

Colleagues

You may not have noted the publication of summary details of the Government's proposals for the LGPS last week, on which consultation is now beginning. These are attached and what follows is a summary briefing on them

The proposed structure is to apply to both existing and new members after April 2008

The main positives are :-

- Final salary retained for existing and new members
- Improvement to 1/60 accrual (with lump sum by commutation)
- Introduction of pensions for nominated dependant partners
- Death in service increased to x3 (from x2)

and the negatives :-

- Average employee contribution increased for 5.8% to 6.3%
- Reduced ill health benefits
- Statutory-based mechanism for sharing future cost pressures (2010 on)

The proposal on employee contributions is that on pay up to £12,000 a contribution of 5.5% is paid and for any pay above £12,000 a contribution of 7.5% is paid. This means contributions are increased for all (6%) members earning over £16,000

A 3 tier ill-health proposal is made. The top-tier is close to the current benefit level but reserved for people permanently unable to work again rather than permanently unable to do their normal job. The two lower levels involve a reduced level of benefits. Our members identified a cut in ill health benefits as a key concern.

No detail on the cost-sharing mechanism is given but the earlier consultation document speculated about a mechanism based around improvements in mortality. This could be a ticking bomb within the package which we will want to closely scrutinise

The package is suggested as involving a benchmark employer cost of 14.2%, which compares to the 14.5% level established after the 2004 valuation cycle. This will encourage us in arguing that something better might reasonably be afforded during the consultation

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