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## **LGPS Governance in England and Wales – UNISON Report**

UNISON will be shortly issuing a report into the governance of the LGPS in England and Wales. The main findings of the report will demonstrate that the LGPS continues to lag far behind the governance standards enjoyed by all other funded pension schemes in the UK in spite of government promises to overhaul the system.

The research revealed that pledges from the Department of Community and Local Government made in 2006 have had limited progress in improving member representation on the LGPS, and it still remains outside of obligations placed upon it by European and UK law.

The union's Capital Stewardship Programme conducted an investigation into the governance arrangements of the LGPS in 2007/08 and compared it with the situation two years earlier.

Today, only seven out of the 89 Administering Authorities in the UK allow members voting rights on the LGPS. This represents a rise of just two schemes in two years. At this rate of reform, UNISON calculated it would take another 54 years for all authorities to have just one member representative with voting rights on their schemes.

Further, just 66 out of the 89 authorities allow member representation on pension committees.

Eight authorities are still delegating pension fund decision-making to a single senior council officer - something prohibited in trust-based schemes.

Such disparity between member and employer representation has been outlawed in the trust based schemes where UK law requires at least one-third member

representation on trustee decision-making boards. What is immediately required is a transparent and uniform system of governance across all of the employers responsible for the scheme, its investments and the members.

The report will make a clear set of proposals to meet the requirements of all the appropriate pension scheme legislation and bring the governance of the fund up to modern standards.

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## **Cost Share in England and Wales**

The Regulations were amended from 15 May to require LGPS Administering Authorities to provide the Government Actuary's Department (GAD) with data so that they can calculate the assets and liabilities of a benchmark scheme. The Secretary of State can then issue guidance to the Administering Authorities as to how the future costs of the scheme can be met, following negotiations in the Policy Review Group. The unions have always argued that the lack of information on the membership and behaviour of the LGPS is a real barrier to effective negotiation over the scheme.

The Administering Authorities must supply the data to GAD by 31 August 2010. GAD must then provide the costs of the benchmark scheme to the Secretary of State by 31 October 2010. The timetable is tight but authorities and their Actuaries believe they can meet the deadline.

The benchmark scheme will be based on assumptions agreed in the Policy Review Group and will reflect changes in cost between the 2007 and 2010 valuation dates. It will be based on an average of what has actually happened to the 89 Funds that represents a change to their surpluses and deficits. When supplying the data, all Funds will have to base it on real experience and use the same assumptions set out by GAD.

The next meeting of the Policy Review Group will be the 10 June. It is likely that by the time of that meeting, Communities and Local Government (CLG) will issue their proposals on how cost share will be taken forward. It is unlikely to be formulaic but there will be much continuing debate as to what is included and excluded. Changes as to how long members are likely to live i.e. longevity, are going to be in, but short term changes to investment return is going to be excluded.

Continuing concerns for the TU Side include ensuring that past service deficits are not included in cost share in any way and whether and how any employer contribution cap might be introduced.

## **Sustainability of the Scheme after the next valuation at 1 April 2010 England and Wales**

The CLG are likely to issue limited proposals to change the scheme with effect from 1 April 2010 within the next week to help ease the pressure resulting from the economic downturn. The value of the funds have declined substantially as a result of the stock market crash, although the recent slight up-turn will mean that the valuation results are going to be better than previously feared.

As already reported, the feedback from the bilateral TU/CLG meetings was that the proposals will be limited to putting pressure on Funds to adopt longer term views on repayment of deficits and investment returns to reflect the fact that it is a Statutory Scheme. There is also the possibility that there might be a proposal to increase employee contributions for those on the highest band.

At the same time as the proposed changes to the Regulations, CLG is likely to attempt to restart debate on whether the scheme should change for the future, including the possibility of changing to Career Average from Final Salary.

### **Defending the LGPS**

At a recent LGPS conference, Local Government Minister, John Healy repeated his robust defence of the LGPS and rounded on those who believe the LGPS should become Defined Contribution in the future.

UNISON's Head of Pensions, Glyn Jenkins, took part in the key note panel discussion that launched the conference, stressing the low average pension and that good statutory schemes like the LGPS are a good deal for the tax payer. In discussion, he also clarified that it was a mistake when John Healy said there was already a cap on employer contributions.

The message from the Conservatives is mixed. A spokesman who attended the conference allegedly said that it was a top priority to deal with public service schemes and phase in DC if they win the next election. Other spokespersons seem to be saying that they recognise there are big problems with DC Schemes.

UNISON's Pension Unit is completing a short paper with the help of an independent actuary setting out the true cost of DC.

UNISON with other unions will be shortly completing a rebuttal paper listing and then refuting all the main arguments that are being levelled against the LGPS.

## Round up of other issues

The next meeting of the Ill Health Monitoring Group is 11 June. We now have the figure that GAD used at the last valuation for ill health retirements. Apparently GAD assumed 14,000 over three years to 2007. This will give us ammunition to continue to argue the cost was inflated and that the scheme can afford to drop tier 3 to bring it into line with other public service schemes.

Miscellaneous changes including how partners pensions can be further backdated and whether it requires the members to pay more, and the issue of the value of paid accommodation and protecting pensionable pay when it is removed, are expected to be laid soon.

A meeting of the group dealing with guidelines on Admitted Body Status will be held soon. We remain committed to promoting ABS on outsourcing and encouraging open agreements that allow all workers taken on by the contractor to be offered membership of the LGPS.

**Stop press:** Glyn Jenkins is trying to arrange an urgent meeting with the CBI this week to discuss what they are going to say in a paper to be issued by mid June, questioning the Fair Deal approach of contractors having to comply with the requirement for either ABS or a comparable pension scheme.

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