



**NEWSLETTER 86**

**27 AUGUST 2010**

**Scotland for information only**

## **Don't agonise – organise!**

We all know that the Local Government Pension Scheme (LGPS) and the other public sector schemes are not in safe hands with the Coalition Government. They are all likely to face very severe tests indeed from the Government and local employers in the next few months. Every part of UNISON needs to be gearing up **NOW** to keep the LGPS...

This bumper edition of Campaign News will provide you with the facts, figures and arguments you need to get yourself and members ready for the fight to come. Branches and Pension Contacts need to read it (and the background papers if possible) and tell everyone in your workplace what is happening and what UNISON is doing to defend our pensions. Run copies off and pass to others and recruit a Pension Contact for every workplace. The fight back starts here, today!

### **1. What's in this edition?**

**In this edition of Campaign News you will find...**

- Key facts about the LGPS – LGPS TU Side fact sheets
- Details of the Government's Hutton Commission into Public Service Pensions
- UNISON's submission to the Hutton Commission
- UNISON's briefing on Defined Contribution schemes and why we don't like them

- The New Policy Institute's submission to the Hutton Commission on behalf of UNISON
- UNISON's response to the Department for Work and Pensions on increasing the state pension age (SPA)
- UNISON's response to the Government's Automatic Enrolment Review
- Some good news (yes, good news!) about the LGPS for civil partners and unmarried couples

## 2. LGPS fact sheets

UNISON and GMB have produced a series of fact sheets on behalf of the LGPS TU Side which will give you vital information for your campaigns locally – as well as at national level. They have been circulated once to branches, but Pension Contacts will find them invaluable at workplace level. They are:

- LGPS – Ten Key Facts - <http://www.unison.org.uk/acrobat/B5214.pdf>
- The truth about the LGPS - <http://www.unison.org.uk/acrobat/B5212.pdf>
- LGPS Myth-busting Guide - <http://www.unison.org.uk/acrobat/B5215.pdf>
- LGPS – The Economics - <http://www.unison.org.uk/acrobat/B5213.pdf>
- What the politicians say about the LGPS - <http://www.unison.org.uk/acrobat/B5211.pdf>

The fact sheets are available on the above links and paper copies can be ordered using the attached order form. You might like to note just some of the critical facts contained in them:

- The combined LGPS funds hold more than £120 billion in investments and assets – enough to pay benefits for the next 20 years
- Total assets equate to around 10% of the UK's Gross Domestic Product
- The LGPS is the world's fourth largest pension scheme
- Employee contributions increased by 155 in the last year
- The LGPS is 'cash positive'. In 2008-9, income was £10.2 billion, compared to £5.6 billion paid out
- Fund management costs have increased over recent years – averaging almost 11% of annual investment income in 2008

- Reformed schemes were launched in 2008 (England) and 2009 (Scotland and Northern Ireland) changing benefits and increasing average member contributions from 5.8% to 6.4%

### **3. Public Sector Pensions Commission**

The Government's Public Sector Pensions Commission, chaired by John Hutton MP, has been asked to look at the following:

- The growing disparity between public service and private sector pension provision
- The recruitment and retention needs of public sector employers
- The need to ensure that future pension provision is fair across the workforce
- How risk should be shared between the taxpayer and the employee
- Which organisations should have access to public service pension schemes
- Implementation and transitional arrangements for any recommendations
- Wider Government policy intended to encourage adequate saving for retirement and longer working lives

The Commission will produce an interim report before the Government's Comprehensive Spending Review announcement on 20 October and a final one in Spring.

### **4. UNISON'S submission to the Hutton Commission**

Needless to say, UNISON's Pensions Section made a detailed and strident submission to the Commission in July, covering public sector schemes in general and particular points about the LGPS and the NHS Pension Scheme. You can find the submission at <http://www.unison.org.uk/acrobat/B5195.pdf>.

As well as highlighting the changes already made to LGPS contributions and benefits, we argued that:

- All public service workers should have ongoing access to adequate and affordable pensions
- Only defined benefit (DB) schemes can guarantee adequate pensions. Defined contribution (DC) schemes can't.

- Active members cannot be expected to bear the full cost of all increases in the costs of the LGPS
- Pension rights already earned should not be reduced and should maintain their real value against inflation
- Public sector pension scheme members should not have to pay increased contributions to compensate for increased costs arising from Government policy
- Low paid members should be able to join schemes which, in turn, provide them with benefits above the poverty line
- Any proposed changes should be fully equality-proofed
- Companies with public sector contracts should not be able to gain competitive advantage by opting out of pension schemes

## **5. UNISON briefings on Defined Contribution (DC) schemes**

The Pensions Unit has produced two briefings on DC schemes and the problems with them. You can find them here <http://www.unison.org.uk/acrobat/P11507.pdf> and <http://www.unison.org.uk/acrobat/P11509.pdf>. Around 8 million workers are now in DC schemes, compared to slightly fewer in Defined Benefit (DB) schemes – most of whom are public sector workers.

