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From: Mike Woodall
Sent: 04 November 2005 11:48
To: Brian Bailey; Shirley Walton; WMPF Service Management Team
Subject: FW: LGPS and Tripartite Committee update

From: Elaine English [mailto:Elaine.English@lg-employers.gov.uk]
Sent: 04 November 2005 11:45
To: Unlisted-recipients
Subject: LGPS and Tripartite Committee update

This e-mail is being sent to All Pension Managers, Heads of HR, Regional Directors and others.

Dear Colleagues

The Tripartite Committee, which is looking at the ongoing modernisation and development of the Local Government Pension Scheme met on Wednesday 2 November. The meeting was cordial and the Deputy Prime Minister, who chaired the meeting, complimented all parties on the significant progress that had been made recently in the sharing of information, agreeing the range within which the cost of revocation of the April 2005 scheme changes may fall, and in identifying a possible solution that has the potential to meet that cost at no expense to the Government or to employers / council tax payers. That potential solution is to allow scheme members who draw their benefits after 5 April 2006 to take a larger tax free lump sum, at their personal choice. For each £1 of pension converted into lump sum the member would receive £12 cash. This would reduce the long term pension liability and, in this way, the cost of revocation could potentially be recouped. The employers and unions were asked to obtain further actuarial advice on this proposal and are likely to meet again within the next three weeks for further discussions.

The Deputy Prime Minister reiterated that the Government's legal advice is that the 85 year rule must be removed from the LGPS by no later than October 2006. Benefits accrued up to the date of removal would be fully protected and the question of additional transitional protection for older members is to be discussed further. The employers are happy for there to be transitional protections. The unions feel the degree of transitional protection for existing members is crucial to any settlement.

The Deputy Prime Minister confirmed that he intends to issue draft regulations later in November which, following a period of statutory consultation, would be made and laid in March 2006 to come into effect from April 2006. Draft regulations dealing with changes to the Scheme to comply with new HM Revenue and Customs rules from April 2006 will also be issued.

All sides are committed to ongoing discussions about the modernisation and development of the Scheme with a view to producing a policy paper for discussion no later than June 2006 on a new look LGPS. This would lead to draft regulations in the Autumn of 2006 with final regulations in April 2007 which would bring a new scheme into operation from April 2008.

To summarise, based on the discussions on 2 November and the LGA letter to the Deputy Prime Minister of 24 October 2005, what is on the table is:

- the 85 year rule does not have to be removed from the Scheme until October 2006 (but does have to

be removed by then to comply with the EU Equality Directive)

- the cost to employers of the delay in the removal of the 85 year rule (on account of the revocation of the April 2005 changes to the Scheme) can potentially be recouped by allowing members, at their choice, to take a bigger tax free lump sum thereby reducing the amount of the longer term pension liability
- all benefits accrued up to the date the 85 year rule is removed are to be protected
- we are happy for transitional protection to be offered by the Government (e.g. to older workers on objectively justified grounds) provided the cost of this is no more than the cost of the transitional protection that was to have been provided under the now revoked April 2005 scheme changes (which offered transitional protection for service up to 31 March 2013 to those members who would be aged 60 and meet the 85 year rule by that date)
- the increase in the minimum age of retirement from 50 to 55 (other than ill health retirements) can be put back and introduced at the same time as in the rest of the public sector (but by 2010 at the latest)
- the actuarial reduction factors applied to benefits paid early should be reviewed (which would lessen the reduction to benefits where members wished to draw them early)
- members should be allowed, at their choice, to pay extra contributions to buy out any reduction to benefits paid before 65
- the maximum pensionable service limits of 40 years at age 60 / 45 years at age 65 should be removed from April 2006
- flexible retirement provisions should be introduced from April 2006
- there should be ongoing talks about the development of the new look LGPS in readiness for 2008

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