



Vote YES for a new LGPS

This ballot is for you to have your say on the new Local Government Pension Scheme (LGPS) negotiated between the trade unions, the employers, and the Scottish Government.

UNISON recommends that you vote YES for this new scheme that contains the following benefits and protections.

Final Salary

The new LGPS in Scotland will still be a 'final salary' scheme. This means that your pension will be based on your final salary when you retire. However, there is an improvement in the accrual rate – this is the rate at which your pension grows.

Under the current pension scheme you receive 1/80th of your final salary for every year of membership but under the new scheme this increases to 1/60th. In other words to earn a pension equal to half your final salary you need 30 years of contributions in the new scheme as opposed to 40 years in the current scheme.

Although the new pension scheme does not have an automatic lump sum you are able to commute (or transfer) part of your annual pension to a lump sum. For every £1 you transfer from your pension you will receive a lump sum of £12. You can transfer any amount up to a maximum of 25% of your pension into a lump sum.

Other Benefits

The new LGPS provides a number of other improvements to the benefits within the current scheme. These include:

- Increased death in service benefit from two to three times final salary;
- Partner pensions for those who are married or in civil partnerships, expanded to include unmarried partners who cohabit;
- Protection for members who take a lower salary due to ill health;
- Increased flexibility in retirement by being able to draw all or part of occupational pension benefits without having to retire completely.

Contributions

The new LGPS will have a fairer contribution scale with most staff paying less. The average contribution rate for

members will be 6.3%, but the actual contributions will be paid on a tiered contribution rate similar to the tax banding system. This means that employees will face a gradual increase in pension contribution rates if their salary increases

It also means that lower paid employees pay proportionately less than higher earners, reflecting the relative benefits of the scheme.

Like the income tax system, contributions increase the

Overall Equivalent Contribution Rates (Illustrative)	
FTE Salary	Avg. Rate
£6,753	5.50%
£15,194	5.50%
£18,008	5.50%
£20,822	5.74%
£23,636	6.00%
£26,449	6.27%
£29,263	6.48%
£32,077	6.73%
£34,891	6.95%
£37,705	7.14%
£40,518	7.34%
£43,332	7.64%
£46,146	7.90%

more you earn, but the smaller contributions continue to be taken from the lower salary.

Whether you earn £20K or £100K you still pay 5.5% on the first £18K you earn; 7.25% on the £4,000 between £18 and £22k and so on. Therefore this table shows the average contribution rates at different salaries.

Another thing to bear in mind is that these are gross payments and are deducted before tax, meaning that increases are less than they appear - especially at higher pay levels. For example a 5.5% contribution equates to 4.4% net of tax and 8% equates to around 4.8%. Also, these pay bands will change in line with the Retail Price Index.

The above means that the half of local government staff who earn less than £18k pa, will pay less for more benefits, than in the current scheme. In fact this applies to all staff earning less than £23,600, who will contribute less than 6.00% under the new rates.

III Health Retirement

The new scheme will have two entry points for staff that are permanently incapable of carrying out their job. Those with no reasonable prospect of undertaking gainful employment before age 65 will have service enhanced by 100% of prospective service to age 65. For those where there is a reasonable prospect of gainful employment, service will be enhanced by 25%. In

essence the new scheme targets enhancement on the members in most need. However, there is transitional protection for current members who would be better off under the current arrangements. In addition there is a new discretionary lump sum for all staff that leave employment on health grounds and do not qualify for ill health retirement.

Transitional Arrangements

There are a number of transitional arrangements planned for the introduction of the new LGPS in April 2009, including the retention of transitional protection until 2020 for existing members who qualify for the Rule of 85, as well as protection for existing members with regard to the new ill health rules.

All members of the current LGPS will transfer to the new scheme. This means that they will accrue pension benefits under the new scheme for future service. When it comes to retirement two pension calculations will be

carried out. One for any benefits under the old scheme (worked out at 1/80ths plus 3/80ths lump sum) and the other for pension benefits accrued in the new scheme (1/60ths) from its planned implementation on 1st April 2009 until the retirement date.

