

CYNGOR SIR POWYS COUNTY COUNCIL.

**Pensions and Investment Committee
7th February 2013**

REPORT BY: Strategic Director of Finance & Infrastructure

SUBJECT: LGPS 2014 – Draft Regulations

REPORT FOR: Information

- 1 On 21st December 2012 DCLG issued a statutory consultation on draft regulations for the new LGPS to come into force in April 2014. The consultation covers the core elements of the new scheme relating to membership, contributions and benefits. Responses to this consultation are required by 8th February 2013.
- 2 A second consultation exercise to cover the remainder of the new scheme will follow. This will cover outstanding proposals on governance, cost control and scheme administration; any provisions that are needed to ensure compatibility with the Public Service Pension Bill; and transitional provisions to take forward necessary protections, both existing and new.
- 3 The LGA and local government trades unions have previously consulted their respective memberships and other scheme interested parties on detailed proposals for a new scheme design. These informal consultations received overwhelming support and gave a clear mandate to take forward the proposed scheme design as the basis for this statutory consultation exercise.
- 4 The main elements of the new scheme in the consultation are:
 - A start date for the reformed LGPS of April 2014 with core elements of the new scheme regulations in place by Spring 2013.
 - A pension scheme design based on career average and actual pay with an accrual rate of 1/49th of pensionable earnings each year.
 - Revaluation of active members' benefits to be in line with a price index (currently Consumer Prices Index).
 - Scheme normal pension age to be equal to the state pension age for both active members and deferred members (new scheme service only). If a member's state pension age rises, then normal pension age will also, for all post-2014 service.
 - The earliest point at which retirement benefits can be taken is age 55. The latest point at which retirement benefits can be commenced is on

reaching age 75. In cases of both “early” and “late” commencement of pension the appropriate actuarial reduction or increase will be made – except that there is no reduction in cases of redundancy or where employers exercise their waiver.

- There continues to be a provision for flexible retirement from age 55 onward.
- Ill-health retirement pensions to be based on the current ill-health retirement arrangements.
- Optional lump sum commutation at a rate of £12 of lump sum for every £1 of annual pension given up.
- Pensions in payment and deferred benefits to increase in line with a price index (currently Consumer Prices Index).
- An average member contribution yield of 6.5%, as now, with tiered contributions. Higher –earners paying a higher proportion of their earnings in contributions than lower-earning colleagues.
- A low cost option - allowing member’s to pay 50% contributions building up 50% of main benefits.
- 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.

5 Transitional protection

- All accrued rights are protected and benefits built up to April 2014 will be linked to final salary when members leave the scheme.
- There will be a protected underpin for members aged 57 to 59.
- Rule of 85 protection as in the current scheme.

6 Related Proposals

- Fair Deal - Discussions are taking place on the implementation of Fair Deal equivalent arrangements for the LGPS.
- Cost control - Following discussions with the LGA and local government trades unions on proposals to manage future cost risks, a paper has been agreed as the basis for future discussions on the detail of the new arrangement.
- Governance - Ministers are fully committed to establishing a National Advisory Board for the LGPS which, amongst other things, will allow employers, trades unions and other scheme interests to effectively manage the ongoing costs of the scheme design via the agreed cost control arrangement. Discussions about the precise role, composition and scope of the proposed Board are ongoing but DCLG’s intention

remains to issue further details, followed by a consultation on draft regulations, very soon

- 7 Committee is asked to note the contents of this report and also that because of the truncated consultation period, comments principally of a practical nature, have been fed into the consultation via Pensions Manager fora.

Recommendation:		Reason for Recommendation:	
To note the contents of this report.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
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Relevant Portfolio Member(s):	Councillor Dai Davies
Relevant Local Member(s):	