

Pension Champions September 2013

UNISON Scotland

# Scottish LGPS 2015 Heads of Agreement

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# Background

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- Public Service Pensions Act
- Must renegotiate to CARE and new pension age
- Cost capping
- Focus on main benefit – accrual rate
- Keep contributions stable
  - ❖ Pay restraint, economy, NI contributions 2016
- Governance

# Accrual Rate

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- Current Scottish LGPS – accrual rate 60ths
- Typical public sector CARE scheme 50ths
- E&W LGPS - 49ths
- Scottish LGPS – 49ths
- Comparison with E&W
  - ❖ Higher cost ceiling and mortality rate
  - ❖ Balanced by better benefits, ill health, death in service & age profile

# Considered and rejected variants

<b>Variant</b>	<b>Change in cost (as % of payroll)</b>	<b>Change in affordable accrual rate</b>
Commutation rate of 15:1	+ 1.0	+ 3.0
In-service revaluation of CPI + 1%	+ 2.0	+ 5.8
Partner's pension equal to 50% of the member's pension	+ 0.9	+ 2.4
All members retire one year early with an unreduced pension	+ 0.6	+ 1.9

- Expensive
- Focus on stable contributions
- Common benefits.
- Discriminatory impact
- Priority partners pensions

# Contribution bands unchanged

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- Five-tier employee contribution rate structure, delivering an average employee contribution rate of 6.3%. Tiers operate on a banding system, like income tax (not cliff edge), 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 £32,500	8.5%
➤ On earnings above £32,500 and up to £44,200	9.5%
➤ On earnings above £44,200	12%
➤ Part-time contributions at actual not WTE salary	

# Other elements

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- Pensionable pay = total pay
  - ❖ Bigger pensions but pay contributions.
  - ❖ Employer overtime cost. Looking at other solutions
- Pay less, get less 50:50 option
  - ❖ 50% contributions, 50% accrual rate
  - ❖ Contingent dependents benefits & death in service not affected
  - ❖ Aim to attract new members (1/4 workforce not in), but review
- Certificate of protection & assumed pensionable pay
- Notification of partners
- Civil partners treated as married

# Transitional protections

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- Rule of 85 transitional protection to 2020 retained
- Final salary at April 2015. Pension on last year of service
- Underpin for members within 10 yrs retirement at 2012
  - ❖ Accrued benefits pre-2015 & CARE added together and compared with what would have got under final salary. Better of two.

# Equality Impact Assessment

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- Draft to be finalised
- Overall gender split – 72:28
- Not in scheme: Women – 26%, Men – 21%
- Half women part time.
  - ❖ Fewer in scheme as fewer hours worked
- Rough age correlation to scheme membership
  - ❖ Exception is young men
- Tested against ‘typical’ worker case studies

# Governance

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- Scheme Advisory Board
  - ❖ Statutory SLOGPAG
- Pension Board at fund level
  - ❖ One or split
- Fund structure – separation and number
- Cost control – 2% cap
- Scheme data and regulatory oversight
- No agreement yet on process
- TU organisation and training

# Next Steps

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- Detailed issues to be resolved
- Initial Heads of Agreement
- CoSLA Leaders approved 30 August
- SGLC – 12 September
- Member Ballot – October
- Regulations. Consultation and parliamentary process
- Implementation April 2015
- Joint communications