

## Proposed Pension Reform

Bulletin No.3

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On **2 November 2011**, the Chief Secretary to the Treasury announced the Government's latest proposals on Scheme design for the reform of public service pensions. Subsequently, HM Treasury published the document 'Public Service Pensions: good pensions that last' giving more detail on this latest Government offer.

[What impact do these latest Government proposals have on the current consultation process relating to the suggested increase in LGPS member contributions to achieve short-term cost savings?](#)

The statutory consultation period, currently in progress, will continue as planned. There appears to be no immediate change to the published proposals (see Bulletin No.2).

[How will these latest Government proposals affect the LGPS in the longer term?](#)

Up to now, our series of Bulletins has focussed on providing information on the more immediate cost saving reforms. Longer term, the reform of public sector pensions suggest replacing the current 'Final Salary' Scheme with a 'CARE' Scheme, the new Scheme being introduced by April 2015. We have prepared some information about how a CARE Scheme compares to a Final Salary Scheme in our Focus series of newsletters, access to which is available on our website.

[What are the main features of these new Government proposals?](#)

During October 2011, the Government outlined its proposal for a 'reference scheme' to act as a model for establishing a common design for the proposed new public sector Schemes. These early proposals suggested an accrual rate (the rate that determines the proportion of pay used in the build up of pension each year) of 1/65<sup>th</sup>. The latest proposals suggest an improved accrual rate of 1/60<sup>th</sup>, an increase of 8% on that previously proposed.

The new proposals also offer transitional protection for members within seven years of retirement, assuming the new Scheme is introduced in 2015. This suggests that members, who are eligible for the protection, would have their benefits calculated using current scheme rules regardless of any changes introduced by the reform.



Has consultation to determine the detail of the new CARE Scheme started?

Not yet, however, the consultation process (which is separate to the current consultation process to determine changes in the LGPS contribution rate to deliver short term cost savings), is expected to commence before the end of the 2011.

What we don't know yet is how the proposals to meet short term cost savings through adjustment to members contribution rates, are going to dovetail with the separate proposals relating to the detail of the proposed new Scheme.

An alternative solution may be to roll all the changes into one; this is currently being considered at a national level.

We shall provide more information as soon as the situation becomes clearer.