

# Local Government Pensions

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Statement made by

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## Statement

The Government is committed to public service pensions which are fair to public sector workers. In 2014, reforms were made to the Local Government Pension Scheme in England and Wales (the LGPS) to make the scheme more sustainable and affordable for the longer term. These reforms followed the prior recommendations of the Independent Public Service Pensions Commission and were part of similar reforms made across the public sector. The Government believes the 2014 changes to the LGPS balanced the interests of local government workers, employers and taxpayers fairly, and it remains the right package of benefits for the sector.

In July 2020, MHCLG consulted on changes to the Local Government Pension Scheme in England and Wales (LGPS). That consultation outlined proposals to amend LGPS ‘transitional protections’ following a December 2018 Court of Appeal finding that similar provisions in the judicial and firefighters’ pension schemes gave rise to unlawful discrimination. Transitional protections had been introduced by the Government to exempt scheme members nearest to retirement from the impact of the reforms made to public service pensions in 2014 and 2015.

In the LGPS, transitional protection was provided through an ‘underpin’, providing protected members with the higher of their pension under the reformed, career average scheme and the pension they would have been entitled to under the previous final salary scheme. In our consultation, we proposed extending underpin protection to younger qualifying members.

The Government received responses from a variety of stakeholders. These were detailed and varied, and the Government is grateful for the consideration and thought given to the issues covered in the consultation. Responses were largely supportive of the key elements of the proposals.

After consideration of the responses, we can now confirm the key elements of the changes to scheme regulations which will be made in due course. The overarching aim is that the changes will address the findings of the Courts and provide protection to all qualifying members when their benefits are drawn from the scheme. The key points are:

- Underpin protection will apply to LGPS members who meet the revised qualifying criteria, principally that they were active in the scheme on 31<sup>st</sup> March 2012 and subsequently had membership of the career average scheme without a continuous break in service of more than five years.
- The period of protection will apply from 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2022 but will cease earlier where a member leaves active membership or reaches their final salary scheme normal retirement age (normally 65) before 31<sup>st</sup> March 2022.
- Where a member stays in active membership beyond 31<sup>st</sup> March 2022, the comparison of their benefits will be based on their final salary when they leave the LGPS, or when they reach their final salary scheme normal retirement age, if earlier.
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension.
- A ‘two stage process’ will apply for assessing the underpin so that, where there is a gap between a member’s last day of active membership and the date they take their pension, members can be assured they are getting the higher benefit.
- Scheme regulations giving effect to the above changes will be retrospective to 1<sup>st</sup> April 2014.

A full Government response, containing further detail on the matters addressed above, and on other issues which were covered in the consultation, will be published later this year. This will include the Government’s decision on whether members will be expected to meet the underpin qualifying criteria in a single period of scheme membership for the underpin to apply.

It is anticipated that regulations giving effect to these changes will be made after new primary legislation in relation to public service pensions has completed its passage through Parliament and the Government’s intention is that regulations will come into force on 1<sup>st</sup> April 2023.

Ensuring that future pension accrual for all LGPS members is on a career average basis from 1<sup>st</sup> April 2022 will mean that local government workers continue to receive some of the best pension scheme benefits available in the UK, but that provision is more sustainable for the long term and more affordable for the taxpayer.

Statement from

Ministry of Housing, Communities and Local Government