

Avon Pension Fund

LOCAL GOVERNMENT PENSION SCHEME

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You may be aware of the high profile publicity concerning public sector pension schemes over the past few weeks.

This follows discussions as a result of the recommendations made by Lord Hutton on what fundamental changes to benefits should be considered to ensure that public sector pension schemes, including the Local Government Pension Scheme, are both affordable and sustainable in the long term.

In addition to this the Government Comprehensive Spending Review announced that public sector pension schemes should increase member pension contributions, for all but the low-paid, by an average of 3.2% phased in by 2015.

The speculation surrounding all these **potential** changes will have caused concerns amongst many Avon Pension Fund members, so much so that some may have acted prematurely and opted out of the LGPS.

We are keen to put these potential changes into perspective to avoid other members' reacting similarly. The current position is as follows:

- New legislation is required for any changes to the benefit structure and so are not likely to come into force before **2015**
- Any potential increase to member contribution rates will **not apply until April 2012** and members earning less than £15,000 a year will see no increase to their contributions and those between £15,000 and £18,000 will see any increase capped at 1.5% of pay.
- The government have been **asked to reconsider its announced increase in member contributions, as this** is expected to lead to a much higher opt-out rate than the government had factored into its costings for revised public sector pension schemes especially the LGPS as enforced changes to funding strategies could make even the potential *reduced* future benefit levels unsustainable.

STOP PRESS!! (27.06.2011)

An encouraging development is that the Treasury has announced that it recognises that the funded nature of the LGPS makes it different from the other public sector schemes and therefore has agreed to take this into account by having separate negotiations with unions.

The recommendations of the Hutton Report have been accepted by the Government as a basis to reform most public sector schemes to ensure long term sustainability. Discussions are currently on-going for each of the public sector schemes and a consultation document on the proposed changes to the LGPS is expected in the autumn.

YOU ARE THEREFORE URGED NOT TO MAKE ANY HASTY DECISIONS UNTIL FULL DETAILS AFFECTING LGPS CHANGES ARE KNOWN.

N.B.:

- Whilst the expected changes are likely to have the result of increasing member contributions and reducing future pension benefits; the Scheme would still remain **one of the best in the country**
- Importantly the **link to salary will be retained** giving certainty over pension values
- **Protection** is proposed for all accrued pension **rights you have earned** up until the time any changes take effect.

Making a contribution towards a future pension is a **long-term** commitment and any decision to withdraw from the Pension Scheme should be made in that longer-term context. The LGPS pension once in payment is, at this point, **guaranteed for life** and has **other valuable benefits** to protect family incomes in the event of premature death.

Successive governments have encouraged and continue to encourage every citizen to save for retirement and in future all employees will automatically be enrolled in a statutory pension scheme with the employee then having to make a positive decision to opt out within set time limits.

PLEASE CONSIDER ANY DECISION TO OPT OUT OF THE LGPS VERY CAREFULLY and make sure you are fully aware of all the benefits you will **lose** as a result.

The Avon Pension Fund will keep you fully informed of developments as they occur.

Steve McMillan
Pensions Manager

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