schemes.

A mechanism for assessing the value of pensions (the “cost control mechanism”) was also introduced as part of the 2015 reforms. In September of last year, Government announced that provisional results indicated that the cost control mechanism would be engaged, triggering automatic changes to member benefits.

However, given the potentially significant but uncertain impact of the Court of Appeal judgment, it is not now possible to assess the value of the current public service pension arrangements with any certainty. The provisional estimate is that the potential impact of the judgment could cost the equivalent of around £4 billion per

annum. It is therefore prudent to pause this part of the valuations until there is certainty about the value of pensions to employees from April 2015 onwards.

The value of public service pensions will not be reduced as a result of this suspension. If the Government is successful in court, we will implement the changes to employee benefits as planned. If the Government is defeated, employees will be compensated in a way that satisfies the judgment.

In order to ensure employers are meeting the increased costs of providing pensions, the part of the valuations of the unfunded pension schemes which sets employer contributions (which existed before the 2015 reforms) will continue. Employers in unfunded schemes have been planning for these changes in employer contributions to be implemented in April 2019, and the Treasury is in the process of allocating funding to departments to help with these costs.

Whatever the court outcome, we know the costs of providing public sector pensions are increasing. The 2015 reforms were to ensure public service pensions are affordable and sustainable in the long term, maintaining intergenerational fairness and ensuring the burden on the working population remains proportionate.”

The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment and Savings) Directions 2019

Following the [HoC statement](#), pausing the cost cap element of the public service pension scheme valuations in light of the potentially significant but uncertain impact of the [McCloud case](#), HMT have published the above Direction. The 2019 Direction pauses the cost cap process whilst enabling the unfunded schemes to proceed with their increase in employer contributions from 1 April 2019.

The Direction and the accompanying documents can be found in the ‘related legislation’ pages of www.lgpsregs.org and www.scotlgpsregs.org.

HMRC

AFT returns and Event reports

In [bulletin 179](#) we reported that HMRC had asked administering authorities to complete a questionnaire about the Accounting for Tax (AFT) and Event reporting.

To help, this article sets out an administering authority’s HMRC reporting responsibilities in respect of both the:

- Accounting for Tax (AFT) returns, and
- Event reports

Although these tasks can be delegated to a third party, they remain the administering authority’s responsibility.

Accounting for Tax (AFT) Returns

Detailed guidance on the AFT return can be found in the [Pensions Tax Manual](#). Administering authorities are subject to tax charges when making certain payments. These tax charges must be reported and paid to HMRC using the AFT return. Tax charges that need to be reported on the AFT return are:

Charges that apply	HMRC Tax Manual Reference
Short service refund lump sum charge	PTM045000
Lifetime allowance charge	PTM083000
Special lump sum death benefit charge	PTM073010
Serious ill-health lump sum charge (6 April 2011 to 15 September 2016)	PTM063400
Annual allowance charge where the scheme pays the member's charge	PTM056400
Overseas transfer charge	PTM102200
Authorised surplus payments charge	PTM145200
De-registration charge	PTM033300

Deadlines for submitting AFT returns and tax charge payments⁵

Period during when tax arises	Administering authority filing date and payment deadline (45 days after period end)
1 January to 31 March	15 May
1 April to 30 June	14 August
1 July to 30 September	14 November
1 October to 31 December	14 February

AFT returns must be submitted using the [Pension Schemes Online Service](#).

Annual Allowance⁶

Mandatory scheme pays is where the:

- annual allowance charge for the tax year is more than £2,000, and
- pension input amount (PIA) in the case of the individual in relation to the LGPS (LGPS in England & Wales, Scotland & Northern Ireland are separate schemes) for the tax year exceeds the amount of the annual allowance specified for that tax year.

A member can elect to notify the administering authority (within prescribed timescales) that they require them to pay some or all of their annual allowance charge in return for a reduction to their pension benefits in the LGPS a 'mandatory scheme pays debit'. The individual and the administering authority are jointly and severally liable to the annual allowance charge.

Payment of the annual allowance charge by the administering authority is to be reported in the AFT return for 31 December of the year following the year in which the tax charge arose⁷. The tax is due by the following 14 February. For example: Tax year 2018/19 AFT return by 31 December 2020 tax paid by 14 February 2021.

⁵ [Section 254 Finance Act 2004](#)

⁶ [\(Sections 237A-237E Finance Act 2004 as amended by Schedule 17 para 15 Finance Act 2011\)](#)

⁷ [Section 254 \(7A\) Finance Act 2004 as amended by Schedule 17 para 18 Finance Act 2011](#)

If the administering authority chooses to record payment of the annual allowance charge on the AFT return for an earlier quarter, the tax is due 45 days from the end of that quarter.

