

P/CPO/HR

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Mr M Woodall
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Dear Mr Kirk

Local Government Pension Scheme
Phase 2 Policy Proposals Discussion Paper

I refer to your letter dated 7 November 2003 regarding the above-mentioned matter in which you sought responses to its contents.

I set out below the comments of the West Midlands Metropolitan Authorities Pension Fund.

1. This Fund welcomes the Stock-take of the Local Government Pension Scheme providing its outcome is to produce a simplified scheme, which continues to meet the occupational pension scheme requirements of members and employers.
2. Any changes which impact upon the age at which individuals can retire, or which affect adversely the level of benefits that they will receive on retirement must be implemented in a uniform manner across the Public Sector in order to ensure that Local Authorities do not suffer adversely in their ability to recruit and retain high calibre staff.

Additionally any uncoordinated changes to increasing retirement age within the Public Sector could result in successful claims to the European Courts on the grounds of discrimination.

3. Any increase in employees' contribution rates should not reflect any past service deficits which have arisen from Government or Council Policy decisions e.g. loss of assets that resulted from reducing funding to 75% to help finance a reduction in Poll Tax.
4. All proposed changes should be implemented in a realistic timescale rather than on a knee jerk basis. It should be noted that ongoing costs from past teacher early retirement costs are approximately 60% of all such pension costs in a typical Metropolitan Authority.

5. This Fund would prefer to see a single actuarially equivalent new scheme with LGPS accrued rights transferred. This approach will facilitate significant simplification of the current scheme and provide a single benefit regime free of historical complexity and multiple tiers of complex date dependant rights.
6. The removal of the “85 year rule” for existing members should be phased in having regard to long serving scheme members whose retirement plans have already been made on the basis of existing provisions.
7. The Fund welcomes the introduction of flexible retirement and incentivisation methods to encourage scheme members to remain in employment. It must be acknowledged that the average salary of employees’ contributing to the Local Government Pension Scheme is approximately £13,000 per annum and the average pension paid is £3,700 per annum.
8. This Fund believes that the fundamental challenge for the Local Government Pension Scheme and for the Government’s Pension Policies is to ensure that all those staff eligible for membership of the Local Government Pension Scheme take advantage of the benefit available to them in order to provide for a secure requirement.

In particular strategies need to be adopted in order to encourage younger people to make pension provision from the earliest time possible. Innovative thought needs to be given to make pension provision more attractive in the early years of employment perhaps through methods of cross subsidy or reduced contribution rates for the younger scheme members but with the ability to make up any contribution deficit later in their working life.

9. The Fund has concerns about the ability to remove the Secretary of State from the Internal Dispute Resolution Procedure in view of his role as “Scheme Manager”.
10. This Fund supports the provision of survivor benefits to unmarried partners on the death of a scheme member.

I trust that these comments will be taken into account when determining the outcomes from the Phase 2 Policy Proposals discussion paper.

Yours sincerely

Mike Woodall
Chief Pensions Officer

cfi: Brian Bailey Co-ordinating Director for Finance and Physical Resources
Councillor T Singh Chair - Superannuation Committee
Councillor F Docherty Vice-Chair - Superannuation Committee
Mark Crutchley
Ian Smith
Martin Clift