



PENSIONS COMMITTEE

9 November 2011

REPORT

Subject Heading:	Consultation on the Review of the Local Government Pension Scheme
Report Author and contact details:	Mike Board Financial Services Manager 01708 432217 mike.board@havering.gov.uk
Policy context:	To consider the Governments proposal's to deliver short term savings in the LGPS
Financial summary:	The LGPS is a funded scheme and as such it will be necessary to reduce the level of employer contributions so that savings are transferred to the Council. However, it is expected that these savings will be accounted for in the Local Government Financial Settlement in order for the Treasury to achieve its national savings targets.

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

SUMMARY

The DCLG published a consultation document on the Local Government Pension scheme in October 2011 which is the subject of a detailed report on this agenda. The main thrust of that report is to seek comments on the Governments proposals to achieve savings in the LGPS for the three years commencing 2012/13

On the 2nd November the Government published a further document “Public Service Pensions: good pensions that last”. The paper sets out its recommendations for Public Sector Pensions from April 2015.

RECOMMENDATION

The Committee is asked to consider whether it wishes to make any additional comments in response to the DCLG consultation as a result of the publication of the latest publication.

REPORT DETAILS

General Points

The paper recommends a preferred pension scheme for the public sector.

It recommends the introduction of a Career Average Scheme replacing the Final Salary Scheme from April 2016.

Detailed proposals for the LGPS are not available.

Short term savings in the LGPS, as set out in the DCLG consultation will still be required for the next three years.

Some of the proposals that relate to the new scheme will impact upon the LGPS consultation options (e.g. protection for those with less than 10 years to retire)

The Key Points from the Proposals:

- Benefits already earned are protected.
- For those in final salary schemes, those past benefits will be linked to their final salary when they leave the scheme or retire.
- For those public service workers who, as of 1 April 2012, have ten years or less to their current pension age, the Government’s objective is that they will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current Normal Pension Age.

- Government will continue to pay more overall toward pension benefits than the workforce.

The Government’s preferred scheme design will ensure:

- Guaranteed, index-linked pension benefits on retirement.
- An accrual rate of 1/60ths and earnings indexation for benefits while still working in the public service. (although its acknowledged that this may change as the LGPS may alter the accrual rate in order to reduce contribution rates)
- Fairer distribution of benefits across the workforce.
- That most low and middle earners working a full career will receive pension benefits at least as good, if not better than they get now. So called high flyers will be worse off.
- People will not be forced to work longer. There will also be a choice about when to retire with adjustments to the pension for those retiring earlier or later than the State Pension Age.

Local Council Cost Ceilings for Scheme Specific Discussions

Gross Cost Ceiling	Taxpayers	Employees
20.4%	10.5%	9.5%

- The proposed cost ceiling for the LGPS is lower than those of other public sector schemes.
- The impact on contribution rates for employers and employees in the LGPS would be heavily influenced by these ceilings. However, the actual levels will depend upon the outcome of the detailed options which relate to the LGPS.