LGPS 2014: WRITTEN MINISTERIAL STATEMENT [With additional details]

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The intention remains to have the new scheme regulations in place to coincide with the next Scheme valuation in 2013 to enable local fund actuaries to reflect elements of the new design in this process before the reformed Scheme comes into operation in 2014 and to give software and payroll providers sufficient time to establish and test procedures for the scheme after April 2014.

The Statutory Consultation will include draft regulations. The initial draft will be sent out before Christmas and will cover the benefit amendments set out in Workstream 1 affecting the current Benefit Regulations.

There will be a narrative paper on Workstream 2 which deals with Governance and Cost Controls

Further documentation will be sent through during the consultation period dealing with calculation criteria [Transfers/Purchase of Additional Benefits]

A second draft SI will sweep up and will be used to amalgamate the existing Benefit and Administration Regulations into one.

As the main parameters(see overleaf) form the basis of the forthcoming statutory consultation have already been released by LGA and Unions, the consultation period for the draft will be cut from 12wks to 6 wks.

The consequences of the new Fair Deal for the local government workforce will be considered by the Department for Communities and Local Government in view of the extant Best Value Authorities Staff Transfers (Pensions) Direction 2007 and Admitted Body Status in the Local Government Pension Scheme

The Government Actuary's Department has confirmed that the scheme design set out above does not exceed the agreed cost ceiling of 19.5% of pensionable pay. A copy of the Government Actuary's Department verification has been placed in the Library.

The initial focus of the statutory consultation exercise will be on the Local Government Association and local government trades unions' proposals for the design of the new scheme from April 2014. The Public Service Pensions Bill introduced on 13 September set out new arrangements for the future of public service pension schemes. This Bill provides a strengthened framework for administration, transparency, governance and cost control of the schemes, including the Local Government Pension Scheme. Although still matters under consideration, the provisions in the Bill do not rule out any of the Local Government Association and local government trades unions' proposals on governance and cost control. I will continue to work closely with those bodies during the statutory consultation to consider these important matters further and in light of issues raised during the consultation.

Discussions are still going on with regards to getting clarification of the effect of the Public Service Pension Bill on the LGPS. It is intended that the reference to HM Treasury being involved in setting criteria for valuations does not apply to LGPS. There will also be more investigations into Merged Funds [eg optimum fund size.

The main parameters forming the basis of the forthcoming statutory consultation are set out below :

- A start date of April 2014 with core elements of the new scheme regulations in place by March 2013
- A pension scheme design based on career average and actual pay
- An accrual rate of 1/49th of pensionable earnings each year
- Revaluation of active members' benefits in line with a price index (currently Consumer Prices Index)
- A Normal Pension Age equal to the State Pension Age, which applies both to active members and deferred members (new scheme service only). If a member's State Pension Age rises, then Normal Pension Age will do so too for all post-2014 service
- A low cost optional arrangement allowing 50% of main benefits to be accrued on a 50% contribution rate
- Pensions in payment to increase in line with a price Index (currently Consumer Prices Index)
- Benefits to increase in any period of deferment in line with a price index (currently Consumer Prices Index)
- Average member contribution yield of 6.5%, with tiered contributions
- Optional lump sum commutation at a rate of £12 of lump sum for every £1 per annum of pension foregone in accordance with HMRC limits and regulations
- Early/late retirement factors from age 55 on an actuarially neutral basis
- A vesting period of two years
- Spouse and partner pensions to continue to be based on an accrual rate of 1/160 and three times death in service benefit
- Ill-health retirement pensions to be based on the current ill-health retirement arrangements. **[There is some recognition that ill health retirements need reviewing but this will be done later due to the current time restraints]**

There will be transitional protection in respect of:

All accrued rights are protected and those past benefits will be linked to final salary when members leave the scheme

Protection underpin for members aged 57 to 59 **[10 yrs. protection]**

Rule of 85 protection as in the current scheme.