



LPFA Green Paper outlines proposals for a fair, adequate and affordable Local Government Pension Scheme

London, 6th September 2011 - A Green Paper setting out 27 detailed proposals for reform of the Local Government Pension Scheme (LGPS) is published today by the London Pensions Fund Authority (LPFA), one of the UK's largest LGPS funds.

The Green Paper is intended as a stimulus to debate around the ingredients of the reformed LGPS, to be implemented from 2015. The detailed proposals cover scheme design, cost mechanism, the structure of LGPS funds and practical ideas on implementation.

Key proposals include:

- Accepting the switch from a final salary to career average basis
- A change in accrual rates from 60ths to 70ths
- The introduction of a new “low start scheme” to help low paid and younger employees
- The setting of contribution cost ceilings for employers
- The creation of an LGPS chamber combining the roles of scheme board and policy group (as recommended by Hutton) into one unit
- Centrally led and resourced communication and training programmes and project management to support individual funds
- Financial incentives for funds to implement shared administration models

LPFA Chief Executive, Mike Taylor, said:

“The time is now right to start thinking about implementation of a new scheme. There is a lot to get done if we are to ensure a fair, affordable and most importantly fully understood LGPS is in place by 2015.

“The green paper is not intended as a single blueprint for success, rather it attempts to stimulate debate concerning the key ingredients of a new LGPS and the practicalities necessary for its successful implementation.”

The full list of proposals set out in today's paper is as follows:

Scheme design

Proposal 1: That the new scheme use the Career Average Revalued Earnings (CARE) method of calculating pension benefits

Proposal 2: That pensionable pay in the new scheme be simply defined as: Pay

upon which pension contributions have been deducted in the relevant tax year

Proposal 3: That the average earnings assumptions used for revaluation purposes accurately reflect both the ability to afford increases and movements in Local Government pay

Proposal 4: That a 1/70th accrual rate is used for the CARE benefits

Proposal 5: That the ability to commute annual pension to lump sum at a 12:1 ratio be retained in the new scheme and be subject to regular review

Proposal 6: The introduction of a low start scheme with benefits on pay below the forthcoming auto enrolment lower limit (£7495 p.a.) accrued at 1/200th and free of employee contributions

Proposal 7: That the Normal Pension Age (NPA) of the LGPS be linked to the State Pension Age (SPA) but with a mechanism to alter the link should increases in longevity not be reflected in SPA

Proposal 8: That scheme members should be able to take reduced/increased benefits across a range of ages subject to maximum and minimum limits

Proposal 9: A clear and simple method for calculating the cost of purchasing additional pension be introduced

Cost Mechanism

Proposal 10: That employer contribution cost ceilings be set for both total and future service

Proposal 11: That the cost mechanism used to maintain contribution rates below the ceilings include variable employee contributions, revaluation and accrual rates and pension ages

Proposal 12: That costs should be reviewed against both ceilings using a total scheme valuation timed to coincide with those of individual LGPS funds

Proposal 13: That adjustments to contributions, accrual and valuation rates should be made at national (i.e. scheme) level

Proposal 14: That adjustments to NPA should be made by the Secretary of State taking into account the SPA and the NPA's of other public sector schemes
LPFA Green Paper – Proposals for a new LGPS and its implementation by early 2015

Structure

Proposal 15: The formation of an LGPS pensions chamber combining the roles of the scheme board and policy group into one unit

Proposal 16: The introduction of individual statutory fund boards with an equal split between stakeholder and independent voting members

Proposal 17: The introduction of a set of governance and administration principles which funds would be required to report against on a comply or explain basis

Proposal 18: That access to central government funding be available to assist with

the set up costs of joint working initiatives

Implementation

Proposal 19: That government reviews the need for primary legislation in order to provide sufficient time for an ordered and well managed implementation of a new scheme

Proposal 20: That changes to the scheme mirror the requirements of other statutory requirements and guidance applying to members and funds

Proposal 21: That the 2013 LGPS valuation be on an interim basis or postponed to ensure the focus remains on implementing the new scheme.

Proposal 22: A consultation on simplifying the scheme particularly in respect of non core benefits and provisions

Proposal 23: The formation of a central Local Government Group (LGG) based implementation project team funded via the existing administering authority subscription

Proposal 24: That the LGG team provide a central communication and training service to LGPS funds for the implementation of the new scheme

Proposal 25: Support the joint procurement and implementation of a single computerised administration system capable of managing both the legacy and new schemes

Proposal 26: Propose that DCLG consult with HR and payroll providers when formulating regulations with the aim of using pre existing source data where possible

Proposal 27: The formation of a central working group (reporting to the pensions chamber) to investigate, plan for and advise on best practice governance and administration for the new scheme

The full Gree Paper, "A New LGPS by 2015: Reality or Aspiration?", is published today and is available on the LPFA website at <http://www.lpfa.org.uk/>

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About the LPFA

The London Pensions Fund Authority (LPFA) administers a £4bn pension fund providing Local Government Pension Scheme benefits to almost 20,000 employees of 200 not for profit organisations and around 40,000 pensioners, many of whom

used to work for the Greater London Council and the Inner London Education Authority.

As well as administering its own fund LPFA provides a comprehensive range of third party pension services from full administration and pensions payroll to staff placement, data cleanse projects, pension websites and benefit statements.

For more information see www.lpfa.org.uk or email communications@lpfa.org.uk