

**Local Government Pension Scheme 2014
and 2008 Scheme amending Regulations:
Part A: Local Government Pension Scheme
Regulations 2013
The NAPF's response**

May 2013

About the NAPF

The National Association of Pension Funds is the leading voice of workplace pension provision in the UK. We represent 1,300 pension schemes from all parts of the economy and 400 businesses providing essential services to the pensions industry. We represent both public and private sector schemes, including over 80% of the local authority pension funds. Our members provide pensions for 16m people and collectively hold assets of around £900bn. Our main objective is to ensure there is a secure and sustainable pensions system in the UK.

Introduction

1. The NAPF has a unique perspective on public sector pensions – we represent over 80 local authority funds. We have long argued that like all workplace pensions, public sector pensions need reform to make sure they remain sustainable and affordable as demographics change and longevity increases. The package of public service reforms agreed and currently being legislated for through the Public Service Pensions Bill should achieve this goal. In particular we believe that Lord Hutton was right to reject the idea that public service pensions should engage in a “race to the bottom” with private sector pensions. Public sector workers should continue to have access to good quality schemes. The NAPF called for a move to career average benefits – and we believe this is the fairest way of continuing to provide a valuable defined benefit pension to public sector workers.
2. We welcomed the agreement reached by the Local Government Association and trade unions in May 2012 on the new Local Government Pension Scheme (LGPS) as one that protects the lower paid from having to pay more into their pension whilst ensuring that the LGPS is sustainable and affordable in the long term. We need to ensure that these proposals will be a lasting settlement. This submission is a response to the Department for Communities and Local Government consultation on the first set of draft regulations that sets out the detailed legislation covering the membership, contributions and benefits of the new LGPS 2014 scheme.

LGPS 2014 draft regulations

3. NAPF continues to believe that the draft regulations covering membership, contributions and benefits reflect the agreement reached between LGA and local government trade unions in May 2012 and appear broadly fit for purpose. Therefore our comments relate solely to the outstanding policy issues in Annex B of the consultation document.
4. **Assumed Pensionable Pay:** this needs to be simple in order to assist both the employer and member. For example, having the requirement to compare the Assumed Pensionable Pay (APP) of the last 12 weeks with the previous year’s pay increases the complexity for employers and for the member and should be removed. As pointed out in our response to the first consultation, it is important that the issues relating to pay are not over complicated in order to ensure the pay can be efficiently and easily calculated by employers and that scheme members can understand the pay that is being used in the calculation of their pension benefit.

5. **Certain periods of absence:** we believe it would be beneficial to remove the requirement to use APP for absences, and allow the member to buy Additional Regular Contributions (ARCs) if they wish. The member would then only be paying contributions on the pensionable pay received in that scheme year and would receive $1/49^{\text{th}}$ of the pensionable pay actually received as a benefit. This reflects the principles of a CARE scheme.
6. **Revaluation percentage:** Initially in principle, we agree with the basis of calculation of the revaluation for the first and last year of service as we believe this is in line with how funds currently apply pensions increases using the multiplier tables for part year.
7. **Certificates of Protection:** if these are provided for in the new regulations the circumstances where they can be used should be limited in order to avoid over complicating the calculation of pay.
8. Our members remain concerned that there are a number of outstanding policy issues which still need resolving and are critical to the Scheme being in place next year. These include clarification on APP, the circumstances in which Certificates of Protection can be used and how revaluation calculations will work in practice. We would like final regulations covering these areas to be published as soon as possible to ensure that scheme have sufficient time to put everything in place for April 2014.

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