

# **Report of the Director West Yorkshire Pension Fund to the meeting of Pension Board to be held on 9 November 2016.**

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**Subject: Consultation on amendments to the Local Government Pension Scheme 2014**

## **Summary statement:**

This report updates the Pension Board on changes and proposed changes to the Local Government Pension Scheme (LGPS) 2014 to implement the Fair Deal for staff transferring out of the public sector, Freedom of choice access to Additional Voluntary Contribution pots, and a number of technical amendments required for efficient administration.

## **Recommendations**

It is recommended that Members note the report.

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Director

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## 1 Background

- 1.1 The Local Government Pension Scheme (LGPS) 2014 was introduced on 1 April 2014.
- 1.2 Since the introduction of the new LGPS there have been two sets amendment regulations issued.
  - Local Government Pension Scheme (Amendment) Regulations 2015, which provided technical amendments to the LGPS Regulations
  - Local Government Pension Scheme (Amendment) (Governance) Regulations 2015, which provided for the setting up of Local Government Pension Boards.

## 2 Consultation on further amendments to the LGPS Regulations

- 2.1 On 27 May 2016 Department for Community and Local Government issued a further consultation which includes draft amendment Regulations. This can be viewed by following the link below:

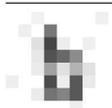
<http://www.lgpsregs.org/images/Drafts/2016-05LGPAmendsCons.pdf>

- 2.2 The consultation and draft regulations provide for:

- The implementation of the reformed Fair Deal for Staff Pensions Provisions in to the LGPS Regulations;
  - The Introduction of additional ways in which a scheme member can access their Additional Voluntary Contribution 'pots', as part of the Government's 'Freedom and Choice in Pensions' policy; and
  - Technical amendments to provide clarifications that have been requested by Practitioners and to improve the operation of the regulations.
- 2.3 Fair Deal for Staff Pensions sets out how pension issues are to be dealt with when staff are compulsorily transferred from the public sector to independent providers delivering public services. In October 2013 the Government issued new Guidance on Fair Deal for Staff Pensions which requires staff transferring from the public sector to have continued access to their public service pension scheme rather than being offered a broadly comparable private pension scheme, as was previously the case.
  - 2.4 The consultation closed on 20 August 2016 and a copy of WYPF's response is attached at Appendix 1.

## 3 Recommendations

It is recommended the Members note the proposed amendments to the LGPS Regulations.



Appendix 1



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19 August 2016

Dear Vincent

**Local Government Pension Scheme (LGPS) Amendment Regulations**

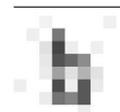
I refer to the consultation document inviting comments on changes to the LGPS Regulations.

My response is on behalf of West Yorkshire Pension Fund (WYPF).

WYPF is supportive of the general proposals for Fair Deal in the LGPS contained in the consultation document. However, WYPF would like to make some comments with regards to the intended scope. WYPF feels that the proposals should not apply to admission bodies contained in Part 3 of Schedule 2 as they are not covered by the Best Value Staff Transfers (Pensions) Direction 2007 and could put extra burdens on them. If an admission body did award a contract and the successful contractor wished to obtain admission body status this could be achieved through paragraph 1(d) of Part 3 of Schedule 2.

WYPF also has concerns with allowing admission agreements to be backdated as this removes the incentive for admission agreements to be entered into promptly. What would happen if an admission agreement was not entered into before the contract was terminated?

WYPF feels that that an amendment to regulation 64(3)(a) is required which will mean that the Scheme employer letting the contract will be responsible for any unmet liabilities of a Protected Transferee Employer rather than them being passed to all Scheme employers contributing to the Fund.



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On a connected matter WYPF feels that a regulation similar to regulation 16(7) of the LGPS (Administration) Regulations 2008 should be included for members who become protected transferees and other members whose employment is compulsorily transferred to another employer.

WYPF welcomes the greater flexibility proposed for how members may choose to take their Additional Voluntary Contributions (AVCs) in the future. However, WYPF feels that further amendments are necessary to extend the provisions to deferred members who only have AVC benefits in the Scheme, and Pension Credit members. WYPF also feels that the amendments made by Regulation 9 should have an effective date approximately 3 months after the Amendment Regulations have been laid in Parliament to enable Administering Authorities and AVC providers to put revised procedures in place.

For draft regulation 10(b) WYPF feels that proposed regulation 21(5A) should include a provision to use a lower level of pensionable pay where the pensionable received during the specified period is higher than normally received.

WYPF welcomes the proposed changes in Regulation 11 to Regulation 22. However, WYPF feels that there should be no retrospection or any opportunity for members whose membership has been linked because they failed to make an election to undo this.

WYPF welcomes the proposed change in Regulation 24 which would allow members that left under the LGPS (Benefits, Membership and Contributions) Regulations 2007 to elect to receive an actuarially reduced pension between the ages of 55 and 59 without employer consent. WYPF also feels that this proposed provision should be extended to members that left under earlier regulations as this would mean that they are treated equitably with more recent leavers.

WYPF has serious reservations about the proposal in draft regulation 25 which could potentially lead to Administering Authorities having to provide underpin protections to certain members who have transferred in benefits from other public service pension schemes, as this may cause significant administrative difficulties for little gain.

Yours sincerely

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