



meeting	PENSIONS ADMINISTRATION SUB COMMITTEE	
date	21st MAY 2004	agenda item number

REPORT OF THE DIRECTOR OF RESOURCES

LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT)(NO.2) REGULATIONS 2004

1 PURPOSE

- 1.1 To inform the Committee of the Government's proposals to amend the Local Government Pension Scheme Regulations with effect from April 2005.
- 1.2 To invite comments from the Committee on the consultation draft proposals which will then be incorporated in a response to the Office of the Deputy Prime Minister.

2 BACKGROUND

- 2.1 Within the context of the ongoing Stocktake of the Local Government Pension Scheme, Ministers announced on 23 July 2003 a phased Strategy to amend the Scheme provisions. This latest consultation exercise concerns phase 2 of that programme.
- 2.2 Draft regulations along with a policy discussion paper have been circulated for comment with a closing date for responses of 30th June 2004. The covering letter is attached at Appendix A. Nottinghamshire County Council Pensions Committee has used all its previous opportunities to comment during the ongoing Stocktake exercise and its contribution has been gratefully acknowledged.

- 2.3 The policy discussion paper sets out proposals that will form the basis of future amendments to the Local Government Pension Scheme (LGPS) in England and Wales to take effect from 1 April 2005.

3 PRINCIPAL PROPOSALS FROM 1 APRIL 2005

- 3.1 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.
- 3.2 That the 85 year rule is withdrawn from the Scheme.
- 3.3 Where current Pension Scheme members are at least 50 years of age by 31st March 2005, they will be unaffected by the increase in 'earliest age'.
- 3.4 Where current Pension Scheme members would attain age 60 and satisfy the current 85 year rule before 1st April 2013, they will be unaffected by the withdrawal of the 85 year rule.

4 IMPLICATIONS OF THE PROPOSALS

- 4.1 The proposals will help to make the Local Government Pension Fund more affordable for employers in the long run. Actual savings at any substantial level will take many years to achieve. There will, however, be some, albeit minor, impact upon employers' contribution rates further to the next Pension Fund valuation exercise in 2007.
- 4.2 The vast majority of current Pension Scheme members will suffer a significant reduction in the range and depth of benefits that they had been led to expect and have been contributing towards for many years.
- 4.3 From an administrative perspective, these proposals will create more tiers or categories of Pension Scheme member making benefit determination more complex for employers and benefit calculation more complex for the administering authority.
- 4.4 The concerns in paragraphs 4.2 and 4.3 above formed part of the feedback given to the Government by the Nottinghamshire County Council Pensions Committee in its response dated 19th December 2003. In this letter, the

Committee suggested transferring all existing members' service to a 'new scheme' from 1st April 2005 with an enhancement so that they maintain the actuarial equivalent of their accrued rights

5 RECOMMENDATION

- 5.1 That a response is made to the Office of the Deputy Prime Minister before 30th June 2004 outlining the Committee's concerns.

A L DEAKIN
Director of Resources

HEAD OF LEGAL SERVICES COMMENTS (kk/11/5)

The Pensions Administration Sub Committee has the delegated authority to be an advisory committee making recommendations to the Pensions Committee on all matters relating to the regulation of and admission to the pension scheme. The proposal in this report is therefore within the remit of this Committee.

Background papers available for inspection

Local Government Pension Scheme (Amendment) (No 2) Regulations 2004
Nottinghamshire County Council Pensions Committee response to the Phase 2 Policy Proposals Discussion Paper

Personnel implications

Nil

Crime and Disorder implications

Nil

Acts/LGPS amendment no.2report