WILTSHIRE COUNTY COUNCIL **AGENDA ITEM NO: 8**

WILTSHIRE PENSION FUND COMMITTEE
5 September 2005

LOCAL GOVERNMENT PENSION SCHEME REGULATIONS

Introduction

1. At a meeting in February 2005 this Committee noted the changes to the Regulations due to be implemented with effect from 1 April 2005. A brief outline of the changes is attached in Appendix 1 for reference.

2. In March 2005 the Deputy Prime Minister announced that he was *'minded to revoke the regulations at the earliest parliamentary opportunity'.*

3. The regulations were revoked on 3 August 2005 and apply to all members, even those who joined the Scheme after 1 April 2005.

Purpose of the Report

4. The purpose of this report is to update Members on the issues raised by the revocation and the next stage of the process.

What does revocation mean to the Fund?

5. The 1 April 2005 changes (which have now been revoked) were aimed at helping to safeguard the future of the Local Government Pension Scheme (LGPS) by contributing to a stabilisation of costs. The intention was that these changes would pave the way for the next stage of the review to modernise the scheme. This would have seen a new-look LGPS introduced from 2008 to meet the needs of employers and the workforce whilst representing good value for local taxpayers.

6. The Government has set up a Tripartite Committee – with employers and unions – to develop realistic and costed measures by the autumn of 2005 to fully meet the costs arising from the decision to revoke the regulations. In considering what measures need to be put in place to ensure the LGPS remains affordable and sustainable in the long-term they have announced that it is their intention '*to secure the scheme's solvency and affordability, without any additional resource calls on employers, on Government or on council tax payers'.* The mandate to the Tripartite Committee is that *'nothing is ruled in or ruled out'.*

7. Central Government will not provide additional funding to compensate Local Authorities for the additional cost of revocation in 2005-06, estimated to be £400 million nationally. The Actuary has calculated that the cost to the Wiltshire Fund will be in the order of £2.6 million.

What happens next?

8. I have, somewhat reluctantly agreed to an interim valuation of the Fund as at 31 March 2005. This work is required by the OPDM for all Funds in order to provide updated information to the Tripartite Committee by 30 September 2005. The exercise will be undertaken by our Actuary, Hymans Robertson at a likely cost of around £10,000.

9. Consultations on further regulations changes to address the cost of revocation will take place in the autumn leaving time for them to take effect from 1 April 2006.

Financial Implications and Risk Assessment

10. One of the key purposes of the April 2005 regulation changes was to reduce the cost on employers of the LGPS. A significant risk to the Fund is that the revised regulations do not deliver the same level of savings before a new Scheme is introduced in April 2008.

Environmental Impact of the Proposal

11. There are none.

Recommendation

12. The Committee is asked to note:

    a) the revocation of the April 2005 regulation changes
    b) that an interim valuation has been commissioned at 31 March 2005 for the Wiltshire Fund, and
    c) that the Tripartite committee set up to look at the issues will consult with employers later in the year

MIKE PRINCE
County Treasurer

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

18/2006/PEN/JS

APPENDIX 1
(Extract from booklet provided to members)

LGPS - New rules from 1 April 2005

- The **earliest retirement age is increasing from 50 to 55**, except for those retiring on ill-health and those of you who are protected from the change.

- Although the LGPS already has a retirement age of 65, current rules allow some employees to retire before then with unreduced benefits. By removing the 85-year rule, **if you choose to retire before age 65 your benefits will be reduced to take account of early payment,** unless your employer waives the reduction on compassionate grounds or you are protected from the change.

If you were contributing to the Scheme on 31 March 2005 you are protected from the changes -

- **If you are age 50 or over by 31 March 2005, your earliest possible retirement date continues to be age 50,** but if you are retired because of permanent ill health your benefits can be paid from any age.

- **If you will be age 60 by 31 March 2013, choose to retire before age 65 and satisfy the 85-year rule when you start to draw your pension,** you will have some protection from the removal of the 85 year rule. Your benefits built up before April 2013 will not be reduced.

- **If you will be age 60 by 31 March 2013, choose to retire before age 65, do not satisfy the 85 year rule when you start to draw your pension, but would have satisfied the rule if you had remained in employment until age 65,** you will have some protection from the removal of the 85 year rule. All the benefits you have built up in the Scheme before 1 April 2013 will continue to be calculated in the same way as if the changes had not been made. But any benefits you build up under the new rules (from April 2013) will be subject to a larger reduction than before.

- **If you choose to draw your benefits before age 65 and would not have met the 85 year rule if you had remained in employment until age 65, or if you do not draw your pension until age 65,** the removal of the 85 year rule will have no impact on you. You will receive the same benefits as before.

How do I know if I will satisfy the 85-year rule?

The rule is satisfied if at the time you start drawing your pension your membership and age (each in whole years) adds up to 85. *If you work part time, your membership counts towards the 85-year rule at its full calendar length.*

***Remember**: The 85-year rule is a rule to see if your benefits should be reduced or not **if you choose to retire early.** If you do not satisfy the 85-year rule, then your benefits are reduced if voluntarily drawn before age 65, unless your employer chooses to waive the reduction on compassionate grounds.*