Where a member does not meet the mandatory scheme pays conditions, the administering authority may decide to pay the member's annual allowance charge on a voluntary basis ('**voluntary scheme pays**').

Unlike 'mandatory scheme pays' the administering authority is not jointly and severally liable to the tax charge so the liability remains with the member. Any payment made by an administering authority on a voluntary basis should therefore be reported and paid as part of the member's normal self-assessment deadline, currently 31 January following the relevant tax year.

Where the administering authority does not reduce the member's benefits in the LGPS to take account of the tax the administering authority has paid on the member's behalf, the member may also become liable to an unauthorised payments charge.

If both mandatory and voluntary scheme pays options are used for a tax year, the tax deadlines for payment and reporting are different.

Event Reports

There are some events that occur in a registered pension scheme that must be reported to HMRC using the Event report. Administrators must refer to the [HMRC Tax Manual](#) for guidance.

Event report number	Details of relevant events in LGPS that need to be reported	HMRC Tax Manual Reference
1	Unauthorised payment.	Events 1 - 5 PTM161300
2	Lump sum death benefit(s) of more than 50% of the lifetime allowance.	
4	Serious ill-health lump sum	
5	Cessation of ill-health pension.	
6	Benefit crystallisation events and enhanced lifetime allowance, enhanced protection, fixed protection, fixed protection 2014, fixed protection 2016, individual protection 2014 or individual protection	
7	Pension commencement lump sum	
8	Pension commencement lump sum: primary and enhanced protection	Events 8 to 9 - PTM161500
8A	Stand-alone lump sum	
9	Transfers to qualifying recognised overseas pension schemes.	
14	Change in number of members	PTM161700.
22	Annual allowance	PTM161600

Deadlines for submitting Event Reports

The deadline date for submitting an Event report is 31 January following the end of the tax year.

If the Event report is not received by the deadline the administering authority may be charged a penalty of up to £300. Daily penalties of up to £60 may also be charged if the report is still not submitted.

Report transfers to QROPS

Administering authorities must tell HMRC about transfers to QROPS using [form APSS 262](#) within 60 days of the transfer. They must also report whether the transfer is a taxable overseas transfer. If the transfer is taxable the administering authority also needs to report the information on their AFT Return and pay the tax due.

What sub-scheme administrators need to do, if they do not have the necessary login details to use Pension Schemes Online?

The relevant guidance can be found in the [Online User Manual](#). If the administering authority is having problems signing in (because they have lost their used ID or password) help/guidance can be found in the [HMRC services: sign in or register](#). If the problem relates to online technical issues, the administering authority should contact HMRC's Online Services helpline (0300 200 3600). If the administering authority requires further assistance, including filing event reports and AFT returns, then contact HMRC's Pension Schemes Helpline (0300 123 1079).

Fit & Proper changes

If the administering authority has not accessed Pension Schemes Online for a while, they may be asked a number of questions because, with effect from 1 September 2014, all the persons that make up the scheme administrator must be a fit and proper person to be a pension scheme administrator. Although these questions will ask for details of the director, details should be provided of the person/people who have responsibility for the administration of the scheme within the administering authority.

Countdown bulletins 41 & 42

On 21 January 2019 and 11 February 2019 HMRC published countdown bulletins [41](#) and [42](#) respectively that included articles on:

- scheme financial reconciliation update (bulletin 42 expands the subject of Deficit and Surplus schemes).
- scheme financial reconciliation in scheme cessation.
- Contributions Equivalent Premiums (CEP).
- resubmission responses.

HMRC workshops on the Manage and Register Pension Schemes service

On 25 January 2019, Lorraine Bennett forwarded administering authorities an email from HMRC regarding their Manage and Register Pension Schemes service workshops. These are to be held on 27 and 28 February 2019.

If administering authorities would like to attend, but have yet to contact HMRC, please contact sarah.l.mee@hmrc.gsi.gov.uk or Karen.smith3@hmrc.gsi.gov.uk.

The workshops are an opportunity for administering authorities to tell HMRC what they would like to see as HMRC design and develop pension scheme reporting and accounting functions, for the Manage and Register Pension Schemes service.

Additionally, this service has now changed its name to Managing Pension Schemes (see [pension schemes newsletter 106](#)).

