

# PensionChanges

**LGPS Issues – No.6**

**October 2008**

## **INTRODUCTION**

We thought it useful to issue a follow-up CLG Newsletter to the last one sent out in June. As usual, the world of pensions is living in interesting times, and this issue puts you in the picture on a number of provisions which we have been developing and will shortly either come to conclusion or kick off a further round of consultations.

If anyone has any comments on the newsletters or would like clarification of any points, then do get in touch with one of the following:-

either Brian Town at: [Brian.town@communities.gsi.gov.uk](mailto:Brian.town@communities.gsi.gov.uk) ; or

Lynda Jones at: [Lynda.jones@communities.gsi.gov.uk](mailto:Lynda.jones@communities.gsi.gov.uk) .

**It is also vital that you, as part of your ongoing communications strategies, consider how you can draw this newsletter and our earlier editions to the attention of all your employers.**

## **REGULAR UPDATES**

This issue provides administrators with further updates on ill health retirement, current position on cost sharing provisions (sustainability), elected member provisions, tax changes and amendments to Benefit Regulations.

## ILL HEALTH RETIREMENT

The Ill Health Monitoring Group has now had five meetings to progress activity on collecting good data to test the effectiveness and fairness of the new ill health regime. Minutes are published at <http://www.xoq83.dial.pipex.com/whatsnew2008.htm>. Good progress has been made on identifying the best method of collecting data from systems already being used, such as AXISE, and other avenues will be explored. New model ill health certificates for the independent doctor have been developed, with thanks to the LGE.

Comments received during the consultation on the draft statutory ill health guidance have been assessed and we are grateful for the very constructive comments that CLG received. A report on the consultation responses will be published shortly but the emphasis has been on finalising the guidance. Many of your comments have been incorporated and we aim to publish the Statutory Ill Health Guidance in October, or November at the latest. Examples of the model ill health certificates will be contained in the Guidance.

Edition 1 of the FAQ was published on 6 August and we have been pleased to learn that the FAQ sheet is proving a useful aide-memoire. The FAQ is also available at <http://www.xoq83.dial.pipex.com/whatsnew2008.htm>. Further editions will be published as practitioners will have noticed that some questions had been identified but answers still need clarification by CLG. Edition 2 will be published with the Ill Health Guidance.

## UPDATE ON GAD GUIDANCE

We have recently issued revised GAD factors to be used in conjunction with guidance notes on cetvs, and will shortly be issuing further guidance on non-club transfers in and actuarial impacts on pension sharing on divorce. It is also our intention to work with a small group of practitioners to finalise a draft guidance note on flexible retirement, particularly covering the scenario of partial draw down of pension in respect of post April 2008 rights.

We also intend issuing final versions of the GAD guidance notes covering high earners and the HMRC protections available to these members. With regard to enhanced protection we will need to consult on a potential change to the LGPS Regulations to assist with part of the GAD guidance.

**REMINDER** – pension funds might want to consider reminding those eligible to apply for protection under the 2004 Finance Act that they have until the end of this financial year to agree this with HMRC.

## AMENDMENTS TO THE BENEFITS REGULATIONS – FURTHER TECHNICAL CHANGES & CLARIFICATIONS

You may recall from “Pensions Changes” Newsletter No. 3 that we are intending to introduce, for a limited period, a facility for authorities to be able to “convert” Compensatory Added Years into augmented service. We are now working on an amendment which would serve this purpose, alongside a number of other unrelated amendments covering such matters as payment methods for children’s pensions and specialist provisions in relation to Environment Agency and rent service staff. It is anticipated that consultations with all stakeholders on the draft SI concerned will start before Christmas.

Further consultations will cover the updating of the career-average scheme for elected members and the arrangements for pension sharing on divorce so as to bring them into line with the modernised LGPS

Regulations dealing with the two new bodies, the Homes and Communities Agency and the Regulator for Social Housing, and local government reorganisation will be finalised shortly. These are just a part of a number of machinery of government changes which are ongoing. If, at local level you are aware of such changes, please let CLG and the LGE know as soon as possible, and contact Lynda Jones at the above email address.

This indicative table below sets out the contribution paybands in regulation # of the *Benefits Regulations* effective from 1 April 2009 following the latest RPI data, provided this is the figure confirmed subsequently by order for uprating of pensions from April 2009.

<i>Band</i>	<i>Range</i>	<i>Contribution rate</i>
1	£0-£12,600	5.5%
2	£12,601 to £14,700	5.8%
3	£14,701 to £18,900	5.9%
4	£18,901 to £31,500	6.5%
5	£31,501 to £42,000	6.8%
6	£42,001 to <del>£78,300</del> 78,700	7.2%
7	More than <del>£78,300</del> 78,700	7.5%

**ALSO NOTE** - The first Pension fund annual reports - which are required under regulation 34 of the LGPS (Administration Regulations) 2008 - will cover the fund year 2008/2009. They must be prepared and published by 1 December 2009.

There is no regulatory requirement to publish such a report by 1 December 2008, for the year 2007/2008.

## **ADMITTED BODY STATUS REVIEW**

The previous newsletter advised you about Communities and Local Government's informal consultation exercise on Admitted Body Status provisions. Following on from the consultation exercise, which closed on 10 April, a report setting out key findings from the exercise was published on 2 October. Copies of the report can be found at [www.communities.gov.uk/publications/localgovernment/admittedbodystatusresponses](http://www.communities.gov.uk/publications/localgovernment/admittedbodystatusresponses)

Communities and Local Government is finalising guidance which reflects the key issues outlined in this report. As part of a broader package, aimed at ensuring ABS provisions best meet the needs of authorities, contractors, employees and which are fair to taxpayers, final proposals, subject to Ministers' agreement, are being considered for future consultation, which would incorporate any necessary regulatory amendments.

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

The results of our informal consultation on "Sustaining the LGPS in England and Wales" were published in August and are available on our website at ([www.xoq83.dial.pipex.com](http://www.xoq83.dial.pipex.com)). At the Policy Review Group meeting of 14<sup>th</sup> October, GAD presented their paper on the potential actuarial assumptions to be adopted within a dry run modelling exercise this autumn. The outcome of this exercise will be reported to the group early in the New Year. The main purpose of this exercise is to produce a model which is a close image of the National Model Fund to identify any issues relating to the cost-sharing framework.

To keep within the timeframe of having statutory provisions in place by 31<sup>st</sup> March 2009, the statutory consultation and dummy modelling exercise will run in parallel. We hope all consultees will see the merit of having the modelling material available.

**Workforce Pay and Pensions –  
October 2008**