

Proposed Pension Reform

Bulletin No.4

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Since the Chief Secretary to the Treasury announced, on **2 November 2011**, the government's latest proposal on Scheme design for the reform of public service pension (see Bulletin No.3), the local authority employers and trade unions reached agreement on **22 December 2011**, to implement reforms to the Local Government Pension Scheme in **2014** in a "single step solution".

This means that the Government's consultation on proposals to increase employee contributions closed on the **6 January 2012**, with the Government agreeing to hold back on any action whilst talks between the Local Government Association (the employers) and the trade unions continue.

The "single step solution" proposes that the new scheme will be implemented from **April 2014**, twelve months earlier than originally suggested. Rather than alter the rates of member contributions in **2012** and **2013**, the new scheme design will take into account any need for members contribution rates to be adjusted.

Further talks between the Local Government Association (employers) and the trade unions will continue up until **April 2012**, to reach agreement on certain elements of the new scheme. Key design principles include:

- Benefits based on career average earnings (CARE Scheme) rather than final salary;
- Normal Pension Age linked to State Pension Age;
- If enough savings can be made, zero contribution increases for most members; and
- Choices to encourage retention of existing members, and recruitment of younger employees

Should these talks break down without further agreement then the original proposal to increase employee contributions may well be implemented, possibly before the end of 2012-13.



What are the next steps?

A project team consisting of unions, the Local Government Association (LGA) and the Department for Communities and Local Government (DCLG) will meet weekly to work out cost options and make recommendations to a project board (again with representatives from the same bodies), which will meet fortnightly. The aim is to reach an agreement which each party involved in the process can put to their memberships in good time for final proposals to be accepted by the Government in April 2012, so that drafting of new scheme regulations can commence.

The next stages of the process would then commence to agree the finer points of the new scheme design in time for a statutory consultation process to commence in the early autumn of 2012.

All parties involved in these continuing discussions are committed to ensuring that whatever the outcome, the LGPS will still be one of the best pension schemes available.

Pension Services will continue to provide LGPS members with regular updates on the progress of these discussions.

