



which outlined the Government's plans to reduce the cost to employers of the Local Government Pension Scheme by 3.2% of pay on a phased basis. He explained that consultees wishing to submit alternative proposals must indicate their intention so to do by 28 October 2011 and submit costed proposals by 25 November 2011, with the closing date for responses being 6 January 2012.

The parameters set for the DCLG (and other public sector schemes) for member contribution increases (as set by the Chief Secretary on 19 July) were outlined as follows:

- No increase in employee contributions for those earning less than £15K;
- Maximum increase of 1.5% in total by 2014/15 for those earning up to £21K (equivalent to 0.6% increase in 2012/13 assuming phased implementation of savings of 40:40:20); and
- High earners should pay progressively more but no more than a 6% increase.

The Executive Director then outlined the issues to consider, which included:

- The demographics of the LGPS (a greater proportion on lower pay scales than other public sector schemes) and the impact this had on contribution rates for other employees;
- Assuming a career average (CARE) scheme was introduced from 2015, did the proposals help prepare for this change; and
- Would the changes help mitigate opt out rates?

He outlined two approaches suggested by DCLG. It was explained that both approaches comprised an element of increased employee contribution rates and reduction of the value of benefits earned in the future. The implications for contribution increases together with the impact on pensions to be earned were set out in an appendix to the report.

Options for consideration with an aim of reducing opt outs, were discussed as follows:

- What would be the administrative costs of implementing these options;
- What would be the impact on opt outs of these options (and future pension saving)?
- How easy was it to explain the changes to the member (and to be followed by 2015 changes)?
- How easy and prudent would it be to realise the short term savings for the employers?

Other options for consideration included in the consultation document were;

- Increasing normal retirement age; and
- Proposals put forward by the Local Government Group as follows:
  - (i) no increase in employee contribution for staff with (FTE) earnings of less than £15K, an increase of 1.5% for those earning between £15K and £21K and an increase of 2% to 2.5% for those earning above £21K;
  - (ii) employees could choose a lower rate of accrual for service from 2014 as an alternative to increasing their contributions;
  - (iii) raising the normal pension age from 65 to 66 for benefits built up from April 2014.

It was explained that the attraction of the Local Government Group's submission included the choice to employees and the ability to maintain existing contribution rates.

The DCLG requested that alternative proposals should be actuarially costed and verifiable. They must also be capable of implementation within the legal powers that govern the Scheme and generate savings over and above those already built into the 2010 valuation.

Discussion ensued and Members expressed concern with regard to the possibility of opt outs and the subsequent impact of this on the Fund going forward. The Executive Director commented on the recent falls in employee membership, the impact this has on cash flow, the impact on volatility of the cost of the scheme and the possible long term impacts on investment strategy. The issue of appropriate marketing and understanding was also highlighted and the protection of accrued benefits was considered to be of utmost importance.

Councillor Quinn stressed the need to find an affordable model, to maintain membership levels and also consideration of the precipice calculation at what level would it be unaffordable to continue.

Councillor Quinn advised of his planned meeting with Bob Neill, the Parliamentary Under Secretary of State at DCLG and he also suggested that Brian Strutton, GMB, be invited to the next meeting of the Panel. These inputs may help the Panel develop its views in submitting its response from an administering authority perspective.

**RECOMMENDED**

**That the Executive Director, in consultation with the Chair of the Panel prepares a response to the consultation document incorporating the concerns of Members as detailed above.**

**12. MEMBER SURVEYS**

The Executive Director of Pensions submitted a report which provided information about a survey of members who had been employee members for 5+ years, and of a survey relating to the internal dispute resolution procedure.

**RECOMMENDED**

**That the report be noted.**

**13. PERFORMANCE STANDARDS**

Consideration was given to a report of the Executive Director of Pensions that provided information about adherence to the performance standards for the Pensions Office that applied from 1 April 2011. The Executive Director commented on the excellent performance of the Pension Office in dealing with the significant increase in the number of retirements albeit this had had some impact on other areas of work because of the support required to process retirements.

**RECOMMENDED**

**That the report be noted.**

**14. A VIEW FROM THE GROUND: MAKING PUBLIC SECTOR PENSION REFORM WORK**

A report was submitted by the Executive Director of Pensions which provided information about Hymans-Robertson findings following a poll of 2,000 public sector workers. A copy of the above publication was appended to the report, which highlighted the lack of understanding on various aspects of public sector pensions reform, with a third of those surveyed claiming not to be aware that a review was being done.

Hymans made a number of recommendations regarding communication with members, i.e. the use of plain English and attractive illustrated newsletters, and some specifically regarding the forthcoming changes, most of which the Fund had already put into practice.

The use of videos was also recommended. It was explained that work on this was already underway, and it was hoped that a video would be on-line before Christmas to explain how career averaging worked.

**RECOMMENDED**

**That the report be noted.**

## **15. PENSIONERS FORUM 2011**

The Head of Pension Fund Administration made reference to the above event which had taken place on Friday 7 October 2011 at The Point in Lancashire County Cricket Club.

He reported that it had been an extremely successful day attended by approximately 380 members. Feedback, once again, had been very positive. He also reported on the total cost of the event and the extensive participation by organisations who had stalls at the event, e.g. HMRC, solicitors and the Fire Service.