



**THE LOCAL  
GOVERNMENT PENSION  
SCHEME**

# PensionChanges

**LGPS Issues – No.3**

**Jan/Feb 2008**

## **INTRODUCTION**

This is the third issue of the CLG Newsletter which we trust is helping administrators answer any outstanding issues they may have in the final weeks leading up to the introduction of the new benefit package within the LGPS. If anyone has any comments on these newsletters or would like clarification of any points, then do get in touch with either Brian Town at: [brian.town@communities.gsi.gov.uk](mailto:brian.town@communities.gsi.gov.uk) or Nicola Rochester at: [Nicola.rochester@communities.gsi.gov.uk](mailto:Nicola.rochester@communities.gsi.gov.uk).

## **REGULAR UPDATES**

This issue provides administrators with updates on the long awaited Benefit, Transitional and Administration regulations; position updates on ill health retirements, the admitted body status review, Policy Review Group, Cost Sharing, Commentary Guidance, GAD Guidance, LGPS Amendment Regulations and “casuals”. ***Please also make a point of seeing the last page which gives details of our forthcoming relocation.***

Finally, as reported in this section in last month’s newsletter – CLG has decided not to go ahead with its new Scheme Workshop/Seminars as we know the LGE and LGPS Scheme actuaries are hosting such events and are covering all the main issues. Please liaise with either of them about attending one.

## **ILL HEALTH RETIREMENT**

Two new tiered ill health retirement provisions are contained in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (*the benefit regulations*).

A consultation letter was issued on 21 November, concerning proposals for a third and final tier of ill health benefit to be included in the benefit regulations, with a closing date of 12 January. Comments are now being assessed and a Statutory Instrument, setting out the regulatory framework for the proposed benefit structure and review mechanism, will be finalised as soon as possible. The provisions are to commence, in line with other benefit regulations provisions, on 1 April 2008. Representations during the consultation period have been made for transitional arrangements where individual ill health retirement considerations are underway and these are being seriously considered.

The consultation letter highlighted the proposal for an Ill Health Monitoring Group and nominations for membership of the group were sent out on 25 January.

## **BENEFITS, MEMBERSHIP & CONTRIBUTIONS REGULATIONS**

The long awaited LGPS (Benefits, Membership and Contributions) (Amendment) Regulations 2008 are due to be made and laid by mid-February. An electronic version will be sent to you as soon as possible.

## **ADMINISTRATION AND TRANSITIONAL REGULATIONS**

The Regulations have been made today, 6 February, and will be laid in Parliament shortly thereafter. Electronic copies should be with you soon.

## COMMENTARY GUIDANCE

We are currently putting the finishing touches to some Commentary Guidance which will accompany the Benefit, Transitional and Administration regulations. The draft Guide was made available to stakeholders at the LGPS Technical Group Meeting held on 18 December where it was discussed and checked for accuracy. It will be published next month when you will receive a copy. It will also go on our website.

## THE LGPS (AMENDMENT) REGULATIONS 2008

You will wish to be aware that we are currently working on a SI to make a number of minor technical amendments to the Local Government Pension Scheme Regulations 1997, some of which are also being applied to the Benefits Regulations. These are all amendments which are being implemented following comments made by stakeholders in response to recent consultations. The areas covered should include the following:

- new reference to National Health Service Act 2006
- provision to remove distorting effect of Keeping in Touch scheme days
- new reference to Benefit Crystallisation Events
- increased flexibility for payment of Death Grants
- new definition of “Eligible Child”
- provision for GAD guidance on Trivial Commutation
- relaxation of requirements regarding the 2008 round of annual benefit statements
- new arrangements for calculating pension credit
- continuing provision for Councillor members once the new look scheme comes into operation
- provision for transfer of EU-based pensions
- Governance compliance statements
- augmentation of service after employment has been terminated.

It is envisaged that this SI will be made and laid in February. It will be followed by a further set of miscellaneous amending regulations on which we will consult the usual stakeholders. This second SI may include an amendment to create a “window” during which authorities will be able to effectively “convert” compensatory added years into augmentation. We would be content for you to submit now any preliminary views you may have on this proposal.

## GAD GUIDANCE

Draft GAD Guidance notes were circulated to key stakeholders at a LGPS Technical Meeting on 18 December requesting any final comments prior to publication. CLG confirms that comments had been received from the LGE and would be duly assessed. The Guidance notes would be finalised and circulated to key interests as soon as possible. However, it is worth noting that the actuarial factors produced by GAD for post-65 increases and pre-65 decreases are mostly cosmetic, and are being cross-referenced to the new Benefits Regulations only. This message was given to and understood by the LGPS Technical Group meeting on 18 December.

