

**HAMPSHIRE COUNTY COUNCIL****Report**

<b>Committee/Panel:</b>	Pension Fund Panel
<b>Date:</b>	1 March 2013
<b>Title:</b>	LGPS 2014 update
<b>Reference:</b>	4730
<b>Report From:</b>	Nick Weaver, Head of Pensions Services

**Contact name:** Nick Weaver

**Tel:** 01962 847584

**Email:** nick.weaver@hants.gov.uk

**1. Summary**

- 1.1. The purpose of this paper is to provide the Panel with the latest progress with the new LGPS 2014 scheme.
- 1.2. The report also updates the Panel on the proposal to remove access to the LGPS for councillors.

**2. LGPS 2014**

- 2.1. The LGPS 2014 scheme design proposals were accepted by a clear majority of stakeholders in a series of informal consultations held over the summer. The Government issued a formal consultation on regulations covering the main proposals at the end of December, which closed on 8 February 2013.
- 2.2. A summary of the main items included in the consultation is attached in Appendix 1. These items were seen as the ones which affected the cost of the scheme, so it was important to consult as soon as possible so that actuaries could build the intentions into the 2013 valuation.
- 2.3. Although the intent of the draft regulations contained in the consultation clearly reflected the agreed proposals for the new scheme, the detail requires significant revision before the regulations can be enshrined in legislation. Local Government Employers agreed to provide feedback on these drafting changes to Government on behalf of all LGPS administrators.
- 2.4. The Government has not yet consulted on regulations covering governance, cost control or transitional provisions. In the consultation document, the Government reiterated its intention to issue a second consultation on these issues 'as soon as possible in the new year'. It is the governance and transitional arrangements in particular which will determine the complexity of

the new scheme and therefore affect communication to members as well as ongoing administration.

- 2.5. It is therefore key that the Government issues the second consultation as soon as possible, so that the requirements can be built into the administration system in time for April 2014.

### **3. LGPS for Councillors**

- 3.1. As the Panel will be aware, the Local Government Minister, Brandon Lewis, made a statement to the house in December 2012 setting out the Department's intention to remove access for councillors to the LGPS from April 2014.
- 3.2. The Government intends to issue a consultation on this proposal, although has made no commitment as to the timescale. In his statement, the Minister said that all pension rights built up before 31 March 2014 would be protected. Councillors could still choose to contribute to a personal pension scheme, outside of the LGPS.

### **4. Recommendation**

- 4.1. That the report be noted.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

**This proposal does not link to the Corporate Strategy but, nevertheless, requires consideration to inform the Pension Fund Panel about the progress on implementing the new LGPS 2014 pension scheme.**

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	

**Section 100 D - Local Government Act 1972 - background documents**

**The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)**

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. Equality objectives are not considered to be adversely affected by the proposals in this report.

### **2. Impact on Crime and Disorder:**

- 2.1. The proposals in this report are not considered to have any direct impact on the prevention of crime.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint / energy consumption?

No specific impact.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

No specific impact.

**Elements of 2014 LGPS new scheme included in the first consultation**

- A start date for the reformed LGPS of April 2014 with core elements of the new scheme regulations in place by Spring 2013.
- A pension scheme design based on career average and actual pay with an accrual rate of 1/49th of pensionable earnings each year.
- Revaluation of active members' benefits to be in line with a price index (currently Consumer Prices Index).
- Scheme normal pension age to be equal to the state pension age for both active members and deferred members (new scheme service only). If a member's state pension age rises, then normal pension age will do so too for all post-2014 service.
- The earliest point at which retirement benefits can be taken is age 55. The latest point at which retirement benefits can be commenced is on reaching age 75. In cases of both "early" and "late" commencement of pension the appropriate actuarial reduction or increase will be made – except that there is no reduction in cases of redundancy or where employers exercise their waiver.
- There continues to be a provision for flexible retirement from age 55 onward.
- Ill-health retirement pensions to be based on the current ill-health retirement arrangements.
- Optional lump sum commutation at a rate of £12 of lump sum for every £1 of annual pension given up.
- Pensions in payment and deferred benefits to increase in line with a price index (currently Consumer Prices Index).
- An average member contribution yield of 6.5%, as now, with tiered contributions. Higher –earners paying a higher proportion of their earnings in contributions than lower-earning colleagues.
- A low cost option - allowing member's to pay 50% contributions building up 50% of main benefits.
- A vesting period of two years (currently 3 months).
- Spouse and partner pensions to continue to be based on an accrual rate of 1/160 and three times death in service benefit.