

Protect Our Pensions LGPS campaign

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WHAT'S HAPPENING WITH THE NEGOTIATIONS ON THE LGPS?

You may be wondering why there has been no news on the negotiations over the future of your pension since Newsletter 13. LGPS Campaign Newsletter 14 talks you through the main issues we have been discussing with the Local Government Association and the timetable for consultation with you, LGPS members, once we have some clear proposals.

ANOTHER PAY FREEZE FOR NJC WORKERS

Since Newsletter 13, you may have heard that the Local Government Employers have imposed a pay freeze for the third year running on NJC workers, without George Osborne's promised £250 compensation for those earning below £21,000. This makes their pay worth a shocking 10% less in value than it was in 1996!! Over the last two years, inflation has totalled 13%, while our members have had no pay rise at all. That makes them the lowest paid workers in the public sector by far. Full-timers in the first three quarters of the earnings scale earn less than their private sector equivalents too.

We will be emphasising these shocking facts to the government and the LGA in future discussions over the new LGPS and highlighting the damaging impact the freeze could have on LGPS membership.

One of the agreed principles was to ensure that the LGPS maintains its own value as well as its value in relation to other public sector schemes. We will be fighting hard to make sure that you don't lose out in the pension stakes too.

WHAT WILL THE NEW LGPS LOOK LIKE - TALKING 'BIG TICKET' ITEMS

Since Newsletter 13, discussions have continued on the 'big ticket' items which will form the basis of your pension from 2014. Administration and Governance sub-groups have looked at issues such as part-time workers' contributions, how much of your pay is pensionable, zero-hours contracts and the big task of making the LGPS more transparent, accountable and democratic.

We have made some suggestions to the Treasury and DCLG about the possible structure of the 'new' scheme and are waiting to hear what they think. As soon as we have some definite news, we will let you all know.

The 'big ticket' items are:

- The type of scheme
- The accrual rate
- The revaluation rate
- Your contributions
- The pension age
- Protection
- Other benefits

What type of scheme will it be?

The new LGPS from 2014 will be a *CARE* scheme (short for Career Average Re-valued Earnings scheme). At present it is a *'final salary'* scheme, with your pension based on your final pensionable pay in the year that you retire – or the best of the previous two years. *CARE* and *'final salary'* pensions *both* have 'defined benefits'. That means that you know what benefits you will get when you retire. What you get in your pension is not dependent on how much your contributions have gained (or not!) through investment of your contributions.

What is a 'CARE' scheme?

You can get a more detailed answer to this by going to the 'Pensions' page on the UNISON website, where you will find some detailed factsheets.

In a *CARE* scheme, a proportion of your pensionable earnings (*based on the 'accrual rate' – see below*) is put into your pension pot every year. In order to keep your pension savings in line with inflation, your contributions are then *'revalued' each year – see below*. When you retire, your pension contributions for each year of membership are added together and divided by your length of LGPS membership to give you your annual pension figure.

In a *'final salary'* scheme, your pension is based on your final pensionable pay in the last 12 months before you retire – or the best of the two previous years' pensionable pay.

The 'accrual rate'

The *'accrual rate'* is the rate at which your pension builds up each year. In the current *'final salary'* LGPS it is based on $1/60^{\text{th}}$ of your pensionable pay. This means that if you were in the scheme for 10 years, your pension would be $10/60^{\text{ths}}$ – or $1/6^{\text{th}}$ – of your final salary.

In a *CARE* scheme, the accrual rate generally needs to be more generous to produce the same amount of pension – for example, $1/47^{\text{th}}$ or $1/50^{\text{th}}$, but how much you get as your pension also depends on the *'revaluation rate'*.

The 'revaluation rate'

In a CARE scheme, your 'pension pot' - will be increased by the '*revaluation rate*' every year until you retire. This is done to protect your pension from inflation and make sure it keeps up with the cost of living.

The 'revaluation rate' can be linked to one of the standard measures of inflation such as the Retail Prices Index (RPI) or the Consumer Prices Index (CPI) - or some variation on them.

It can also be linked to the Average Earnings Index. However, the way Average Earnings are calculated has been changed and earnings have not been increasing in line with inflation – especially in local government!! This means that we think that a link to inflation in the new LGPS might be better than to average earnings.

Contributions

The principles which underpin the LGPS negotiations – agreed in December - included avoiding a contribution increase for all – or the vast majority – of members. We are still negotiating on that basis.

