

# Bath & North East Somerset Council

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MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	9 DECEMBER 2011	AGENDA ITEM NUMBER
TITLE:	DCLG CONSULTATION PAPER ON SCHEME CHANGES FROM 1 APRIL 2012 “TREASURY DOCUMENT PUBLIC SERVICE PENSIONS: “GOOD PENSIONS THAT LAST”	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1: Consultation Response Letter		
Appendix 2: Proposed Changes to LGPS 2012 and 2015		
Appendix 3: Consultation Changes Examples		

## 1 THE ISSUE

- 1.1 Following the Chancellor's Comprehensive Spending Review in October 2010 there was a directive that public sector pension schemes acquire savings by increasing employee pension contributions. On 7<sup>th</sup> October 2011 DCLG issued for comments, a consultation paper on the options required to achieve these savings. This covers scheme changes that cover the period 1 April 2012 to 31 March 2015.
- 1.2 Subsequent to this document on 2<sup>nd</sup> November 2011, the Treasury released its proposals to Trade Unions on the basic proposals arising from the Hutton recommendations. This covers potential scheme changes from April 2015 but some of the proposals allow protections from April 2012. Although comments were not asked for on this document it was felt that key issues needed to be communicated to the Treasury as this constitutes the potential future for the LGPS going forward.
- 1.3 Response letters have therefore been compiled on behalf of the Avon Pension Fund.

## 2 RECOMMENDATION

The Pension Committee is asked to approve:

- 2.1 The response letter in respect of the DCLG Consultation document.
- 2.2 A letter to the Treasury highlighting issues that Public Service Pensions document brought up.

### 3 FINANCIAL IMPLICATIONS

- 3.1 These documents will have key financial implications for the Pension Fund going forward. There is a need to ensure that the relevant Government Departments are made aware of the risks such changes may have on the Fund. The major concern is if changes result in a high level of Scheme opt outs this would have a severe adverse effect on the funding strategy and could jeopardise the Fund's cash flow position.

### 4 THE REPORT

- 4.1 The future of public sector pension schemes has been under review. which led to the Hutton recommendations, which proposed that changes should be made to all public sector schemes from April 2015.
- 4.2 The Treasury wants to recover monies from all public sector schemes by increasing employee contribution rates from April 2012. Representations by employers and unions were made to the Treasury to show that as the LGPS was different from the other schemes because of its funding. As a result the consultation period for LGPS was not issued until 7 October 2011.
- 4.3 The Treasury issued its proposed "reference Scheme" for public sector schemes and revised this on 2 November 2011. These are only proposals at this stage which could be withdrawn if agreement with Unions is not forthcoming.
- 4.4 The consultation document asks for comments by 6 January 2012 and Avon Pension Fund need to make representations regarding these. Although the Treasury release does not actively seek comments a response should be made as it is interlinked with the consultation. This will also ensure that all Government Departments involved in the future of LGPS are aware of our views

### 5 RISK MANAGEMENT

- 5.1 In line with Pension Committee policy, officers have ensured that such admissions will only be considered if a guarantor is in place.

### 6 EQUALITIES.

- 6.1 There are no direct equality implications from this process

### 7 CONSULTATION

- 7.1 No consultation is appropriate

### 8 ADVICE SOUGHT

- 8.1 The Council's Monitoring Officer (Council Solicitor) and Section 151 Officer (Divisional Director - Finance) have had the opportunity to input to this report and have cleared it for publication.

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<b>Background papers</b>	<i>Hutton Recommendations</i> <i>Correspondence from DCLG and Treasury</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	