## ADMITTED BODY STATUS

December’s edition of this newsletter provided information about Admitted Body Status provisions in the LGPS.

ABS provisions allow contractors who take on local authority contracts to provide transferring staff with continued access to the LGPS if they wish, rather than to provide a broadly comparable pension scheme. ABS is an attractive and useful mechanism for dealing with pensions in the contracting out process and that there is nothing in the fundamental concept which needs to be changed. However, concerns have been expressed by some stakeholders that the detailed arrangements are not always being implemented in the way intended

All stakeholders agree that ABS is an attractive and useful means for dealing with pensions in the contracting out process and that there is nothing in the fundamental concept which needs to be changed. However, concerns have been expressed by some stakeholders that the detailed arrangements are not always being implemented in the way intended.

Communities and Local Government published an informal consultation document on 18 January that examines specific concerns raised about the implementation of ABS provisions and sets out three possible broad approaches which might be developed to address those concerns.

A wide range of stakeholders including councils, unions and employers are invited to submit their views on the approaches set out in the consultation document and provide additional ideas on potential ways forward to help ensure the provisions meet the needs and support the interests of local authorities, contractors, employees and taxpayers.

The consultation document and accompanying questionnaire are available at [www.communities.gov.uk/publications/localgovernment/admittedbodystatus](http://www.communities.gov.uk/publications/localgovernment/admittedbodystatus). Alternatively, you can request your copy of the consultation document by emailing Darren Kristiansen at [Darren.kristiansen@communities.gsi.gov.uk](mailto:Darren.kristiansen@communities.gsi.gov.uk) or telephoning Darren on 0207 944 8173.

This informal consultation exercise closes on **Thursday 10 April 2008**.

## **POLICY REVIEW GROUP**

A meeting of the PRG took place on 16 January to discuss specific issues relating to the Minister's statement to look afresh at the scope for extending the rule of 85 protections by removing the phased actuarial reduction between 2016 and 2020. Subsequent to that meeting all funds have been asked to agree to release of specific data which their actuaries hold as a result of the 2007 triennial valuations. This will enable GAD to carry out initial work on reaffirming the basis of the earlier calculations of cost of the phased protection and how and to what extent subsequent experience needs to be taken into account in any assessment of the cost.

## **SUSTAINING THE LGPS IN ENGLAND & WALES**

During the course of the PRG meetings held so far, detailed discussions have taken place on how the LGPS could deal with the issue of cost sharing which regulation 40 of the Benefits Regulations require action by March 2009. Taking this forward CLG's forthcoming consultation document entitled "Sustaining the LGPS in England and Wales" will set out initial views on how the sustaining mechanism process could operate. The consultation will last until May.

## **REMOVING "CASUALS" ...**

CLG is aware of continuing concern over the removal of 'casuals' from the new Benefit Regulations. CLG would like to reiterate the message made by the LGE recently that membership is dependent upon a person being employed on a contract for at least three months. If someone is employed for less than 3 months, they are not

eligible to join the Scheme. However, if during that short time, the contract is extended, so the total contract lasts for more than 3 months, then the individual would be eligible to join the Scheme and the earlier period will count provided the person concerned pays the relevant contributions. Our forthcoming Commentary Guidance provides further details. Neither the new Benefit nor Administration Regulations will use the term "casual".

## COUNCILLOR MEMBERS

The steps we are now taking will, in effect, not revoke the 1997 provisions for elected members, so they will continue in a CARE scheme with a 1/80th + 3/80th accrual and contribute 6%. Any changes to these arrangements will be developed in the light of follow up action to the report by the Councillors' Commission which looked at the whole nature of whether elected members are "employed" and levels of allowances.

## RELOCATION! RELOCATION! RELOCATION!

Administrators should note that our Divisional name changed on 21 January, **when we became Workforce, Pay and Pensions Division**. Further, you are also required to note that we will be relocating to new premises in mid-February. Please amend your records to note that **from Monday, 18 February** we shall be located at:-

**Eland House  
Bressenden Place  
London  
SW1E 5DU**

on the 5<sup>th</sup> floor. However, our telephone and fax numbers remain the same. *In order for the move to go ahead smoothly, it would be appreciated if you could refrain from sending us emails and phoning us from 1.00 pm on Friday, 15 February to around 9.30 am on Monday, 18 February.*

**WPPD2  
January 2008**