

Proposed Pension Reform

Bulletin No.5

January 2012

New LGPS 2014 project

Bulletin No.4 outlines the principles, accepted by Government, submitted by the Local Government Association, Unison and GMB on how to take forward the reform of the Local Government Pension Scheme in England and Wales, a project has now been set up to reach agreement on the elements of the new scheme together with the management and governance of the scheme going forward.

A **project team** has been created with membership consisting of officials from:

- the lead unions (to include pensions officers and lay members)
- the Local Government Association (LGA)
- the Department for Communities and Local Government (DCLG)

Representatives from these stakeholder groups will also be involved in managing the project and agreeing the recommendations, in principle, through a **project board**. The board will be responsible for ensuring that the project adheres to the timings of the project plan and will report fortnightly to the government, on progress.

The project team will meet weekly between now and April 2012, to consult and agree on a series of objectives. There are 10 objectives that have been identified as '**big ticket**' items. Agreement on the 'big ticket' items must be reached by the April 2012 deadline to allow sufficient time for the new scheme to be implemented in April 2014. The objectives are as follows:

Objective 1: Confirmation of the basis of the new scheme design (for example, the introduction of a CARE scheme)

Objective 2: Confirmation of the proportion of pay to be used to calculate the amount of pension for each year of service

Objective 3: Confirmation of the basis upon which the pension pot is increased each year in its build up prior to payment



Objective 4: Confirmation of the amount of adjustment required to the value of the LGPS pension if taken earlier or later than the scheme member's normal pension age

Objective 5: Confirmation of the level of increase to member contributions, who it will effect and how it will be implemented

Objective 6: Confirmation of the extent of the protection given to existing LGPS members approaching retirement after implementation of the new scheme

Objective 7: Confirmation of the settings for the upper and lower limits of employer contributions to avoid the need for a repeat of the current reform process

Objective 8: Confirmation of the mechanism used to maintain scheme cost within the new upper and lower limits for employer contributions

Objective 9: Agree recommendations on best practice in governance and procurement

Objective 10: Confirmation that the ongoing value of the new scheme will continue to satisfy overall government financial constraints

Depending upon **successful agreement** of the key project objectives **by April 2012**, a further broad timetable of events would unfold during the period leading up to the planned implementation of the new scheme in **April 2014**. The proposed timetable is structured as follows:

April – September 2012: Unions and employers continue their dialogue to reach agreement on the remainder of scheme design and details of cost mechanisms

September 2012 - March 2013: consultation period prior to the making and laying of the new scheme regulations to reflect the outcome of the above process

March – October 2013: undertake Scheme valuations

October 2013 – March 2014: pre implementation communications for members and employers, parallel run of systems and procedures, test run of cost management mechanism against model scheme

April 2014 onwards: New scheme in place, new employer contributions from 2013 valuation come into effect

Further information about the new LGPS 2014 project can be accessed through a link provided in the Pension Reform page of the Pension Services website. We will continue to post further Bulletins over the coming weeks as more information becomes available.

