

LGPS 2014

STATUTORY CONSULTATION - KEY FACTS

The Department for Communities and Local Government (DCLG) has issued a statutory consultation on draft regulations for the new Local Government Pension Scheme (LGPS) to come into force in April 2014. The consultation covers the core elements of the new scheme relating to membership, contributions and benefits.

This document sets out the key features of the consultation. Responses to the consultation should be made by **8 February 2013**. The consultation, including details of how to respond, can be found [here](#).

A second consultation exercise to cover the remainder of the new scheme will follow. This will cover outstanding proposals on governance, cost control and scheme administration; any provisions that are needed to ensure compatibility with the Public Service Pension Bill; and transitional provisions to take forward necessary protections, both existing and new.

The Local Government Association and local government trades unions have previously consulted their respective memberships and other scheme interested parties on detailed proposals for a new scheme design. These informal consultations received overwhelming support and gave a clear mandate to take forward the proposed scheme design as the basis for this statutory consultation exercise.

NEW SCHEME DESIGN

The main elements of the new scheme in the 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.

This document describes proposals for the LGPS in England and Wales and does not override any existing legislation

- 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.
- Spouse and partner pensions to continue to be based on an accrual rate of 1/160 and three times death in service benefit.

Transitional protection

- All accrued rights are protected and benefits built up to April 2014 will be linked to final salary when members leave the scheme.
- There will be a protected underpin for members aged 57 to 59.
- Rule of 85 protection as in the current scheme.

RELATED PROPOSALS

Councillor's pensions

DCLG will issue a separate consultation paper setting out the intention to remove access for councillors to the LGPS in England from April 2014.

Fair Deal

Discussions are taking place on the implementation of Fair Deal equivalent arrangements for the LGPS.

Cost control

Following constructive and helpful discussions with the LGA and local government trades unions on proposals to manage future cost risks, a paper has been agreed as the basis for future discussions on the detail of the new arrangement. A copy of the paper is attached to the consultation. The second set of draft regulations will include provisions to take forward this arrangement. Comments will be invited at that stage.

Governance

Ministers are fully committed to establishing a National Advisory Board for the LGPS which, amongst other things, will allow employers, trades unions and other scheme interests to effectively manage the ongoing costs of the scheme design via the agreed cost control arrangement. Discussions about the precise role, composition and scope of the proposed Board are ongoing but DCLG's intention remains to issue further details, followed by a consultation on draft regulations, as soon as possible in the New Year.