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Please ask for: Yvonne Caddock

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LOCAL GOVERNMENT PENSION SCHEME REFORM 2011

With reference to the consultation issued on 7 October 2011 in regard the Government's draft proposals to achieve short term savings of £900m by 2014-15. The Fund would like to submit an alternative proposal for consideration - as invited in paragraph 6.4 of the consultation document.

Following consideration of the two approaches detailed within the consultation and further information received in the form of the Chief Secretary to the Treasury's statement to Parliament on 2 November, our proposal addresses the earlier introduction of Lord Hutton's recommendation of linking Normal Pension Age (NPA) to State Pension Age (SPA).

The three year alternative proposal would be :

- 2012-13** **start a phased 1% increase of member contributions (tariff);**
- 2013-14** **further to continuing the gradual increase of member contributions, introduce the link of Normal Pension Age to State Pension Age;**
- 2014-15** **introduce the third and final element of the proposal, a change of the accrual rate to a 64th**

We agree that a phased increase of member contributions over the three years is advisable and in our approach we would advocate the use of the same tariff table as Approach 2 in Annex A of the consultation document.

On this basis the cost appraisal for this alternative approach would be:

	2012/13	2013/14	2014/15
Tariff Increase	£95m	£220m	£300m
NPA link to SPA	£0	£330m	£330m
Accrual Rate (64 th)	£0	£0	£360m
Total	£95m	£550m	£990m

Clearly, this approach meets the short-term saving requirements whilst, recognising the need for employees' to contribute more to the overall cost envelope.

We have produced explanations and examples for members in the form of a website at <http://lgps2015.org> small booklets and information within the Annual Personal Benefit Statements. In addition, we have published an online survey to gather members' opinions on the proposals – whilst making it clear that change is inevitable.

The Fund's formal response of the Fund will be made by **6 January 2012** and will include statistical data from the members' survey.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian Coleman', with a long horizontal flourish extending to the right.

Ian Coleman
Deputy Chief Executive
& Director of Finance