DC schemes place employer and employee contributions (where made) in a fund, which is converted into an annuity on retirement - i.e. a pension for life.

The briefings point out the risks with such schemes and why UNISON doesn't like them! Key arguments are that:

- There's an investment risk because funds go up and down depending on the state of the economy
- Annuity rates have steadily worsened with mortality assumptions improving and investment rates going down and are unlikely to improve
- Contributions are generally worse than in DB schemes
- Admin and investment charges are made which reduce the fund
- There is a wide choice of funds and individuals have to make a choice, which is difficult

## **6. New Policy Institute's submission to the Hutton Commission on behalf of UNISON**

UNISON asked the New Policy Institute to research the impact of abolition or changes to the LGPS on members, households and state benefits. The report can be accessed at <http://www.unison.org.uk/acrobat/B5216.pdf>

The key findings were that:

- The Government 'saves' between 45% and 50% from most LGPS pensions by way of reduced Pension Credit, Council Tax benefit and Housing Benefit
- In 2008-9, the LGPS paid benefits of around £5.6 billion, saving the Government £2.5 billion a year
- LGPS pensions are modest – 30% of active members will be entitled to less than £1000 a year, more than half £2,500 a year and a quarter, more than £5000 a year. Only 6% of members will have pensions over £10,000 a year.
- Just 12 occupations – 1.3 million employees – account for half of employees eligible for LGPS membership. 90% of them are women, over 50% working part-time
- LGPS members are less well paid than occupational pension scheme members in general
- 50% of active LGPS members have incomes below the working-age average
- The average age of LGPS members is 48.8 years above the UK average
- Nearly 1 in 12 of the adult population belong to the LGPS

## **7. Increasing the State Pension Age to 66 – UNISON's view**

The Department of Work and Pensions (DWP) has called for evidence in response to the proposal to increase the State Pension Age (SPA) to 66. UNISON's busy Pension's Unit responded in August, saying that:

- Many UNISON members do physically, mentally and emotionally demanding jobs on low pay and therefore low pensions. They will need state pensions when they retire
- UNISON does not support the Government's 'work 'til you drop' ideology or the proposal to increase the SPA to 66
- Living longer does not mean that people are capable of working longer – especially in demanding jobs

- Increasing working lives is likely to increase demand on our health and social services
- There is a huge variation in life expectancy – related to your income, pension and where you live
- UNISON wants a ‘sensitivity analysis’ and equality impact assessment of any proposals before they are implemented

You can find our response at <http://www.unison.org.uk/acrobat/B11612.pdf>

## **8. Automatic Enrolment Review**

UNISON’s Pensions Section has also responded to the Government’s Review of Automatic Enrolment in pension schemes. You can find our response at <http://www.unison.org.uk/acrobat/B11671.pdf>.

The following key points were made:

- In 2009, the OECD said that the UK had one of the worst state pensions in the developed world
- UNISON supports automatic enrolment (AE) into pensions which are fit for purpose for a public service workforce which has many low paid employees
- Many of our members providing public services in the voluntary and private sectors do not have access to pension schemes
- All public service workers should have access to pension schemes which provide them with financially beneficial pensions in retirement, beyond the level of the state pension
- Contribution levels and tax relief need to be at a level which guarantees that retirement income exceeds state benefits
- Employer contributions to qualifying schemes and the National Employment Savings Trust (NEST) need to be at least 10% to provide an adequate pension pot
- Automatic enrolment should be brought forward to stop the current ‘race to the bottom’ in pensions

## **9. Good news for civil partners and unmarried couples**

From 31 December 2009 survivors’ pensions for civil partners will be the same as for married heterosexual couples as a result of Regulation 18 of the LGPS (Misc) Regulations 2009. Before 1 January 2010, the survivor’s pension for gay

or lesbian or unmarried partners nominated as the co-habiting partner would only be based on pensionable service from 6 April 1988.

Inequality for co-habiting nominated partners sadly remains. Survivors' pensions will continue to be based only on service from 6 April 1988, although regulation 14 of the 2009 Regulations allows a member to elect to pay additional survivor benefit contributions to purchase periods prior to 6 April 1988. Readers should note that election to do so will have to be made by **31 March 2011**.

Further details can be found at <http://www.unison.org.uk/acrobat/B11660.pdf>

## **10. Calling all Pension Contacts**

As previously advised, you have received this Campaign News as in the past you indicated that you wished to be a branch pension contact. Please let us know if you no longer want to receive Campaign News by e-mail.

Also contact us if you know anyone who would like to be a Pension Contact or just receive Campaign News.

Please ask them to contact Indira Patel on [i.patel@unison.co.uk](mailto:i.patel@unison.co.uk)