

Local Government Pension Scheme Negotiations Update March 2006

Name
Title
Department

Difficult Background

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- **Decline of private sector final salary pension schemes**
- **Turner report 2005 – future of the state pension**
- **Finance Act – flexibilities from April 2006**
- **Historically pension schemes were designed around F/T male workers needs**
- **People living longer...but there are differences**

LGPS – after revocation

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- **LGPS is funded – other public sector schemes ‘unfunded’**
- **After Amendment Regulations revoked Tripartite Negotiations started involving TUs/Employers/ Deputy Prime Minister**
- **Initial discussions - UNISON focussed on long term future of the scheme – employers focussed on short term costs**

LGA autumn surprise offer

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- **LGA persuaded government:**
 - immediate costs would effect Council tax
 - proposed to make employees pay
- **Initial employer side proposals included:**
 - abolish 'rule of 85' from April 2006 - no protection (claimed against age discrimination legislation)
 - increase employee contributions by 1%
- **No consultation with other employers - eg HE, Police, Environment Agency etc.**

Union response

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Campaign to oppose LGA proposals

- **Challenged short term focus**
- **Disputed claim that rule of 85 was against age discrimination legislation**
- **Hired own actuary who showed LGA were exaggerating costs**
- **Lobbied Government and MPs**

Union response

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Staff side also:

- **Agreed timetable for longer term talks**
- **Prepared to negotiate**
 - looked at new flexibilities under Finance Act
 - possible replacement for rule of 85 with protection
- **Looked at words Government could use in statement to Parliament to satisfy all sides**
- **LGA refused and so Government made statement and issued draft Regulations**

Rule of 85

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If age and total membership equal 85 at the date benefits commence, then no 'early retirement reduction'

- **Includes periods that:**
 - contributions have been paid, periods of illness/injury, period from date of leaving service to date pension commences
- **Affect on scheme members:**
 - Part time: actual service counts - all p/t members who have contributed to the scheme for 25 years at 60 will qualify
 - Early leavers: can qualify at 60 as counts from date of leaving
- **Rule of 85 does not affect the right to retire early – with reduced pension and permission**

Meanwhile – The PSF deal

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The Public Service Forum principles Oct. 2005

- Existing scheme members should suffer no detriment in normal retirement age and benefits
- New schemes for new staff providing defined benefits (either final salary or career average)
- Pensions continue to go up in line with price inflation
- Normal retirement age increased to 65 for the new scheme
- Allows scheme by scheme negotiation so still possible to negotiate a single scheme with transitional protections if preferred
- Initial consultation on principals ends March 2006

Where are we now

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- **Similar to position we were in before revocation**
- **Except – other public sector workers have had benefits protected**
- **Draft regulations out for consultation:**
 - *Remove rule of 85 from October 2006*
 - *Protection to 2013*
 - *Cost of buying back service relating to industrial action to increase?*
 - *Lose option to surrender 1/3 of pension to surviving dependant in event of member death in retirement*
 - *Higher tax free lump sum - with remaining pension reduced*
 - *Positives relating to inclusion in scheme beyond 65*

What can be done

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- **We are looking to see if possible legal challenge to draft regulations**
- **Need branches to respond to consultation**
- **Members to write/lobby MPs LGA members**
- **Focus on councillors and the LGA**
- **Postcard campaign**
- **Media campaign**
 - *Trying to counter pensions envy*

Key Message

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- **Fairness:**
- **We want at least equity with public sector colleagues**
- **And a fair non-discriminatory pension age for all**
- **LGA and Government need to know we are serious and heading towards industrial action**

