

Newsflash

LGPS – Employers submit proposals to Secretary of State

The Chancellor's response to Lord Hutton's initial report that reviewed public sector pensions was to seek an increase in employee contributions of 3.2% of pay. This was to be phased in over 3 years, commencing 1st April 2012.

On 20th July, Eric Pickles, the Secretary of State for Communities and Local Government asked the Local Government Group (the employers) and trade unions to have discussions and come forward with proposals to deliver short term savings equivalent to a 3.2% increase in employee contributions. The fact that the LGPS is a funded scheme (it has assets to pay its pensions) gives it scope to consider a wider range of measures to deliver the required savings than other public sector schemes that are not funded.

Constructive discussions have been held between the employers and unions but it has not so far been possible to reach agreement.

Local Government Proposals

The LG Group wrote to the Secretary of State on 21st September setting out their proposals to achieve the required savings. A copy of the letter can be found on [their website](#).

In developing their proposals, they flag the importance of trying to balance fairness and affordability to employees and affordability for the tax payer. The changes are recommended to take effect from April 2014 and the main elements are:

- No increase in employee contributions for scheme members whose full-time equivalent earnings are less than £15,000.
- An increase of 1.5% for those earning between £15,000 and £21,000.
- An increase of 2% to 2.5% for those earning over £21,000.
- Recognising that some employees may not be able to afford an increase in their contributions, **an alternative choice for employees** would be to maintain contributions at existing levels and have a lower rate of build up of pension from April 2014.
- Increase the normal age of retirement from 65 to 66 for benefits earned after April 2014 with benefits earned before then retaining a normal pension age of 65.

It is the funded nature of the LGPS that has helped the LG Group come forward with these proposals.

What happens next?

The Department for Communities and Local Government are considering the proposals submitted to them. It is expected that they will publish details of proposed changes at the end of September. A 12 week consultation exercise will follow enabling employers, trade unions, administering authorities and others to comment, during which time the LG Group and the unions intend to continue their discussions. We expect amending regulations early in 2012 that will set out the changes that are to take place over the period to 2014/15..

Any changes will only apply after the date of change

Any changes will only apply to future membership of the Scheme. Benefits that scheme members have already built up prior to the date any changes take effect will be protected. The changes will not affect deferred and pensioner members of the Fund.

Next update

We will publish a summary of the Government's consultation development once issued by way of a Newsflash and report the changes in our newsletter to members.