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pay, pensions and  
employment solutions

The Local Government Pensions Committee  
Secretary: Terry Edwards

## **CIRCULAR**

Please pass on sufficient copies of this Circular to your Treasurer/Director of Finance and to your Personnel and Pensions Officer(s) as quickly as possible

### **No. 206 – DECEMBER 2007**

## **NEW LOOK LGPS IN ENGLAND AND WALES CONSULTATION ON THIRD TIER ILL HEALTH BENEFITS**

### **Purpose of this Circular**

1. This Circular has been issued to set out the process by which the Local Government Pensions Committee will provide employers with its views on the CLG's consultation paper on a third tier of ill health retirement benefits within the new look LGPS.

### **Background**

2. As authorities will know, the new look LGPS in England and Wales is due to come into operation from 1<sup>st</sup> April 2008. The Benefits Regulations for the new scheme, as **currently** written, contain a two tier ill health retirement benefit package under which, if a member's employment is terminated because of permanent ill health and the member has at least two years membership, the pension payable is to be based on the person's accrued membership<sup>1</sup> plus:

#### **Tier 1**

- o 100% of prospective membership between leaving and age 65 where the member has no reasonable prospect of being able to obtain gainful employment before age 65, or

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<sup>1</sup> Provided the member has at least 3 months membership or has had a transfer of pension rights into the Scheme.

## Tier 2

- 25% of prospective membership between leaving and age 65 where the member is unlikely to be able to obtain gainful employment within a reasonable period of time but is likely to be able to obtain gainful employment before age 65.

Gainful employment is defined as “paid employment for not less than 30 hours per week for a period of not less than 12 months”.

There is to be an underpin for certain existing older members (aged 45 or over on 31<sup>st</sup> March 2008) so that they receive no less than they would have done under the current Scheme rules (i.e. under the LGPS Regulations 1997).

3. At the time the Benefits Regulations were issued it was proposed that there should be a third tier covering members whose employment is terminated on the grounds of permanent ill health but who are likely to be capable of obtaining gainful employment within a reasonable period of time. Under the third tier, employers would be provided with powers to pay a reviewable benefit from their revenue account (not from the Pension Fund) which could not continue if the person obtained alternative employment.
4. Discussions between CLG, employer representatives and the national unions since the initial proposals for a third tier were issued failed to reach a consensus on how the third tier should work and who it should cover.
5. As a result, the CLG have come forward with a further consultation paper. This consultation paper has a closing date of 12<sup>th</sup> January 2008 for responses and can be viewed at:  
<http://www.xog83.dial.pipex.com/3rd%20tier%20ill%20health%20consultation%20letter.doc>
6. The consultation paper suggests that:
  - those judged by a qualified occupational health practitioner to be capable of gainful employment within a reasonable period of time after leaving would fall into tier three
  - this would provide a benefit payable from the Pension Fund (not from the revenue account)
  - the member would receive payment of their accrued pension benefits, with no enhancement
  - the pension would subsequently be suspended if the person obtained gainful employment
7. The consultation paper also suggests that the qualifying period to be eligible for an ill health benefit under all three tiers (tiers 1, 2 and 3) should be reduced from 2 years membership to 3 months membership.

## **Action being taken by the LGPC**

8. The Technical Group (a group of pension officer representatives from pension fund administering authorities) will consider the content of the CLG consultation paper when it meets on 18<sup>th</sup> December 2008. The views of the Technical Group will be reported to the LGPC's Officer Advisory Group (OAG) for consideration at its meeting on 7<sup>th</sup> January 2008 and the OAG will then report to the full LGPC which meets on 10<sup>th</sup> January 2008, in time for the LGPC to make a formal response by the consultation deadline of 12<sup>th</sup> January 2008.
9. It is appreciated, however, that there would be a very limited period of time between the date the LGPC meets (10<sup>th</sup> January 2008) and the deadline for responses to the consultation paper (12<sup>th</sup> January 2008) if authorities wish to consider the views of the LGPC prior to making their own response. In recognition of this we intend to post the views of the Technical Group onto our website after its meeting on 18<sup>th</sup> December 2007. We will do the same following the meetings of the OAG on 7<sup>th</sup> January 2008 and the LGPC on 10<sup>th</sup> January 2008. In this way, authorities will be able to keep themselves apprised of the developing central view when preparing their own response. The information will be posted to our website under "What's New" at <http://www.lge.gov.uk/lge/core/page.do?pagelId=60097> .

## **Actions for administering authorities**

10. Administering authorities may wish copy this Circular to employers in their Fund (other than to Local Authorities to whom this Circular has already been sent direct) or bring the Circular to the attention of employers by directing them to the Circular on the LGE website at:  
<http://www.lge.gov.uk/lge/core/page.do?pagelId=71952>

Terry Edwards  
Head of Pensions  
December 2007

## **Distribution sheet**

Chief executives of local authorities  
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Officer advisory group  
Local Government Pensions Committee  
Trade unions  
CLG  
COSLA  
SPPA  
Private clients

## **Website**

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