



NEWSLETTER 54

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Scotland for information only

Surviving childrens' benefit

Following our briefings on the proposals for the new LGPS, some members highlighted the absence of uprated pensions for the children of lone parents. This was pursued by UNISON and we now have agreement that the proposals will be redrafted to contain similar benefits to the current scheme.

Last week UNISON also secured improved proposals for "retirement on grounds of redundancy or inefficiency". The right to an unreduced pension for those dismissed on redundancy or efficiency grounds has now been restored.

Both of these improvements in the draft Regulations leave us in a much better position than before.

So where are we now?

As part of the statutory consultation UNISON will be submitting a formal response to the Department for Communities and Local Government (DCLG) consultation by 28 February, so it's not too late to tell us what you think! Contact your branch or e-mail us on lgps@unison.co.uk

Use the ready reckoner!

An on-line ready reckoner which enables LGPS members to get an idea of their pension and lump sum under the current and proposed LGPS is now on the UNISON website. It can be downloaded to enable you and your branch members to do the sums! Make sure your members know about it.

The current proposals for the new LGPS

The main proposals for the new LGPS from 1 April 2008 are:

Keeping a final salary pension scheme

In the new LGPS, you will continue to receive a pension based on the pay you were receiving in the last year before retirement – your ‘final salary’. Under the new scheme you could also choose to have it based on an average of three consecutive years’ pensionable pay during your last ten years of LGPS membership, if that would provide a better pension.

The Trade Union Side fought off proposals to introduce a less generous ‘career average’ scheme. We were also able to effectively protect members who want to reduce their hours or responsibilities before retirement through the three consecutive years proposal described above.

An improved rate of building up your pension: 1/60 – rather than 1/80

For every year of service after 1 April 2008, all members will be earning (accruing) pension based on 1/60th of their final salary each year, rather than 1/80th with a 3/80th lump sum. This includes those already in the LGPS and means that your pension will build up faster and be larger by the time you leave.

LGPS members can also now choose to exchange up to 25% of their pension benefits for a lump sum. Many members who choose to exchange some of their final pension for a similar lump sum as the 3/80 under the old scheme will still be better off, because of the new, improved way of building up your pension.

No ‘two-tier’ LGPS

All the improved benefits of new scheme will be available to **all** members in service at 1 April 2008. This will mean that there is no ‘two-tier’ LGPS, as is the case with other public sector pension schemes.

All benefits earned to 31 March 2008 will be paid at the current scheme rate. All service after 1 April 2008 will be paid at the new rate. If you are one of the members protected under the current scheme, your protection will follow you into the new scheme.

Early Retirement Factors

Following pressure from UNISON, the reduction factors applying to retirement before the normal LGPS retirement age of 65 were improved from 1 October 2006. So if you decide to retire after 60, but before 65, and you are not covered by the 85 Rule, your pension will still be reduced, but not by as much as under the old factors. This is a very welcome improvement. The Trade Union Side has also said that we will want to improve the early retirement factors further.

Protecting the 85 Rule

The 85 Rule states that members whose age plus whole years in service in the LGPS add up to 85, can retire from age 60 without any reduction in their pension for retiring early.

The normal retirement age in the LGPS has always been 65, unlike the other public sector pension schemes. This meant that the ability to retire at 60 was not available to all. In fact, over recent years only around 11% LGPS members have retired under the 85 Rule.

The 85 Rule has been found unlawful by the High Court under age discrimination laws, so it cannot be included in the new scheme. The High Court ruling also means that we cannot have unlimited protection. However, we are pressing the Government hard for the maximum protection possible - at the very least to 2020. This would be in line with what has been offered to LGPS members in Scotland.

The higher rate at which you will now build up your pension and the improved early retirement factors will also help to reduce the impact of removing the 85 Rule.

As things stand...

- ALL existing members will have the benefits earned on their service to 31 March 2008 protected under the 85 Rule
- Up to that date your pension will not be reduced if you meet the 85 Rule when you retire
- Pension earned after this date will be subject to early retirement factors, unless ...
- You meet the Rule of 85 and are 60 before 1 April 2016, in which case your pension will not be reduced on benefits earned up to 1 April 2016
- If you meet the 85 Rule and turn 60 between 1 April 2016 and to 31 March 2020, an early retirement factor will be applied to all pension earned since 1 April 2008. However, that part of your pension will be reduced by a tapered early retirement factor increasing from zero at 31 March 2016 to the full early retirement factor by 31 March 2020
- If you turn 60 on or after 1 April 2020 and you retire before 65 under the 85 Rule, all pension earned from 1 April 2008 will be reduced by the early retirement factor in force at the date of your retirement

Ill-health retirement

The new proposals for ill-health retirement from 1 April 2008 would mean that:

- If you were considered unable to do any 'gainful' work before 65, you would be able to retire with an extra 50% added to your pension based on your service to age 65
- If you were considered able to do 'gainful' work before 65, an extra 25% would be added to your pension based on 25% of your service up to age 65
- If you were considered able to do 'gainful' work 'within a reasonable time', you would receive your pension earned to the date of leaving, with no reduction

All the trade unions believe that these proposals are better than the present ill-health retirement scheme which only allows someone who is unable to do their own job – or a comparable one – until age 65 to retire on ill-health grounds.

Pensions for surviving unmarried, co-habiting partners

From 1 April 2008, there will be a new entitlement to a pension for surviving unmarried partners as well as civil partners, widows and widowers. This will be backdated to April 1988.

