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Our Ref: KG/Consult AVC

Your Ref:

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Please ask for: Kevin Greenough

Date: 1st February 2007

Dear Sandra,

LGPS (Amendment) Regulations 2007

I write on behalf of the Metropolitan Administering Authorities within the LGPS of Wirral, Bradford, Wolverhampton, South Tyneside, and South Yorkshire Pensions Authority, regarding the proposed amendments to Regulation 60 Election to Pay AVCs as stated in your letter dated 11 January 2007 and the accompanying draft regulations.

This response is in addition to individual responses which the Metropolitan Authorities will submit and is intended to highlight the deep concern and opposition to your proposals from organisations which represent approximately 350,000 active contributors and 800 employing organisations.

The proposals appear unchanged from those in your letter of intent dated 3 November 2006. This is regretted considering the responses previously submitted to you by the above organisations which highlighted our unfavourable reaction and concerns, especially as regards the technical problems of retrospective application.

In your covering letter dated 11th January 2007 you state the view of your Department as being that contributions to AVC's should be by deductions from salary not by one-off lump sum payments, and that recycling of lump sums into AVC payments may incur tax penalties. Neither of these issues are addressed by the draft regulations. Your proposals instead impose a limit on all members who may have reasons other than tax efficiency for paying a high level of AVC contributions, and the retrospective application of this limit is extremely problematic in the time available, if not unworkable.

On behalf of the above Metropolitan Administering Authorities I wish to express our support for the comments made by David Wilkinson on behalf of South Yorkshire Pensions Authority and the North of England Pensions Officers Forum (NEPOF), in his letter to you dated 13th November 2006: -

"It is a knee-jerk reaction to a very limited number of cases where (mainly highly paid) members have committed large amounts into their AVC arrangements for tax-efficiency reasons only. It is not typical of the average AVC contributor and it is not necessary to legislate against. The retrospective application would be unworkable as some members have already made such arrangements, retired and drawn their retirement benefits (including AVC funds as cash). I am confident that you will receive similar responses from colleagues around the country and in the true spirit of consultation will take them on board and abandon this course of action."

Yours sincerely

Director of Finance