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## Scottish LGPS 2015

Pension Champions gathered in Glasgow this week to get an update on negotiations over the new Scottish Local Government Pension Scheme (LGPS) and consider the options on improved benefits.

### Core Benefit

The main benefit in any pension scheme is expressed in the form of the accrual rate. This determines the amount of the pension paid on retirement. The current accrual rate in the Scottish LGPS is 60ths. One of the advantages of a career average scheme is by spreading the benefits more evenly; it is possible to improve the value of pensions in payment through a better accrual rate. For most public sector pension schemes this means an accrual rate of around 50ths, in the case of the England & Wales LGPS, 49ths.

Our negotiators have been working through a complex series of calculations to assess the best possible accrual rate for the Scottish LGPS. These are based on a series of assumptions informed by what is at best limited data. We start from some 'advantages' compared to England, in that as our members die younger our scheme is cheaper. We also have a slightly higher cost ceiling. However, the down side of these higher post-retirement mortality assumptions is that ill-health retirement is higher, as is death in service. The Scottish LGPS also has better benefits and our membership profile is slightly older. All of these are more expensive. SLOGPAG has now reached a view that these pluses and minuses roughly balance out and therefore the base line scheme should be based on an accrual rate of 49ths.

### Other Benefits

Previous meetings asked negotiators to consider a number of improvements to the scheme, recognising that some of these would have cost implications, either in terms of a lower accrual rate or higher member contributions. The meeting looked at four main improvements; early retirement, better commutation rates, partners pensions and improvements in the revaluation rates.

The consensus view was that in the current climate the focus should be on delivering a scheme that provided the best possible universal benefits at the lowest contribution rates. Valuable though these improvements would be, some members would gain more than others from the changes and some also had equality impact considerations. Partner pensions is the broadest benefit and it was recognised that this has fallen in relative value, not keeping pace with improvements in accrual rates.

One change that doesn't impact on the scheme design cost is the proposed definition of pensionable pay, to include non-contractual payments e.g casual overtime. Most CARE schemes include all pay because, unlike final salary schemes, members gain the benefit of higher payments in every year they are earned. The meeting recognised that this means pension contributions will be deducted from these earnings. However, there is a much bigger benefit to be gained through higher pensions.

Another proposed change is the introduction of a 'pay less – get less' option. This enables members to pay half the contributions in return for half the pension. This is a good idea if it brings staff into the scheme, but a bad one if it encourages those currently in the scheme to downgrade their pension. The workforce data shows that around a quarter of Scottish council staff are not in the LGPS at present. On this basis the meeting felt that it was worth trying this option and then reviewing it in a few years time to assess the impact.

There is more detail on these issues in the conference paper on our pensions website.

### **Member Contributions**

Member contributions will remain at 6.3% on average. However, as at present, contributions are banded progressively to reflect the larger employer contributions to those on higher salary scales. New bands will be calculated in the next few weeks and presented to the next meeting.

### **Scheme Governance**

The Pensions Act requires changes in the way the scheme is governed. These include a new Scheme Advisory Board at Scottish level to replace SLOGPAG and Pension Boards with equal member and employer representation at fund level. Initial discussions have highlighted some differences between unions and the employers on this issue. UNISON has long argued for a more radical reform of pension funds while the employers are focussed on defending the status quo. Discussions will continue and you can read more on this in the trade union side paper on our website.

### **Next Steps**

There are a number of detailed issues to be resolved over the next few weeks in addition to the contribution bands. Assuming agreement can be reached on these issues it is likely that SLOGPAG will consider a draft Heads of Agreement at its meeting on 29 August. CoSLA leaders will consider their position on 30 August. There will be another pensions meeting to consider this document on 6 September in Glasgow, starting at 10:30am. The Service Group Liaison Committee will take a formal decision at its meeting on 12 September. A ballot of all members will follow, probably in October and branches should start to plan member meetings and other communications for that month.

There will be ballot leaflets and further pension bulletins to support that communication effort.

### **Ill Health Provisions**

Pension champions have highlighted problems with ill health assessments at employer level. Some employers have been applying a 'beyond reasonable doubt' test to the prospects of recovery before normal retirement age. This is wrong, as the 'balance of probabilities' test should apply. Branches should appeal decisions they are unhappy with.

On a related point, some employers have misunderstood the 2011 regulation changes to certificates of protection when a member takes a lower paid job due to ill health. Certificates still apply in these circumstances and if you have problems contact Dave Watson.

### **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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