

**EXPLANATORY MEMORANDUM TO  
THE LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (NO. 2)  
REGULATIONS 2007**

**2007 No.1488**

1. This explanatory memorandum has been prepared by the Department for Communities and Local Government and is laid before Parliament by Command of Her Majesty.
2. **Description**
  - 2.1 The Regulations provide amendments to the Local Government Pension Scheme Regulations 1997 and the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, mainly to deal with tax changes for occupational pension schemes introduced by HMRC. The other amendments are to increase a maximum period for augmentation, to make some changes in connection with additional voluntary contributions and to make some minor drafting and corrective amendments.
3. **Matters of special interest to the Joint Committee on Statutory Instruments**
  - 3.1 None
4. **Legislative Background**
  - 4.1 The Local Government Pension Scheme Regulations 1997 (S.I.1997/1612) constitute the occupational pension scheme for local government employees, other than teachers, police officers and firefighters. The scheme is a registered scheme for the purposes of tax treatment and exemptions. Certain tax provisions require changes to be made to the provisions of the scheme to accord with that registration.
  - 4.2 The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 are new scheme provisions which come into force on 1 April 2008 and supersede the 1997 Regulations in respect of scheme members' future service.
5. **Extent**
  - 5.1 This instrument applies to England and Wales.
6. **European Convention on Human Rights**
  - 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.
7. **Policy Background**

7.1 Changes to the taxation of registered pension schemes have been made by HMRC with effect from 6 April 2006 and these Regulations make provision for certain matters such as the commutation of pensions and the payment of additional voluntary contributions which take into account those changes.

7.2 The regulations serve the following purposes:

they make minor technical drafting amendments or clarifications necessary as a result of changes to the tax regime governing pensions;

they allow for an increase, from 6 2/3 to 10 years, in the maximum amount of augmented membership which an employer may at their discretion award to a scheme member. This follows changes to the separate redundancy compensation regime applying to local authorities, and provides an equivalent level of discretionary award to that formerly available under the redundancy compensation regime;

they limit the proportion of salary which an employee can put into a scheme Additional Voluntary Contribution (AVC) arrangement, in order to provide appropriate safeguards for funds and recognition of potential tax liabilities under the new tax regime.

they make two minor corrections to remedy drafting omissions in the new scheme regulations which come into force on 1 April 2008.

7.3 Stakeholders were consulted on the proposed draft amendment regulations. Consultation started on 3 November 2006 and ended on 14 February 2007. 49 responses were received and were given careful consideration. An analysis is available at [www.xoq83.dial.pipex.com](http://www.xoq83.dial.pipex.com).

## **8. Impact**

8.1 As there are no direct financial implications arising from these amendments, or impacts to business, charities or the voluntary sector, no Regulatory Impact Assessment was considered necessary.

## **9. Contact**

9.1 Keith Bloomfield, Department for Communities and Local Government, can answer queries regarding this instrument. Contact details are: tel: 020 7944 6002, or email: [keith.bloomfield@communities.gsi.gov.uk](mailto:keith.bloomfield@communities.gsi.gov.uk)