Pension schemes newsletter 106

On 30 January 2019, HMRC published [pension scheme newsletter 106](#) that includes articles on:

- pension flexibility statistics.
- lifetime allowance for 2019 to 2020 - The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019 [SI 2019/29] were made on 10 January 2019 and come into force on 6 April 2019. As announced in the Budget 2018, the lifetime allowance will increase to £1,055,000 for the tax year 2019/2020.
- changes to HMRC email addresses.
- Guaranteed Minimum Pension (GMP).
- change of name for the Manage and Register Pension Schemes service – now called Managing Pension Schemes.

DWP

‘No deal’ scenario Brexit guidance

On 15 February 2019, DWP updated two sets of guidance explaining the rights of [UK nationals in the EU](#), and [EU citizens in the UK](#), to benefits and pensions if the UK leaves the EU without an agreement (a 'no deal' scenario).

The guidance confirms in respect of both parties that “*There is nothing in UK private occupational pensions legislation that prevents occupational pension schemes from making pension payments overseas. We do not expect that this will change as a result of the UK withdrawing from the EU.*”

Pensions dashboards – LGPC response

In [bulletin 179](#) we confirmed that on 3 December 2018, the government published a [consultation](#) to explore the options for the delivery of online pensions dashboards. The consultation closed on 28 January 2019.

The LGPC responded to the consultation and its response can be found on the [non-scheme consultations](#) page of www.lgpsregs.org and the [non-scheme consultations](#) page of www.scotlgpsregs.org.

TPR

Statement on the UK’s exit from the EU

On the 24 January 2019, TPR [published a statement](#) on the UK’s exit from the European Union, aimed primarily at the trustees of defined benefit (DB) pension schemes.

The statement confirms that because UK workplace pensions are largely domestic in nature, the TPR does not expect the UK's departure from the EU to have a significant effect in respect of the legislative basis under which schemes operate or trustees' ability to continue to administer their scheme effectively (whether or not the departure is with 'deal' or 'no deal' scenario). However, there are some specific areas that administering authorities may need to pay attention to and these are detailed within the statement (largely relating to cross border activities and the payment of occupational pensions to EU citizens).

Other news and updates

Communications working group minutes published

The communications working group meeting took place on 15 January 2019 and the minutes can be found on the [communications working group minutes](http://www.lgpsregs.org) page of www.lgpsregs.org. The group discussed a number of topics including member videos, new regulations for public sector websites, LGPS (Miscellaneous Amendment) Regulations 2018, GDPR, ABS template review, cost cap changes, Fair Deal and employer bite sized videos.

LGA LGPS pensions team

The Secretariat is pleased to welcome two new pensions' advisers to the LGPS pensions team. Alan South joined the team in January 2019 from Bath & North East Somerset and Rachel Abbey joined the team in February 2019 from Surrey. Alan will be working part time and the contact details for both Alan and Rachel can be found in the [contact section](#) at the end of this bulletin.

LGPC meeting of 16 January 2019

The meeting documents, including minutes of the meeting held on 10 October 2018, have been published on the LGPC minutes pages of www.lgpsregs.org and www.scotlgpsregs.org. The meeting covered regulatory updates from England & Wales, Scotland and Northern Ireland and a SAB England & Wales update.

PASA launch new industry group – GMP Equalisation

In [bulletin 177](#), we reported that the High Court had held that schemes must equalise the discriminatory effects of GMPs⁸, [PASA](#) have established a new industry wide group. The group includes representatives from administration, legal, advisory, actuarial, data and trustee sectors.

The aim of the group is to help develop and promote best practice on issues arising from the ruling, from how to address missing data through to dealing with transfer requests and rectifying underpayments.

Supplementary pensions increase on lump sums

The Secretariat would like to confirm that supplementary pensions increase (PI) is payable on a lump sum derived from a deferred benefit brought into payment. This includes lump sum from pre 2008 membership (3/80th lump sum) and any lump sum resulting from commuted (12:1 commutation) final salary and CARE pension.

⁸ Though see [bulletin 177](#) for HMT's statement re public service pension schemes

An example of when this would be payable is set out below:

Date of leaving active membership:	30 September 2016
Effective date of PI for CARE benefits:	1 October 2016
Effective date of PI for final salary benefits:	1 October 2016 (this date could be before 1 October 2016 ⁹ , if an earlier year's final pay period had been used to calculate final salary benefits)
Deferred benefit payable from:	1 September 2017
Last effective date of PI:	10 April 2017 (2017 Pensions Increase (Review) Order [SI 2017/417])

In April 2018, all of the lump sum is eligible for supplementary PI for the period from 10 April 2017 to 31 August 2017 (4 months and 22 days). This is calculated in accordance with article 3 of the Pensions Increase (Review) Order 2018 [[SI 2018/333](#)].

