

LOCAL GOVERNMENT PENSION SCHEME - DISCUSSION PAPER

Removal of the "85 year rule" for new members

Currently, LGPS members may retire from age 60 with unreduced benefits provided that they have a minimum of 25 years pensionable service. It is proposed to remove this facility and introduce age 65 as the normal retirement age for all new Scheme members (regardless of service). It is proposed to introduce this change with effect from 6 April 2005.

Response

No comment.

Phasing of the "85 year rule" for existing members

The effect of the Government's proposals, as described above, is that future public service pension benefits will not be paid before age 65, unless actuarially reduced. The Government has, however, indicated that all pension rights, accrued from past service, will be fully protected.

The Discussion Paper seeks views on the best means to implement the necessary changes and, in particular, how the higher pension age should apply to the future service of existing staff, and how to ensure that any transitional arrangements are equitable.

Response

Many Scheme members with long service will be affected adversely by this proposal. An implementation date of April 2005 provides inadequate notice for staff who are currently planning to retire at age 60 in the immediate years following this date. In order to provide adequate notice of this change and to enable current Scheme members to plan accordingly, it is recommended that a minimum of 15 years' notice is applied to the implementation of this provision for existing Scheme members, i.e. 6 April 2020. Benefits arising from membership after that date should be actuarially reduced for retirements before age 65.

Increasing the earliest age at which LGPS benefits may be paid, other than on the grounds of ill health, from 50 to 55

Response

No comment.

Flexible retirement and incentivisation methods to assist in the retention of Scheme members in employment

Currently, it is difficult for Scheme members to continue in employment and Scheme membership beyond age 65. It is also difficult for Scheme members to facilitate an easy transition from full time work to full time retirement.

Response

In view of age discrimination legislation and the need to enable an easier transition from work to retirement, the following proposals are made:

- i) Scheme members be able to continue to accrue pensionable service up to age 70; and*
- ii) Scheme members be able to receive LGPS pension benefits and to continue in employment on a phased reduced basis for a further twelve month period. The*

income derived from pension and part-time salary would provide a buffer until the time of full retirement. Such a facility would need to be subject to a minimum period of Scheme membership (say, ten years).

Further streamline the Phase 1 amendments to the LGPS provisions in line with the amendments to be made under the forthcoming Pensions Bill

Response

No comment.

Simplification changes to the Scheme's provisions

The Inland Revenue have indicated that all Pension Schemes will be subject to a common set of taxation rules in the future. Draft amending regulations are to be issued in Spring 2004 which will identify changes to be implemented on 6 April 2005.

Response

No comment.

Employees' contribution rate

The Discussion Paper seeks views on a more equitable sharing of increased costs of providing the LGPS benefits.

Response

The LGPS is a valued facility by both employer and employee. In order to retain the facilities of the Scheme but to contain costs, the current level of employee contribution of 6% of salary should be reviewed.

Partner's benefits

The Government is considering introducing a new legal status of civil registered partner for same sex partners who register under a new scheme giving them specific rights and responsibilities. One of the rights proposed on the death of a registered partner would be the right to claim survivor benefits, including a pension, in the same way as married partners. Any resultant overriding national legislation will need to be reflected in the LGPS.

Response

No comment.

Redundancy/efficiency retirements

A Scheme member may currently be retired on the grounds of redundancy or the efficiency of the service from age 50 and receive immediate Scheme benefits. The proposal is to increase this minimum age to 55.

Response

Scheme members who are retired on the grounds of redundancy or the efficiency of the service should be entitled to immediate unreduced Scheme benefits from age 55.

Discretionary payments

Any changes to the LGPS which impact on the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations 2000 need to be taken into account. Interested parties are invited to comment on any desired changes.

Response

No comment.