

ANGUS COUNCIL

FINANCE AND INFORMATION TECHNOLOGY COMMITTEE – 15 APRIL 2003
PERSONNEL AND PROPERTY SERVICES COMMITTEE – 15 APRIL 2003

STOCKTAKE OF THE LOCAL GOVERNMENT PENSION SCHEME

JOINT REPORT BY THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

ABSTRACT

This report indicates the Council's response to the consultation exercise undertaken by the Local Government Pension Committee (summary paper attached) with regard to the Office of the Deputy Prime Minister's stocktake of the Local Government Pension Scheme. A response was required by 11 April 2003.

1. RECOMMENDATION

The Committee is asked to homologate the action taken by the Director of Finance in submitting the response annexed in [Appendix 1](#) to both the Local Government Pension Committee and the Office of the Deputy Prime Minister.

2. BACKGROUND

The Office of the Deputy Prime Minister (ODPM) issued a discussion paper on 9 September 2002 regarding its stocktake of the Local Government Pension Scheme (LGPS). It was agreed that the Local Government Pension Committee (LGPC) should take the lead in assessing issues raised in the Stocktake discussion paper.

Although the LGPC is an England and Wales body and the Scottish LGPS regulations are devolved, the Scottish Executive do not intend running a separate consultation exercise in Scotland.

Accordingly, it is important that the Council respond to the LGPC's draft response to the current stocktake of the LGPS.

The ODPM's discussion paper recognises that local government needs a pension scheme that continues to assist in the recruitment and retention of staff and that a set of policy principles should underpin the LGPS benefit provision. Namely they should be:

- Adequate for their policy and regulatory purpose;
- Comprehensive in their provision;
- Flexible and responsive to the needs of employees and employers;
- Equitable to scheme members, employers and taxpayers in terms of balance between provision and cost;
- Efficient and cost effective in delivery;
- Fully transferable; and
- Secure enough to achieve the long-term statutory based pension scheme

3. LOCAL GOVERNMENT PENSION COMMITTEE CONCLUSIONS

The LGPC's approach to the review has been to assess the validity of the policy aims employers seek to achieve through the scheme.

The main conclusions of the LGPC review are that the LGPS:-

- Still, to a large degree, meets the needs of the majority of the workforce;
- Is best placed to deliver the security of the pension promise by remaining a final salary scheme;
- Already includes a considerable degree of flexibility;
- Is an important and highly valued element of the recruitment package which aids recruitment and retention of employees;
- Is a useful management aid in facilitating change albeit at a cost;
- Has a role both in delivering the Government's objective of ensuring individuals have a reasonable income in retirement and contributing to the delivery of local authorities social and economic well-being strategies;
- Is sustainable in the long-term provided a number of changes are made to mitigate the cost of future service in the scheme.

Before concluding their deliberations the LGPC have decided to consult employers on their proposed response.

The LGPC will be making a response based on the consensus of employers and they have issued a questionnaire which is completed at Appendix 1. It is considered that Angus Council should complete the questionnaire in order to ensure that its views are fully represented and also reply directly to the Office of the Deputy Prime Minister on the stocktake.

4. ANGUS COUNCIL RESPONSE

The Council's response is shown at Appendix 1. This response takes account of a number of the proposals in the Government's Green Paper on pensions which have implications for the future design of the LGPS. In particular the proposal to increase the early retirement age from 50 to 55 and also the need to amend the scheme to take account of the proposals to ensure that the scheme has a normal retirement age of 65 both for new members and in respect of future service for existing members.

The proposed response from the Council supports the retention of the present final salary scheme as an important and highly valued element of the Council's recruitment and retention policies. However, it also recognises that for the scheme to be sustainable in the long-term and equitable to scheme members, employers and the taxpayer in terms of balance between provision and cost that it is important to mitigate the increase in cost for future service. It therefore supports the following actions:

- Increase the employee's contribution rate for new entrants from 6% to 7%;
- Increase the earliest age at which benefits can be taken from 50 to 55 as proposed in the Government's green paper on pensions;
- Remove, as soon as possible, the "85 year rule" for new members;
- Review, in more detail, the implications of removing the 85 year rule for existing members as proposed in the Government's green paper on pensions;
- Review, in more detail, the implications of removing the right to automatic unreduced benefits upon redundancy/efficiency retirement.

5. FINANCIAL IMPLICATIONS

There are no immediate financial implications but alterations to the LGPS may ultimately affect contribution rates paid by employers.

6. HUMAN RIGHTS IMPLICATIONS

There are no Human Rights implications specific to this report.

7. CONSULTATION

The Director of Law and Administration has been consulted on the terms of this report.

A.B. WATSON
Chief Executive

DAVID S. SAWERS
Director of Finance

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

DSS/AD
14 March 2003