



LGPS 2014 – England and Wales

Proposals for the new scheme

LGPS 2014 – proposals for the new scheme

Government gives go-ahead

The proposals below for the LGPS 2014 for England and Wales have now been given the 'go-ahead' by the government after months of detailed negotiations between UNISON, GMB, Unite and the Local Government Association (LGA).

Details on the UNISON pensions website

Factsheets on all the proposals produced by the three unions and the LGA are available now for downloading on the UNISON pensions website. Paper copies are also being distributed to branches and regions. Briefings will be held in regions too and will then be rolled out to branches.

Have your say!

The general secretary has promised that UNISON members in the local government, police and justice, higher education, community and voluntary sector and water, environment and transport service groups and in related private contractors will all be given the chance to have a say over the proposals through an individual postal ballot in the near future.

Background to the LGPS 2014 – coalition threats

The coalition government came to power in June 2010 threatening to make public sector pension schemes more like those in the private sector – worse or non-existent! They called public sector schemes 'gold plated' and ignored the fact that the average LGPS pension is £4,200 and just £2,800 for women.

The government moved swiftly to cut the rate at which your pension increases to keep up with inflation – from the Retail Price Index (RPI) to the lower Consumer Price Index (CPI). This omits housing and other costs. UNISON and other unions challenged this back-hand move in the high court, but lost. The Hutton Commission was also set up to look at the coalition's proposed pension changes.

The government also wanted to:

- Do away with 'defined benefit' (DB) schemes like the LGPS and replace them with 'defined contribution' (DC) schemes. In DB schemes, members know what they will receive when they retire. In DC schemes, members pay contributions, but have to wait and see investment returns on their contributions to find out how much – or how little – pension they will receive when they retire.
- Reduce the rate at which your pension builds up – from 1/60 each year to 1/100.
- Start all 'reformed', less favourable, pension schemes from 1 April 2012.
- Offer no protection at all for members facing worse pensions, higher contributions and retirement ages.
- Remove 'Fair Deal' pension rights for workers being transferred to contractors.

In the coalition's November 2010 Spending Review, chancellor George Osborne added new threats to the LGPS. He called for £2.8 billion worth of public sector pension 'savings' overall – £900 million of it from the LGPS. This could have meant a 3% increase in your pension contributions.

UNISON and other TUC unions negotiated hard with the government but made little progress as ministers refused to negotiate. As a result, the TUC public service unions decided to ballot for strike action. Meanwhile UNISON, GMB and Unite pushed hard and got agreement for separate LGPS negotiations, as the LGPS has assets worth £145 billion, more low-paid members and is run differently from the NHS, Teachers' and Civil Service 'pay as you go' schemes.

Just before the announcement of UNISON's 'yes' vote in the ballot in November 2011, Danny Alexander announced the 'reference scheme' to calculate the cost ceiling for public service pensions. This included a 1/60 accrual rate, the link to CPI inflation and State Pension Age (SPA) and some protection for the lowest paid and those nearest to retirement.

In December 2011, UNISON, GMB and Unite agreed a set of principles for negotiation over the LGPS, including 'no change' until 2014, and a commitment to avoid or minimise contribution increases. These were given the go-ahead by UNISON service groups in January 2012 and we have been negotiating ever since then. We forced the government to suspend its planned formal consultation to increase contributions and reduce your pension from 1 April 2012 so that we could negotiate.

So what do the LGPS 2014 proposals say?

You will find much more detail and explanation of all the proposals, what they mean for members and how they compare with the current LGPS 2008 in the joint union/LGA materials on UNISON's pensions website, but the main proposals are:

Contributions

- No change until 1 April 2014 when all members will move into LGPS 2014.
- The average member contribution will remain at 6.5% – as now.
- Most members will pay the same – or lower – contributions.
- Only those earning over £43,001, will pay higher contributions in LGPS 2014.

Protection

- Final salary link and current pension age protection on pensions built up before April 2014 for all current LGPS members.
- Members with pensions in payment and deferred pensions will see no change to their benefits.
- Previously agreed Rule of 85 retirement age protection will continue.
- An 'underpin' has been agreed to ensure that all members currently within 10 years of pension age as at April 2012 who would see a change in their pension age during that period, will get a pension at least equal to the one they would receive in the current scheme.

Scheme design

- A Career Average Revalued Earnings (CARE) scheme – a defined benefit scheme – as now.

