



No.5

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## **FUTURE LGPS COSLA/UNION JOINT STATEMENT**

In Pensions Bulletin 5 we set out the key issues to be considered in the discussions over the future of the Local Government Pensions Scheme in Scotland. This was followed by a detailed discussion at the pensions seminar in February.

Since then there have been detailed discussions on these issues in bi-lateral meetings between the trade unions and COSLA and at the tripartite SLOGPAG meetings. This bulletin updates branches on those discussions including the publication of a COSLA/Union joint statement on the future of the LGPS.

### **Joint Statement**

The joint statement (see attached) sets out the current state of play in the discussions and will form the basis for the drafting of the Scottish Executive consultation paper on the future LGPS that is due to be published in July. It sets out progress in a number of areas whilst recognising that more work is needed on some key issues.

There is broad agreement that the future LGPS should be a final salary scheme with an accrual rate of 1/60<sup>th</sup>, although this will depend on final costing. There is also agreement on improved death in service provisions and partner pensions. There are three main areas that require more work.

#### **1) Cost Sharing and Governance**

There is general agreement that there needs to be a 'trigger' mechanism that would lead to further discussion if the cost assumptions in the future scheme shifted significantly. COSLA believes that this should be based on a 2:1 cost sharing ratio between employer and employee contribution rates. This excludes the funding of past deficits and future investment risks that continues to fall on the employer. The union side have also submitted proposals to strengthen scheme governance (see attached) that range from building on the current best practice up to our preferred option of full member representation on each fund.

#### **2) Contribution Rates**

Again there is general agreement that employee contribution rates should be based on tiered bands that operate like the tax system to avoid a 'cliff edge' between different bands. More work needs to be done with our respective actuaries to ensure that the bands are both equitable, taking into account the tax relief on contributions, and affordable. In principle the union side see merit in a larger number of bands whilst recognising employer concern over administrative complexity.

### Ill Health

Discussion over the future scheme has recognised the sharp reduction in the number of employees receiving benefits under the current ill health retirement provisions. This should reflect better workforce health, occupational health services and the provisions of the Disability Discrimination Act (DDA). There is broad agreement that there should be a 1<sup>st</sup> tier benefit similar to the current provisions that cover staff who have no reasonable prospect of undertaking gainful employment before retirement age. There is also support for a 2<sup>nd</sup> tier that would cover those unlikely to undertake gainful employment within a reasonable period, say 3+ years, although at a reduced enhancement.

The union side are concerned that there is a 3<sup>rd</sup> group of staff who may be fit to return to gainful employment in under 3 years but are none the less still being dismissed on the grounds of capability and find it difficult to find actual employment when they recover. There are of course cost implications in all these options and there is limited data on which to base any costing. In addition the union side believes there may be merit in strengthening the pension protection rules to cover staff that are redeployed under the reasonable adjustment provisions of the DDA.

### Next Steps

This Bulletin outlines progress with the discussions over the future LGPS including the Joint Statement and the unions proposals on governance. There remain key issues that require more work and costing by the respective actuaries. Meetings are planned later this month between the unions and COSLA followed by a further SLOGPAG meeting. The intention is to complete the drafting of the consultation paper for publication in July as set out in the original timetable (see Bulletin 4). The consultation will run for three months.

To enable further discussion on these issues a **UNISON branch pensions meeting will be held on Friday 29 June 2007 at UNISON House, 14 West Campbell St, Glasgow, starting at 10:30am** and concluding at lunchtime.

There will be a follow up meeting before the consultation period concludes on Friday 31 August 2007.

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