



Vincent Kiddell
Workforce, Pay and Pensions
DCLG
SE Quarter Fry Building
2 Marsham Street
London
SW1P 4DF

Date: July 2016
 My Ref: PEN/IH
 Your Ref:
 Contact: Ian Howe
 Phone: 0116 305 6945
 Email: ian.howe@leics.gov.uk

Dear Mr Kiddell

Local Government Pension Scheme Amendment Regulations
Consultation – Leicestershire Pension Fund

I write on behalf of the Leicestershire Local Government Pension Fund in reply to the consultation on The Local Government Pension Scheme (Amendment) Regulations 2016.

In general terms we support the proposed changes as detailed in the consultation but there are a small number of points we would like to raise, as detailed below;

The Fair Deal proposals – Draft Regulation 3, 4, 5

We support the recommendation to safeguard member's benefits but we have concern about the process for employers becoming admission bodies in the Local Government Pension Scheme.

Within the Local Government Pension Scheme Regulations and the Pensions Act, there appears to be little or no power that Pension Funds can apply on the new employer to enforce them to complete the admission agreement and bond documents prior to the staff transferring. If the staff transfer over before the legal documents are in place the Fund really has nothing it can use to ensure the employer then completes the agreements "after the event", creating a significant risk to the members who transferred.

Without the documents in place the employer is not an employer of the Pension Fund and cannot therefore deduct pension contributions and pay these to the Fund. Whilst the intention is for admission agreements to then be "backdated" to the date of transfer it creates significant risk if any of the staff die or retire in the intervening period (between date of transfer and date of signature of the documents).

Leicestershire County Council Pensions Section
 County Hall, Glenfield, Leicestershire LE12 5SH
 Email: pensions@leics.gov.uk
 Web: www.leics.gov.uk/pensions

Diana Roberts, CIPFA, Director of Corporate Resources
 Rodrick O'Connor, Assistant Director Customer Services and Operations





We understand that this is an issue for a number of local authority pension funds, so in parts of the country employees pay slips show reductions for contributions to a local authority pension scheme, but in reality they are not members of that scheme.

From a Local Authority perspective we have few powers to make employers agree admission agreements. We think consideration should be given to ensure Local Government Pension Scheme legislation changes to require all legal documents and the guarantor/bond must be signed by all parties and be in place, before the staff transfer.

Main Points - Changes to the 2013 Scheme Regulations

In principle we support the changes designed to improve a number of technical issues in the current regulations. We have only commented on the particular points in your consultation document where we feel further consideration is required.

Point 7 – Draft Regulation 8 and 9

We support the principle that members have more flexibility around how they use their AVCs to meet the aims of Government's pension reform "Freedom and Choice". However, we want to ensure the regulations allow all AVC payers (both pre and post 1 April 2014 cases) have the same rights for consistency and to help alleviate pre 1 April 2014 preserved members with small AVC pots having to use these to buy annuities in future. We feel pre 1 April 2014 preserved members should have the opportunity to use their AVC pots as pension income via Pension scheme benefits therefore providing parity with post 1 April 2014 preserved members. We understand the Prudential, the Leicestershire Fund AVC provider, are considering the proposal and will also reply to the consultation.

Point 8 – Draft Regulation 10

This does cause us some concerns. We are not clear what this is designed to resolve. We do not feel members who are off sick are likely to increase their pay, just prior to going off on sick, to "falsely increase" the pay used in the period used to calculate assumed pensionable pay used in their ill health pension calculation.

That said we certainly do not feel this should be an employer discretion, given that some employers may choose to use this differently to others. For fairness and consistency we feel this has to be a Fund decision.

Point 10 – Draft Regulation 11

We strongly support the move back to having the default option as separate with the member having the option to aggregate within 12 months. We recommend this change is not retrospective.

Point 14 – Draft Regulation 15

We support this principle but we are concerned that potentially Funds could make payment back to the exiting employer only to find in the near future the employer is then in deficit.



Therefore flexibility should be included in the regulations so in the "fullness of time" if a credit remains and is likely to remain, the Fund can decide to pay the credit back to the exited employer. We do not feel we need the employer's agreement.

Points 16 and 17 – Draft Regulations 17, 18, 19

In general we accept the terms of the Public Sector Club. However we have concerns about the process used when factors change in the use of transfers. We would request that if factors are changed there is a period of time before the factors become "live" to provide opportunity for Funds and system providers to interpret and implement the changes to avoid the issue of stockpiling transfers given the issue this can cause. We would suggest a 3 month window which supports the 3 month guarantee period for transfers.

Point 22, 23 - Draft Regulation 24

We support the proposal to allow all pre 1 April 2014 preserved members the option to take actuarially reduced benefits from age 55 without the need for their previous employers consent, given that there is no cost to the employer. We have no view on how this might be achieved.

Point 25 – Draft Regulation 25

We oppose this change given the underpin would provide protection for people who transfer into the LGPS from another public service pension scheme but were never in the LGPS final salary section. This would cause significant administrative burden establishing the individuals to whom this would apply, the fact the protection may provide greater level of protection then the individual would have received in their former scheme, and that this retrospective protection was not initially factored into the scheme design.

Yours sincerely



Ian Howe
Pensions Manager

