

## **PENSIONS COMMITTEE – 8 JUNE 2005**

### **ADMINISTRATION - UPDATE**

#### **SUMMARY**

This report updates the Committee on recent developments affecting the Local Government Pension Scheme (LGPS) and administration in Bexley.

#### **REPORTED FOR INFORMATION**

### **1. Changes to the LGPS from April 2005**

At this Committee's last meeting various changes to the LGPS were reported. Those effective from 1 April 2005 were summarised as:-

- (a) Removal of the 'Rule of 85' from 1 April 2005, and standardization of the normal retirement age at 65 years (in line with the Government's intention to move to a common retirement age of 65 for all schemes). Employees will retain the right to elect to retire at any time after age 60, but if retiring before age 65 their pension will be actuarially reduced in respect of service after 1 April 2005. To provide transitional protection, this change will not apply to individuals who would attain age 60 before 1 April 2013 and satisfy the current 85-year rule before they retire.
- (b) The age at which a member will be entitled to immediate payment of benefits on redundancy or efficiency retirement is raised from 50 to 55 years. This will apply to all individuals who will not have reached 50 years of age by 31 March 2005.
- (c) The age at which a member can elect to receive deferred benefits on compassionate grounds is raised from 50 to 55 years and where they are taken before age 65 they will be actuarially reduced, unless the former employer agrees to waive that reduction on compassionate grounds. If the reduction is waived, the resulting strain on the fund must be met by a capital payment within one month.

The changes will increase the time period before 'unreduced' benefits can be paid and will therefore reduce costs. These reduced costs were included in the assumptions in the most recent actuarial valuation.

These changes are now legislation, but the Deputy Prime Minister agreed in March that the Government would consult all parties on revoking the legislation following discussions with trade unions (in response to their representations over the

changes). Draft legislation was issued for consultation at the end of March to action this revocation, with a deadline for response of 31 May.

The Employers' Organisation (EO) for local government and the Local Government Pensions Committee (LGPC) sought Councils' views on their draft response. The Director of Finance and Business Services consulted with the Chair of this Committee and endorsed the EO/LGPC response that the regulations not be revoked because:-

- Increased longevity must be addressed
- The costs of the scheme must be sustainable
- Council Tax has been set assuming the regulations apply.

The question of whether the legislation will stand or be revoked is causing difficulties in administering the scheme. The advice from the LGPC is that we must assume that the legislation continues as it stands and act accordingly.

## **2. Proposed Amendments to the Management and Investment of Funds Regulations**

Amendments to these regulations have been put on hold for the time being. A summary of the changes to stock lending, publication of representation and communication policy statements was reported to the last meeting.

When revised regulations are enacted a further report will be submitted to take account of any new requirements.

## **3. Commission Recapture and Stock Lending**

This Committee at its meeting in November 2004 agreed to the appointment of an agent to implement commission recapture arrangements, and for officers to enter negotiations for stock lending arrangements.

The commission recapture arrangements are now in place for transactions undertaken by UBS, and have generated an income of £3,200 in the period January to March 2005.

Following detailed discussions with JP Morgan, the custodians for UBS' investments, it is now unlikely that stock lending arrangements will be viable.

## **4. Administration of the Pension Scheme**

The administrators of the Council's Pension Scheme, the London Pension Fund Authority (LPFA), have been awarded a further contract following a competitive tendering process last year. The new contract with LPFA runs for six years from 1 April 2005, with the Council having the option to extend by up to a further three years, and costs £229,000 a year.

As part of the new contract LPFA are developing a pensions website for the Fund. Alongside information for scheme members, officers will be including documents

relevant to this Committee, such as the Statement of Investment Principles, as well as investment performance information.

## **5. Summary of Financial Implications**

There are no immediate additional financial implications arising from this report.

## **6. Summary of Other Implications**

There is no environmental impact of this report. The pension regulations mentioned seek to address issues of equal opportunities and human rights.

### **Local Government Act 1972 – section 100d**

#### **List of background documents**

Employers' Organisation letter to local authorities re LGPS (Amendment) Regulations 2005 – 22 April 2005

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