

OFFICE OF THE DEPUTY PRIME MINISTER

Local Government Pension Scheme

The Minister for Local Government (Phil Woolas): In light of the statutory consultation exercise conducted between 1 April and 31 May, it has been concluded that it would be appropriate to revoke the Local Government Pension Scheme (Amendment) (No.2) Regulations 2004. The Local Government Pension Scheme (Amendment) Regulations 2005 which make the revocation will have retrospective effect from 1 April 2005 and will come into force on 3 August 2005.

As required by the statutes which govern the Scheme's provisions, a statutory consultation exercise has been undertaken with interested parties in England and Wales. Careful consideration has been given to the representations submitted in response to that consultation exercise. Many of those stakeholders who opposed revocation raised the question of costs and how taking such a step might impact on the Scheme, and then create fresh pressures on local authorities' budgets if no suitable mitigating measures were put in place. That point is recognised and the Government fully intends to deal with it.

Representatives of the local government employers and trades unions have been invited by the Deputy Prime Minister to develop realistic and costed measures by the Autumn to fully meet any costs arising from the decision to revoke the Local Government Pension Scheme (Amendment) (No.2) Regulations 2004.

To assist in that process and, as a measure to ensure the continued stability of the Scheme, an amendment is also being made by the Local Government Pension Scheme (Amendment) Regulations 2005 to provide each LGPS administering authority the vires to request an interim valuation of their pension fund, as at 31 March 2005. In the meantime, and as part of that process, LGPS pension funds' Funding Strategy Statements will be undergoing review, as currently required by the Scheme's regulations, and appropriate changes made to their deficit recovery periods can be taken into account by their actuaries.

Taking account of these costing exercises, the Deputy Prime Minister intends to ensure that his statutory responsibilities for the on-going solvency of the Scheme are fully met. New regulations will identify the way forward to ensure that the Local Government Pension Scheme funds remain solvent, without additional calls on employers' contributions, or on Government. Consultations on these necessary further regulations to address the costs of revocation will take place in time for them to take effect from 1 April 2006.

The framework now provided by the LGPS tri-partite committee will ensure effective and co-ordinated progress on the development of the Scheme. It is imperative for its affordability and sustainability that the effect of revocation is managed prudently and with regard to the need to ensure on-going solvency and viability. All the stakeholders in England and Wales with an interest in the Scheme will wish to work to that end.