



LANCASHIRE UNISON CAMPAIGN TO PROTECT OUR PENSIONS

MINISTER LAUNCHES INFORMAL CONSULTATION ON EXTENDING FULL PROTECTION TO 2020

Prior to the Special Local Government Conference in March, Local Government Minister Phil Woolas announced that he intended to consult on extending full protection to 2020 for LGPS members in England and Wales. The attached letter from Communities and Local

Government (CLG) begins an informal consultation which will then trigger a formal consultation on extending protection – if the response is positive.

The attached letter from CLG is asking for responses from all the scheme stakeholders - including employers and

unions - to the questions at point 7 of the CLG letter on the proposal to replace tapered protection with full protection for those 60 between April 2016 and April 2020.



This has already been agreed in Scotland. In his March announcement, Phil Woolas, said that his aim was to treat LGPS members in England and Wales on the same basis as those in Scotland. Responses will need to be submitted by 13 June. If they mainly support the change, then the legal and cost implications will be looked at again and a statutory consultation on draft Regulations will begin.

UNISON wants to ensure that this consultation exercise results in the maximum possible support for extending protection to 2020.

Next steps

The Branch will be contacting the Employer over the next 3 weeks to find out their views and how this minimal change is likely to affect the fund if at all.

In the meantime the main responses to the questions posed by Phil Woolas should be as follows:

1. The judgement in the Courts that the Rule of 85 is discriminatory means that some form of 'cliff edge' is inevitable. The taper is difficult for members to understand and plan for and more complicated for employers and pension funds to administer. A straight forward 2020 cut off is much easier to understand and makes the scheme simpler and easier to administer
2. The effect of removing the taper will be minimal on pension funds. There will be some variation between funds, but extension of full protection only affects those scheme members who are 60 between 2016 and 2020 and who will qualify for the Rule of 85
3. The net change to the employer contribution should be so small that no change should be necessary until the effect can be properly assessed at a future scheme valuation. The cost has been estimated as less than 0.1% of payroll and in many funds could be even less than that
4. There should be no need to offset any other changes. The overall cost of the new scheme is below the cost envelope
5. There are significant employer/workforce advantages to treating the members for the LGPS in England and Wales no worse than their colleagues in Scotland and Northern Ireland. Ongoing disquiet about unequal treatment will not be good for industrial relations. Increased protection would help local authorities and other LGPS employers to recruit and retain staff

To LGPS interests in England and Wales

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Dear Colleague

LOCAL GOVERNMENT PENSION SCHEME

1. With the agreement of Ministers, your views are being sought as part of the process of freshly assessing the current provisions in the LGPS 2006 Regulations regarding the 2016 to 2020 tapered protections which apply in England and Wales.

Background

2. The present arrangements, which came into force on 1 October 2006, provide that:-
 - (i) All members of the scheme as at that date continue to accrue membership under the rule of 85 terms until 31 March 2008;
 - (ii) if a qualifying member is 60 by 31 March 2016 and would have satisfied the rule of 85, no actuarial reduction will apply should he choose to retire at that age; and
 - (ii) if a qualifying member is 60, would have satisfied the rule of 85 between 1 April 2016 and 31 March 2020 and he chooses to retire at that age, an actuarial reduction will apply on a tapered basis.
3. The capital costs of these protections, has been estimated on current available data by the Government Actuary's Department (GAD) to total some £1.35 billion - £1.4 billion. This equates to some 0.2% of pensionable payroll a year. Within that overall level of protection, the estimated capital cost of the tapered protections is some £0.35 billion - £0.4 billion, which, in turn, GAD has estimated equates to some 0.1% of pensionable payroll, or about £25 million annually for 20 years.
4. At the time these protections were introduced, an objective justification for retaining a provision which had been confirmed by the Courts as discriminatory had to be made. This led to a protection for those within 10 years of age 60 at the time of the regulatory change, and the introduction of a tapered reduction associated with changes to state retirement age in order to avoid the cliff-edge effects of earlier proposed levels of protections.
5. In response to representations from the local authority trades unions, Ministers have given undertakings that provided affordable and legal alternatives to the current 2016 to 2020 tapered protections can be brought forward, following this fresh assessment of the legal and affordability issues involved, a statutory consultation exercise would then proceed on the basis of draft amending regulations. If not, then the current levels of protection would be retained.

Assessment

6. It is essential for this stage of the assessment to be authoritative and comprehensive. Consultees, therefore, are invited to consider carefully the questions set out below, and to demonstrate directly their local experience when replying.
7. To provide a sound evidential basis for this consultative phase, all consultees are invited to provide whatever appropriate information they have to the following questions: -
- (i) What is your position on the appropriateness of having protections in the Scheme for the 2016 to 2020 period? Do you agree with the tapered protections already provided? Would you prefer to see the tapering removed? If so, would you be content with the “cliff-edge” so produced?
 - (ii) If the 2016 to 2020 tapering in the regulations was removed, what would be the effect on your pension fund and on you as a Scheme employer?
 - (iii) What would be the net effect of such a change on your employer contribution rate.
 - (iv) What offsetting measures within the Scheme would you identify as a means to meet any additional costs?
 - (v) Do you see any employment / workforce advantages, or costs arising from the change from a tapered 2016 protection to full protection at 2020?

Next steps

8. Your responses to this consultation exercise are requested no later than 13 June and should be sent to:-

Nicola Rochester
Zone 2/F7 Ashdown House
123 Victoria Street
London SW1E 6DE

or e-mailed to nicola.rochester@communities.gsi.gov.uk

9. The results of the exercise will be carefully considered and reported to Ministers. The responses will be summarised and placed on the LGPS website. (www.communities.gov.uk/lgps).
10. At the close of the consultation, Ministers will decide in the light of the responses received, whether or not to proceed to a full statutory consultation exercise with draft amending regulations.

Yours sincerely

Terry Crossley

**Please circulate to non-members and encourage them to join.
For an application form contact the Branch Office on 01772 533072
or email at unison@unison.lancscc.gov.uk**