Basis of contributions

- Actual Pensionable pay – not Full Time Equivalent (FTE) pay.
- Pensionable pay will include non-contractual overtime and additional hours paid to part-time workers.
- Part-time workers will only pay contributions on actual pensionable pay, not FTE pay.

Accrual rate

- 1/49 accrual rate – more favourable than the 1/60 in LGPS 2008.

Inflation link for revaluation *- this should be average weekly earnings not CPI.*

- CPI revaluation rate – ~~as laid down by the coalition before the current negotiations.~~
Incorrect –

Inflation link for pensions in payment

- Pensions already in payment indexed to CPI – as already laid down by the government.

Pension Age

- Normal Pension Age of 65 as now in LGPS 2008, but linked to each member's individual State Pension Age (SPA).
- Minimum pension age of 55, with actuarial reductions – as now.

Flexible contributions

- A new 50/50 option to allow members to pay 50% contributions for 50% of the pension benefit during periods of financial difficulty.
- The full value of other benefits is retained

Lump sum

- A lump sum of £12 for every £1 of pension – as now.

Death in service and survivors' benefits

- Death in service benefit of three times pensionable pay – as now.
- Survivors' benefits of 1/160 accrual, based on Tier 1 ill health pension enhancement to Normal Pension Age (NPA) – as now.

Ill health provision

- Ill-health provision – as now

Protection on transfer

- The provisions of the current scheme will be extended to ensure that all staff whose employment is compulsorily transferred, including under TUPE and subsequent TUPE transfers, will be able to retain membership of the LGPS when transferred.

LGPS 2014 – will I work longer pay more and get less?

Work longer?

The coalition government had already said that public sector pensions had to be linked to State Pension Age (SPA) before the LGPS negotiations began. The new Teachers', NHS and Civil Service schemes all have the SPA link. There was no scope within the negotiations to move away from it, although we will continue to campaign for an earlier retirement age – especially for those in physically and emotionally demanding jobs.

We believe that the early retirement factors can be improved next year when three-yearly valuations of all the LGPS funds take place. This will help soften the effect of the higher pension age. Those members whose pensions are improved within LGPS 2014 may be able to retire before their SPA. We also hope to improve the ill health provisions, which might also help where ill health in older age is an issue.

Pay more?

Average contributions of 6.5% will remain as now in LGPS 2014. A substantial number of members will pay less – and only a small proportion of LGPS members with pensionable pay over £43,000 will pay more than they do at present. This is firstly because of the use of actual pensionable pay for calculation of contributions. This will particularly benefit part-time workers whose pensionable pay will not be converted into a full-time equivalent for that calculation.

It is also because there are revised contribution bandings for LGPS 2014. These are more progressive – rising with increases in pensionable pay – and reflect current tax relief. After tax relief, the contributions range

from 4.4% for those with less than £13,500 full-time equivalent pensionable pay to 6.88% for those with over £150,000. Those in LGPS 2008 band £15,801 - £20,400 will pay slightly less than they do now.

Get less?

As the factsheets demonstrate, many members who are unlikely to be promoted and/or receive big pay increases during their working lives benefit from a CARE scheme. This represents a very large proportion of LGPS members and potential members who are in low paid jobs with no career structure. Final salary schemes generally offer a better pension to members whose pensionable pay is substantially increased in the run up to retirement. So LGPS is fairer for the vast majority of members.

Will there be further changes in the future?

The intention of the employers and the unions is to keep the cost of the LGPS stable so that no further changes are needed. We are currently negotiating new arrangements for unions and employers to be involved in the running of the LGPS and for cost management to avoid future changes.

Download LGPS 2014 fact sheets

You can download the LGPS 2014 fact sheets at unison.org.uk/pensions/lgps2014.asp

UNISON has more than a million members delivering essential services to the public. Services that protect, enrich and change lives.

We want to see changes that put people before profit and public interest before private greed. Add your voice to our campaign to create a fairer society.

To find out more or add your voice to our million voices for public services go to **unison.org.uk/million**

Join UNISON online **unison.org.uk/join** or call **0845 355 0845**

Published and printed by UNISON, UNISON Centre
130 Euston Road London NW1 2AY
CU/June 2012/20840/Stock no.31.16 unison.org.uk


UNISON
the public service union

**a million
voices
for
public
services**

**Protect
Our
Pensions**

unison.org.uk/pensions