



THE NEW LOCAL GOVERNMENT PENSION SCHEME

Unite Amicus Section has been campaigning and negotiating to ensure that the new Local Government Pension scheme contains improvements on the old scheme in some of the key areas.

Unite Amicus Section made a full response to the Governments consultation, issued at the end of December 2006, making clear the objections to the proposals for protection and calling for further negotiations. These are still taking place but at present the protection arrangements are as detailed below.

Unite Amicus section wanted to ensure that a final salary pension scheme was retained with improved benefit accrual. Both of these objectives have been achieved. The differences between the provisions of the current scheme and the new scheme are outlined in the attached table. There will also be unmarried partners' pensions which will be backdated and increased death in service benefit.

The Unite Amicus Section Local Authorities National Industrial Committee has considered the proposals for the new scheme and drew up the points that were made in its response which can be found at www.amicustheunion.org/lgps/.



WHAT ARE THE MAIN DIFFERENCES?

- **Accrual Rate** – in the new scheme this will be 1/60th rather than 1/80th. This means that pension benefits will build up faster than before. Under the new scheme you can choose to get the same lump sum benefits as now and get a pension that is higher for each year of service. The new LGPS scheme is due to be implemented from April 2008. Members of the new scheme on the 1st April 2008 will have their benefits calculated on the old basis up to then and on the new basis after that date.
- **Lump Sum** – in the new scheme there is an option to commute up to 25% of pension value for a lump sum. Under the old scheme there was an automatic lump sum of three times pension and the additional option to commute up to the 25% of pension value cap.
- **Normal Pension Age** – under both the new scheme and the old scheme this was 65 years when you could normally draw an unreduced pension. However, under the old scheme those that qualified under

the rule of 85, i.e. age plus length of service, would not have their pension reduced if they retired before 65. Transitional protections exist for those who would reach 60 and have 25 years in the scheme by April 2020 but protection is tapered between 2016 and 2020.

- **Early Retirement** the trade unions have secured long overdue improvements to the early retirement factors for those retiring

from 1st October 2006. It means that the reduction on pension is now significantly less than under the old scheme. For staff in service from 1st April 2008 the minimum retirement age at which a pension could be paid will remain 50 if they retire before 1st April 2010. For new and existing staff retiring after 1st April 2010, the minimum retirement age will be 55 as a result of the changes introduced by the Finance Act.

The improvements to the reduction in pension for early retirement calculations are as follows:				
Age Retirement	New	Old	New	Old
64	6%	8%	5%	7%
63	11%	15%	10%	13%
62	16%	22%	15%	18%
61	20%	28%	19%	23%
60	24%	33%	23%	27%



- **Final Pensionable Pay** – currently the figure upon which pension benefit is calculated is either the last year’s salary or the best annual salary in the last three years. Under the new scheme, the calculation will be either the last year’s salary before retirement or the best three consecutive years average salary over 10 years (uprated in line with cost of living increases) whichever is the greater. The change will give improved choice to reflect a more flexible retirement within the scheme where it is possible that the individual’s highest salary might not be paid right at the end of their employment.

- **Contributions** – members currently pay 6%, although some protected manual workers pay 5%. Under the new scheme contributions will be linked to pay. There will be a contribution rate of 5.5% on the first £12,000 of salary and then up to 7.5% on earnings above £75,000. The underlying average employee contribution would be 6.3% under these proposals. This rate compares favourably with other public sector schemes such as the 6.6% in the NHS scheme and the 6.4% in the Teachers scheme. The rate is shown in This table:

Band	Range	Contribution Rate
1	£0-£12,000	5.5%
2	£12,001- £14,000	5.8%
3	£14,001- £18,000	5.9%
4	£18,001- £30,000	6.5%
5	£30,001- £40,000	6.8%
6	£40,001- £75,000	7.2%
7	More than £75,000	7.5%

Those who work part-time will have contributions calculated on a formula based on whole time equivalent but this will not apply to term time workers.

