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FINANCIAL

LPFA urges informed debate on reforming public sector pensions

London, 16 October 2009 - An informed debate is needed to look at ways of making public sector pensions more sustainable, rather than sending them to the scrapheap, said Mike Taylor, Chief Executive of the London Pensions Fund Authority (LPFA) in his speech to the National Association of Pension Funds conference today.

Mr Taylor called on all stakeholders – central government, local authority employers, trade unions, council tax payers and others - to raise the level of debate, and to ensure decisions on reform of public sector pensions were firmly grounded in fact, rather than in the myths and preconceptions which have clouded much of the media debate so far. He indicated that solutions such as increasing the retirement age and basing pensions on career average earnings rather than final salary should be given serious consideration.

Mr Taylor said: "The LPFA is trying hard to generate a proactive and constructive debate on the future of public service pensions and in particular the Local Government Pension Scheme (LGPS), which is the only major funded scheme in the public sector.

"Employer or council tax payer contribution rates currently take all of the strain of increasing liabilities in the LGPS. This situation cannot continue and employees must now bear a fairer share of the increasing costs.

"The right solution can only be reached through careful consideration, leaving behind the prejudices and preconceptions that currently plague the debate. We are keen to help facilitate the discussion. We can help provide costings and advice on proposed changes for example. But I would urge all those with an interest in this area to play their part."

In his speech Mr Taylor said the implications of improved longevity sat at the heart of the debate. He suggested a phased increase in the retirement age towards 70 would go a long way towards ensuring long term sustainability, echoing recent recommendations from Lord Turner and the International Monetary Fund.

He also said the possibility of a defined benefit scheme based on career average earnings would remove concerns over generous pensions for a handful of "fat cats", and be much fairer for the vast majority of employees who provided valued public services.

Mr Taylor suggested that the Government could review incentives for funds and savers, and look at a range of other options including a reduction in accrual rates, death cover, ill health benefits, lifetime guarantees, or the elimination of automatic payment of pension on redundancy under the normal retirement age.

He continued: "We should strive to balance the costs between employers and employees to increase the level of certainty. Rather than increased costs falling wholly on the employer and taxpayer, we could introduce fixed percentage cost sharing, and allow employees to top up."

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For further information

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About the LPFA

The London Pensions Fund Authority (LPFA) administers a £3bn pension fund providing Local Government Pension Scheme benefits to almost 20,000 employees of 200 not for profit organisations and around 40,000 pensioners many of whom used to work for the Greater London Council and the Inner London Education Authority.

As well as administering its own fund LPFA provides a comprehensive range of third party pension services from full administration and pensions payroll to staff placement, data cleanse projects, pension websites and benefit statements.

For more information see www.lpfa.org.uk