

Following our updates in [September](#) and [December 2012](#), the turn of the year saw some further progress on the intended changes to public sector pensions.

The Government has issued a consultation paper on new draft regulations which will reshape the Local Government Pension Scheme ('LGPS') in England and Wales. The regulations are intended to be finalised by April 2013 and, from April 2014, will provide the basis for the new-look LGPS in the wake of the Hutton report. Although not fully fleshed out, the draft regulations cover the core elements of the new scheme including membership, contributions and benefits.

As trailed (and following significant consultation with the relevant trade unions), the new LGPS will provide benefits based on career average and actual pay rather than a traditional defined benefit structure, with an accrual rate of 1/49th of pensionable earnings each year.

In addition to proposals on scheme design, other critical aspects of the new LGPS such as governance, cost control and scheme administration are still to be consulted upon. This is a separate workstream which is already underway.

Discussions regarding the Government's Fair Deal policy (requiring broadly comparable benefits to be provided to former public sector workers subject to an outsourcing) are also on-going. However, it seems likely that the concept of an admitted body will remain in the LGPS, albeit on a simplified basis, and that all staff who are compulsorily transferred from the public sector under TUPE will retain membership of their current employer's pension arrangements. It is not clear at this stage how this will affect private sector contractors who have already accepted transfers of staff from the public sector.

The consultation on the draft regulations closes on 8 February and Squire Sanders will be submitting a response. If you would like further information or to participate in this process then please contact any of the partners listed or your usual contact in the Squire Sanders pensions team.

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