

Future of Public Sector Pensions

Neil Sellstrom

CIPFA Pensions Network

neil.sellstrom@cipfa.org.uk

Pensions Landscape

Independent Public Service Commission Principles

- Affordable / Sustainable
- Adequate / Fair
- Support Productivity
- Transparent / Simple

Pensions Landscape Hutton's 27 Recommendations

Fall into 3 basic categories

Pension
Principles

Scheme
Design

Scheme
Governance

Pensions Landscape

Pension Principles

- Adequate levels of retirement income
- Pension part of remuneration
- O. Of B.R. Long term financial impact reporting
- Primary Legislation / introduce scheme by 2015
- Consultation centrally co-ordinated but details scheme by scheme
- Common framework for all public sector schemes
- No access for non-public sector workers
- Government to set cost envelope for schemes

Pensions Landscape Scheme Design

- Accrued rights protected
- CARE / Tiered Contribution Rates
- Average earnings revaluation for actives
- CPI for Pensioners
- Flexible retirement / greater choice
- NRA linked to SPA
- Fixed cost ceiling
- LGPS to be funded
- Regular benefit statements / promote use of IT

Pensions Landscape Scheme Governance

- Competent Pension Board (member nominees)
- Pension Policy Group for each scheme
- Framework for independent oversight
- Common data for schemes to be published
- Establish and benchmark administration standards
- Monitor LGPS procurement/service sharing

Public Service Pensions Act 2013

- Creates new LGPS from 1st April 2014
- Requires new scheme regulations
- Introduces cost control mechanism
- Increased governance regime
- Sets out regulatory oversight
- Creates provisions around information

Features of LGPS 2014

LGPS 2008	LGPS 2014
Final Salary	Career Average
1/60 th Accrual Rate	1/49 th Accrual Rate
Normal Retirement Age = 65	Normal Retirement Age = SPA
Average member Contributions of 6.5%	Average member Contributions of 6.5%
Protected Rule of 85	Protected Accrued Rights
N/A	50/50 Option
Fair Deal (Employer)	Employee Choice
Salary based Revaluation	CPI Revaluation

Governance & Oversight

- National Scheme Advisory Board
- Local Pension Boards
- Local Scheme Manager
- The Pensions Regulator
- Streamlining LGPS governance and efficiency

Procurement & Shared Services

- Hutton Recommendation 23
"closely monitor the benefits associated with the current projects within the LGPS with a view to encouraging the extension of this approach..... to realise greater efficiencies in the administration of pensions"
- *Regional Joint Procurement*
- *National LGPS Frameworks*
- *Shared Service approaches*
- *Outsourcing Services*
- *Collective Investment Vehicles*

