

**FALKIRK COUNCIL**

**Subject: PENSIONS REFORM**  
**Meeting: PENSIONS COMMITTEE**  
**Date: 7 MARCH 2013**  
**Author: CHIEF FINANCE OFFICER**

**1. INTRODUCTION**

- 1.1 This report provides the Committee with an update on the latest developments in the pensions reform process.

**2. PUBLIC SERVICE PENSIONS BILL**

- 2.1 The aim of the Bill is to establish a common framework for public service pensions and to ensure that the schemes are sustainable in the long term with costs being more evenly distributed between employers, public sector workers and taxpayers. The Bill is expected to receive Royal Assent in May, 2013.
- 2.2 The Bill requires that by April, 2015, public sector schemes are operating on a career average basis with a normal retirement age that is aligned with State Pension Age.
- 2.3 In terms of governance, the Bill proposes establishing Scheme Advisory Boards to provide guidance to policy makers and local “trustee” boards with regard to the efficient management of schemes. Also, for the first time, the Pension Regulator's remit will extend to public service schemes, which may result in Funds having to comply with new codes of practice in relation to administration and investment matters.

**3. PROGRESS ON LGPS REFORM NEGOTIATIONS**

- 3.1 The reform process for the Local Government Pension Scheme (LGPS) reform is being taken forward by the Scottish Local Government Pension Advisory Group (SLOGPAG). The group consists of representatives from COSLA, Scottish Government and Trade Unions. Meetings are chaired by the Scottish Government who have responsibility for facilitating the work of the tripartite group, and ultimately ensuring that compliant legislation is in place by April, 2015.
- 3.2 The COSLA position is being informed by a Pensions Political Sounding Board, which reports to the COSLA Resources and Capacity Committee, and includes a number of LGPS “Trustees” and Fund Conveners.
- 3.3 Progress is slower than had been hoped due to parties waiting to see if any amendments are going to be made to the Public Service Pensions Bill. To date, the group has tentatively agreed a series of high level principles to define the nature of the new Scottish LGPS. These are attached at Appendix 1. In addition, a timetable for achieving a successful implementation by April 2015 has also been agreed. Key milestones are as follows:

| <b>Stage of Process</b>      | <b>From</b>    | <b>To</b>       |
|------------------------------|----------------|-----------------|
| Scheme Negotiations          | February, 2013 | August, 2013    |
| Public Consultation          | August, 2013   | September, 2013 |
| Heads of Agreement           | -              | September, 2013 |
| Production of Regulations    | June, 2013     | June, 2014      |
| Preparing for Implementation | July, 2014     | March, 2015     |
| Implementation               | -              | April, 2015     |

3.4 In order to consider new scheme design options more fully, SLOGPAG have asked Funds to provide the Government Actuary (GAD) with member data such as salary bands, member numbers by age and gender, and numbers of opt-outs. GAD will then provide various scheme models with different combinations of accrual rate and revaluation rate. Other areas likely to come under scrutiny are:

- Contribution Bands
- Contribution Flexibility (e.g. the 50/50 option)
- Lump Sum Commutation Rates
- Death in Service
- Flexible retirement
- Ill Health Provisions
- Partner Pensions
- Pensionable Pay

3.5 In recognition of the governance obligations likely to be placed on Funds by the Public Service Pensions Bill, SLOGPAG intend to convene a governance sub-group in early 2013. This is with a view to revised statutory guidance on scheme governance being published by October, 2014.

3.6 For ease of reference, a summary of existing scheme provisions is attached at Appendix 2.

#### **4. CONCLUSION**

4.1 The reform process for the Local Government Pension Scheme in Scotland is moving forward with a clear, if challenging, roadmap now in place to deliver the revised LGPS by April, 2015.

4.2 It is noted that the governance demands raised by the Public Sector Pensions Bill have been “put on the back burner” until 2014. Issues such as conflicts of interest at trustee board level, the capping of employer contributions and agreeing who does what within the new regulatory framework will all be important matters that require to be revisited.

#### **5. RECOMMENDATIONS**

5.1 The Committee is asked to note the developments regarding pensions reform outlined in this report and invited to comment as appropriate.

**Chief Finance Officer**

**Date: 8 February 2013**

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#### **LIST OF BACKGROUND PAPERS**

NIL



