



meeting	<b>PENSIONS ADMINISTRATION SUB-COMMITTEE</b>	
date	<b>1<sup>st</sup> February 2007</b>	agenda item number

## REPORT OF THE STRATEGIC DIRECTOR OF RESOURCES

### REGULATORY IMPACT ASSESSMENT

#### 1. Purpose

- 1.1 To inform the Sub-Committee of the outcome of the Government's consultation exercise on the new-look Local Government Pensions Scheme from 2008.
- 1.2 To inform the Sub-Committee of the assessment work going on around regulatory impact of the draft 2008 regulations.

#### 2. Background

- 2.1 The Nottinghamshire County Council Pensions Committee has contributed fully to the debate on the modernisation of the Local Government Pension since the initial stocktake exercise in 2002.
- 2.2 The Committee's consistent message to Government has been that the final salary basis of the scheme be maintained, and that, if increasing costs have to be met in part by the Scheme membership, this should be in the form of increased employee contributions.
- 2.3 Other key points made by the Committee have included the need to introduce partners' pensions.
- 2.4 The Government plans that the new proposals will be in place in April 2007, and will come fully into effect from 1<sup>st</sup> April 2008.
- 2.5 A draft form of the proposed regulations has been issued for assessment of the potential regulatory impact and the key suggestions of Pensions Committee are contained within the proposals.

#### 3. Key proposals for new-look LGPS

- 3.1 Tiered employee contributions based on salary. Employees will pay 5.5 per cent on the first £12,000 of their pensionable pay, and 7.5 per cent on pensionable pay above this figure. This will produce an

average employee contribution rate of 6.3 per cent across all earnings, up from the current average rate of 5.8 per cent.

- 3.2 A final salary scheme based on 1/60th of salary for each year of membership.
- 3.3 The new-look scheme will continue to offer the flexibility to commute part of the pension in order to receive a tax free lump payment.
- 3.4 Revised and targeted ill-health retirement package as follows;
  - for those Scheme members judged to be unable to perform local government employment duties but able immediately to undertake gainful employment – accrued rights only;
  - for those unable to undertake gainful employment on cessation, but likely to be able to do so before normal retirement age – accrued rights and augmentation of 25% of prospective service to normal retirement age; and
  - for those unable to undertake gainful employment before normal retirement age – accrued rights and augmentation of 50% of prospective service to normal retirement age
- 3.5 The extension of survivor benefits for spouses, civil partners, and children to co-habiting partners.
- 3.6 An increase in death in service lump sum from two to three times salary.
- 3.7 A facility to make extra savings to provide a further maximum extra pension of £5,000 per year purchased in steps of £250 per year.
- 3.8 A framework is also to be established to manage the process of sharing of future cost pressures in the scheme.

#### 4 Regulatory Impact Assessment Exercise

- 4.1 Interested parties, including employing and administering authorities, have been asked to submit their assessment of the regulatory impact of imposing the new proposals onto the existing Local Government Pension Regulations 1997 as is planned.
- 4.2 It is often the case that even small changes to the scheme can cause unforeseen problems in terms of ambiguities and even conflicts between different regulations. Certainly, where the new regulations have not had a chance to be thoroughly 'road-tested', loopholes and uncertainties can materialise.
- 4.3 The Government hopes to avoid any such problems by asking for opinions in advance.
- 4.4 Pensions Officers are working on submitting concerns around these technical issues by the deadline date of 28<sup>th</sup> February '07. The submission document will be presented to the meeting of the Pensions Committee for information on 8 March 2007.

5. Recommendation

5.1 It is recommended that:

- a) the Pensions Sub-Committee notes the contents of this report; and
- b) a submission around the regulatory impact of the proposals be drafted and sent to the DCLG by 28 February '07, based on the findings of the Pensions Officers.

**A DEAKIN**  
**Director of Resources**

Personnel Implications

None.

Equal Opportunities Implications

None

Crime and Disorder Implications

None.