DEPARTMENT OF INFRASTRUCTURE

The Hon. Member for Douglas Central, Mr Thomas, to ask The Minister for Infrastructure:

Question:

What proposals have been developed for reform of the Local Government Superannuation Scheme; how much she estimates implementation of these proposals will save ratepayers annually; what the findings were of any engagement with employers and employees; and when she expects to put new regulations in place.

Question W-202501-1567 published on 28 04 25; Answer received on 15 05 2025.

The Minister for Infrastructure (Dr Haywood):

The Local Government Superannuation Scheme (2013) is sponsored by the Department, which is the Scheme Manager. Following a request for reform of the Scheme's wider benefits structure from the Administering Authority of the Scheme, Douglas City Council, a firm of actuarial consultants were appointed to review the Scheme.

A summary of the reform proposals can be found in Table 1. Table 2 lists amendments that were either set out at the beginning of the process or proposed during discussions as preferred additional changes to the Scheme design.

The proposals would achieve a target cost saving of between -4.6% and -5.3% of pensionable pay in relation to the cost to employers. It has been estimated that reform of the Scheme will save Douglas Borough Council in the region of £0.5m per annum, and approximately £0.9m per annum across all local authority member employers.

The Department, as Scheme Manager, and Douglas City Council, as Administering Authority, consulted with the superannuation scheme employers, employees, and unions regarding the reform proposals, in the form of:

- *Three separate employee presentations in three locations around the Island to discuss the reform proposals directly with Scheme Members (North, Middle, South);*
- *A group presentation for all the LGSS employers and;*
- *A presentation for the two main unions, Unite and Unison.*

In addition, comments regarding the reform proposals were invited by email. A total of 9 email responses were received. Six were from individuals with questions regarding the impact upon their pensions. Three responses were received from employers: Braddan, Castletown and Port Erin Commissioners. Comments from the Commissioners could be summarised as accepting of the proposed changes.

The Department has aligned legislative drafting resource to Island Plan priorities and for some time the vast majority of this limited resource has been used to prepare the marine legislation to support on-going marine developments. The Department has also investigated the possibility of using an *external drafting resource, but with this estimated to cost in the region of between £50,000 and £100,000 this has not been achievable within the current budget. Whilst there is no current timescale for implementation there is scope for the Department to review it's legislative priorities and programme to determine if this work can be undertaken. Given the recognised cost savings to the Local Authorities there is clearly benefit in this being implemented.*

Table 1

Proposal	**Justification**	**Change to cost of Scheme (% of payroll)**
Move from a 1/60th accrual rate to a banded accrual rate in line with GUS (2011) – 1.49% at 65, 1.16% at 60 etc.	One of the primary aims of the reform is to make LGSS benefits more similar to those provided in GUS	**-4.2%**
Reflect the current LGSS early and late retirement factors in the banded accrual rates – resulting accrual rate of still 1.49% at 65 but for example 1.13% at age 60	This will ensure the accrual rate that applies on a member's retirement will not incorporate penalties/uplifts that make them worse off under the reformed Scheme than those that would have applied in the current Scheme – i.e. by implementing an Equality check	**-0.5%**
Do not replicate GUS's 94% adjustment to accrual rates in the LGSS as applied under GUS in 2017	Incorporating this change would lead to a significant excess cost saving over the target. Not incorporating the adjustment will also likely be more agreeable with members and unions.	**-**
Convert members' existing Scheme service into reformed Scheme service. In converting protected Scheme benefits, assume protected benefits can be taken unreduced at age 60	Simpler for members to understand, one set of Scheme benefits and simpler to administer	**+1.1%**
Cumulative change to cost of Scheme		**-3.6%**
Target cost saving		***-3.0%***

Table 2

Preferred amendments		**Change to cost of Scheme (% of payroll)**
Increase employee contribution rates by 1%	This is consistent with changes applied in GUS. It is not proposed to alter the principle of tiered contribution rates for the LGSS however consideration may be given to targeting the increase across the tiers, for example applying less than 1% increases to the lowest bands. Balanced by greater increases to higher bands	-1%
Reverse commutation – default 30% lump sum exchanged at retirement for additional pension for those who choose it	This would include an automatic lump sum in the benefits of all members. Members would then have the right to convert any or all of the lump sum to pension at the current LGSS 12:1 conversion rate. As well as replicating (although in reverse format) the 30% lump sum available under GUS this would also mean those LGSS member's currently with a right to an automatic lump sum in relation to past service would still see an automatic lump sum at retirement even after conversion of that past service.	Up to -0.7%
Cumulative change to cost of Scheme		**-4.6% to -5.3%**
Target cost saving		**-3.0%**