Briefing note on Lord Hutton's Review of Public Sector Pensions

Contact Officers	Nancy le Roux, 01895 250353
Papers with this report	*Hymans Robertson – Summary of Recommendations*

This report is for information only

SUMMARY of Key Findings and impact on the LGPS

The final report on the review of public sector pensions was published by Lord Hutton on 10 March. The report makes a series of 27 recommendations for changes to all public sector pension schemes. Our advisor, Hymans Robertson, have issued a briefing note on those 27 recommendations which is attached to this report.

Impact on Local Government Pension Scheme (LGPS)

The key recommendations which would impact on members of the LGPS

- The final salary scheme should be closed and all members moved to a new career average scheme
- Accrued rights in the current scheme should be fully protected
- Normal Retirement Age should be linked to State Pension Age – currently 65, but set to increase.
- The different financing arrangements for the LGPS should continue – i.e. it should remain as a funded scheme
- Pension Boards to be created for every fund in the LGPS to include member nominees.

Central government will now be responsible for taking those recommendations forward and drawing up changes to each of the pension scheme rules. It is expected that changes will come into effect before the end of the current parliament in 2015.

Until draft regulations are written we will not be in a position to understand the impact on the LGPS. As such there will be no impact on the 2010 valuation.

Following the publication of Lord Hutton's interim report, proposals were drafted for an early increase to members' contributions, potentially from 2012. The scale and timing of these increases are a key concern as they have the potential to cause wide-spread opt-outs in the LGPS, which would have a significant impact on the continued viability of the scheme. The government need to give further consideration to both the timing of such a move and the disconnect to the other major scheme changes, and to the current inequity in member contribution rates across all public sector schemes.