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— Dear Nicola

Local Government Pension Scheme Informal Consultation on Rule of 85 Tapered Protections 2016 to 2020

I write in response to the above informal consultation exercise.

In summary, the LPFA is not supportive of increasing the tapered protection to full protection as it carries a cost that either employers would be required to pay at a time when Scheme deficits and high employer contributions are the norm, or that would need to be met from savings, likely to result in a diminution of benefits elsewhere and to affect members not enjoying the relevant protections.

With regard to the specific questions raised:

- (i) **What is your position on the appropriateness of having protections in the Scheme for the 2016 to 2020 period? Do you agree with the tapered protections already provided? Would you prefer to see the tapering removed? If so, would you be content with the “cliff-edge” so produced?**

LPFA has been involved in extensive consultations on proposals for the new Scheme to date and does not welcome further unnecessary changes especially where they will increase costs. In respect of the tapered provisions LPFA is generally content with the current Regulations and GAD Guidance, accepting that the tapered protections in place for the period 2016 to 2020 prevent a cliff edge effect, thereby providing a transitional period, which is seen as fairer and more acceptable to members than a cliff edge would otherwise be. LPFA would not wish to see tapering removed.

However, LPFA notes that the current tapering arrangements themselves create a potential anomaly between Groups One and Two of the GAD Guidance whereby (in summary) older members membership is protected to 2016 but then suffers reductions in the subsequent period to age 65 while the younger

members membership is fully protected to 2008 and then on a tapered basis to 2020 creating the anomaly that those reaching age 60 in the period 2016 to 2020 potentially have more membership protected than those who reach 60 in the period up to 2016.

It would seem that a fairer tapering arrangement, to remove the anomaly, would be to limit protection on membership to 2016 for both Groups, with the members reaching age 60 before that date having membership protected to 2016 and those reaching 60 in the period 2016 to 2020 also having membership protected to 2016 but on a tapered scale to that date. This would reduce current costs. We also note, however, the commitment in the informal consultation papers that as a minimum "the current levels of protection would be retained".

The remainder of our response is based on the GAD Guidance as it currently stands, although we would note that were tapering to be increased to full protection with the arrangements for Group One and Two otherwise remaining as per current GAD Guidance, that the potential anomaly between the two Groups would increase still further.

(ii) If the 2016 to 2020 tapering in the regulations was removed, what would be the effect on your pension fund and on you as a Scheme employer?

The LPFA Fund has almost 2000 active members, representing 10% of our total active membership who will potentially have tapered protections and a further 1,900, or 9.2% of active membership, who fall into Group One of the GAD advice issued in September 2006 (i.e. who have a critical retirement age prior to age 65 and who would currently have reductions applied in respect of membership accrued after 1st April 2016) who would potentially benefit if protections were also extended to cover this group.

If the tapering was removed and replaced with full protection, the savings otherwise expected would not materialise and the cost of the Scheme to the employers in the LPFA Fund would increase; the degree of increase being dependant upon the membership profile of each employer. LPFA, as a small Scheme employer with a cohort of long serving staff, would expect to see an increase in costs.

(iii) What would be the net effect of such a change on your employer contribution rate.

Given that the proposal would increase costs and that the LPFA opposes the proposal, it has not incurred further expense in obtaining details of the net effect on its employer contribution rate. It is noted however, that if a formal consultation is to take place that this would increase uncertainty around the current triennial valuation process and the employer costs emerging. The outcome of a consultation would be likely to become available after initial release

of the valuation results is anticipated and may add further costs to the process.

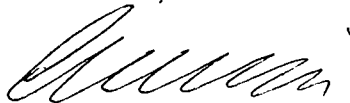
(iv) What offsetting measures within the Scheme would you identify as a means to meet any additional costs?

The LPFA does not consider it appropriate to offset additional costs from this proposal within the Scheme as these would be likely to be at the expense of members who do not benefit from the protections and as such would be unfair.

(v) Do you see any employment / workforce advantages, or costs arising from the change from a tapered 2016 protection to full protection at 2020?

A change from tapered to full protection would invoke a cost as mentioned above. Members may be encouraged to work slightly longer enabling employers to retain their knowledge.

Yours sincerely



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