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Dyddiad / Date: **8th February, 2013**

Eich cyf / Your ref:
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Ffacs / Fax:

LGPS Regulations 2013
Department for Communities and Local Government
Zone 5/G6 Eland House
Bressenden Place
London
SW1E 5DU

Dear Mr Perry,

LGPS Regulations 2013 Consultation

I refer to the above consultation and have detailed below the main policy issues which have arisen and respond as both Employer and Adminstrating Authority. The technical issues within the consultation document have been forwarded to Terry Edwards at LGA who will collate and forward the anomalies to you on behalf of the LGPS Technical Group.

For ease of reference I have listed the policy issues which have arisen

1. Leavers with less than 2 years. A leaver with less than 2 years and who has transferred in previous pension rights should not be able to have a refund of contributions. The member would have had the opportunity to receive a refund from the previous provider. It may also place a requirement on administrators to validate other scheme rules to ensure a refund can be processed. Restricting refunds in this circumstance as has been the practice, will mirror the Government policy of ensuring members make provision for their own retirement and ensure the portability of pension pots rather than members receiving numerous small refunds and not making their own provision for retirement.
2. Final Salary Link. If a member moves from the LGPS and returns within 5 years the final salary link is maintained. This period should mirror the 2 year vesting period and not be extended to 5 years. If a member leaves the LGPS in 2015 and does not rejoin the scheme until 2019 the member still retains the right to use final salary in the calculation of

their benefits. The deferred benefits which would have increased by CPI would then have to be recalculated using the new final pay. Another scenario is if a member leaves the LGPS in 2016, is awarded deferred benefits and immediately joins the TPS whereby leaving and having deferred benefits in 2020, rejoins the LGPS in 2020, because the member has continuous public sector service, the initial deferred benefit would have to be recalculated using the new LGPS salary irrespective of whether it was higher or lower than the previous salary.

3. Definition of pay. Clear definitions of pay are required due to the 'old', 'new' and automatic enrolment definitions having to be recorded on payroll provider systems and used annual to calculate career average benefits. Scheme members will only have 6 years from the date of the pension year to rectify any anomalies via the IDR process.
4. Strike. The current rate a member must pay to reinstate a strike day is 16%, if the cost of the new scheme is 19.5% then this should be the reinstatement cost.
5. Reserve Forces. A member does not have to pay contributions if on reserve forces duty if the reserve force pay is less than their LGPS pay. However, if the reserve force pay exceeds their LGPS pay the member must pay contributions. To rectify the anomaly the regulation should be amended to reflect that if a member is on reserve forces duty then the member should not have to pay contributions irrespective of their Forces rank/pay.
6. Age 75. Age 75 scheme membership restrictions should be removed, however, this would have to be done in conjunction with the other public sector pension schemes and HMRC amending age 75 limitations. This would not make any significant impact on scheme membership profile as only a small proportion of members remaining in employment to this date.
7. Ill-Health. Restrictions should be placed on the enhancement a member receives when retiring for a second occasion on the grounds of permanent ill-health. The member has already received enhancement taking into account loss of future employment and it may therefore be appropriate not to award a second period of enhancement, alternatively, any enhancement should be offset against the enhancement from the first ill health retirement.
8. Pensions Board. The constitution of the Pensions Board must be specified within the regulations in order to comply with the Public Service Pensions Bill.

9. Revaluation. There appears to be an inequality of treatment between Active, deferred and pensioner members. When the revaluation rate has been calculated for an active member and the rate is negative it will be applied, however, if the revaluation rate for deferred and pensioner members is negative a 0% revaluation will be applied. An unintended consequence may be that once the revaluation rate is known scheme member may opt out of the scheme to be treated as deferred member and then rejoin to avoid a decrease in benefits accrued.

If you require clarification or further information on any of the aforementioned points, do not hesitate to contact me.

Yours sincerely,

C. Moore, FCCA
Head of Financial Services