

City People

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Changes ensure long term future

Pension change update

The Local Government Pension Scheme (LGPS) is currently under review by the Office of the Deputy Prime Minister (ODPM). Earlier this year, a phased programme of changes was announced that will significantly impact on the scheme.



City People caught up with Mike Woodall, Chief Pensions Officer, to get the inside track on what the possible changes to the scheme will mean for Wolverhampton and other local authority employees.

Why the need for change?

Essentially, the ODPM has carried a stock take of the scheme and suggested changes on the grounds of affordability. Younger members may be disappointed by the proposed changes to the scheme but they are intended to ensure that the scheme can be sustained as a final salary scheme into the long-term future.

What are the main changes that have been put forward?

- That the normal retirement age for all members will be 65. This includes removal of protected normal retirement ages between 60 and 65 for future service for members who joined the scheme prior to 1 April 1998
- That the earliest age at which scheme benefits can be paid, other than on the grounds of permanent ill-health, is to be increased from 50 to 55 years
- That the ability to request early retirement is withdrawn when a scheme member's age (together with their number of years pensionable service in whole numbers) totals 85
- Whilst accrued entitlements up to 1 April 2005 will be protected, all future service after that date will be subject to a reduction if an individual retires before reaching the normal retirement age of 65
- There will be transitional protection for Scheme members who will attain age 60 and satisfy the current 85 year rule before April 2013.

How does this compare with the private sector?

Only approximately 10% of the private sector workforce has access to schemes of the same quality that we enjoy in Local Government and this is reducing as private sector schemes are closing on the grounds of affordability. However, when comparing the remuneration package for private versus public sector workers, we must look at more than solely pension contributions. In general private sector pay is more for equivalent jobs but has smaller employer's pension contributions. When the total remuneration package is compared between private and public sector, they are fairly well balanced.

The changes are part of a phased programme. When will the next phase be announced?

The ODPM are intending to issue further consultation documents towards the end of this calendar year. It is anticipated that the level of employees' contributions (currently 6%) will be considered at that time.

Where can I get more information?

Further information can be obtained from the West Midlands Pension Fund website: www.westmids-pensions.com which also contains links to the Pensions Division of the ODPM.

