

Reform of Public Sector Pensions

You may be aware that, following recommendations made by the Public Service Pension Commission, headed by Lord Hutton, the Government is looking to reform the Local Government Pension Scheme (LGPS), along with other public service schemes. As people are living longer, and so drawing a pension for longer, the Government is proposing that changes should be made to the LGPS to ensure

- there is a fairer balance between what employees pay and the cost to employers and taxpayers, and
- the cost of providing pensions under public service pension schemes is affordable, not just now but in the decades to come.

In the short term, in the period up to 2015, the Government is proposing that, as we are living longer, public service workers, including those in the LGPS, should pay more towards their pensions. They are consulting on a number of options and the Local Government Association has put its own proposals to the Government which, unlike the Government's proposals, would offer employees choice i.e. the choice to pay a bit more now or have a change to the level at which the pension in the scheme builds up in the future.

In the longer term, and in response to the recommendations made in Lord Hutton's report, the Government is proposing to redesign public sector pension schemes. Final decisions about your pension scheme from 2015 onwards will be made by the Government although consultations with union and employer representatives will be an important part of that process. It is reassuring, however, that the Government has said it is committed to retaining a defined benefit scheme, with full protection for benefits built up to the date the new scheme is introduced, and that public service pensions will remain among the very best available. And the Government has made an additional commitment that low and middle earners working a full public service career will receive broadly the same pension at normal pension age as they do under their current public service pension scheme.

So, whilst we know that there will be changes to the LGPS, we don't yet know exactly what these will be and although you may hear various views on what your pension might be in the future, nothing has been decided yet. Consultations and negotiations are taking place around the future shape and cost of the LGPS and how those costs should be shared between you and your employer. But whatever comes out of the process, the LGPS will still be one of the best pension schemes available in the UK.

Remember – the LGPS is still a good quality pension scheme

Whilst the discussions are going on, it's important to realise that not only do you have access to a good quality pension scheme at the present time, but you will continue to do so in the future, with a scheme which provides you with a guaranteed level of income when you retire that's not dependent on share prices and not affected by stock market fluctuations.

As well as benefits on retirement, the current benefits of being a member of the LGPS include life cover and family benefits in the event of your death. There's also cover in the event of early retirement on the grounds of permanent ill-health, redundancy or business efficiency. As a member of the LGPS you have the security of these benefits at a relatively low cost to you and, if you pay tax and National Insurance, you get tax relief on your contributions and you pay a lower rate of National Insurance.

The LGPS allows you to save while you are working in order to enjoy a pension once you retire. What's more, the LGPS is offered by your employer who pays part of the cost of the excellent range of benefits, so it's a valuable part of your employment package. If you choose not to join or are thinking of opting out of the LGPS you are, in effect, voluntarily giving up part of your pay package.

More information

A leaflet providing additional information on the proposals for changes to the LGPS is available from *<insert contact details>* and on www.lgps.org.uk

This leaflet provides brief information on developments to public sector pension provisions and how they may impact on employees who are members of the LGPS in England or Wales. It is for general use only and does not cover every personal circumstance. In the event of any dispute as to benefits due under the LGPS the appropriate legislation will prevail. This leaflet does not confer any contractual or statutory rights and is provided for information purposes only.

October **2011**