

**FALKIRK COUNCIL**

**Subject: PUBLIC SECTOR PENSIONS REFORM**  
**Meeting: PENSIONS COMMITTEE**  
**Date: 6 December 2012**  
**Author: CHIEF FINANCE OFFICER**

**1. INTRODUCTION**

- 1.1 This report provides the Committee with an update on the latest proposals for public sector pensions reform.

**2. LGPS REFORM IN ENGLAND AND WALES**

- 2.1 An update on reform proposals for the Local Government Pension Scheme (LGPS) in England and Wales was given to the Panel at its meeting of 30<sup>th</sup> August, 2012. The main proposals, which are scheduled to take effect from April, 2014, include

- career average benefits
- accrual rate of 1/49<sup>th</sup> with increases linked to CPI
- scheme retirement age to be linked to state pension age

- 2.2 These changes will not affect any pensioners or deferred pensioners whose entitlement to benefit is established before April, 2014.

**3. PUBLIC SERVICE PENSIONS BILL**

- 3.1 The England and Wales LGPS reform proposals have been designed to fit with the terms of the Public Service Pensions Bill which was published in Westminster on 13<sup>th</sup> September.

- 3.2 The aim of the Bill is to establish a common framework for public service pensions to ensure that the schemes are sustainable and that costs are more evenly distributed between employers, public sector workers and taxpayers. In essence, the Bill is the UK Government's vehicle to implement the recommendations that emerged from Lord Hutton's 2011 report on public sector pensions.

- 3.3 The Bill focuses on two particular areas – scheme design and scheme governance.

**Scheme Design**

- No new final salary accrual beyond April, 2015
- Final salary link to be maintained for past membership
- Protection for members who are within 10 years of retirement

- Scheme normal pension age to be in line with new State Pension Ages
- Substantial control over scheme costs given to HM Treasury

#### **Scheme Governance**

- The current enabling legislation (i.e. the Superannuation Act 1972) is replaced
- Pensions Regulator to have a monitoring role over all public sectors schemes
- All public sector schemes to have pensions boards
- All board members to be suitably trained
- Funded schemes to have actuarial valuations independently scrutinised

### **4. LGPS REFORM IN SCOTLAND**

- 4.1 The publication of the Public Service Pensions Bill with its UK wide application has given renewed impetus to the LGPS reform process in Scotland.
- 4.2 At a national level, meetings between COSLA and the Scottish Government about pensions reform have begun taking place. COSLA Leaders also agreed to establish a Sounding Board within COSLA to give the process political oversight. The inclusion of two local authority pension fund conveners on the Sounding Board will provide some input from a Fund perspective.
- 4.3 The Scottish Local Government Pensions Advisory Group (SLOGPAG) comprising representatives from Unions, Employers and the Scottish Government has been identified as the appropriate vehicle to take forward discussions.
- 4.4 Key issues identified by COSLA are:
  - the delivery challenges posed by the Pensions Bill deadline of 2015
  - whether there is any scope to push back the 2015 deadline
  - what flexibility the Scottish Government has in terms of scheme design
  - the cost of the new governance arrangements set out in the Bill

### **5. CONCLUSION**

- 5.1 The reform process for the Local Government Pension Scheme in England and Wales continues to move forward consistent with the provisions being introduced by the Public Service Pensions Bill.
- 5.2 Discussions are now underway as to how the reforms should be implemented in Scotland. The implementation date is likely to be April, 2015 rather than the April, 2014 targeted in England and Wales.
- 5.3 The Scottish Government, COSLA and Unions must now produce a timetable which recognises key milestones and ensures that there is an adequate division of time and resources between consultation and implementation.

**6. RECOMMENDATION**

- 6.1 The Committee is asked to note the latest developments relating to Public Sector Pensions Reform and invited to comment.**

**Chief Finance Officer**

**Date: 5 November 2012**

**Contact Officer: Alastair McGirr**

**LIST OF BACKGROUND PAPERS**

NIL