

Wolverhampton City Council

**OPEN INFORMATION ITEM**

Committee / Panel	<b><u>PENSIONS COMMITTEE</u></b>	Date	<b>17/04/2013</b>
Originating Service Group(s)	<b><u>WEST MIDLANDS PENSION FUND</u></b>		
Contact Officer(s)/ Telephone Number(s)	<b><u>GEIK DREVER</u></b> <b><u>2020</u></b>		
Title/Subject Matter	<b><u>2013 CHANCELLOR'S BUDGET AND THE IMPACT FOR PENSIONS</u></b>		

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**RECOMMENDATION**

1. That Member's note the contents of the report.

## **INTRODUCTION**

- 1.1 The following report details the key 2013 Chancellor's budget changes impacting on pension schemes, the majority of which involved clarifications of existing policies or confirmation/amendment to previous proposals. The government does, however, intend to continue with the current austerity Measures, although the Chancellor described the budget as "fiscally neutral".
- 1.2 The main provisions included 2 key aspects which impact pension fund Schemes and these are detailed further in the report.
  - Single Tier pension and the abolition of contracting out.
  - Pensions Tax Relief

## **2. SINGLE TIER PENSION**

- 2.1 In January 2013 the Government announced proposals for a Single Tier pension to replace the current basic and additional pension scheme. The introduction of the single tier pension, estimated at £144 per week, will mean the end of Defined Benefit (DB) contracting out due to be implemented in April 2017 being brought forward to April 2016. This means that contracted out DB scheme members and employers will have to pay higher National Insurance Contributions (NIC's) from April 2016. The new pension will only be paid to those individuals who reach their State Pension Age (SPA), which for men are those born on or after 6 April 1951 and for women those born on or after 6 April 1953. All currently existing pensioners will continue under the present arrangements. To alleviate the effects of this increase in NIC's, employers will need to consider any adjustment to scheme benefits or member contribution rates. In the case of the LGPS which is a statutory scheme no such discretion is available.
- 2.2 The budget statement concluded that the additional revenue generated from higher employer NIC's as a result of contracting out will help cover the costs of social care reform.

## **3. PENSIONS TAX RELIEF**

- 3.1 In the 2012 Autumn Statement the Chancellor announced that the lifetime allowance would reduce from £1.5m to £1.25m from 2014/15 and the annual allowance would reduce to £40,000, the budget statement now confirms this arrangement with a formal consultation process on 'fixed protection' and a new type of protection called 'individual protection'.
- 3.2 This will enable individuals to protect themselves from this change and help employers to implement plans to address the reduction in the lifetime allowance.

#### **4. CONCLUSIONS**

4.1 As stated in paragraph 3.1 of the report the impact on the fund is:

- NIC – rebate has an impact on employers costs and scheme member contributions.

4.2 The fund will continue to monitor the impact of the above and brief Members in future reports.

#### **5. LEGAL IMPLICATIONS**

5.1 This report contains no direct implications for the Authority.

#### **6. FINANCIAL IMPLICATIONS**

6.1 This report contains no direct impact for the Fund, however, there will be a financial cost for employers and employees due to the cessation on the contracting-out arrangement.

#### **7. ENVIRONMENTAL IMPLICATIONS**

7.1 This report contains no direct environmental implications for the Authority.

#### **8. EQUALITIES IMPLICATIONS**

8.1 This report has implication for the Authority's Equal Opportunities policies since it deals with future changes for the pension rights of employees.