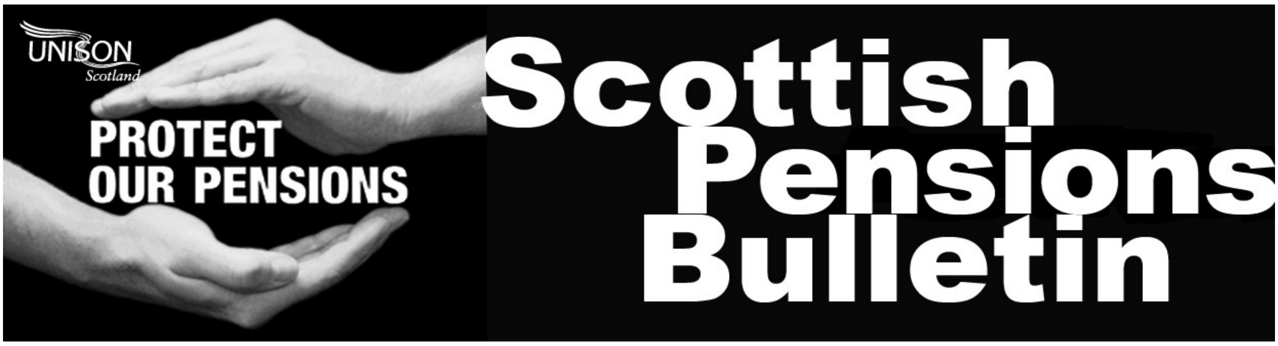

No.13 **October 2009**

LGPS Update

The Scottish Local Government Pension Advisory Group (SLOGPAG) met recently to consider a range of issues in relation to the Scottish local government scheme. This bulletin updates branches on developments.

Governance
As part of the agreement reached on the new LGPS a Governance Sub-Group was established to develop proposals for statutory guidance to support good practice in open and transparent governance arrangements in Scottish funds. There has been a survey of the current arrangements and some initial consideration of the options with further meetings planned. When new arrangements are agreed we will organise training for the UNISON representatives involved in this activity.

The Scottish Public Pensions Agency (SPPA) has been consulting on some modest changes to the management arrangements for the funds (see Pensions Bulletin 12). We have welcomed these proposals whilst making it clear that they do not go far enough.

Affordability
Another Sub-Group was established to look at cost-sharing mechanisms in time for the 2011 valuation. That sub-group has looked at the models being considered in England and other options. The initial view of the sub-group is that the English model is over complex and we are looking at some simpler mechanisms in Scotland.

SLOGPAG also looked at a recent English scheme consultation on the viability of their scheme including funding plans and contribution rates. The consensus view in SLOGPAG is that as our new scheme is only six months old, a similar consultation is not appropriate in Scotland. If any positive ideas come out of that consultation we could consider them as part of the work of the sub-groups or at SLOGPAG.

Salary sacrifice scheme
It has been mooted that the Scottish LGPS should adopt a salary sacrifice scheme for pension contributions. These are becoming more widespread in the private sector and in essence they produce a saving on national insurance contributions for employers and employees that can be reinvested in the scheme.

The Scottish Government’s view is that such a tax avoidance measure is not appropriate for the public sector as it would be taking from UK Treasury revenue to pay for the Scottish LGPS. UNISON Scotland does not have a position on such a scheme but we expressed some surprise at this stance given that the Scottish Government is not normally so reticent in seeking funds from the Treasury! Often it has to be said with our support. This is also an approved HMRC scheme published on their web site.

In addition local authorities have adopted similar tax avoidance measures through arms length organisations like Leisure Trusts. It also works the other way. For example, the Treasury saved on benefit payments when free care for the elderly was introduced by the last Scottish administration.

If such a scheme was to be considered we would require a full consultation and an equality impact assessment.

Ill Health Definitions

Another aspect of the new scheme was an agreement to review the application of the ill health definitions in 2011. Early discussions have focussed on the need for adequate data collection. We have emphasised that this needs to include employer data on their decisions, as well as the pensions fund administration of the scheme.

Pension Fund Shared Services

The pathfinder scheme looking at the prospects for shared services across the Scottish funds is closer to completing its initial review, with the project board considering a report from consultants this month. This could have implications for both the governance of the LGPS and for members working in pensions administration. Any radical changes would be complex to implement and may require legislation, so there is likely to be a long implementation period if any changes are approved.

Scottish Draft Budget

The Scottish Government has published its draft budget for 2010-11 (see P&I Briefing 215). Given the general doom and gloom regarding pension costs it is perhaps surprising to see a reduction in the funding requirement for the NHS Scotland and Teachers scheme that are directly administered by the SPPA. This is due to an increase in the real discount rate on future liabilities resulting in a net reduction of nearly £400m in the cost of providing pensions in the future.

For further details contact:

Dave Watson, Scottish Organiser d.watson@unison.co.uk
Kenny MacLaren, Information Development Officer k.maclaren@unison.co.uk