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Mr M Woodall
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1 April 2003

Dear Sir

Stocktake of the Local Government Pension Scheme

The Superannuation Committee of the West Midlands Metropolitan Authorities Pension Fund considered the discussion document at its meeting held on 26 March 2003.

I set out below their response.

1. The Stocktake of the Scheme is welcomed provided that its outcome is to simplify the existing Regulations under which the Scheme operates and removes any rarely used and, therefore, unnecessary provisions.
2. The case for abandoning a final salary pension scheme has not been made. The initial Stocktake confirmed that the current Scheme met the needs of a significant proportion of current Local Government employees.
3. Current Scheme members should continue to retain the existing benefits of the Local Government Pension Scheme and the employees' contributions should remain at 6%. New members should pay a contribution rate of 7% to include dependants benefits for un-married and same-sex partners. The new Scheme to be available to existing members, subject to them paying the revised contribution rate.
4. The Scheme is not unsuitable for part-timers. The reason many people do not join the Scheme is that they feel they cannot afford the contributions in view of their low pay, either as a result of a low hourly rate or small number of hours worked. If they join the Scheme they may be caught in the poverty trap since small pensions can jeopardise their entitlement to the minimum income guarantee/pension credit.
5. The final salary scheme should be viewed as sustainable since the current state of the Stock Market should be regarded as temporary and will, over a longer term, return to an acceptable position.
6. Raising the earliest date for retirement from 50 to 55 is supported in view of the increase

in longevity.

7. The change in the normal retirement age from 60 to 65 is supported since this will help contain any increases in employers' contribution rates due to increased longevity. The employer should have the right to disregard any actuarial reduction for early payment of pensions.
8. The absolute right to receive pension on the grounds of redundancy/efficiency once age 50 has been reached should be removed. Employers should have discretion to bring pensions into payment with the cost being borne by the employer through their contribution rate.
9. The ability to work past age 65, accrue further service, and defer pension entitlement is supported. Further service past age 65 should accrue at the current rate.
10. Do not support lower contribution rates for lower benefits, since this may place people in the poverty trap.
11. Do not support additional flexibilities for Scheme members to pay more, since the Scheme already contains sufficient flexibility through added years, AVC's etc. Current flexibilities are mainly unused.
12. Additional flexibility to change retirement package on retirement should be introduced in line with future Inland Revenue parameters.
13. Scheme members with less than 2 years' service on leaving the Scheme should not be allowed to receive a refund of contributions. However, individuals who leave the Scheme within 90 days of commencing employment should be allowed to receive a refund through the employer's payroll.
14. Support abolition of rule of 85 for new Scheme members.

I hope that these comments are helpful in determining the outcome of the Stocktake of the Local Government Pension Scheme.

Yours faithfully

Mike Woodall
Chief Pensions Officer