

**CONSULTATION ON THE FUTURE OF THE LOCAL GOVERNMENT PENSION SCHEME**

**Introduction**

1. At the meeting of the Committee held on 4 November 2002, I provided details of a Discussion Paper issued by the Office of the Deputy Prime Minister (ODPM) outlining ways in which the Local Government Pension Scheme (LGPS) might be developed, particularly for new entrants.
2. The Committee made a number of observations on the Discussion Paper, and it was agreed that, for this meeting, I prepare a draft response to the OPDM. This is attached as an appendix to this report.

**General Comments**

3. Comments and observations were originally invited for submission to the OPDM by 14 February 2003. This has now been put back to 17 April 2003, which is still before the date of the next meeting of the Committee.
4. The intention is that a series of further papers will also be published to generate discussion, eventually leading to the introduction of a revised benefit package for new entrants. Existing entitlements will not be adversely affected, although the opportunity may also be taken to consider the possible extension of the current LGPS package including, for example, pension provision for unmarried partners.
5. The draft response attached endeavours to pick up on all the points raised by the Committee at its last meeting. In addition, I have taken the opportunity to add a comment on bringing more stability into the costs of the LGPS for employer bodies.

**Recommendation**

6. The Committee is asked to approve the attached response to the ODPM's Discussion Paper, with or without amendment.

MIKE PRINCE  
County Treasurer

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Unpublished documents relied upon in the production of this report: NONE

Environmental impact of these proposals: UNKNOWN

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Dear Mr Groves

**Local Government Pensions Scheme**  
**Response to Discussion Paper on Future Options**

In response to Terry Crossley's letter of 9 September 2002 and enclosed Discussion Paper, I am able to provide you with the views of the Wiltshire Pension Fund Committee on the development of the LGPS.

The Committee recognised the following themes running through the proposals contained in the Discussion Paper:

- a) An increase in flexibility, to make the Schemes more appropriate to other than those that expect to retire after a lifetime of service in local government.
- b) The availability of incentives to encourage the take up of pension entitlements and staff retention, and the offering of more flexible options around retirement.
- c) More flexibility for employers to offer local variations in the Scheme.
- d) An indication of moves to reduce the ongoing cost of the Scheme to employers.

The need for changes to the Scheme is generally supported, and it is recognised that increased flexibility in any new Scheme will be required to cater for a workforce that, in general terms, probably has differing needs and expectations from that for which the existing Scheme was designed. The Committee, however, feels it would be useful if some hard statistical data is provided to support the assertions made on the need for change. This should cover data on changes (reductions) in average Scheme membership periods, transfers in and out of the Scheme and ill health retirements. It is felt, for example, that there will still be a sizeable element of new entrants to the Scheme who will continue to spend at least the majority of their careers working in Local Government, and this should be recognised in any developments.

The aim of reducing Scheme complexity is also supported, although this objective may not sit very easily with improving flexibility, and it is hard to see where the suggestions in the Discussion Paper seek to meet this objective. In particular, an influx of local variations will make the Scheme even harder to administer and will be confusing for staff moving between local authorities that offer differing Scheme elements. In the circumstances, it is felt that the new Scheme should provide very limited scope for local variation.

Whilst not specifically mentioned in the Discussion Paper, the increased cost of pension provision arising from increased life expectancy needs to be addressed. Unless retirement age is increased or benefits are reduced, it is appreciated that it may be necessary for Scheme members to contribute above the 6% currently paid. Some information as to the amount of increase required should be made available, together with some assumptions about how the costs of the Scheme overall should be shared between employees and employers, and whether or not the costs borne by employers should be as open-ended as they currently are.

The retention of the defined benefit basis of the Scheme is supported insofar as the costs of the Scheme for employer bodies can be subject to a reduction in volatility over the shorter to medium term, as well as being kept affordable. In the circumstances, the return to a more stable basis of valuing Pension Fund assets for actuarial valuation purposes that fully reflects the long-term nature of these Funds would be worth exploring with the actuarial profession.

It is hoped that these views are of value.

Yours sincerely

County Treasurer