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HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Brendan Barber
General Secretary, TUC
Congress House
Great Russell Street
London
WC1B 3LS

11 November 2011

Dear Brendan

LOCAL GOVERNMENT PENSION SCHEME

When Bob Neill and I met you together with the local government unions on Tuesday 1 November, I undertook to write to confirm the key points that we discussed in order to clear the ground and enable purposeful discussions in local government on pensions reform. Bob Neill confirmed his willingness to actively engage with the parties to facilitate progress in these talks.

2. Four points were clarified in the discussions as follows:

- The timetable for the talks, as in other sectors, is to reach agreement on the key elements of a new scheme by the end of the year.
- As the parties in the sector have indicated, it would be appropriate to consider the longer term reform options alongside the short term savings sought by the Government in one discussion rather than separating these issues out with a view to agreeing a single package of changes.

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- The cost ceiling for local government is at this stage purely illustrative and will only be finalised once the negotiations and the consultation on alternatives to contribution rate increases have been completed. The consultation paper includes the option of making savings from the early introduction of reforms recommended by Lord Hutton. Further consideration will need to be given to how transitional protection applies within the Local Government Pension Scheme context.
 - Parties are free to use the Local Government Pension Scheme Model Fund provided by CLG as the basis for indicative assessments and costings for different options. However, this will need to be reconciled by the Government in a totally transparent way using the data, methodology and assumptions set out in correspondence between James Richardson and the Government Actuary to assess the cost of any variations proposed from the reference scheme.
3. I hope this letter has been able to clarify the Government position on these points and that all the parties will now be able to resume talks promptly and I hope progress to an agreement is possible.
4. I am copying this letter to Eric Pickles, Bob Neill and Sir Merrick Cockell.

A handwritten signature in black ink, appearing to read 'Danny Alexander', written in a cursive style.

DANNY ALEXANDER