



WEST MIDLANDS PENSION FUND

GOVERNMENT REVIEW OF INFORMATION

The Government has provided information on reviews it intends to carry out into future pensions and changes it intends to make to current arrangements.

Hutton Review

John Hutton is to chair a review into public sector pensions. The review covers the major public sector pension schemes including the LGPS. An interim report is to be produced in September 2010 considering short-term savings within the Government Spending Review 2010 period.

The review will not change pension rights that have been built up previously, but can change future arrangements.

The full terms of the review can be found on HM Treasury website (http://www.hm-treasury.gov.uk/indreview_johnhutton_pensions.htm).

The review is very likely to examine a number of issues impacting on the LGPS including:

- > Pension entitlement age moving in line with state retirement age;
- > Ending of the club transfer scheme;
- > Membership of Scheme has salary cap;
- > Flexible retirement is encouraged and supplemental savings;
- > Employee contributions are increased;
- > Career average introduced or some variation;
- > The current scheme is closed to future build up of pension benefits and a lower cost and lower risk scheme introduced, or some hybrid scheme.

State Pension Age

The Government has called for evidence on part of its review of state retirement age. Comments are required by 6 August (<http://www.dwp.gov.uk/policy/pensions-reform>).

The current state pension age is to rise to 66 by 2026, to 67 by 2036 and to 68 by 2046. The Government is seeking comments on bringing the increased state pension age to 66 forward to 2016 for men and 2020 for women.

The Government has also indicated it intends to consult on removing the default retirement age.

Pensions Increases

The Budget confirmed that the state pension will be uprated by a 'triple guarantee' of earnings, prices or 2.5 per cent, whichever is the highest, from April 2011.

The consumer prices index (CPI) will be used for uprating of benefits, tax credits and public service pensions from April 2011. However, for 2011 only, RPI will continue to be used for the purposes of the state pension 'triple guarantee'.

Pension credit will increase by the same amount as the basic state pension.

The Government has yet to confirm that CPI will apply to the LGPS for 2011, but expectation is that it could.

Private Pensions

The Government is to review the automatic enrolment arrangements for the new arrangements covering private sector employees not in a current pension scheme.

Employing bodies offering the LGPS are not affected directly, but the LGPS will need to ensure it offers the equivalent or better terms which is currently the case for the vast majority of workers. Regular automatic enrolment will need to be applied to LGPS.

Tax Relief for High Earners

The Chancellor has announced that the previous Government's proposals for restricting tax relief for high earners are to be reviewed to try and reduce the complexity, but still raise the extra £3.5bn a year.

Details are not yet available so the impact cannot be evaluated.