We would like to see part-time workers' contributions based on actual earnings, not full-time equivalent pay. Discussions are continuing on this – and on trying to ensure that those on 'zero hours' contracts can join the LGPS.

We think that you should be able to count *all* your earnings towards your pension and are discussing how to make this possible too.

Contribution 'bands' have yet to be discussed. We would like to keep bands which are based on earnings as now.

What does all this mean for my pension in the 'new' LGPS?

CARE schemes can be just as generous as 'final salary' schemes. It all depends on the combination of the accrual rate, the revaluation rate and contributions – as well as your length of membership in the pension scheme and whether you can progress and increase your earnings during your working life. Many in the LGPS – particularly part-time workers near the bottom of the pay scale - do not have the chance to progress and/or increase their pay throughout their working lives.

A CARE scheme can be worth more than a final salary scheme for some members – especially those whose pay increases are less than the revaluation rate. In general, the benefits of a CARE scheme are distributed more evenly across the members of the scheme. They tend to favour lower paid workers and those whose earnings don't increase sharply towards the end of their careers.

A CARE scheme with a better '*accrual rate*' than the final salary scheme – e.g. 1/48th rather than 1/60th – and a decent '*revaluation rate*' should be good value for all members and could be better for those whose earnings increase very little or have career breaks or shortened careers.

When can you retire? What will the pension age be?

The pension age in the LGPS has been 65 for some time – except for those who could benefit from the '85 Rule' and who had that right protected when the LGPS was changed in 2008. They will continue to be protected.

Discussions are continuing over the pension age and 'early retirement factors' – used to reduce your pension if you retire before the '*normal pension age*' (NPA). We will do our best to ensure that they are as good as possible so that you lose as little as possible if you retire before your NPA.

Protection

Protection is obviously a key issue for you and all existing LGPS members. In its Reference Scheme for all new public sector schemes, the government agreed that all members within 10 years of retirement will receive full protection of current benefits. Those within a further 3.5 years of their current normal pension age will benefit from some tapered protection for that period.

LGPS members not covered by this protection – and who therefore transfer to the new scheme in 2014 - will still have the pension you have built up in the final salary scheme up to 2014 calculated on your earnings when you retire – your 'final salary'.

What about other benefits?

Discussions have not yet been held on other benefits. UNISON's aim will be to keep as many as possible as they are now. They will need to be discussed in the context of the agreed 'big ticket' items above.

WHO'S TAKING THE DECISIONS IN UNISON?

An LGPS 'Scrutiny Group' has been set up to oversee the negotiations chaired by Jane Carolan, Chair of the Service Group Liaison Group. This is made up of Chairs and Vice-Chairs of the Service Groups covered by the LGPS or their nominees. The Service Groups are Local Government, Police and Justice, Higher Education, Community and Water, Energy and Transport. Chris Tansley, Vice President, is also a member of the Scrutiny Group – as well as the negotiating team.

The members of the Scrutiny Group are:

Local Government – Jonathan Sedgebeer and Carole Maleham

Police and Justice – Caryl Nobbs and Chris Hanrahan

Higher Education – Denise Ward and Andrew Beach

Community – Stephen Brown and Mary Powell

Water, Energy and Transport – Ruth Davies and Pam Sian

Chris Tansley, Vice President, Heather Wakefield, National Secretary for Local Government, Police and Justice and Glyn Jenkins, Head of Pensions are the negotiating team for UNISON.

WHEN WILL YOU KNOW THE OUTCOME OF THE TALKS AND HOW WILL YOU HAVE YOUR SAY?

The joint union/LGA negotiating team has made some suggestions to the Treasury and the Department for Communities and Local Government (DCLG) over the 'big ticket' items above and we are waiting to hear what they think of them. In the meantime, we are waiting for information from Government and fund actuaries.

We are hoping to hear back from government departments in the near future. There will be further negotiation after that, but ***we are hoping that you will have the chance to have your say over the 'big ticket' items in the new scheme in a postal ballot starting in March.***

The negotiating team will hold Regional briefings and provide materials on the new scheme before the ballot so that you know exactly what you are voting on. Watch this space!

RECRUITING CONTACTS AND STEWARDS

There is still a massive opportunity to organise and recruit members and stewards to UNISON. We need more and more members to show the employers that we have got the industrial strength to resist attacks on pensions, pay, jobs and conditions. So carry on organising! Contact Indira Patel, i.patel@unison.co.uk if you would like to be a UNISON pension contact or steward.