

Scottish Local Government Pension Scheme 2015 Proposals for the new scheme

IMPORTANT: THIS BALLOT IS ABOUT THE FUTURE OF YOUR PENSION

You have received this consultative ballot paper because we believe that because of your job you are entitled to join the Scottish Local Government Pension Scheme (LGPS). This covers members working for Scottish councils and a range of other employers who are allowed to join the scheme.

Because of new UK Government Legislation, the current scheme has to be renegotiated and a revised scheme implemented in April 2015. The main changes forced by legislation are that all public service pension schemes must change from final salary to career average and that the normal retirement age must be the same as the state retirement age.

In these negotiations we have worked to preserve the value of your pension. We believe the proposals outlined below will achieve a better pension for the vast majority of members with contributions unchanged. In other words, most members will get a bigger pension at no extra cost.

There is more detail including the draft Heads of Agreement on our website
<http://www.unison-scotland.org.uk/pensions/index.html>

UNISON Scotland believes that the proposals outlined in the Heads of Agreement are the best that can be obtained by negotiation. We therefore recommend that you vote to ACCEPT.

Details of the proposed revised Scottish Local Government Pension Scheme

Scheme design

- A Career Average Revalued Earnings (CARE) scheme – a defined benefit scheme. (see below)
- Annual pension 'pot' will be uprated in line with the Consumer Price Index.

Contributions

- The average member contribution will remain at 6.3% – as now. There will be no change in the contribution bands either (see below).
- Pensionable pay will include additional hours paid to part-time workers.
- Part-time workers will only pay contributions on actual pensionable pay, not FTE pay.

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. We also hope it will attract the 25% of colleagues who are currently not in the pension scheme.
- The full value of other benefits is retained.

Accrual rate

- A 1/49 accrual rate – more favourable than the 1/60 in the current scheme. This, together with pensionable service and pay, is the main factor in setting the cash amount of your pension.

Lump sum

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

Pension Age

- A Normal Pension Age of 65, but in future will be linked to the State Pension Age. This is a requirement of UK legislation that we had no control over. Members can continue to contribute until age 75 if they choose to.
- The Minimum Pension Age remains at 55, if employed prior to April 2006 it remains at 50.
- Flexible and other early retirement schemes remain as now.

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Death in service, survivors' benefits and ill health retirement

- A Death in service benefit of three times pensionable pay – as now
- Survivors' benefits of 1/160 accrual – as now. Ending requirement to nominate cohabitee
- No change in ill health retirement provisions.

Protection

- Final salary link on pensions built up before April 2015 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 Governance

The draft Heads of Agreement also includes a commitment to improve the governance arrangements for the scheme and administering funds. These include a new scheme advisory board and pension boards at fund level with equal numbers of member and employer representatives. In addition, there will be a review of how funds are structured to ensure that they deliver the best possible returns for members.

Career Average Scheme

The new scheme will be a career average scheme. You may also hear the terms 'CARE' or, to give its full title, 'Career Average Revalued Earnings'. When used in relation to the Scottish LGPS 2015, all these terms refer to the same method of calculating your pension.

In a final salary scheme it is the pensionable pay at the end of the period of membership that is used in the calculation – normally your salary in the final year of work. With career average the pensionable pay for each year is used to calculate a pension for that year. Each year's pension is then revalued (i.e. increased) by inflation. Each year's revalued pension is then added together to arrive at the total pension. The formula is Pension = Pensionable service x Accrual Rate x Pensionable Pay

It is worth reminding you that this new method will only apply to your pension built up from 1 April 2015. All pension earned before that date will continue to be calculated using current scheme rules.

Final salary schemes generally offer a significantly better pension to some members (e.g. those whose pay is substantially increased in the run up to retirement) than to the average member. Scottish LGPS 2015 is fairer for the majority of members because it removes the potential for pensions to be disproportionately increased in these circumstances. In fact the improved accrual rate in the Scottish LGPS 2015 means many members build up better pensions as the benefits are spread more evenly.

Member Pension Contributions

Maintaining the five-tier employee contribution rate structure agreed for the LGPS in 2008 to deliver an average employee contribution rate of 6.3%. Employee contribution tiers operate on a banding system, as follows:

Pensionable pay	Rate (%)
On earnings up to and including £19,800	5.5%
On earnings above £19,800 and up to £24,200	7.25%
On earnings above £24,200 and up to £33,200	8.5%
On earnings above £33,200 and up to £44,200	9.5%
On earnings above £44,200	12%

