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Dear Richard

DRAFT RESPONSE

Consultation on proposed increases to employee contribution rates and changes to scheme accrual rates, effective from 1 April 2012 in England and Wales

Buckinghamshire County Council is the administering authority for the Buckinghamshire County Council Pension Fund. The Authority's response to the 7 October 2011 consultation is summarised in the paragraphs below. A response from Buckinghamshire County Council as an employer may be sent to you separately. Any responses from other employers within our scheme will be sent directly to you.

This administering authority supports the proposal put forward by the LGA to achieve the increase in contribution rates by a combination of increasing normal retirement age by one year from 65 to 66 for benefits built up from April 2014 and a combination of worsening accrual rate/ increase in contribution changes. The administering authority supports the LGA proposal which gives members the option to choose between paying more contributions / selecting a reduced accrual rate since it maximises choice for members. The ensuing complexity of administration is recognised by the administering authority.

Question 1 – Do the proposals meet the policy and objectives to deliver the necessary level of savings?

The administering authority agrees that the proposals address the need for immediate savings by increasing employee contributions.

The administering authority supports the Government's aim of reducing the cost of the LGPS for employers and it supports the effort to limit the number of employees that decide to opt out of membership of the scheme. The administering authority also supports proposals to meet part, or all, of the savings required by worsening the accrual rate, instead of meeting the savings from increased employee contribution rates.

The administering authority also acknowledges that the proposed changes are short term and will be superseded by the new Scheme that the Government is intending to introduce following from the outcome of the Hutton Report.



The administering authority recognises that the LGPS is still a good quality pension scheme.

Question 2 – Are there any consequences or aspects of the proposals that have not been fully addressed?

The administering authority acknowledges that the proposal is intended to limit the number of employees that decide to opt out of membership of the scheme, but is concerned that the combination of increased contributions, worsening accrual rates in a high inflation and pay freeze environment will increase the number of employees that choose to opt out of the Scheme. The administering authority is concerned about the potential impact that a mass opt out and the ensuing move to a mature Scheme could have on the Fund's investment strategy

The administering authority is concerned about the administrative burden and supports a single change in accrual rates over the period to avoid further complicating pensions administration.

Question 3 – Is there a tariff of alternative measures which consultees think would help to further minimise any opt outs from the scheme?

The administering authority supports the LGA proposal which gives members the option to choose between paying more contributions / selecting a reduced accrual rate since it maximises choice for members.

Question 4 – Are there equality issues that could result in any individual groups being disproportionately affected by the proposals? If so, what are considered to be the nature and scale of that disproportionate effect? What remedies would you suggest?

The DCLG and LGA scheme proposes that there should be no increase in contribution rates for employees earning less than £15,000 thereby minimising the impact on the lowest paid. Contribution rates for employees earning more than £15,000 would increase progressively across a range of specified salary levels. However, this creates a number of "cliff edges" where employees could potentially find that increases in pay are outweighed by an increase in contribution rates. This is similar to the impact of the current banding system but the impact will be increased as employee contribution percentages increase.

Part time workers may also be disproportionately affected if contribution levels are based on full time equivalent salary rather than actual pay by the DCLG proposals. The LGa proposal overcomes the issue of part-time employees having to pay an increased contribution rate determined by their full-time equivalent salary since they would have the choice of taking the reduced accrual rate option instead.

Question 5 – Within the consultation period, consultees' views are invited on the prospects of introducing into the LGPS a link with the state pension age as recommended to the Government in Lord Hutton's report.

We agree with Lord Hutton's recommendation that member's Normal Pension Age should link with the State Pension Age and be regularly reviewed, to make sure it is still appropriate.

Yours sincerely

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