



meeting	PENSIONS ADMINISTRATION SUB-COMMITTEE	
date	25TH FEBRUARY 2005	agenda item number

REPORT OF THE DIRECTOR OF RESOURCES

LOCAL GOVERNMENT PENSION SCHEME (Amendment) (no 2) REGULATIONS 2004

APRIL 2005 RETIREMENT AGE CHANGES

1. Purpose

- 1.1 To bring the potential delay to the legislation intended to amend retirement age in the Local Government Pension scheme from April 2005 to the attention of the Sub-Committee.

2. Information and Advice

- 2.1 The principal proposals of the April 2005 legislation notified to the Pensions Committee on 21st May 2004 were as follows;
 - That the earliest age at which Scheme benefits can be paid, other than on grounds of ill-health, is increased from 50 to 55 years
 - That the 85 year rule is withdrawn from the Scheme.
- 2.2 Despite a robust response from the Pensions Committee, the legislation as proposed was laid before Parliament in December 2004 and preparations for the change are advanced in the Nottinghamshire Pensions Section within the Employee Services Centre.
- 2.3 Further to a meeting with the Unions, the Local Government Association and the Employers Organisation on 14th February 2005, John Prescott, of the Office of the Deputy Prime Minister, agreed in principle to defer the introduction of the 2005 changes until April 2006.
- 2.4 The time is to be used for the Unions and the Employers to agree costings in order to negotiate what changes were necessary and how much the employee contribution rate should be from April 2006.
- 2.5 Budgets, Council Tax rates and employer contribution rates based on the recent Fund valuation exercise have either been set already or are very close to it and are based on the introduction in April 2005 of the

legislation as made. The employers' side has identified a potential shortfall of £200million across the county's Local Government Pension Funds as a result of deferring the anticipated legislation.

- 2.6 If agreement is not reached, the Deputy Prime Minister will impose a settlement by bringing in the changes to the 85 year rule and the minimum retirement age from April 2006 and possibly also increase the employees' contribution rate at the same time. Such an increase to the employees' rate might be necessary to deal with the shortfall that Pension Funds will experience during 2005/06, their employer contribution rates having already been set.
- 2.7 If it is agreed to annul the Regulations, this would invalidate the current results of the 2004 valuation and the planned employer contribution rates from April 2005. An amendment to the Regulations specifying a different date (ie April 2006) or a repeal and re-enactment could be accommodated.

3. Context

- 3.1 Discussion is ongoing between the Deputy Prime Minister, the Employers Organisation and their actuaries on a confidential basis to determine an appropriate outcome.
- 3.2 Nottinghamshire Pensions Committee, throughout the Stocktake process has always supported the final salary scheme and opposed any erosion of the benefits. Any delay to allow greater time for consultations therefore would, in itself, be welcome.
- 3.3 The Committee, however, would be very concerned if, as a result of the technicality of annulment, the work carried out by actuaries on the recent Valuation was invalidated as these assumptions have been built into budgets which are very close to formal approval.
- 3.4 If the retention of current scheme benefits resulted in an increase in employees contribution rates ahead of the suggested changes in 2008, consistent with its earlier responses to Stocktake consultation documents, the Committee would not be opposed.

4. Recommendation

- 4.1 That the Pensions Administration Sub-Committee note this information.

A DEAKIN
Director of Resources

Personnel Implications

None.

Equal Opportunities Implications

There are no equal opportunities implications arising from the recommendation in the report.

Crime and Disorder Implications

None.