- **Survivors Benefits** – the current scheme paid pension to spouses, civil partners or children on the basis of a 1/160th accrual. The new scheme has a co-habitees pension for unmarried partners on the same basis as other categories.
- **Death In Service** – currently there is a lump sum of twice the annual salary. Under the new scheme this is increased to a cash lump sum of three times annual salary.
- **Ill-Health Provision** – This is an area where there have been considerable trade union negotiations and Unite Amicus Section pressed for guarantees that the enhancements would be no worse than currently apply. Under the current scheme Unite Amicus Section was aware that fewer and fewer Councils were allowing members to go on ill-health retirement. The current regulations provide for up to 6 2/3rds years enhancement of service based on length of service for a member permanently incapable of undertaking their actual or comparable job.

The new proposal is for a tiered system. The highest tier is for those the authority determines will be unable to work before 65 and these members will access their accrued rights plus an enhancement of 100% of prospective service to 65. The second tier applies to those that cannot work at time of ill health retirement but are likely to do so before 65. The accrued rights plus an enhancement of 25% of prospective service to 65 will apply. The last tier applies to those that are unable to continue in their job, or a comparable one, in local government but are able to undertake a job outside of local government and they will be eligible to access their accrued rights but this will be subject to further consultation.

- **Death in Retirement** – Under the current scheme the lump sum equated to up to five years worth of the members pension reduced by the pension already paid. Under the new scheme the lump sum equates to up to ten years worth of the member’s pension reduced by the pension already paid.



CONCLUSION

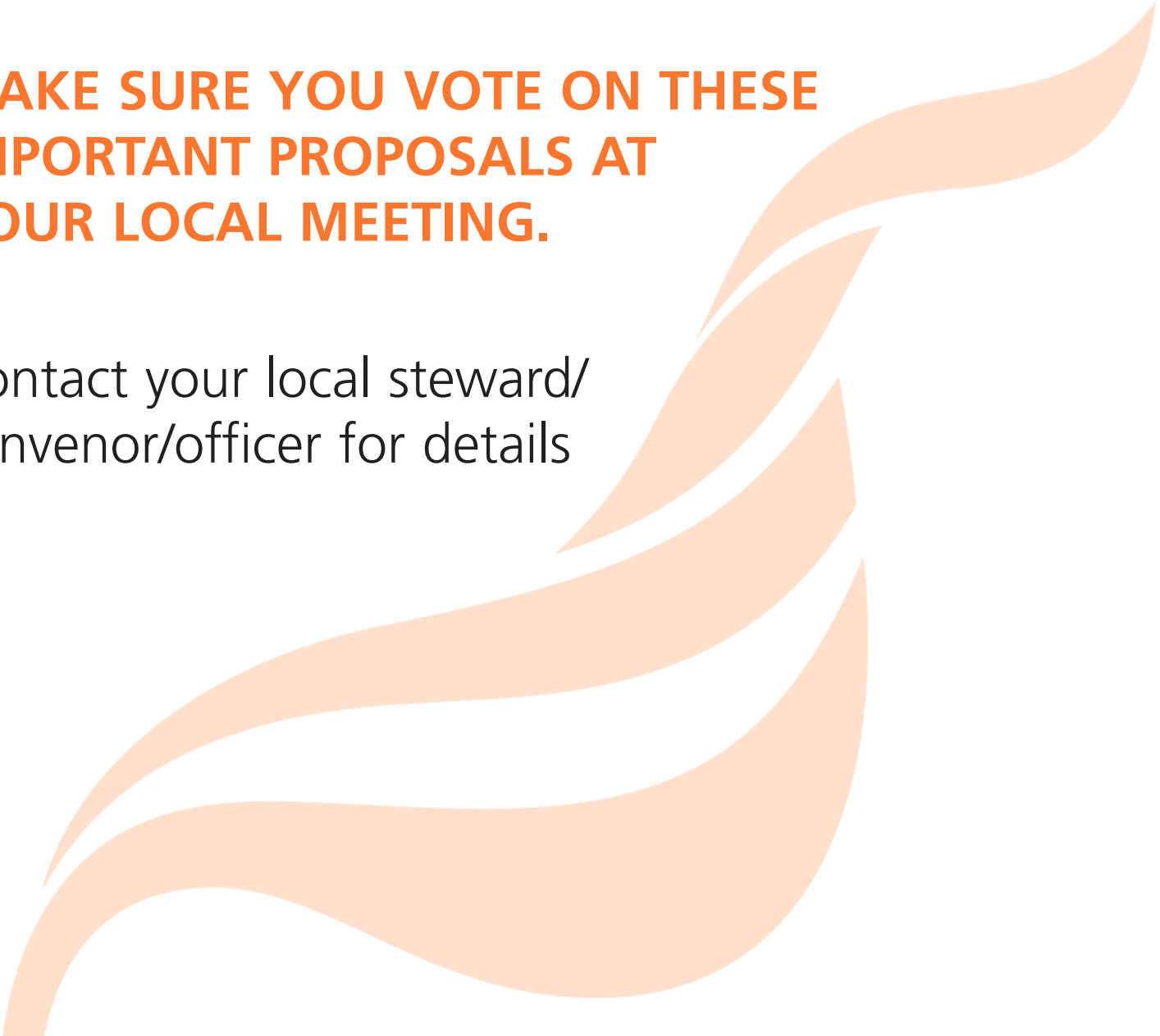
Unite Amicus Section has now been involved for months in detailed negotiations about the provisions for a new LGPS. The key elements of change within the new scheme are outlined above. The point has now been reached where members are being asked to vote on the proposals for the new scheme.

