



Pensions in partnership

November 2010



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The Independent Public Service Pensions Commission

Lord Hutton's interim report concludes that public sector schemes will need to consider:

- An increase in employee contributions.
- Longer term structural reform of benefits, with a range of models suggested.

Importantly it highlights the need to ensure that adequate protection and proper safeguards are in place to protect accrued rights.

The final report will be published in the lead up to the 2011 budget and will include consideration of the scope for reducing the number of LGPS funds.

Comprehensive Spending Review

The key points of Oct 20th's Comprehensive Spending Review were:

- Lord Hutton's interim report was accepted as the way forward. Specifically, raising employee contribution levels on a staged basis, starting from 2012 / 2013, will be considered.
- The state pension age (SPA) will be equalised for men and women by Nov 2018 and be increased to 66 by April 2020. Further increases in SPA are being investigated. It is possible changes in SPA may feed into the LGPS normal retirement age at some point.

FT scheme awards

We are proud to announce that we have been shortlisted for 4 awards at the Financial Times scheme awards on 18 Nov.

Taxation

The Government has announced that, from April 2011, active / contributing (not deferred or pensioner) membership of the LGPS will restrict tax relief each year you are a member if your "deemed contributions" exceed the sum of your unused £50,000 annual allowances for the current and past 3 years.

However, as the provisions are designed to raise tax from high earners, it is likely that only a small percentage of LGPS members will be affected.

Those retiring soon and making large AVC, added years or ARCs contributions may need to review their level of contributions though.

In preparation for the proposals to be fully clarified, we are developing a calculator for our website based on our best understandings.

What's happening at SPFO

We have mailed a letter to some 18,297 of our Police, Fire and Teachers pensioners advising them of our participation in the Audit Scotland anti-fraud public sector data sharing initiative.

We expect to issue Pensionnews 2010 by the end of Nov. A key feature will be our understanding of how future pension increases will be calculated.

We expect to display our annual (scheme year 2009/10) report on our website in Nov.

We will be considering the impact of the public sector spending cuts (having fewer active members, pay freezes and a large increase in retirements) in the 2011 valuation.

The next Admin Forum will be on Mon 8/11.