

Future of Public Sector Pensions

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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

Project 2014

- PROJECT 2014 – driven by LGA with Unions and DCLG plus other Stakeholders
- Agreed set of 17 Principles
- Single Change year earlier than required
- Timescale for agreement April 2012
- Regulations start to be drafted April 2012
- Consultation on regulations autumn 2012
- New regulations March 2013

Features of LGPS 2014

LGPS 2008	LGPS 2014 (Proposed)
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

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*



Future Developments

- Workstream 2 – Governance Proposals
- Public Service Pensions Bill
- Cost Management and Efficiency Savings
- Quality and flow of Scheme Data
- Independent Standards Board?
- Separation of Accounts from Admin Authority
- Ongoing IFRS implementation issues