Technical guide showing the impact of the HMT Ministerial Direction published on 4 December 2018

To assist administering authorities in understanding how the Ministerial Direction dated [3 December 2018](#) impacts upon the payment of LGPS pensions, on 4 January 2019, the Secretariat published a guide titled 'The application of increases to LGPS pensions in payment'. This can be found in the guides and sample documents page of www.lgpsregs.org and www.scotlgpsregs.org.

The guide is the product of several years' work with a number of associated parties including LGPS software providers, and we would like to thank those parties for the help they have provided.

The information in the guide sets out the Secretariat's understanding of how increases are applied to LGPS pensions in payment on and after 6 April 2016 (i.e. following the end of contracting out). It is based on:

- the Social Security Pensions Act 1975 (SSPA 1975)
- the Pensions Increase Act 1971 (PIA 1971)
- the Pension Schemes Act 1993 (PSA 1993)
- the Social Security Administration Act 1992 (SSAA 1992)
- related Statutory Instruments i.e. Pensions Increase (Review) Orders, Guaranteed Minimum Pensions Increase Orders
- HMT Ministerial Directions issued under s.59A SSPA 1975.

Background

Following the end of contracting out on 5 April 2016, on 28 November 2016 the Government published a consultation on how future increases to public service pensions could be applied setting out various possible solutions. On 22 January 2018, the Government published the [outcome](#) to its consultation which the Secretariat confirmed in [bulletin 166](#):

⁹ Section 8(2)(a) of the Pensions (Increase Act) 1971

“This consultation was about how government should continue to meet its obligations to index (price protect) and equalise (make equal payments to men and women) the pension entitlements of a certain group of public servants with an occupational pension known as a GMP.

This consultation received 62 responses, broadly in favour of the government’s objectives in continuing to ensure the GMP continues to be indexed and equalised. The government has been implementing an “interim solution” between 6 April 2016 and 5 December 2018. The outcome of this consultation is that this solution will be extended for a further two years and four months. This will cover those members of public service schemes with a GMP who reach state Pension Age on or after 6 December 2018 and before 6 April 2021.

During this period, the government will investigate the possibility of an alternative long-term methodology, known as “conversion”.

On 4 December 2018, HMT published a Ministerial Direction (‘the Direction’) under section 59A of the Social Security Pensions Act 1975, dated [3 December 2018](#) to implement the outcome of the above consultation. The effective date of the ‘Direction’ is 6 April 2016 and supersedes an earlier Direction dated 5 April 2016 (which was published to account for the 1st interim solution). In addition, HMT also republished its guidance titled “[A note on the operation of pensions increase legislation for public service pension schemes](#)” though it omitted to include ‘the Direction’ dated 3 December 2018, consequently the guidance note still shows the superseded Direction of 5 April 2016. Therefore, administrators should replace the 5 April 2016 Direction with ‘the Direction’ dated 3 December 2018 when using the guidance note.

TUO – new data error procedure

On 15 February 2019, Lorraine Bennett emailed administering authorities with a new [data error procedure](#) for those administering authorities that participate in Tell Us Once (TUO).

The process will involve DWP sending, via email, a standard corrected data template to the administering authority if an error in the original data entries has been highlighted to the DWP business desk. Annex 1 of the document sent to each administering authority (not that published herein) contains the contact details that TUO hold for each administering authority. Please can each administering authority review their contact details and also consider:

1. Where the contact email address is as listed in Annex 2 (email addresses that DWP are permitted to use): is the administering authority happy for the corrected personal data of the TUO death notification to be sent to this person for corrective action? If not, please provide the correct email address of the person the administering authority wishes to receive the corrected data for action.
2. Where the email is **not** as listed in Annex 2: is the administering authority able to provide the contact details that comply with annex 2 including email address as listed of the person they wish to receive the corrected data for action?

Action for administering authorities

DWP would be grateful if administering authorities could **reply by 27th February** to the Business Helpdesk emailing:

TELL-US-ONCE.SERVICEDESK@DWP.GSI.GOV.UK confirming or providing an alternative email address to which the correction data is to be sent, if administering authorities could include their pension fund ID number and name that would be appreciated.

Your LGPS contacts

We would like to remind all administering authorities that you are responsible for updating your own contacts using the '[Your LGPS contacts](#)' system (launched November 2017).

Action for administering authorities

We are receiving a high volume of undeliverable messages when we send out communications, particularly to political contacts. We ask that all administering authorities review their contacts and make any necessary updates.

