

DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Local Government Pension Scheme

**The Secretary of State for Communities and Local Government (Mr Eric Pickles):** On 2 November the Chief Secretary to the Treasury made a Statement to the House setting out an improved offer on public service pensions to public sector workers (Cm 8214). This offer provided a more generous cost ceiling for scheme-specific discussions to work within, and protected all those within ten years of their pension age from any further change. This generous offer was conditional on the Government and trades unions reaching agreement by the end of the year, including the Local Government Pension Scheme in England and Wales, bringing to a conclusion talks that have lasted since February 2011.

Since 2 November, I have been engaged in talks with the local government trades unions and the Local Government Association (LGA) to enable purposeful discussions on local government pensions reform. I can now report to the House on the Heads of Agreement signed jointly by the local government trades unions and the LGA on the principles governing the scheme design, ongoing cost management and governance of the new Scheme to be introduced in 2014. Further work on these agreed principles will commence in the New Year under the supervision of a newly appointed Project Board representing key Scheme partners. The Government have made clear this sets out their final position on the main elements of scheme design, which unions have agreed to. This includes a commitment to suspend any further industrial action while the final details are resolved and Unions are consulting their members.

The core parameters of the agreed new scheme design are set out below:-

- a single solution to both the short and long term issues by the early introduction of the new Scheme in April 2014, with regulations in place by April 2013;
- the single solution to be built on the basis of career average earnings;
- can include zero increases in employee contributions for all, or the vast majority of members, provided that overall financial constraints set by the Government are met;
- some elements of choice to encourage retention of existing membership and encourage new membership; and
- flexible retirement age built around the Scheme's normal retirement age equal to the State Pension Age or age 65, whichever is later, and applies both to active members and deferred members (new scheme service only). If a member's State Pension Age rises, then normal pension age will do so too for all post 2015 service.

A copy of the Heads of Agreement has been placed in the Library of the House.