

Issue Highlights

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LGPS Update

Just before Christmas a broad agreement was reached between the Unions and Government over the way forward for the LGPS scheme reform. The agreement outlined that the savings expected to be made from shorter term scheme changes, such as increasing employee contributions, could be achieved through introducing longer term scheme design a year earlier – in 2014 rather than 2015. Administrating authorities were still encouraged to respond to the Government’s consultation on employee increases but this option would be put on hold while the agreement between Unions and the Government was in place. LPFA submitted a response in favour of a one stage reform in 2014 since it would be much easier to communicate the messages to members and would avoid the potential opt outs that an increase in employee increases might bring.

Details of the agreement can be found on the Local Government Association website:
<http://www.lgps.org.uk/lge/core/page.do?pageId=103352>

There are 17 key principles which cover:

- the move to a career average scheme;
- elements of choice to encourage retention of members;
- retirement age in line with the state pension age;
- protections for those nearing retirement age; and
- scheme cost efficiencies.

Importantly for employers there are also some management and governance principles which include an employer contribution cap. This could contain both ceiling and floor values known as the employer contribution “collar and cap” and would ensure the affordability of the scheme. Mechanisms would be put in place to manage this cap and consider how it translates to individual employers in the LGPS.

Despite disquiet from some sections of the Unions the agreement has lasted the festive period and now a series of meetings are planned between now and April 2012 with the aim of achieving agreement over the “big ticket items”. These include the basis for the scheme design and the accrual rate (the rate at which pension is built up).

The objectives for these meetings are:

- Objective 1:** Confirmation of the basis of the scheme design (e.g. CARE).
- Objective 2:** Confirmation of the accrual rate for the scheme.
- Objective 3:** Confirmation of the revaluation rate.
- Objective 4:** Confirmation of the actuarial methodology for variation to benefits either side of the NPA (with the NPA being the later of age 65 or SPA).
- Objective 5:** Confirmation of the value, distribution and phasing of any employee contribution increases.
- Objective 6:** Confirmation of the transitional protections.
- Objective 7:** Confirmation of the parameters of the employer cap and collar.
- Objective 8:** Confirmation of the mechanism for variation of the elements to maintain scheme costs within the cap and collar values.
- Objective 9:** Agree recommendations on best practice in governance and procurement.
- Objective 10:** Confirmation of the value of the ongoing scheme as measured using model fund data, assumptions and methodology which satisfies overall government financial constraints.

The Local Government Association has produced a FAQ document for members and for employers and I would encourage all employers to read this document since it will assist in answering member queries. <http://www.lpfa.org.uk/docs/pdf/LGPSHeadsofAgreementQandAv1LPFA.pdf>. Documentation for the New Local Government Scheme 2014 project is also available on the LGA website <http://www.lgps.org.uk/lge/core/page.do?pageId=103352>

It should be noted that developments tend to happen at quite a rate and members and employers should continue to monitor the LPFA websites for regular updates www.lpfa.org.uk.

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Technical Update

The Local Government Pensions Committee (LGPC) released its last bulletin of 2011 at the end of December covering various topics.

A consultation has been announced on the draft Local Government Pension Scheme (Miscellaneous) Regulations 2012 and is open until 27th February 2012.

The Miscellaneous Regulations would amend the main LGPS regulations, as well as the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006.

All the documents associated with the consultation can be found on the department for Communities and Local Government's website at www.clg.heywood.co.uk/homepage

The Local Government (Discretionary Payments) (Injury Allowances) Regulations were laid before Parliament on 14th December 2011 and came into force with effect from 16th January 2012. The main features of these regulations are:

- the requirement for local government employers to publish a written policy statement (which must be kept under review) on whether they intend to adopt a discretionary injury benefit scheme;
- admission bodies have been removed from the definition of local government employers and so the injury benefit provisions will not directly apply to them;

- at the request of HMRC, a provision has been included to ensure National Insurance contributions are deducted from injury allowances paid on account of a reduction of remuneration as per other public service injury benefit schemes;
- the employer's independent registered medical practitioner will need to certify the employee's injury or disease before the employee can receive a permanent or temporary injury allowance;
- death benefit provisions now include payments to "nominated co-habiting partners" who will be expected to sign a declaration which states they meet certain conditions; and
- appeals will no longer involve the Secretary of State but will be part of the local internal dispute resolution procedure and the provisions to award a gratuity have been revoked.

The full bulletin can be found on LGPC's website <http://www.lge.gov.uk/lge/aio/15196309>

2012/2013 Contribution Pay Bands

We have received a number of queries regarding the contributions pay brackets that will be effective from April this year. The pay rates in those contributions brackets are increased each year in line with Pensions Increase. Unfortunately we have not yet received confirmation of what this year's increase will be but hope to receive it early February. Therefore we should be able to inform you of the new pay brackets in next month's edition.

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Latest LGPC 225 & 256

The latest LGPC circulars advertise the ninth annual LGPC led LGPS "Trustees" conference (Circular 255) and LGPS Practitioner and Employer training events (Circular 256). The theme of the Trustees conference, which is significantly but not exclusively aimed at those who sit on or support Pensions Committees and will be held in Blackpool, is 'Looking ahead to 2014 and what that may bring'. The conference programme will be lunchtime-to-lunchtime commencing on Thursday 14th and concluding on Friday 15th June 2012.

The practitioner and employer one day "understanding" workshops cover number of specialised topics including Final Pay, Retirement Benefits and Employer Discretions and Policies. The "Insight" residential course is aimed at practitioners of both administering and employing authorities covers most aspects of the Local Government Pension Scheme (LGPS) at a foundation level. Full details can be found in the circulars themselves and, as always, early booking is essential to avoid disappointment.

<http://www.lge.gov.uk/lge/core/page.do?pageId=15606567>

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End of Year Specifications

LPFA are currently working to issue all end of year specifications to employers by mid February. It would be appreciated if employers could send returns back to LPFA by 30th April 2012, although earlier submission would be extremely helpful.

Last year the Government Actuaries Department required information from all Local Government Pension Schemes by 5th June 2011 which they then used for projecting costs for the whole National Scheme as part of the Hutton Review and I am anticipating a similar request for information may follow this year.

In order for us to provide accurate information we need to have processed all end of year returns prior to submitting data and hence earlier submission of end of year returns will help us achieve this.

We have also been working to provide service enhancements to employers several of which are outlined below:

Firstly we have introduced a more sophisticated system for checking potential issues that need to be raised with employers.

Secondly we have compiled a guide for employers on resolving end of year queries and this will be issued by mid February with the end of year specifications. If you still have outstanding end of year queries and would like a copy of this guide earlier please let me know.

Lastly we are introducing a macro which employers can use to check their end of year files are in the correct format before uploading which aims to save a substantial amount of time.

Further details will follow in the February newsletter but I hope this demonstrates that we are continually looking to improve the end of year process. Should you have any further suggestions to further improve the processes going forward I would be happy to receive your feedback.

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