Scottish Pensions Bulletin

No. 31 **July 2012**

Government challenges Treasury on pension reform

The Scottish Government has had an angry exchange of correspondence with the Treasury over their plans for a UK Public Sector Pension Reform Bill. While pension regulation is a devolved matter, primary legislation is reserved, so this legislation could cover all public service pension schemes in Scotland

Treasury minister, Danny Alexander MP has written to Cabinet Secretary, John Swinney MSP outlining the Bill provisions. These include, as expected, the equalisation of Normal Pension Ages with the State Pension Age and transitional arrangements for those within 10 years of retirement. It is also implied that all schemes will be career average rather than final salary, although this is not clearly stated.

His letter also indicates that each scheme must have a cost cap and changes to schemes will require prior consent of the Treasury. While this has always been the case for the NHS scheme, because the Treasury underwrites the cost, it has not been the case for the Local Government Pension Scheme in Scotland. The letter implies that the LGPS will come under Treasury control in future, despite the fact that funding is a matter for local authorities, not the Treasury.

As with previous exchanges, the Treasury letters are vague on key points and the Scottish Government has sought additional clarification. The Cabinet Secretary has described the Treasury’s actions as “unwarranted interference in reform discussions in Scotland”. It is hard to disagree with that analysis. However, we will need to see the further clarification and the draft Bill to be certain what exactly the UK Government is proposing and the implications for the NHS and local government schemes.

NHS

Scottish negotiations are continuing with detailed consideration of the cost of different options. Clarity is also required from the Scottish Government on the key issue of year 2 and 3 contribution increases and further meetings are planned. However, the Treasury’s intervention, as set out above, clearly has an impact on the scope for negotiation.

Local Government

The LGPS scheme in Scotland has an agreed cost sharing process to address future costs and there will be no contribution increases in this financial year. This means discussions in Scotland continue under the terms of the 2008 agreement. There are no proposals for discussions on further reform of the LGPS Scotland.

However, in light of the possible implications for the LGPS from the UK Government's Bill, as set out above, there is little prospect of making progress on cost sharing until the position is clarified. This is because factors like pension age, scheme design and cost caps, all impact on any cost sharing calculations.

New English LGPS
Members may be aware of developments in the English LGPS scheme that will be the subject of a membership ballot. Some branches have requested a comparison chart between the proposals in England and the current Scottish scheme. We have put this on the pension web page. However, comparisons are difficult because scheme design and contribution bands are very different.

Contribution bands
As reported in the last bulletin, LGPS contribution bands are revised each year. Because of the unique way the Scottish contribution bands work this benefits all members as more fall into the lower contribution bands. The revised figures have now been published and are in the comparison chart on the pension web page.

Police and Fire staff
The Scottish Government are consulting on regulations to address the transfer of staff from police and fire boards to the new national organisations from 1 April 2013. It is proposed that staff will remain in their current LGPS funds and new starts will enter the fund based on their geographical workplace. This is broadly as expected, although we will be seeking clarification on what happens to staff when they move workplace.

Pensions Auto-Enrolment

Measures in the Pensions Act 2008 and 2011 aimed at increasing workplace pension saving began to come into force from 1 July 2012. It places a duty on employers to auto-enrol eligible jobholders and make mandatory employer contributions into a qualifying workplace pension scheme (like the LGPS or NHS scheme) or the National Employment Savings Trust (Nest). The duty to auto-enrol starts from 1 October 2012 depending on the size of an employer, biggest will start first. The main provisions include:

- Eligible jobholders must be auto-enrolled when they reach the income tax threshold
- Individuals must be able to opt out of pensions saving.
- Employers can operate a three-month postponement window for all new jobholders, so that, for example, short-contract workers do not need to be auto-enrolled.
- A minimum level of employer contributions will be phased in between 1 October 2012 and 1 October 2018.
- Employers must re-enrol eligible jobholders who are not scheme members every third anniversary of their initial staging date.

Employers must provide information to workers about auto-enrolment and it is likely that branches will receive queries from members. More information is available at the Pensions Advisory Service site.

More information at:

Scottish Pension Web Pages: http://www.unison-scotland.org.uk/pensions/index.html
UK Campaign Web Pages: http://www.unison.org.uk/pensions/protectour.asp

For further information contact:
Dave Watson, Scottish Organiser: d.watson@unison.co.uk