

Update on Local Government Pension Scheme campaign to JSEF 14th
November 2006

Consultation on the New Look LGPS

The DCLG informal consultation on the 'new look' scheme options ended on 29 September. The draft Regulations will appear towards the end of November. There will then be a 12-week consultation period on them. In the meantime, the unions will continue to negotiate to achieve our aims within the draft Regulations.

The Local Government Association (LGA) and Local Government Employers (LGE) Pensions Committee response to the DCLG consultation was published on 12 October 2006. It suggests support among a minority of councils and employers for an increase in employee contributions and reduced ill health benefits, without some of the key improvements we are looking for from the savings already made from the scheme. This 'more for less' approach is completely unacceptable. It would mean that LGPS members would effectively be paying for the savings made from reducing 85 Rule benefits and from the new 25% lump sum commutation provision!

The key points of the Trade Union Side response are as follows:

- Any new scheme should be based on full protection for existing members. This is affordable
- The best of the four 'options' – though not acceptable overall - is Option B, which improves the accumulation rate from 1/80 to 1/60
- There should be an independent equality impact assessment of draft Regulations to ensure that all equality legislation and duties are complied with and that practice statements relating to discretionary payments are equality proofed
- We do not accept that there should be the 'significant increase in employee contributions' which DCLG regards as necessary to achieve the 1/60 accumulation rate
- Employers are already saving from removal of the 85 Rule and 25% commutation, which have reduced the benchmark cost. We do not believe that the employee contribution should rise to provide the employers with further savings
- The employee contribution rate should not exceed the underlying rate in the NHS or Teachers' schemes
- We do not accept that employees should assume the future 'risk' of increased longevity

2-tier ill-health retirement

- Neither do we accept the DCLG's proposed changes to ill health retirement provisions, which would establish top and second tier provisions
- We want a flexible contribution system to allow the lowest paid to join the scheme on contributions below 6%

- We want a change in the definition of final pensionable pay to include the right to elect the average of the best three consecutive years' pensionable pay in the final ten years of service as an alternative to the current method
- Partners' pensions for all, backdated to April 1972
- Transfer terms for existing members which provide no worse than day-for-day credit or equivalent benefits in the 'new look' scheme

You can download a copy of the full submission from the pensions section of the UNISON website www.unison.org.uk/pensions

Governance of the pension scheme

The LGPS Governance Working Party has resumed discussions on the process of identifying how best to move forward on trade union representation within LGPS pensions and investment committees. UNISON and the other trade unions put forward a clear set of proposals on trade union representation. We want the same number of reps as councillors, with the same status and with voting rights on pension and investment committees. It is these committees that make decisions on the investments to be made with our members contributions, and the money made from the investments has an impact on the funding level of each scheme.

After representation from the unions, Cambridgeshire LGPS has permitted the trade unions 'observer status' on the investment panel, this is a small step in the right direction.

The employer's response:

It should be noted that the response to consultation is based on only 64 returns from local authorities and 23 other participating employers. So far we do not know which employers/authorities responded to the LGE survey or how they break down according to size or type.

The following are the responses under key headings. There is no mention of further protection for existing scheme members.

Scheme Structure

- 84% of respondents supported a final salary scheme
- 66% supported retaining the existing scheme structure of 1/80th pension, plus 3/80th lump sum accrual rate
- Only 18% supported moving to an improved 1/60th accrual rate

Employee Contributions

- 72% felt that the average employee contribution should increase to 7% of pay
- 79% did not support variable employee contributions
- 81% supported some form of cost sharing - effectively capping employer contributions and triggering an increase in employee contributions or a benefit cut, if exceeded

Employer Contributions

- 65% supported the LGA position that the employer contribution for future service should be no more than 13% of pay
- 57% said that the basis for cost sharing should be that any increase in employer future service contribution caused by further improvements in longevity exceeding 13% should be passed on to the employee by way of a benefit cut or increased employee contributions

Ill Health Retirement

- 71% supported the view that there should be two tier provision
- 54% agreed there should not be any service enhancement for those in the lower tier (e.g. those permanently unable to do their own job, but capable of other work)

Pensions for unmarried partners

- 85% support the introduction of partners' pensions but...
- 76% only want it introduced from the date a forthcoming Law Commission report legally defines a 'cohabitee'

It would be useful to the trade unions to receive any submission from Cambridge City on the consultations for a New Look Scheme.

The unions will continue to campaign for all existing members to benefit from improvements to the LGPS. We will also want fair transfer values to be applied for members who move into the new scheme. We will be taking part in a 'mass lobby' of parliament on 22nd November.

Failure to deliver a fair settlement on both protection and the new look LGPS will result in industrial action and bad feelings amongst our members lasting way into the future.

Unison
GMB