

**HUMAN RESOURCES COMMITTEE: 15 OCTOBER 2012**

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**SUBJECT: NEW LOCAL GOVERNMENT PENSION SCHEME 2014**

**JOINT REPORT OF THE CHIEF FIRE OFFICER, THE FINANCE OFFICER AND PERSONNEL ADVISOR**

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## **1 INTRODUCTION**

1.1 Consultations undertaken by the Local Government Association (LGA), UNISON, GMB and Unite have overwhelmingly approved the proposals for a reformed LGPS published at the end of May. The consultations took place between the beginning of June and the end of August and included individual ballots for union members and a process enabling scheme employers to both express support (or not) and make comments on the proposals.

The consultations resulted in the proposals being supported by:

- 93% of employers
- 90% of UNISON members
- 95% of GMB members
- 84% of Unite members

1.2 A statutory consultation process will now be undertaken by Government in order to implement these proposals. The process will also move into the next stage of discussions on improving the governance and cost management of the new scheme which is due to take effect from 1<sup>st</sup> April 2014.

## **2 BACKGROUND**

2.1 As Members will recall, the coalition Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission to review public service pensions and to make recommendations on how they can be made sustainable and affordable in the long-term and fair to both public sector workers and the taxpayer.

2.2 The Government accepted the broad principles set out in Lord Hutton's report as a basis for consultation. The Chief Secretary to the Treasury set out to Parliament the Government's timetable for consultation on these matters.

2.3 Following publication of the report, changes were proposed to all the main public sector pension schemes, including the LGPS. In December 2011 the Government agreed that the Local Government Association and main local government unions (Unison, GMB and Unite) could put forward a proposal for a new LGPS that met governmental objectives.

- 2.4 The Local Government Association (LGA) and trade unions announced on 31st May 2012 the outcome of their negotiations on New LGPS proposals (for England and Wales) to take effect from 1<sup>st</sup> April 2014.
- 2.5 These proposals were communicated to scheme members, employers, funds and other scheme interests. Unions consulted their members over these proposals and the LGA consulted with employers. Government had confirmed that a favourable outcome of the consultations would enable them to move directly to a statutory consultation later in the Autumn of 2012 with a view to implement these proposals.
- 2.6 The proposed new scheme, which commences 1<sup>st</sup> April 2014, will apply to all service that builds up on and after 1<sup>st</sup> April 2014. It is intended that Government Regulations will be in place early in 2013 following statutory consultation. This will enable those administering the scheme to make the required changes ahead of the start date. One of the aims of a new scheme is to balance affordability for scheme employers with provision of a good pension for employees.

### **3 PROPOSAL**

- 3.1 The main provisions of the proposed LGPS 2014 are as follows:
- A Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme).
  - The accrual rate would be 1/49th (the current scheme is 1/60th).
  - There would be no normal scheme pension age, instead each member's Normal Pension Age (NPA) would be their State Pension Age (the current scheme has an NPA of 65).
  - Average member contributions to the scheme would be 6.5% (same as the current scheme) with the rate determined on actual pay (the current scheme determines part-time contribution rates on full time equivalent pay). While there would be no change to average member contributions, the lowest paid would pay the same or less and the highest paid would pay higher contributions on a more progressive scale after tax relief (see table below).
  - Members who have already or are considering opting out of the scheme could instead elect to pay half contributions for half the pension, while still retaining the full value of other benefits. This is known as the 50/50 option (the current scheme has no such flexible option).
  - For current scheme members, benefits for service prior to 1st April are protected, including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and current NPA.

- Where scheme members are outsourced they will be able to stay in the scheme on first and subsequent transfers (currently this is a choice for the new employer).
- 3.2 All other terms remain as in the current scheme. Full details of the above proposals will soon be published on the LGPS website ([www.lgps.org.uk](http://www.lgps.org.uk)) and arrangements are being made for hard copies to be available.
- 3.3 The LGA and unions will publish details of their own consultation arrangements. Future scheme costs will be monitored and controlled to ensure stability and affordability of the LGPS. Further details on cost management and scheme governance will be released once the ongoing discussions in the next part of the LGPS 2014 project are complete.

Proposed LGPS 2014 Contribution table.

Actual Pensionable pay	Gross contribution	Contribution after tax relief
Up to £13,500	5.5%	4.40%
£13,501 - £21,000	5.8%	4.64%
£21,001 - £34,000	6.5%	5.20%
£34,001 - £43,000	6.8%	5.44%
£43,001 - £60,000	8.5%	5.10%
£60,001 - £85,000	9.9%	5.94%
£85,001 - £100,000	10.5%	6.30%
£100,001 - £150,000	11.4%	6.84%
More than £150,000	12.5%	6.88%

#### **4 RISK MANAGEMENT**

- 4.1 A risk assessment has been undertaken to ensure that the risk to the Authority has been minimised as far as practicable. The assessment has considered an appropriate balance between risk and control; the realisation of efficiencies; the most appropriate use of limited resources; and a comprehensive evaluation of the benefits. The risk to the authority has been assessed as low utilising the standard risk matrix based on control measures being in place. The complete risk assessment is available on request from the Chief Fire Officer.

#### **5 FINANCIAL IMPLICATIONS**

- 5.1 The financial implications appertaining to the scheme are as yet unquantified and, at this stage it is not possible to advise on the impact for the LGPS generally or the Authority specifically.

#### **6 EQUALITY AND FAIRNESS IMPLICATIONS**

- 6.1 There are no equality and fairness implications in respect of this report.

#### **7 HEALTH AND SAFETY IMPLICATIONS**

- 7.1 There are no health and safety implications in respect of this report.

## **8 RECOMMENDATIONS**

8.1 Members are recommended to:

- a) Note the content of this report;
- b) Receive further reports as appropriate.

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## **BACKGROUND PAPERS**

The undermentioned Background Papers refer to the subject matter of the above report:

- LGPS website for past and future information ([www.lgps.org.uk](http://www.lgps.org.uk))