Cost Sharing and Governance

The new scheme will have provisions to consider cost sharing if the underlying cost of benefits increases significantly in future years. This element of cost sharing means that members are entitled to a greater say in the running of the LGPS and new governance arrangements will be introduced at national and local level. The detailed arrangements are to be agreed.

This is an important new pension scheme for LGPS members. It protects past benefits, and builds in new benefits, all for a fairer contribution related to members' earnings.

The status quo is NOT an option.

Vote YES for your new pension

Illustrative summary of comparisons between the old and new scheme

Feature	Existing LGPS(S)	New LGPS(S)
Type of scheme	Defined benefit final salary scheme, with a normal retirement age of 65.	Defined benefit final salary scheme, with a normal retirement age of 65. Rule of 85 transitional protection to 2020 retained.
Accrual rates	1/80 th plus lump sum (3/80 ^{ths})	1/60 th with option to commute up to 25% of fund value into lump sum.
Death in service arrangements	A lump sum death grant of 2 times final pay.	A lump sum death grant of 3 times final pay. Increases in partner's lump sum to be provided where active, deferred or pensioner member dies. Short term spouses' benefits removed.
Ill health benefits	If member permanently incapable of discharging efficiently the duties of employment, benefits paid immediately. If member has 5 or more years' service they are also entitled to enhancement of the benefits.	Two entry point ill health provision where scheme members who are permanently incapable of carrying out efficiently the duties of their job: <ul style="list-style-type: none"> (i) have no reasonable prospect of undertaking gainful employment before scheme normal retirement age of 65; or (ii) have a reasonable prospect of undertaking other gainful employment before age 65. Transitional protection for existing scheme members whose service enhancement would be less than under current arrangements (to be reviewed after three years). Third tier, outside the pension scheme, consisting of one-off lump sum payment by employer at their discretion. Certificate of protection to cover circumstance where member is required to take lower salary due to ill health.
Partner pensions	Dependants' benefits payable in respect of widows, widowers and civil partners at a rate of 1/160 th	Dependants' benefits payable in respect of widows, widowers, civil partners, plus unmarried partners who cohabit, at rate of 1/160 th
Flexible arrangements in the run-up to retirement	From age 50 with consent, member can reduce hours or move to a lower grade and, with consent, elect to draw the pension benefits already built up whilst still drawing salary for reduced hours/grade.	Current provisions for flexible retirement to be retained as feature of the new Scottish LGPS. Increased flexibility through being able to draw all or part of occupational pension benefits without having to retire completely. In case of flexible retirement, employer consent required to reduce hours or lower grade, but employer consent to access benefits only required in respect of those under age 60.
Minimum Pension Age (MPA)	In line with the Finance Act 2004, the MPA will change from 50 to 55 years on 6/4/2010.	All new scheme members to have Minimum Pension Age of 55 years. All current scheme members will have Minimum Pension Age of 55 from 6/4/2010, except for any member who was in the scheme on or before 5 April 2006 whose employment is terminated on grounds of redundancy or efficiency and is aged 50 or over at that point. Such members will have a protected pension age of 50.
Contribution rates for employees	General contribution rate of 6% except some existing manual employees (5%).	Introduction of a five-tier employee contribution rate structure, delivering an average employee contribution rate of 6.3% (see table above).

If a UNISON member who works beside you has not received a ballot paper, or you have lost your paper, please contact the ballot helpline by **18 March 2008**.

Either phone **0131 226 0096**

or email **membership-team-scotland@unison.co.uk**.

Evidence of UNISON membership will be required.

This leaflet is a summary of the Heads of Agreement for illustrative purposes, for the full Heads of Agreement or for further information on the details of the agreement please check out the UNISONScotland website at

www.unison-scotland.org.uk/pensions/index.html

