

CYNGOR SIR POWYS COUNTY COUNCIL.

**Pensions and Investment Committee
29th June 2012**

REPORT BY: Head of Finance

SUBJECT: LGPS – New Scheme Development Update

REPORT FOR: Information

- 1 On 31st May the Local Government Association (LGA) and trade unions announced the outcome of their negotiations on new LGPS proposals (for England and Wales) to take effect from 1st April 2014.

These proposals are now being communicated by the LGA and trade unions to scheme members, employers, funds and other scheme interests. Unions will consult their members over these proposals and the LGA will consult employers. Government has confirmed that a favourable outcome of the consultations will enable them to move directly to a statutory consultation later in the Autumn to implement these proposals.

- 2 The main provisions of the proposed new scheme are as follows:
- 2.1 A Career Average Revalued Earnings (CARE) scheme using the Consumer Prices Index (CPI) as the revaluation factor (the current scheme is a final salary scheme).
- 2.2 The proposed accrual rate is 1/49th pension only (the current accrual rate is 1/60th pension only).
- 2.3 No normal scheme retirement age, instead each member's normal retirement age will be their State Pension Age (the current scheme has a normal retirement age of 65).
- 2.4 Member contribution rates to be determined by actual pay (the current scheme determines contribution rates for part time employees on whole time equivalent pay). Whilst it is proposed that the average contribution paid remains unchanged, the lowest paid will pay the same or less whilst the highest paid will pay more.
- 2.5 Members who have already or are considering opting out of the scheme can instead choose to pay half contributions for half pension, while still retaining full entitlement to ancillary benefits (eg. ill health

benefits, death benefits, partner's benefits etc.). This is known as the 50/50 option and has no counterpart in the current scheme.

- 2.6 For current scheme members, benefits based on service accrued before 1st April 2014 remain protected, including '85 year rule' protection, where applicable. Protected past service will continue to be based on final salary and current normal retirement age.
- 2.7 Where scheme members are outsourced they will be able to stay in the scheme on first or subsequent transfers (currently this is a choice for the new employer rather than the scheme member).
3. All other scheme terms will remain unchanged. Future scheme costs will be monitored and controlled to ensure stability and affordability of the scheme going forward. Further details on cost management arrangements and scheme governance will be published once the ongoing discussions in the next part of the LGPS 2014 project have been completed.
- 4 Committee are asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
To note that development of a new LGPS is ongoing.		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			
Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
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Relevant Portfolio Member(s):	Councillor Dai Davies
Relevant Local Member(s):	