Sustained campaigning by members, including industrial action, has led to the position we have now reached and members will need to decide whether they are prepared to accept the proposals for the new scheme. The changes are not straightforward and need consideration.

Overall, however, Unite Amicus Section now believes that members need to decide whether they are prepared to accept the proposals and if not, whether they wish to undertake sustained and escalating industrial action. Unite Amicus Section wishes to face members honestly and in doing so believes that members should understand that the package is the best that could be achieved by negotiation. This position was endorsed by the LGPS trade union side and the Unite Amicus Section Local Authorities National Industrial Committee.

**MAKE SURE YOU VOTE ON THESE
IMPORTANT PROPOSALS AT
YOUR LOCAL MEETING.**

Contact your local steward/
convenor/officer for details



Scheme Provision	Existing LGPS	New LGPS (from 2008)
Type of Scheme	Final Salary	Final Salary
Accrual Rate	1/80th	1/60th
Lump Sum	Automatic 3/80ths plus ability for more by commuting up to 25% of pension value at a rate of £12 cash lump sum for every £1 pension given up	Optional, ability to commute up to 25% of pension value at a rate of £12 cash lump sum for every £1 pension given up
Normal Pension Age	65 (with transitional protections for some Rule of 85 qualifiers)	65 (with transitional protections for some Rule of 85 qualifiers)
Minimum Benefit Age	50 now but 55 from 2010	55 for new starters from 2008 and existing members from 2010
Final Pensionable Pay	Last year's pay or best in the last 3 years	Best year's pay in the last 3 or best 3 year consecutive average in the last 10 years whichever is better
Survivor Benefits	Spouse/Civil Partners – 1/160th accrual based on an ill health service enhancement	Spouse/Civil Partners and other dependent partners – 1/160th accrual based on an ill health service enhancement
Death in Service	2 times salary	3 times salary
Ill Health (payable at any age)	Up to 6 2/3rds added years depending on length of service) or those permanently incapable of continuing the exact or comparable LG job	Tier 1 – unable to do any job before 65 = accrued rights and 100% of prospective service to 65 Tier 2 – unable to do any job but able to do another at some point before 65 = accrued rights plus 25% of prospective service to 65 (old scheme entitlement if greater for some existing members) Tier 3 – unable to do LG job but immediately able to do another = under further consultation
Contributions	6% (5% for some protected manual workers)	5.5% on first £12,000 of pay and 7.5% on balance of pay above £12,000 in the form of banded contribution levels (transitional provisions for 5% protected workers)
Death in Retirement Lump Sum	up to 5 years' member's pension	up to 10 years' member's pension
Additional Pension	Option to buy added years or in-house AVCs	Option to buy up to £5,000 additional annual pension or external AVCs