

P/CPO/HR

Mr R Holloway
Department for Communities and
Local Government
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Mr M Woodall
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Dear Mr Holloway

Local Government Pension Scheme (Administration) Regulations 2007

I refer to your letter dated 14 February 2007 in which you invite comments on the above-mentioned draft Regulations.

I write to indicate the support of the West Midlands Pension Fund to the submission made by the Local Government Employers Organisation and would wish to reinforce the following points.

1. Implementation of Regulations

The draft Regulations issued to date contain a significant number of ambiguities and proposals that if they are to operate effectively require long and intensive consideration in order to achieve a workable outcome.

It is for that reason that I do not believe that the objective of implementation of these new Regulations from 1 April 2008 is either sensible or feasible.

I urge the DCLG to reconsider the timescale for implementation of a new look Local Government Pension Scheme.

2. Tiered Employee Contribution Rate

Whilst the principle of tiered contribution rates being determined by pensionable pay is laudable, the devil is in the detail. In these days of individuals holding multiple part-time jobs with several employers the ability to aggregate membership by the employer is virtually impossible.

Additionally, it is ironic that although one of the objectives of the review of the Local Government Pension Scheme was to make it affordable to the lower paid Local Government employees the reverse will occur in respect of individuals enjoying protection of 5% contribution rates as former manual workers, since these will experience the largest increase in pension contributions.

3. Benefits to be calculated on best consecutive three years from the last ten years before leaving

Employers do not hold detailed pay records going back ten years. Employers do not therefore have the ability to easily extract such information and it may result in inaccurate pay figures being used for the calculation of pension benefits.

4. Automatic entitlement to pension benefits on retirement as a result of redundancy or efficient exercise having achieved age 50

I am pleased to note that the DCLG have now clarified their intention to continue to give automatic entitlement to pension benefits for any Scheme member having achieved age 50 whose employment is terminated on the grounds of redundancy or efficient exercise.

5. Ill-Health Retirement

The intention to produce criteria for early retirement on the grounds of ill-health which reflect an individual's capacity to re-enter employment is understandable. However, current proposals without exhaustive guidance notes will be a minefield for subsequent appeals.

It is also difficult to understand how the current proposals would reduce the ongoing costs of early retirement on the grounds of ill-health.

The DCLG should consider retaining provision within the Pension Regulations for those individuals who are unable to undertake gainful employment before their normal retirement date. All other cases of ill-health with periods of partial or temporary incapacity should be dealt with by amendments to the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 to permit a termination payment to be made.

6. Augmentation plus power to award additional pension

I am surprised that it has been felt necessary to provide two mechanisms by which an employer can increase a Scheme member's pension.

It is also ironic that at a time when employers are reducing the generosity of their augmentation schemes, the maximum augmentation permitted under the Regulations will increase from six and two-third years to ten years.

7. Retention of Final Salary Scheme

I believe that the retention of a Final Salary Scheme is short-sighted and will result in a limited shelf life for the new Scheme. It is necessary on the grounds of equity that future consideration be given to the introduction of a career average revalued earnings scheme.

Yours sincerely

Mike Woodall
Chief Pensions Officer