Meeting of the Board 14 March 2019

ITEM 9

Technical Group Update

Introduction

1. This paper provides the board with a summary of technical questions recently debated by the technical group at their meeting on 12 February 2019.

Detail

2. Scheme Pays Timescales

2.1. A combination of Mandatory Scheme Pays (MSP) and Voluntary Scheme Pays (VSP) may arise in the following circumstances:

- Where the pensions savings in one scheme is above £40k (therefore qualifying for MSP) but the pension savings in the other scheme is less than £40k and doesn't qualify for MSP, therefore VSP can be used.

  Please note that while this may usually present itself so that the 1992 scheme has a pension input amount of over £40k, using MSP is not limited to the final salary schemes only

- Where the member is subject to a tapered annual allowance between £10k & £40k, MSP could be used to pay the tax arising from a pension input amount over £40k and VSP used to settle the tax bill between £10,000 and £40,000

2.2. There is a difference in timings, processes and abilities between using MSP and VSP. A request to use a combination of VSP and MSP potentially means two event reports for a breach over two separate tax years, two payments over two separate financial years for the FRA, and other complex administrative processes.

2.3. For example a tax charge could have arisen for the scheme year 1 April to 31 March 2018, the deadline to pay the tax charge arising from that year by VSP is 31 January 2019 (within the tax year 2018/2019) and the deadline to pay the tax charge arising from MSP would be 31 July 2019 (within the tax year 2019/2020). So one charge arising in the year 2017/2018, would be paid across the two tax years of 2018/2019 and 2019/2020

2.4. Where this scenario arises the technical group discussed what obstacles there would be to paying the MSP charge within the timescales for VSP.

2.5. The group determined that while you cannot pay a tax charge that qualifies as MSP as a VSP payment, there would be no legislative reason that you could not pay the charge within the VSP timescale, i.e. before 31 January.

2.6. LGA will further consider this and produce guidance as necessary.

3. Additional Pension Benefits for Temporary Promotions

3.1. In amendment orders 2013/1392 and 2013/1393, regulatory amendments were introduced to treat any temporary promotion occurring after 1 July 2013 as an additional pension benefit.

3.2. The technical group considered a query on whether a subsequent promotion within a period of temporary promotion that had occurred before 1 July 2013 should qualify for an APB

3.3. The group agreed that it would.

4. Buyback of pension during unpaid leave

4.1. Where a member has been on a period on leave where they have not been paying contributions, the regulations allow them to pay the contributions within six months of returning in order to count the pension.

4.2. The technical group considered a query on whether a person who had left the scheme after the period of leave should still be allowed to pay their contributions in order to count the pension during their absence.

4.3. The group agreed that they could.

5. Pension Credit

5.1. A pension credit is an actuarial calculation based on the cash equivalent transfer value (CETV) of the member's pension and converted into a pension to be awarded to the member's ex-spouse / civil partner.

5.2. The amount of the split is awarded by the court and the administrator then calculates the corresponding pension credit payable to the ex-spouse / civil partner.

5.3. A pension credit member will receive their pension at the deferred pension age of the scheme.

	1992	2006	2015
Deferred Pension Age	60	65	State Pension Age

5.4. For members who had built up a portion of benefits in the final salary schemes (1992 or 2006) and CARE scheme (2015), the Home Office have previously confirmed that government's policy intention was that the pension credit was to be awarded into the 2015 scheme only, as it is only the member who would benefit from various government protections on benefits built up in the previous final salary scheme.

5.5. The technical group have previously debated whether the scheme rules supported this approach, however, it has now been confirmed by Home Office that the scheme rules were not amended in line with policy, and for the time being will not seek to amend the legislation in line with this policy.

5.6. Therefore, where a member has benefits built up across two different schemes the pension credit should be discharged proportionately into each scheme.

Action Required

6. Board members are asked to note the report

Board Secretariat

07 March 2019