



## LPFA publishes "Green Paper" on future of Local Government Pension Scheme

**London, 19th April 2010** – New proposals to reform and secure the future of the Local Government Pension Scheme (LGPS) are published today by the London Pension Fund Authority (LPFA).

In a Green Paper, **A fair and affordable LGPS**, LPFA proposes the creation of an independent Local Government Pensions Commission with equal representation from those responsible for paying for the scheme (employers and taxpayers) and those who receive benefits from it (scheme members), under the chairmanship of an independent Chair appointed by the Secretary of State for Communities and Local Government.

The paper seeks to take the politics out of the LGPS by the establishment of the Independent Commission, which would replace the day to day involvement of the Secretary of State, and improve the existing lengthy processes which have tended to result in tinkering rather than the wholesale reform the scheme requires. In practice, the Commission would take over the role of the Secretary of State in determining many aspects of the scheme, which would entail some statutory change.

The Commission's remit would be twofold:

- to determine an appropriate and affordable scheme structure within an agreed framework, and
- to manage the affordability of the scheme in the future using the tools available to it and to make recommendations for effective reduction in scheme deficits

The paper also sets out the types of decision the Commission would be required to take, including:

- The basis of the scheme, be it defined benefit final salary or career average or a hybrid DB/DC arrangement
- The balance of cost between beneficiaries and contributors
- The solvency parameters
- The conditional indexation parameters
- The normal retirement age
- Accrual rates

Announcing the publication of the Green Paper, LPFA Chief Executive, Mike Taylor, said:

"An affordable and sustainable pension scheme which meets the requirements of its members within the means of its sponsors should be a vital component of long term public finance, health and welfare policy. The LGPS differs from most other public sector pensions in that it is funded and benefits from a positive cash flow. But it is becoming increasingly evident that even this scheme must adapt in the face of growing pressures around longevity and public concern over long term costs, if it is to continue to be sustainable for future generations.

"The ideas proposed in today's Green Paper are intended to promote debate, and ultimately to provide politicians with a blueprint for ensuring all stakeholders, whether scheme members, council tax payers or local authority employers, have a say in the scheme's continued success."

The framework within which the Commission would operate would be to ensure that;

- The scheme provides an effective retirement provision that fits within overall government targets for public expenditure
- The scheme operates within overriding regulatory, pensions and fiscal legislation
- The scheme operates within a fair balance of cost between beneficiaries and contributors, both employers, taxpayers and future pensioners;
- The scheme operates within acceptable solvency parameters;
- The scheme is regulated by an appropriate balance of contribution changes and benefit accrual adjustments, not just rely on employer contributions;
- Retirement age reflects wider societal changes and is in line with state retirement safety net provision;
- Indexation of pensions, both pensions in payment and accrued rights, is conditional upon the overall solvency and health of the scheme, in particular the achievement of investment returns

The Commission would be accountable to the Secretary of State by reporting annually on the achievement of the remit with a special report every three years after a statutory triennial valuation.

Administering local authorities would retain their existing control over areas such as investment strategy.

## **Ends**

### **For further information**

Sally Todd  
Penrose Financial  
020 7786 4815 / 07802 444348

Andy Fleming  
Penrose Financial  
020 7786 4823

### **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](http://www.lpfa.org.uk) or email [communications@lpfa.org.uk](mailto:communications@lpfa.org.uk)