

WIRRAL COUNCIL

PENSIONS COMMITTEE

28 JUNE 2010

REPORT OF THE DIRECTOR OF FINANCE

LGPS REFORM UPDATE

1. EXECUTIVE SUMMARY

This report informs Members of developments and outstanding issues following the introduction of the revised New Look LGPS on 1 April 2008 by the Department for Communities and Local Government (DCLG).

Members are requested to note the report.

2. BACKGROUND

2.1 The Pensions Committee last considered progress in implementing the new Regulations as part of the reform of the LGPS, on 23 March 2010 (Minute 101 refers).

2.2. Local Government Amendment Regulations 2010

2.2.1. DCLG has now issued the LGPS (Amendment) Regulations 2010 which came into force on 30 March 2010 to enable compliance with the Fair Deal for Staff Pensions for a number of staff transferring from the Learning and Skills Council (LSC) to Local Authorities on 1 April 2010. The amendments also deal with the merger of Probation Boards to Probation Trusts.

2.2.2. 29 LSC posts have been transferred to the Merseyside Local Authorities and the regulations permit the transferring employees to retain a normal retirement age of 60 with eligibility to receive early release of certain benefits from age 50 as provided in their former Principal Civil Service Pension Scheme (PCSPS). The corresponding age for release of equivalent benefits within the LGPS is 65 and 55 respectively

2.2.3. Fair Deal also requires that staff have the option to transfer their accrued rights to the new scheme on bulk transfer terms. The actuary is satisfied that the transfer will not incur any additional deficits for the local authorities involved.

2.2.4. The measures dealing with the merger of Probation Boards are not expected to affect MPF.

2.3. Draft LGPS (Miscellaneous) Regulations 2010

- 2.3.1. As reported at the last committee MPF submitted a technical response to DCLG on the consultation of the draft Miscellaneous Regulations 2010 on 16 March 2010 (Appendix attached).
- 2.3.2. DCLG has contacted me to confirm they will be considering the points made including the need for further changes to the admission termination regulations and ill health provisions and will be issuing a further consultation following the General Election.

2.4. Cost Sharing Mechanism- LGPS (Amendment) Regulations 2009

- 2.4.1 MPF has provided initial membership and cash flow data by the 30 April 2010 deadline to the Government Actuary Department to provide the evidence base to enable the creation of a national model fund for the new cost sharing arrangements. The subsequent impact on employer and employee contribution rates will be notified at a future date.

2.5. Government Actuary Department (GAD Guidance)

- 2.5.1. The Government Actuary Department has issued revised guidance to calculate incoming and outgoing transfers which has been issued to take account of the impact of updated transfer factors which reflect improved longevity experience and comply with the requirements of the Occupational Pension Scheme (Transfer Value) (Amendment) Regulations 2008.
- 2.5.2. New commutation factors have also been issued which are used to calculate the discharge of small pension amounts to convert to trivial commutation lump sums providing payments are within capital value limits as defined by the 2004 Finance Act. The revised factors take account of improved longevity and are effective in respect of lump sums paid on or after 1 April 2009. MPF is currently assessing the retrospective impact of the changes.

2.6. Pension Tax Relief

- 2.6.1. Local Government Employers (LGE) has produced revised information notes for high earners who may be affected by restriction of pensions tax relief and the removal of the personal tax allowance. The amendments to the notes clarify that there is no anomaly between the treatment of "net pay" and "tax relief at source" schemes for the purpose of the removal of the tax free allowance from 6 April 2010. Further guidance suggests it is unlikely that a scheme member with income (from all sources) of over £150,000 will be able to pay Additional Voluntary Contributions to reduce taxable income to below £150,000 without falling foul of additional tax charges.

2.7. Councillors Pensions

- 2.7.1. The MPF response to the consultation on 2010 Miscellaneous Regulations included a request that the scheme rules be amended to remove the requirement for Councils to determine whether Elected Members are offered access to the LGPS therefore permitting automatic entry rights to the scheme.
- 2.7.2. MPF also reiterated its concern at the delay in bringing Councillors within the scope of the 2008 Scheme including the ability to nominate cohabitating partners for survivors benefits.

2.8. Pensions Increase 2010

- 2.8.1. As the change in the Retail Price Index in the 12 months to September 2009 was negative (-1.4%) pensions in payment and deferred benefits were not increased from April 2010 and benefits have remained at current cash levels.

3 FINANCIAL IMPLICATIONS

- 3.1. A number of issues referred to in this report could impact on future funding including cost sharing arrangements and the revised transfer factors which determine cash payments in respect of outgoing and incoming transfers of pension rights. The changes to the commutation factors will increase trivial commutation lump sum payments.
- 3.2. Additional tax liabilities may fall on high earners in respect of the restriction of Pensions tax relief and the removal of the personal tax allowance.

4. STAFFING IMPLICATIONS

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

5. EQUAL OPPORTUNITY /EQUALITY IMPACT ASSESSMENT

- 5.1. There are none arising from this report.

6. COMMUNITY SAFETY IMPLICATIONS

- 6.1. There are none arising from this report.

7. HUMAN RIGHTS IMPLICATIONS

- 7.1. There are none arising from this report.

8. LOCAL AGENDA 21 IMPLICATIONS

8.1. There are none arising from this report.

9. PLANNING IMPLICATIONS

9.1. There are none arising from this report.

10. MEMBER SUPPORT IMPLICATIONS

10.1. There are none arising from this report.

11. BACKGROUND PAPERS

11.1. LGPS Amendment Regulations 2010 – Department for Communities and Local Government – February 2010.

11.2. Responses to amending the Local Government Pension Scheme Regulations (2008) in respect of the Learning Skills transfer - May 2010.

12. RECOMMENDATION

12.1 That Members note the report.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/85/10