

**Local Government Pensions Committee
Technical Group**

**Minutes of the meeting held on 10 June 2016 at
the offices of Barnett Waddingham, 138 Cheapside
London EC2V 6BW**

LGPC Technical Group

10 June 2016

Present

Kev Gerard (Chairman)	South Wales
Lynne Miller	South Wales
Louise Savage	South East
John Smith	South East
Gary McLellan	East Midlands
Ian Howe	East Midlands
Zena Kee	Northern Ireland
Amanda Hyde	Shrewsbury
Richard Smyth	London
Rachel Abbey	South West
Janet Caiazza	Shrewsbury
Alan South	South West
Kelly Scotford	Secretary

In Attendance

Paul Kateley	Heywood
David Friend	Civica
Daniel Kanaris	AON
Catherine Carruthers	Capita
Annemarie Allen	Barnett Waddingham
Jonathan Perera	Mercer
Kimberley Linge	SPPA
Craig Martin	Environment Agency
Justine Davies	PriceWaterhouseCoopers
Ian Colvin	Hymans

LGA

Jayne Wiberg

DCLG

Robert Ellis

1. Apologies

Mike Hopwood	North East
Gary Chapman	North East
Erin Savage	Scotland
Neil Mason	London
Catherine Dix	South West

2. LGPC Update

See attached update – Appendix A

All queries on the GAD guidance should be passed to LGPC so that they can follow up with DCLG. LGPC have already raised a significant number of queries concerning the GAD Guidance, with DCLG and await responses. Where the queries are valid the LGPC will publish such responses in their monthly bulletin.

Request regulation change on asking employer for DBs into payment (post 2008) on the grounds of ill health to remove the need for employers discretion – Unanimously agreed by technical group and accordingly this will be referred to SAB.

3. Transfer

LGA will attend the Public Sector Pensions Forum on 1 July to discuss transfers with other public sector schemes. When requesting a transfer the LGPS Fund must provide the sending scheme with the date the member joined their LGPS Fund, in order for the sending Club scheme to determine upon what the basis the calculation should be paid (i.e. Club or non-club depending upon whether or not the member has had a disqualifying break and as to whether or not the election has been made within the prescribed timescales). Club memorandum was revised in December 2015 from its initial issue in March 2015.

Where the sending Club scheme determine that a transfer should be calculated on final salary club rules, the receiving Club scheme should, in line with paragraph 2.3 of the Club memorandum, determine as to whether or not the service credit would best be awarded under either the Club or Non-Club rules in accordance with guidance issued by DCLG on 12 November 2012 (extract copied at end of this document).

In addition, LGPS Funds are still waiting for DCLG to issue transitional guidance as per their email of May 2016 to LGPS Funds.

4. Scheme Advisory Board Representative

Recommendation is that the Chair and Vice Chair in his absence become the representative, there was unanimous agreement.

5. DB into Payment on IH

The Technical Group disagreed with the email received from GMPF, who had requested that there shouldn't be a change to the Regulations and that the employer discretion for DBs into payment (post 2008) on the grounds of ill health should remain. The group felt that cost should not be a reason to disallow payment of deferred benefits on the grounds of ill health, where the member has been certified accordingly by an IRMP. The group stand by their initial decision in March 2016, and accordingly this will be referred to SAB to consider a regulation change / clarification.

6. Negative Revaluation

This was picked up in the LGPC update. DCLG have reported to TPR that deferred benefit statements may be delayed due to the late notification of the negative revaluation. If provided, further information will be sent through from LGPC in due course on TPR response.

Consensus was that deferred benefit statements could be sent for those who left up to 26th April 2015 as the value will be 0 and letters to be sent to those who left after 26th April 2015 keeping them informed and report breach to TPR.

The group agreed that Mike would send a letter to DCLG with regards to the late notification of Regulations and GAD guidance and the issues that this causes Administering Authorities and find where the issue is being held up.

7. Terms of Reference

Deferred to next meeting but agreed to send it to all members for them to give feedback

8. Minutes from last meeting

Everyone agreed that the minutes were accurate.

9. Matters arising

Frozen refund where a benefit in payment in another authority – interfund should be paid to the fund where the benefit is in payment, regardless as to whether or not the member had been a member of other LGPS funds before joining the fund in which the benefits are now been paid.

