

To: All LGPS Pension Managers

Attached for your information, is a copy of a Ministerial Written Statement placed in the House of Commons earlier today. Its terms are self explanatory.

A formal consultation exercise with Scheme stakeholders in England and Wales will follow shortly along the lines indicated by the Statement.

Nicola Rochester

CLG

LGFPD4

15.6.07.

COMMUNITIES AND LOCAL GOVERNMENT LOCAL GOVERNMENT PENSION SCHEME

The Minister for Local Government (Phil Woolas): In previous statements to the House I have made clear the Government's commitment not only to provide decent final salary pensions for those employed by local authorities and other organisations associated with local government but also to ensure that members' pensions are secure, affordable and viable, and fair to the taxpayers who guarantee their continued security.

In regulating the Scheme and ensuring its long term future, the Government remains committed to providing equality-proofed benefits which are flexible and attractive to employers and employees both now, and in the future.

The Government see it as critical to maintain stability of costs in the Scheme going forward, particularly when the new-look Local Government Pension Scheme in England and Wales takes full effect from 1 April 2008. Throughout the reform process of the past few years, the Government's intention has been to ensure that no additional costs are imposed on taxpayers or employers. This objective remains central to any considerations surrounding amendments to the Scheme's regulatory framework and it is reinforced by the Government's wish to only consider such changes within the agreed Scheme cost-envelope.

Against that background, and in the light of representations and discussions with employee representatives, I am announcing today a forthcoming statutory consultation on proposals to extend the current levels of protection in the Scheme for older employers originally introduced by the Local Government Pension Scheme (Amendment) and (Amendment No.2) Regulations 2006 and which took effect from 1 October 2006. The draft proposals would involve amending those regulations to provide a full, rather than a tapered, protection to 2020 with appropriate offsetting savings for the estimated cost of this

(some £25m a year) being made from elsewhere in the Scheme. The necessary national consultation with all Scheme stakeholders in England and Wales, required by the Superannuation Act 1972, will begin shortly and extend for a twelve week period.

I am grateful for the range of responses from Scheme stakeholders received to the recent informal consultation exercise which closed on 13 June. They build on the representations made previously and provide support for an assessment of the current levels of protection at 2016. The new consultation will provide a fresh and longer opportunity for Scheme stakeholders to consider the terms of the proposition, in the context both of equality considerations and of identification of means to offset additional costs within the existing cost envelope.

To ensure the continuing solvency of the Scheme and to meet the Government's longstanding policy towards ensuring no adverse effects on taxpayers, the costs of implementing any Scheme amendments to improve the level of protections would need to be provided from within the Scheme. This could be achieved either by increases in employee contributions, or from further amendments which will reduce a specific element of the new 2008 benefit structure. Alternatively, some other means could be sought from within the existing Scheme regulatory framework which will also expressly offset the specific estimated total additional costs imposed to pay for the improved protections, as determined by the Government Actuary's Department.

If no statutory and agreed means of providing the necessary resources to extend the proposed level of protection emerge from the consultation, then it will be necessary to retain the present level of protection.