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Heads of Agreement - LGPS Governance

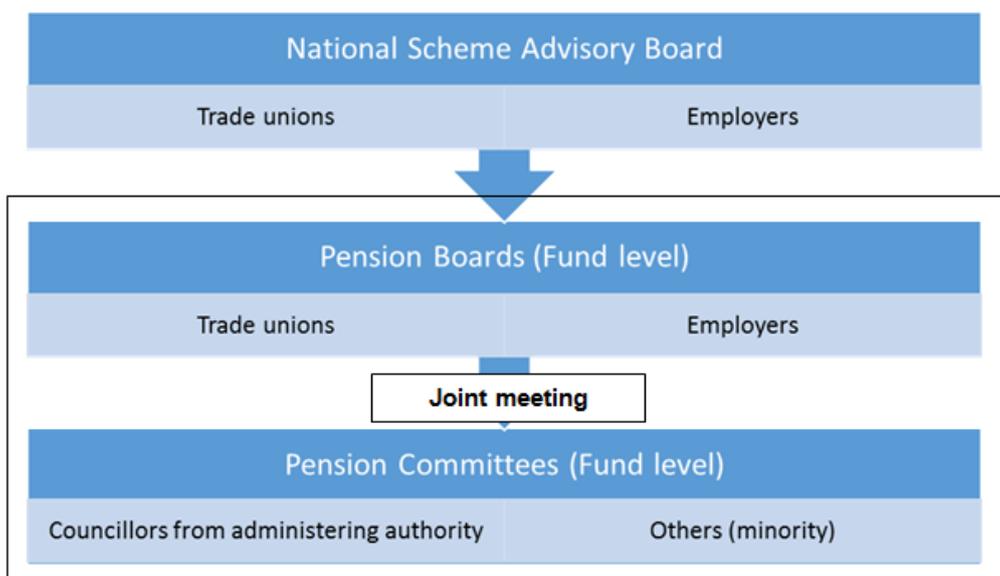
Initial agreement has been reached on a new approach to the governance of local authority pension funds in Scotland. An approach that puts the governance of the scheme and funds on a statutory basis and gives scheme members a real say in how their pensions are managed.

At a Scottish level there will be a new Scheme Advisory Board to replace the current Scottish Local Government Pensions Advisory Board (SLOGPAG). The Scheme Advisory Board is the body responsible for providing advice to Scottish Ministers, on the desirability of changes to the scheme. It will also provides advice to the Scheme Managers and Pension Boards in relation to the effective and efficient administration and management of the scheme.

The biggest change is at local level with the establishment of Pension Boards covering each of the eleven funds in Scotland. These boards will be responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of the Pensions Regulator. They will monitor investments, scrutinise how the fund votes as shareholders and ensure the fund is well managed. The boards will be made up of equal numbers of trade union and employer representatives.

The Scheme Manager is usually represented by the lead authority pensions committee. The novel approach to governance in this agreement is that both the pensions committee and pensions board will normally meet at the same time and work to the same agenda. So while they will have separate statutory functions, in practice they will work together. In the hopefully rare occasions where there are differences that can't be resolved, there will be a dispute resolution processes.

The new structure is shown diagrammatically below and the full Heads of Agreement is on our [website](#):



Pension Champions Meeting

The Heads of Agreement has been agreed at SLOGPAG and will go to Scottish Ministers and CoSLA leaders for ratification. For UNISON it will be considered at a meeting of pension champions to be held on:

Thursday 5 June 2014 - 11:30am to 1:30pm
UNISON Glasgow City Branch Office, 84 Bell Street, Glasgow

The pensions champions meeting will also consider how UNISON will populate the new structures and support pension board representatives in their new statutory role. The main elements include:

- Pension champions in each fund area to elect pension board representatives and substitutes based on Scottish Council voting strength.
- A specialist training course for pension board members and substitutes
- A minimum of one meeting a year for pension champions and pension board members in each fund area.
- Access to a dedicated forum and other materials and an annual pensions seminar.

Previous governance arrangements have been limited in scope and there was limited support, training or accountability for UNISON representatives. We aim to do much better with the new provisions.

LGPS Regulations

The regulations that implement the new Scottish LGPS have been delayed due to staffing problems at the SPPA. It is hoped that the regulations will be presented to the Scottish Parliament before the summer recess. There is a consequential delay in the transitional regulations and these are likely to be presented to parliament in the autumn. Despite these delays the scheme will still be introduced in April 2015 as planned. A series of communications initiatives are planned for later this year in the run up to the changes.

Budget pension changes

In the April 2014 UK Budget Statement, the Chancellor outlined a number of changes to occupational pension rules, including allowing savers to withdraw their entire pension pot instead of purchasing an annuity. This applies to Defined Contribution schemes only and therefore most UNISON members in Defined Benefit public sector schemes are not affected by these changes. More details here <http://www.thepensionsregulator.gov.uk/docs/statement-dc-budget-2014.pdf>

Pension Appeals

Certificates of material change are issued following a non-voluntary reduction in earnings. In effect they protect the value of pensions at the higher salary level for 10 years. We have had a few cases in the last year when pension funds have refused to apply council decisions to award them. Following UNISON representations, it has been confirmed by SPPA that it is for the local authority to decide if the Certificates should be issued, not the pension fund. If the Council issue them then the fund should apply them.

In another case a pension fund determined that a break in service meant that a member had lost the age 50 protection in the event of redundancy or efficiency retirement. Again, after representations from UNISON this determination was overturned because the right to protection before 55 is based on provisions in the Finance Act 2004, not the LGPS regulations.

If branches have problems with fund decisions this they should contact their Regional Organiser.

More pension information at:

Scottish Pension Web Pages: <http://www.unison-scotland.org.uk/pensions/index.html>

For further information contact:

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