10. AOB

- a) Robert Ellis from DCLG has thanked the group as this was his last meeting
- b) Jon Slater from Equiniti is one of the software providers and would like to be a member of the technical group, there was unanimous agreement that he would be invited to attend future meetings

11. Date and Venue of next meeting

23rd September at the offices of AON Hewitt, Devonshire Square Offices. Next to Liverpool Street station.

Transfer In – Better of Club or Non-Club Following change of Employment with Reduction in Salary.

Within the transfer system operating in relation to the LGPS it is too easy to lose sight of the intention that the receiving scheme is paying the value from their scheme of rights accrued in an exporting scheme. Historically this gave rise to some confusion as to whether the LGPS could pay more than two-thirds of final salary or allow for the accumulation of more than 40 years membership at age 60, but forgot the concept of paying a retained benefit.

To ensure this concept is achieved within the Club transfer system there is an enabling provision built in so that a receiving scheme can decide not to use club transfer-in factors.

Paragraph 2.3 of the Club memorandum gives the receiving scheme the flexibility to calculate service credits on non-club terms if this would lead to a greater service credit being awarded (see below) :

It is not a requirement of Club membership to use the approach described in this Memorandum for non-Club transfers. In the rest of this Memorandum, any reference to a Club transfer means a transfer from one Club scheme to another Club scheme which falls within the Club arrangements. However, if a service credit calculated on non-Club terms would be greater than a credit calculated on Club terms, the receiving scheme may award a non-Club service credit. Such cases are expected to be infrequent and are most likely to arise when an individual has taken a large drop in salary when moving. Club schemes may wish to consult their actuarial advisers on the criteria to adopt if they wish to test whether a non-Club transfer would be more advantageous for the scheme member.

In order for administering authorities to be able to use this facility advice has been obtained from GAD on when this approach should be considered to test whether a non-Club transfer into LGPS may be more advantageous to a Club member.

The table below shows the level of salary decreases that would require a service credit for an incoming club transfer value to be calculated on both a club and incoming non-club basis. The member would be awarded the higher of the two service credits. The service credit applied should be based on the incoming club transfer value as implied by paragraph 2.3 of the club memorandum.

Age	Male	Female
16-25	50%	40%
26-35	44%	40%
36-45	36%	33%
46-55	24%	23%
56-60	13%	12%
61	10%	8%
62	5%	4%

The salary comparison should be between:

- i. the member's pensionable salary in the previous club scheme but increased by any pensions increases that have been applied to his preserved benefits in his former scheme; and
- ii. the member's LGPS pensionable pay.

For example, consider the following member:

- Sex: Female
- Age: 50

- Pensionable salary in the previous club scheme (increased by any pensions increases that have been applied to her preserved benefits in her former scheme): £30,000
- LGPS pensionable pay: £20,000

The pay decrease is £10,000, which represents a decrease of $10,000 / 30,000 = 33\%$. This is higher than the 23% shown in the table, so in this case the service credit for an incoming club transfer value should be calculated on both a club and incoming non-club basis. The member would be awarded the higher of the two service credits.

This table errs on the side of caution so shows the smallest salary decrease in each band that could lead to a service credit calculated on non-club terms being higher than a normal club credit.

For members aged 63 or 64, service credit calculated on non-club terms may be higher than a normal club credit even if the member receives a small salary increase of up to 6%. So for members aged 63 or 64 it will be necessary to calculate the service credit on both a club and incoming non-club basis for members who have a salary increase of 6% or less.

These figures are based on the Club and non-Club incoming transfer factors currently in force, and will need to be updated if these factors change.

In practice most members transfer with an increase in salary or a small decrease so we expect that the number of cases where a dual calculation is required should be very small, particularly at younger ages.

It is unclear whether LGPS administrators have ever considered such an approach, but funds may wish to revisit cases, if and where readily identifiable, where the above approach would have better reflected the concept of retained benefits within the Scheme.

Additional Pension

Advice has also been received from GAD on dealing with the transfer between Club Schemes of Additional Pension being purchased by an individual member.

Following an amendment the Club Memorandum (paragraphs 7.24a and 7.26 – 7.28) clarifies that a club transfer should be calculated in two parts for a member who has both a final salary pension (linked to salary and service) and additional pension such that:

- a. The final salary element is calculated on club terms; and
- b. The Added Pension element is calculated on non-club terms.

Funds should ensure that they are calculating transfers for members who have additional pension in this way.