

Croydon Council

REPORT TO:	Pension Committee 19 September 2017
AGENDA ITEM:	8
SUBJECT:	Changes to State Retirement Age
LEAD OFFICER:	Nigel Cook Head of Pensions and Treasury
CABINET MEMBER	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT: Sound Financial Management: This report considers proposals relating to the State Retirement Age and the impact of any changes on the Local Government Pension Scheme.	
FINANCIAL SUMMARY: Any change that relates to the calculation of benefits will impact upon the cost, sustainability and affordability of the Local Government Pension Scheme.	
FORWARD PLAN KEY DECISION REFERENCE NO.: N/A	

1. RECOMMENDATIONS

- 1.1 The Committee is asked to note this report.

2. EXECUTIVE SUMMARY

- 2.1 The Government have reviewed the State Retirement Age. This report attempts an initial assessment of the impact of this change on the liabilities of the Croydon Local Government Pension Scheme.

3. DETAIL

- 3.1 The Pensions Act 2014 requires the government to review State Pension age every 6 years. The Department for Work and Pensions (DWP) published a report following the first such review, July 2017. It explains the government's plans for changes to the State Pension age from 2028. The review is informed by 2 reports published in March 2017: the Government Actuary's report on how State Pension age timetables might need to change based on life expectancy projections and an independent report by John Cridland which also considered wider factors associated with changes in State Pension age

- 3.2 Any changes to the State Pension age will still require primary legislation and will be subject to the full scrutiny of Parliament.
- 3.3 The Secretary of State for Work and Pensions has announced that the rise in State Pension Age (SPA) to 68 will now happen in 2039 rather than 2046, affecting those currently aged between 39 and 47. This is in line with the recommendation in John Cridland's review.
- 3.4 Changes in SPA automatically feed through into the Normal Retirement Age for post 2014 LGPS pension benefits, via the Pensions Act 1995 (as amended by the Pensions Act 2011 and Pensions Act 2014). Therefore if this change is brought into legislation, it will have a positive impact on the liabilities and contribution rates in respect of LGPS Funds.
- 3.5 Hymans Robertson, our Scheme Actuary, estimate that this will have a minimal impact on the past service liabilities but that it could reduce the future service rate by around 0.1% - 0.2% of pay. For just the Council's payroll this could be the equivalent of £100,000 to £200,000 per annum. However, the impact may vary for individual employers depending on their maturity and membership profile.
- 3.6 The DWP report explains that the Government has decided to raise State Pension age on a regular, planned basis in the future, because the population trend is to live longer. The Government have stated its intention to keep the State Pension sustainable whilst maintaining it above the basic level of the means test. The Government plans to do this by maintaining a given proportion of time in receipt of State Pension as life expectancy increases in line with experience over the last 20 to 30 years. The report proposes an increase to the State Pension age from 67 to 68 in 2037–39, seven years earlier than its currently legislated date of 2044–46.

4 FINANCIAL CONSIDERATIONS

- 4.1 There are no further financial considerations flowing from this report.

5. OTHER CONSIDERATIONS

- 5.1 Other than the considerations referred to above, there are no customer Focus, Equalities, Environment and Design, Crime and Disorder or Human Rights considerations arising from this report

6. COMMENTS OF THE SOLICITOR TO THE COUNCIL

- 6.1 The Solicitor to the Council comments that there are no legal considerations arising from the recommendations in this report
- 6.2 (Approved for and on behalf of Jacqueline Harris-Baker, Director of Law and Monitoring Officer)

CONTACT OFFICER:

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Resources department, ext. 62552.

BACKGROUND DOCUMENTS:

Government Actuary's report on how State Pension age.
John Cridland's report on the State Pension age