UNISON has been campaigning for unmarried partners' pensions for a long time and we are pleased to finally have this benefit in place and backdated.

Death in service benefit

Death in service benefit will be increased from twice your final salary to three times your final salary in the new LGPS.

Death in retirement benefit

Death in retirement benefit will be significantly improved, doubling from 5 years to 10 years. This will also apply to pensions already being paid. If any LGPS member dies within ten years of retiring, a lump sum of 10 years pension, minus pension already paid, will be payable. There is no qualifying period.

Qualifying years of service – no limit

Under the new scheme, ALL years of service in the scheme will increase your pension entitlement. In the current scheme, the number of years from which you can benefit is limited to 40.

Contribution rate

To pay for these improved benefits, the Government is proposing a variable contribution rate. This will increase the average employee contribution from 6% to 6.3%. The Trade Union Side has pushed hard to keep your contributions below the 7.5% the employers first wanted.

You will pay 5.5% on the first £12,000 you earn. After that, you will pay 7.5% on all your pensionable earnings above £12,000.

This should help the lower paid who aren't in the LGPS now. Those earning up to £16,000 will pay less than now and those earning up to £20,000 will pay less than the average 6.3% contribution. After tax, the new contribution rates will result in a maximum increase of 0.7% for the very highest earners.

The £12,000 band will be adjusted annually, probably in line with inflation. Final agreement on the mechanism should be reached shortly.

Power to increase your pension

In the current LGPS your employer can add up to 6 2/3 years to your pension when you retire - if they choose to and there are justifiable reasons for doing so. Under the new proposals, this is raised to 10 years and in some cases will apply to pensions already being paid.

Negotiators still talking

We are still trying to improve some proposals and clarify some others. These are:

Protection - we are pushing very hard for improved protection of the 85 Year Rule benefits, to 2020 as a minimum. Make sure you keep up the pressure on your MP too!

Ill-health retirement – Increasing ill health retirement rights has been a main aim for UNISON. These proposals will allow some members who are currently denied ill health retirement to get it. Others may benefit from the proposed three-tiered approach too. However, we are continuing to argue for clearer definitions of how members will qualify for ill health retirement under each of the three tiers of benefit. We are also arguing against the local government employers some of whom feel that the government's proposals are too generous!!

Manual workers' 5% protected contribution rate – Some manual workers enjoy a protected 5% contribution rate. We are waiting for more information from the employers about who currently gets this protection before we continue negotiations.

Certificate of protection - We are in discussions over retention of this protection in the new scheme for those downgraded by their employer.

Part time workers' contribution rate – We feel that the proposal to base part time workers' LGPS contributions on full-time equivalent pay is unfair. We have submitted our legal view which backs this up to the government and the employers. We are also waiting for the view of the Equal Opportunities Commission.

Equality issues

We will also want to make sure that the new LGPS is in line with the equality laws and duties.

UNISON still negotiating and consulting...

Following meetings of UNISON's Service Group Liaison Committee and the LGPS Service Groups last week, it was unanimously decided that our negotiators should carry on talking to achieve further improvements to the proposals for the new LGPS. In the meantime, branches are asked to use this Campaign News, the LGPS PowerPoint and new leaflet available later this week to inform and where possible consult further with members over the proposals.

The Service Group Liaison Committee and service groups will meet again on 27 February to consider the issue further.

UNISON knows just how important your pension is to you. That's why we want you to know the Government's latest proposals for the LGPS.

Remember to let your steward or pension contact know what you think or email lgps@unison.co.uk

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Who Governs Your Pension?

As well as the proposals above, the Government has also come forward with proposals about how the LGPS is run. The closing date for the consultation period is 23 March.

Information on LGPS governance produced by UNISON, including our submission to the DCLG Governance Working Party, can be found at <http://www.unison.org.uk/capital/>

At present, members have little or no representation on LGPS funds. This makes it difficult for you to monitor how your contributions are being invested and used and how your pension fund is run.

UNISON has been campaigning for voting rights on every LGPS fund so that members can have a say over how your pension scheme is managed and make sure it is run in your interests.

UNISON is represented on the DCLG Governance Working Party and will be arguing the case for trade union representation. Meanwhile, the DCLG is consulting on Best Practice Guidance that all authorities would be required to meet. We would like to hear your views on the following:

Why trade union representation? What form should it take?

UNISON believes that the basic principles should be transparency, accountability and equality. The chosen system must reflect the needs of members and be compatible with the LGPS and local government law. How do you think trade unions should be represented in the LGPS funds?

Voting rights and financial responsibilities

Committee members have a fiduciary duty to act in best interests of pension fund and scheme beneficiaries, including participating local authorities and their taxpayers, other participating employers and scheme members. What responsibilities should a lay member with voting rights on a formal pensions committee have? How should their conduct be accountable?

The role of a trade union representative

What responsibilities should trade union reps have? How could they report back to members in their fund? How should they be selected? What skills/qualities will they need? What support should they be given by UNISON?

Training and facility time

What training will reps need? How do we ensure continuity and facility time?

Governance Structures

What would be the most effective governance structures? What should their remit be? How do we ensure participation by scheme members (e.g. forum, annual meeting)?

Meetings - minimum frequency, quorum

How often should governance bodies meet? Who would need to be at meetings?

Please send your comments in writing **by 16 March** to Colin Meech at c.meech@unison.co.uk or to UNISON, 1 Mabledon Place, London WC1H 9AJ.