



November 2006

Current Position

- The issues around the Local Government Pension Scheme are coming to a head over the coming weeks.
- The DCLG has completed its consultation on the New Look Scheme. The trade unions and the LGA employers have submitted very different responses to the DCLG option paper on the future of the LGPS.
- The DCLG is expected to publish initial proposals for the new look scheme in early November for an informal consultation, followed by draft regulations in late November that would set out proposed changes in detail and be subject to the usual 12 week formal consultation. The aim is to lay the regulations by April 2007 which will come into force in April 2008.

Negotiations between the unions and LGA

- No progress has been made with the Tory controlled LGA employers since the industrial action was called off in April on protection issues or common ground on the new scheme.
- The Joint Statement with the LGA in April made it clear that there should be negotiation on protection and the 'new look' scheme on the basis of using 50% of the savings from removing the 85 Rule and additional savings from the 25% lump sum commutation. It said: "Urgent negotiations to take place incorporating discussions on affordable protection to existing staff, including full protection, and on developing a good quality, sustainable and affordable new-look LGPS going forward..."
- Since then, three meetings have been held with the LGE with the aim of trying to reach a consensus on options for the 'new look' scheme. Despite the Joint Statement, they claim to have no mandate to negotiate with us. Our goal of seeking common ground and identifying areas of disagreement have failed to come about because of this impasse.
- The failure of the Tory controlled LGA to negotiate in good faith following the Joint Statement is clearly a serious matter, on which representations have been made to senior levels within the LGA.

Trade Union Aims

- It is important that Ministers listen to our case for fair and affordable treatment for LGPS members concerning both protection for existing members and the introduction of an equitable new scheme for those in local government, education, police staff, transport and the voluntary sector.
- The trade unions want the new look scheme to be one we can recommend to members in a ballot. If this is not possible and the scheme is unacceptable then a further ballot on industrial action will take place.
- There is no reason why LGPS members should be treated differently from members of the other public sector schemes. This is affordable as the Government Actuaries Department itself agreed from the 50% of the savings made which the DCLG said was available to the union side for protections and improvements.

Protection for current members

- The 'new look' scheme needs to be built on protection for existing members who will satisfy the rule of 85.
- As a MINIMUM we would expect a combination of greatly improved protection, improved early retirement factors and better benefits accrual to achieve the equivalent of near to full protection.
- Regulations have now been laid in the Scottish Parliament that provide better protection than in England and Wales. Those who are 60 before 1 April 2020 will get full protection while in England and Wales the reduction is tapered for those aged 60 between 1 April 2016 and 31 March 2020.

The New Look Scheme – our aims

- We want to retain a final salary scheme. The career average options in the DCLG paper were unacceptable
- The best of the four 'options' that were outlined by the DCLG – is Option B, which improves the accumulation rate to 1/60. This would see the final salary scheme accumulation rate increased from the current 1/80 pension plus 3/80 lump sum to 1/60 pension with a right to choose how much of the package to take as a cash lump sum. This would be better for everyone and be in line with the Teachers' and NHS 'new look' pensions.
- A variable contribution rate should be considered with a lower starting rate of 5% so that the scheme is more attractive and fairer for the lower paid.
- There should be an independent equality impact assessment of the draft Regulations to ensure that all equality legislation and duties are complied with
- The employers are already saving from removal of the 85 Rule and 25% commutation. We do not believe that the employee contribution should rise to 7% to provide the employers with further savings by reducing and capping their contribution at a benchmark for future service at 13% which is significantly lower than the current level of 15.3%. There should be no increase in employee contributions for lower benefits.

- Neither do we accept the DCLG's and LGA's proposed changes to ill health retirement provisions, which would establish top and second tier provisions. UNISON believes that the better way to reduce ill health retirement costs is through the better management of ill health in the work place – not punish those who can no longer do their job. If the proposed two tier provision would result in lower benefits for those forced to retire on ill health, then the existing provision should be retained.

Paying more for less? - The LGA position on the New Look LGPS

- The LGA want to maintain the current 1/80th scheme and reduce their employer contributions to 13% as well as cut the benefits of the current scheme.
- The LGA has failed to discuss changes to the scheme with the trade union side. They do not accept the use of the 50% of savings to provide improved protections or benefits (Scotland has agreed 100% of savings from the removal of the 85 year rule should be used for their new look scheme!)
- The LGA position would mean that LGPS members would effectively be paying again in addition to the savings made from reducing the 85 Rule benefits and from the new 25% lump sum commutation provision! This would mean an increase in employee contributions to 7% for reduced benefits! Such an increase would obviously be unacceptable.

Costs of the Scheme

- The current cost envelope of the scheme is 22.2%.
- With the removal of the Rule of 85 and the 25% commutation this falls to 20.0%.
- The staff unions therefore should have 50% of the 2.2% savings so there are 1.1% of the savings to use for protections etc.
- The extended protection to 2016 has only used 0.2% of these savings so 0.9% remain.
- In addition the LGA proposals want to see their benchmark funding reduced to 13% and they want the members' contribution to rise from 6% to 7%.

Fair treatment and an equitable New Scheme

- We believe that our aims for protections and scheme improvements can be met from the savings already made without creating increased burdens for council tax payers.
- The LGA proposals of members paying more for less are unacceptable.
- The LGA should enter into realistic discussions with the trade unions.
- The Joint Trade Union side is asking Labour MPs to raise the issue of reaching a fair settlement for LGPS members with the DCLG Ministers as a matter of great importance.