

# **WIRRAL COUNCIL**

## **PENSIONS COMMITTEE**

**13 JANUARY 2010**

### **REPORT OF THE DIRECTOR OF FINANCE**

#### **LGPS REFORM UPDATE**

##### **1. EXECUTIVE SUMMARY**

- 1.1. This report updates Members on developments following the introduction of the revised LGPS on 1 April 2008 by the Department for Communities and Local Government (DCLG).

##### **2. UPDATE**

- 2.1 The Pensions Committee last considered progress in implementing the new regulations as part of the reform of the LGPS, on 17 November 2009 (Minute 55 refers).

##### **2.2. Ill Health Retirement Regulations**

- 2.2.1 Preliminary analysis by the Government Actuary's Department (GAD) of the results of the ill-health retirement data submitted by Pension Funds reveals that during 2008/09:

73% of cases were tier 1 - 100% enhancement to age 65  
14% of cases were tier 2 - 25% enhancement to age 65  
13% of cases were tier 3 - No enhancement

- 2.2.2. Although the total number of ill health cases has continued to decline these results in terms of the split between tiers are similar to those experienced by MPF and are the opposite of what was intended by DCLG when it advocated changes to the ill health regulations. The full results are expected to be published on the GAD website shortly.

- 2.2.3. It is reported that the collection of ill health retirement data for DCLG may become either a 6 monthly or annual requirement.

## **2.3. Government Pre Budget Announcement**

### Pensions Tax Relief

- 2.3.1. The restriction of pensions tax relief from April 2011 will apply to those with gross incomes of £150,000 and over, where gross income incorporates all pension contributions, including those funded by an employer, and before any deductions for charitable donations are made. This will be subject to an income floor, so that individuals with pre-tax incomes (excluding employer pension contributions) of less than £130,000 will be unaffected.
- 2.3.2. Reflecting this change, the Government has announced that the anti-forestalling measures introduced in the Budget 2009 will be extended from 9 December 2009 so that all those with incomes of £130,000 and over will be subject to the special annual allowance.
- 2.3.3. The Government also referred to estimated savings of £1 billion a year to be made from 2012-13 from public sector pension schemes including the LGPS by the introduction of a cap on employer contributions as part of the new cost sharing measures to be introduced.

## **2.4. LGPS (Miscellaneous) Regulations 2009**

- 2.4.1 DCLG has issued a set of amendment regulations which came into force on 31 December 2009, to make a number of corrections to those which introduced the new scheme in April 2008 (Appendix 1 attached).
- 2.4.2. The amendment regulations amend Regulation 10 (the rules for calculating final pensionable pay) to ensure that people whose pay is affected by equal pay or job evaluation exercises are able to elect to use the best 3 year average in the previous 13 year period (rather than the current 10 years).
- 2.4.3. The regulations which are in part back dated to 1 April 2008 enable pre 6 April 1988 membership to count for survivors pensions where there is a registered civil partnership at no cost to the member.
- 2.4.4. The regulations also enable Additional Survivor Benefits Contributions (ASBCs) to be made by a member to enable pre 6 April 1988 membership to count for survivor benefits in cases where there is a nominated co-habiting partner.
- 2.4.5. An opportunity is also given to scheme employers to convert current rechargeable compensatory added years (CAY) benefits into scheme pension or additional pension.

## **2.5. Draft LGPS (Amendment) Regulations 2010**

- 2.5.1 On 18 September 2009 DCLG issued draft amendment regulations for consultation on measures intended to comply with the Fair Deal for Staff Pensions for a small number of staff transferring from the Learning and Skills Council to Local Authorities on 1 April 2010.
- 2.5.2 A technical response (Appendix 2 attached) was submitted to DCLG by the closing date of 18 December 2009.

## **2.6. The LGPS (Management and Investment of Funds) Regulations 2009**

- 2.6.1 On 1 December 2009 DCLG circulated copies of the new LGPS (Management and Investment of Funds) Regulations 2009 which came into force on 1 January 2010. These regulations are the subject of a separate report to this Committee.

## **3. COUNCILLORS PENSIONS**

- 3.1. LGE Bulletin 64 (dated November 2009) reports that DCLG intends to amend the scheme regulations to bring Councillors into the current scheme although there is no specific timeframe for the required consultation.
- 3.2. As the 2008 Scheme regulations currently still do not include Councillors' pensions and provision remains subject to the 1997 Regulations Councillor Members are unable to nominate a co-habiting partner to receive a survivors' pension.
- 3.3. For the time being until the regulations are changed the earliest non ill-health retirement age for Councillors remains age 50. Any early retirement of a Councillor on or after age 50 and before age 55 which occurs on or after 6 April 2010 will be an unauthorised payment as far as HMRC is concerned and subject to additional tax charges.

## **4. FINANCIAL IMPLICATIONS**

- 4.1 There are none directly arising from this report.

## **5. STAFFING IMPLICATIONS**

- 5.1. There are none directly arising from this report.

## **6. EQUAL OPPORTUNITY IMPLICATIONS**

- 6.1. There are none arising from this report.

**7. COMMUNITY SAFETY IMPLICATIONS**

7.1. There are none arising from this report.

**8. HUMAN RIGHTS IMPLICATIONS**

8.1. There are none arising from this report.

**9. LOCAL AGENDA 21 IMPLICATIONS**

9.1. There are none arising from this report.

**10. PLANNING IMPLICATIONS**

10.1. There are none arising from this report.

**11. MEMBER SUPPORT IMPLICATIONS**

11.1. There are none arising from this report.

**12. BACKGROUND PAPERS**

12.1. Local Government Pension Scheme Miscellaneous Regulations 2009 – DCLG December 2009

12.2. LGPS Management and Investment of Funds Regulations – DCLG December 2009.

12.3. Local Government Employers Bulletin 64 – November 2009.

**13. RECOMMENDATION**

13.1 That Members note the report.

IAN COLEMAN  
DIRECTOR OF FINANCE

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