

**EXPLANATORY MEMORANDUM TO THE
LOCAL GOVERNMENT PENSION SCHEME (AMENDMENT) (NO. 2)
REGULATIONS**

2004 No.3372

1. This explanatory memorandum has been prepared by the Office of the Deputy Prime Minister and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Select Committee on the Merits of Statutory Instruments.

2. **Description**

- 2.1 The Regulations amend the Local Government Pension Scheme Regulations 1997 (the “principal Regulations”) to have effect from 1st April 2005.

3. **Matters of special interest to the Select Committee on the Merits of Statutory Instruments**

- 3.1 None.

4. **Legislative Background**

- 4.1 The rules governing the Local Government Pension Scheme (the “Scheme”) are found in the principal Regulations.
- 4.2 The Regulations remove the ‘85 year rule’ from the Scheme which allowed benefits to be paid before age 65 without being reduced to reflect the fact they were being paid early, provided the member’s age and period of Scheme membership totalled 85 years or more.
- 4.3 The Regulations provide for transitional arrangements for those who were members of the Scheme before 1st April 2005.
- 4.4 The Regulations allow certain deferred and pension members and certain persons who may be in receipt of survivor benefits, who would be placed in a worse position by the amendments, to elect for the amendments not to apply in their case.

5. **Extent**

- 5.1 This instrument applies to England and Wales.

6. **Policy background**

- 6.1 The changes to the Scheme are designed to mitigate the increased pension costs associated with the fact that, on average, people are living longer and that there is a need to deal with the changing ratio of the economically active population to those in retirement. They meet the social and economic challenges of these demographic changes by encouraging Scheme members to work longer, to help stabilise the affordability of pension provision for taxpayers.

- 6.2 In recognition of those members who are close to retirement, and may not therefore have time to make alternative financial arrangements, the regulations include transitional provisions which provide that no member who is born before 1 April 1953 will be affected by the changes. Those who are younger will therefore have a significant period of notice of the changes.
- 6.3 The changes are timetabled to be taken into account in the 2004 actuarial valuation of the Scheme, which will set employer contribution rates for the three financial years from April 2005.

7. Impact

- 7.1 A Regulatory Impact Assessment has not been prepared for this Regulation it has no impact on business, charities or voluntary bodies.
- 7.2 The impact on public bodies participating in the Local Government Pension Scheme is expected to be cost neutral.

8. Contact

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