To confirm the following contacts can be updated using the Your LGPS contacts system:

- Pensions manager details for display on www.lgpsregs.org and www.scotlgpsregs.org
- Administration contacts for our administration distribution list e.g. for the monthly bulletin
- Scheme member contacts for display on www.lgpsmember.org (and www.scotlgpsmember.org once launched)
- Finance and investment contacts for our finance and investments distribution list
- Political contacts (pensions committees and local pension boards).

Please see the [user guide](#) for information on how to use the system.

Training

Circular 312

On 11 February 2019, the Secretariat published [circular 312](#) confirming dates for 'understanding workshops', 'insight residential course' and the 2020 Governance Conference. A description of each event plus dates, costs and booking information can be found in the circular, and is summarised below:

- **Understanding workshops – April & May 2019**
One day workshop covering **the employer role** aimed primarily at staff working for scheme employers who have operational responsibilities under the LGPS. Workshops are to be held at various locations across the country in March 2019. The London workshops are already full and there are limited places available for Cardiff.

One day workshop covering **aggregation** aimed primarily at administering authority staff who deal with, or wish to learn about, the aggregation of LGPS benefits. Workshops are to be held at various locations across the country in April 2019. Booking has been swift though there are limited places available at all venues.

- **Insight residential course – May 2019**

Four day residential course covering most aspects of the LGPS at a foundation level, and aimed at all those involved in LGPS administration. It is suitable for pension administration staff as well as HR, finance and payroll staff, where the pensions function plays a significant part in their day-to-day role. The course is to be held in Eastbourne from 20-23 May 2019.

- **2020 Governance Conference – January 2020 - hold the date!**

The 2020 Governance Conference will be held on 23-24 January 2020 in York. Booking details to be released later this year.

Wider landscape

Ban on pensions cold calling

On 9 January 2019, the ban on pension cold calling took effect¹⁰.

The ban prohibits cold-calling in relation to pensions, except where:

- the caller is authorised by the FCA, or is the trustee or manager of an occupational or personal pension scheme, and
- the recipient of the call consents to calls, or has an existing relationship with the caller

To deliver this policy, the Privacy and Electronic Communications (Amendment) (No 2) Regulations 2018 [SI [2018/1396](#)] were made on 19 December 2018 and come into force on 9 January 2019.

SFGB officially active

The Government's Single Financial Guidance Body (SFGB), after becoming a legal entity in October 2018, has now officially adopted its delivery functions.

The SFGB consolidates the services offered by the Money Advice Service, TPAS and Pension Wise. On its [official website](#), the SFGB sets out five core functions, including advice and consumer protection.

The SFGB is funded by levies on both the financial services industry and pension schemes. The new body is sponsored by the Department for Work and Pensions, but will also engage with HM Treasury, which is responsible for policy on financial capability and debt advice. The body will also change its name in 2019 as it develops a new outreach strategy, which will include a new integrated service offer and enhanced partnership working with the wider industry, employers and key stakeholders.

¹⁰ the Privacy and Electronic Communications (Amendment) (No 2) Regulations 2018 [SI 2018/1396]

State pension triple lock

On 11 February 2019, the Secretary of State for Work and Pensions was [asked](#) “what steps her Department is taking to reduce the number of pensioners living in poverty?”

Guy Opperman, Minister for Pensions and Financial Inclusion, mentioned that the Government will spend a total of £121.5bn on pensioner benefits in 2018/19. He then added: “*We are committed to the triple lock for the remainder of this Parliament, guaranteeing that up to the full amounts of the basic and new state pensions will rise by the highest of average earnings growth, price inflation, or 2.5% and in 2018/19 the increase was 3%.*”

Legislation

United Kingdom

Act	Reference Title
2019	The Finance Act
SI	Reference Title
2019/262	The Social Security (Contributions) (Rates, Limits and Thresholds Amendments and National Insurance Funds Payments) Regulations 2019
2019/192	The Occupational and Personal Pension Schemes (Amendment etc) (EU Exit) Regulations 2019
2019/159	The Pension Protection Fund and Occupational Pension Schemes (Levy Ceiling and Compensation Cap) Order 2019
2019/29	The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2019
SSI	Reference Title
2019/48	The Teachers’ Superannuation and Pension Scheme (Scotland) (Miscellaneous Amendments) Regulations 2019
2019/46	The National Health Service Superannuation and Pension Schemes (Scotland) (Miscellaneous Amendments) 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 and one of the team's LGPS pension advisers will get back to you.

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Distribution sheet

Pension managers (internal) of administering authorities

Pension managers (outsourced) and administering authority client managers
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Trade unions
CLG
COSLA
SPPA
Regional Directors
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