



AUDIT AND PENSIONS COMMITTEE

15 March 2012

CONTRIBUTORS

**Communities and Local Government
Consultation on proposed amendments to
the Local Government Pension Scheme
(LGPS) Regulations contained in the draft
LGPS (Miscellaneous) Regulations 2012**

**WARDS
All**

This report sets out proposed amendments to the LGPS regulations currently under consultation. These amendments are of a technical nature and required to bring LGPS regulations into line with primary legislation. As such, no response was submitted.

RECOMMENDATION:

That the report be noted

1. PURPOSE

Attached as Appendix 1 is a report by Drew Beedall, Technical Consultant at Capita Hartshead, pension administrators to the Hammersmith and Fulham pension fund, summarising the nature and impact of the changes.

Additional comments as to the potential impact for members and employers of the Hammersmith and Fulham pension fund are shown below.

2. BACKGROUND

In general terms these draft regulations deal with various technical issues which need to be addressed to comply with changes to primary legislation.

3 H&F COMMENTS

Draft LGPS (Misc) Regulation 7

The reintroduction of the provision for members to pay additional pension contributions for the purpose of providing additional survivor's pension benefit in respect of pre 6 April 1988 membership will not have a material effect on the H&F pension fund as it will only apply to the very small number of members who have made a nominated co-habiting partner election and have in excess of 24 years LGPS membership.

Draft LGPS (Misc) Regulation 8

In the H&F pension fund there are currently 19 members who are in receipt of pension benefits following flexible retirement and in all cases the whole of their accrued benefits were put into payment.

Flexible retirement is only allowed if agreement is obtained from the employing authority. If this draft change is implemented it gives the member the right to choose to leave the post 31/3/2008 benefits so that they are taken at final retirement date and given that if the member had not been granted flexible retirement these benefits would have been payable on the final retirement date anyway, there would not be any extra significant cost or extra burden on the pension fund.

Draft LGPS (Misc) Regulation 5, 11 and 12

This seems like a common sense provision, for the administering authority to make such discretionary decisions regarding early payment of benefits, where the employing authority no longer exists. The administering authority will need to

consider all such cases in line with the ex-employer's usual practice, the potential cost to the pension fund and any knock-on effect to the other employers in the pension fund.

Draft LGPS (Misc) Regulation 15

Since the two-year vesting period was reduced to three months in 2008 the number of small pensions has increased, so this extension to the trivial pension commutation value is welcomed as an aid to reducing the administration cost of paying trivial pensions.

Draft LGPS (Misc) Regulation 17 and 18

There are no pensioners in the H&F pension fund who currently have suspended tier 3 ill health retirement benefits. It is not possible to estimate how many members may fall into this category in the future but unless there are significant numbers there will be little effect on the pension fund.

Draft LGPS (Misc) Regulation 19

The removal of the provision to transfer the AVC fund into the LGPS for members who commenced before 13 November 2001 will need to be communicated to all such members, with an explanation of the remaining options open to them. The number of members who have paid into the AVC schemes is extremely small.

Draft LGPS (Misc) Regulation 2, 3, 21, 22, 41 and 43 affecting Transferee Admission Bodies

There are 19 transferee admission bodies in the H&F pension fund. All of the bodies have a bond/indemnity in place to cover liabilities arising due to commercial failure and the bodies who have two contracts already have a separate admission agreement and bond or indemnity for each contract.

H&F's standard admission agreement and bond/indemnity to be reviewed following outcome of this consultation.

Draft LGPS (Misc) Regulation 28

Clarification is needed as to what happens to a member's in-house AVC fund where the tier 3 ill health retirement benefit does not cease because the member attains age 65 or if there is uplift from tier 3 to tier 2 following a review.

Draft LGPS (Misc) Regulation 29

This would be of benefit to the member in terms of having their benefits all held in the same pension fund and to the employer in terms of simpler administration of the retirement benefits and ease of performing checks against the Life Time Allowance.

However there would be additional administration work and associated cost in the initial stages and it may make it difficult for actuaries to perform fund valuations if the actuary is unaware that the deferred benefits may be transferred to another fund after the pension fund valuation has taken place...

Actuarial factors to be used in the transfer calculation would have to be devised by the Government Actuary's Department and agreed by the actuaries representing the individual pension funds, to ensure fairness for sending and receiving pension funds.

Draft LGPS (Misc) Regulation 31 and 32

Greater flexibility to reduce any deficit is to be welcomed by the administering authority and the employers.

Draft LGPS (Misc) Regulation 34

There are 2 employers in the H&F pension fund who do not have any active members and 9 who have less than 5 active members. H&F will need to include reference to the 2 employers who no longer have any active members, devising policies affecting pensioners and deferred pensioners who were employed by these employers.

Draft LGPS (Misc) Regulation 35 and 36

These regulations place a significant extra administrative burden on the administering authority, reducing the deadline for production of annual benefit statements from 12 to 6 months. Procedures for the earlier provision of year-end data will need to be put in place.

Draft LGPS (Misc) Regulation 44

This regulation is required to cater for the different staging dates which apply to different size employers under the Workplace Pensions – Auto Enrolment provisions and means that an employee who is not eligible for LGPS on commencement, because the contract of employment is less than 3 months, does not have to be auto-enrolled if the staging date occurs during this period.

3. Future reporting needs

When the final Regulations are made, Capita Hartshead will report the full effects on the pension fund members and will process all changes required to administration procedures and the H&F pensions website.

Key changes will be notified to members and employers where applicable, via a member newsletter.

4. Conclusions

A formal response to this consultation has not been submitted as there are no significant effects or issues for the London Borough of Hammersmith and Fulham.

LOCAL GOVERNMENT ACT 2000- LIST OF BACKGROUND PAPERS

No.	Description of Background Papers	Name/Ext. of Holder of File/Copy	Department/ Location
1.	Consultation document	Les Green x 1878	FCS Hammersmith Town Hall
2.	draft LGPS (Miscellaneous) Regulations 2012	Les Green x 1878	FCS Hammersmith Town Hall