

WIRRAL COUNCIL

PENSIONS COMMITTEE

15 JANUARY 2013

SUBJECT:	STATUTORY CONSULTATION – LGPS 2014: DRAFT REGULATIONS ON MEMBERSHIP, CONTRIBUTIONS AND BENEFITS
WARDS AFFECTED:	ALL
REPORT OF:	INTERIM DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER:	
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report updates Members of the publication of the Department for Communities and Local Government (DCLG) consultation covering draft regulations in respect of membership, contributions and benefits for the LGPS from April 2014.

BACKGROUND AND KEY ISSUES

Reform of the LGPS

- 2.1 The statutory consultation with its associated draft regulations were issued on 21 December 2012 as the culmination of discussions and agreement being reached between the Government, Trade Unions and the LGA.
- 2.2 This consultation serves to be the first step towards establishing the regulatory framework for the new LGPS. The 55 draft regulations cover the core elements of the new Scheme and the complete document can be found at:
<http://tinyurl.com/bb63vnu>
- 2.3 The key aspects are as follows;
- Career Average Revalued Earnings (CARE) benefit structure through the setting up of "Pension Accounts" for each employment
 - The Pension Accounts are based on a 49ths accrual rate
 - Revaluation of active members' benefits in line with a price index (currently Consumer Prices Index)
 - Pensions in payment to increase in line with a price Index (currently Consumer Prices Index)
 - Benefits to increase in any period of deferment in line with a price index (currently Consumer Prices Index)
 - A Normal Pension Age equal to the State Pension Age, which applies both to active members and deferred members (new scheme service only). If a member's State Pension Age rises, then Normal Pension Age will do so too for all post-2014 service

- The introduction of the 'Life balance' 50:50 contribution/accrual
- Revised employee contribution rates and a wider definition of Pensionable Pay including non-contractual overtime
- Early/late retirement factors from age 55 on an actuarially neutral basis
- 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
- Ill-health retirement pensions to be based on the current ill-health retirement arrangements.

There will also be transitional protection in respect of:

- All accrued rights are protected and those past benefits will be linked to final salary when members leave the scheme
- Protection underpin for members aged 57 to 59
- Rule of 85 protection as in the current scheme.

- 2.4 It should be noted the project group has worked closely with the DCLG and Trade Unions to ensure the draft regulations meet with the headline terms agreed between the respective stakeholders for the new Scheme design from April 2014
- 2.5 As the fundamental provisions of the reforms have been previously been consulted on informally with a favourable outcome, the Government has decided to operate a reduced consultation period of 7 weeks with a deadline for responses of 8 February 2013.
- 2.6 Merseyside Pension Fund will prepare and circulate its response on the technical details of the administrative ease and clarity of the regulations for approval to the Chair of Pensions Committee before formal submission to DCLG.
- 2.7 The draft regulations will be made under the Superannuation Act 1972, and will need to be revisited in the future to be made compatible with the Public Service Pension Bill once that is enacted as the primary legislation.
- 2.8 A separate consultation will follow shortly covering the remaining items of the new scheme and the areas of Fair Deal, Cost Control, Governance and Councillors' pensions.

3.0 RELEVANT RISKS

- 3.1 There is the potential risk that the DCLG will fail to respond to clarifications and amend any significant drafting errors in time for Fund Actuaries to appropriately reflect the new Scheme benefit design when calculating Employers' Future Service Contribution Rates for financial years 2014/15, 2015/16 and 2016/17

4.0 OTHER OPTIONS CONSIDERED

- 4.1 No other options have been considered.

5.0 CONSULTATION

- 5.1 An informal consultation by Trade Unions has already taken place on behalf of contributing members of the LGPS.
- 5.2 In addition, the Local Government Association (LGA) has also conducted an informal consultation with employers during 2012.

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 6.1 There are none arising from this report.

7.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

- 7.1 The Fund needs to raise awareness of the Statutory Consultation to Employers

8.0 LEGAL IMPLICATIONS

- 8.1 There are none arising from this report.

9.0 EQUALITIES IMPLICATIONS

- 9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

The reforms to the LGPS have been assessed by Government with regard to equality.

10.0 CARBON REDUCTION IMPLICATIONS

- 10.1 None arising from this report

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

- 11.1 None arising from this report

12.0 RECOMMENDATION/S

- 12.1 That Members note the report and agree that a technical response to the consultation be submitted to the DCLG; following approval by the Chair of Pensions Committee.

13.0 REASON/S FOR RECOMMENDATION/S

- 13.1 There is a requirement for Members of the Pension Committee to be kept up to date with legislative developments to carry out their decision making role in order to enable them to make informed decisions.

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REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date