Agenda Item No: **7**

Wolverhampton City Council **OPEN INFORMATION ITEM**

Committee / Panel	**PENSIONS COMMITTEE**	Date	**21/11/2012**
Originating Service Group(s)	**WEST MIDLANDS PENSION FUND**		
Contact Officer(s)/ Telephone Number(s)	**GEIK DREVER** **2020**		
Title/Subject Matter	**PUBLIC SERVICE PENSION BILL**		

RECOMMENDATION

Members are requested to note the content of the report.

PUBLIC SERVICE PENSION BILL

1. RECOMMENDATION

1.1 Members are requested to note the content of the report.

2. BACKGROUND

2.1 The Public Service Pensions Bill seeks to establish a framework enabling the Government to introduce new public service pension schemes. In line with the recommendations of the Independent Public Service Pensions Commission, the new schemes would provide pension benefits based on career average rather than final salary and individuals would have a normal pension age linked to their State Pension age (except for the firefighters, police and armed forces schemes which would have a normal pension age of 60).

2.2 Except where transitional protection has been agreed for those closest to retirement, the existing schemes would close for future accrual by April 2015, with the LGPS expected to change by April 2014.

2.3 HM Treasury, who have drafted the bill, have stated its main aims as being:

- To enable the creation of new, fairer, career average public service pension schemes.
- Link normal pension age to State Pension age.
- Introduce an employer cost cap to ensure unforeseen changes in cost are controlled to protect the taxpayer.
- Set out requirements for scheme governance, regulation and administration to deliver transparency and accountability.
- Allow for the provision of transitional arrangements and protections, as necessary
- Reform public body and ministerial pension schemes and close the Great Offices of State pension scheme.

2.4 The details of the new schemes enacted by the Bill, including the LGPS, will be made in individual scheme regulations currently being developed. The Government expects these to reflect the proposed final agreements for each scheme.

3. KEY PROVISIONS IN THE BILL

3.1 As drafted, the Bill is comprehensive as it aims to repeal and replace large parts of the Superannuation Act 1972. It contains 13 sections, 38 clauses and 12 schedules. The bill impacts on all public sector schemes, both funded such as the LGPS and non funded. This has caused some commentators to express concern that conflicting factors inherent in both types of scheme may not be fully resolved in the Bills provisions, as currently drafted. This section intends to inform members of the key provisions that may impact on the LGPS and its on-going administration.

3.2 The bill contains references to new definitions as part of an individual schemes governance structure. Each scheme will have a Responsible Authority who will enable regulations, for LGPS this would be DCLG as is the current arrangement. There will be a Scheme Manager role for each scheme who will act as the Relevant Authority for the purposes of the Act. In LGPS, it is envisaged that this will be undertaken by the current administering authority role. Each Relevant Authority will establish a Pension Board with responsibility to assist the Scheme Manager in the execution of its duties. The bill formally enables the Scheme Manager to delegate responsibilities to a Committee, in which case the Committee would become the Pensions Board. In essence, this would be the equivalent of the current Pensions Committee arrangement.

3.3 The bill extends the role of HM Treasury (HMT) for public sector schemes. There is a requirement for HMT consent for any regulation changes and they will also determine the type of schemes to be allowed in the regulations. HMT will also have a role in determining revaluations based on changes in prices or earnings and will determine the timing, data and method of scheme valuations. In addition, they will direct the settling of any employer cost cap, to set the parameters and target cost for that cap and set a procedure by agreement, or otherwise, of achieving the target cost.

3.4 In respect of the administration of any new scheme HMT may direct the Scheme Manager to publish scheme information generally and also specifically to HMT. There is a proposed change to regulatory oversight of a scheme with a significant role for The Pensions Regulator (TPR) in overseeing the operation of a scheme. The TPR role will cover areas such as the requirement for reporting overdue contributions, the reporting of fraud and theft, and the implementation of a formal code of practice for scheme management.

3.5 There are a number of protections set out in the bill including retention of a link to final salary for old scheme service, continuity of service between old and new schemes and the protection of a link by transfer between old schemes if the member is in the new scheme and service is continuous.

3.6 Valuations and contribution rates are two areas where changes are proposed. Both appear to be subject to independent review post signature, with the possibility that either may subsequently be revised. Contribution rates are to be set with regard to the solvency of the scheme and will also have to ensure its long term cost efficiency. Solvency is defined in the Bill as ensuring the scheme’s liabilities can be met as they arise.

4. TIMETABLE FOR THE BILL AND THE LGPS

4.1 The Bill received its first reading in the House of Commons on 13 September 2012 and a second reading was debated on 29 October 2012.

4.2 The Bill was then sent to a Public Bill Committee for scrutiny and a call was made for written evidence to be submitted to the Committee by 22 November 2012.

4.3 The next stages are expected to be the report stage and third reading of the Bill in the House of Commons, prior to it passing to the House of Lords for further examination. It is intended that it will pass through the House of Lords stages before the Christmas recess and be enacted early in 2013.

4.4 There has been much progress by the parties working on the new LGPS required as a consequence of the Pension Services Pension Bill. The project is based on two work streams, one for the actual scheme design and the other concerned with scheme governance and cost management. The scheme design work stream is at an advanced stage of finalising draft regulations which are expected to be published in December 2012. The governance and cost management work stream submitted a set of proposals to Government at the end of July 2012 which were based on an agreed position reached between the Local Government Association and the Trade Unions. Extensive and detailed discussions have continued since that submission, the intention being to provide narrative with the draft regulations in the forthcoming statutory consultation. It remains the aim of all parties for the new regulations to be in statute by April 2013, with a new scheme commencement date of 1 April 2014.

5. FINANCIAL IMPLICATIONS

5.1 The report contains no direct financial implications for the Authority

6. LEGAL IMPLICATIONS

6.1 The report contains no direct legal implications for the Authority.

7. ENVIRONMENTAL IMPLICATIONS

7.1 The report contains no direct implications for the Authority's Environmental Policies.

8. EQUAL OPPORTUNITIES IMPLICATIONS

8.1 This report has no implications for the Council's equal opportunities policies.