



NEWSLETTER 77

18 December 2008

Scotland for information only

CLG consults on proposed amendments to the LGPS Regulations in England & Wales in relation to scheme sustainability

Introduction

The Department for Communities and Local Government (CLG) has begun a statutory consultation exercise over draft proposals to amend both the Local Government Pension Scheme (LGPS) (Benefits, Membership and Contribution) Regulations 2007 and The LGPS (Administration) Regulations 2008.

The deadline for responses is 23 January 2009 with the potential amendments taking effect from 1 April 2009. The proposed amendments are as follows:

- To delete Regulation 40 of The LGPS (Benefits, Membership and Contribution) Regulations 2007 which requires that “Administering and employing authorities shall have regard to guidance to be issued by the Secretary of State, before 31 March 2009, as to the manner in which the costs of the Scheme will be met after 31 March 2010”.

And to insert a new Regulation (this being 36A) into the LGPS (Administration) Regulations 2008, which will impose the following requirements:

- Authorities have regard to guidance on how future costs will be met [36A(1)]
- Administering Authorities provide the Secretary of State with the financial and other data by 31 July 2010 to enable the future service cost of the scheme to be calculated [36A (2)]

- GAD carry out actuarial valuation of combined English and Welsh funds, and produce an overall future service cost certificate for the scheme by 31 December 2010, which sets out cost of future accrual of pension liabilities for next triennium [(36A (3) and (5))]
- The valuation leading to the production of this certificate must set out the assumptions used [(36A (4) and (6))]

What does this all mean?

The purpose of the above amendment is to pave the way for the creation and implementation of a “model fund” to be used by the Secretary of State to determine the notional costs of funding the LGPS to aid in future cost-sharing analysis and decisions.

This potential amendment effectively places a duty on funds to provide CLG with the same data which is made available to their scheme actuaries as at the 2010 and subsequent actuarial valuations. This is necessary to ensure that the data used in the modeling and cost-sharing exercises is both comprehensive and accurate.

Clearly the amendment, if adopted, also provides a more specific timetable in relation to the provision of what information is needed and when it is needed by so that the necessity of any changes can be identified and implemented.

UNISON's Views

Our initial view of CLG's proposed amendments is that they should ensure that future cost-sharing reviews are based on comprehensive and accurate data. UNISON and the other unions have been pushing for some considerable time for the LGPS to be more transparent to scheme members and the unions.

Furthermore, the specified timeframes governing the provision of the necessary information mean that any cost-sharing provision - such as an increase in member contributions - is unlikely to occur for some considerable time – and probably not until 2013 or 2014.

The “new” LGPS was established on the basis that cost-sharing arrangements could be introduced from as early as 2010 so as to satisfy the Government's promise for the new look scheme to be affordable, viable and fair to tax-payers.

We accept that in the current environment of increasing longevity and pension costs that there may need to be some adjustments to contributions to preserve the LGPS in the future, as is the case with all public sector schemes and private sector final salary pension schemes.

However, we certainly do not want a rigid cost-sharing formula to be implemented and would want any potential adjustments to be agreed and negotiated following each round of valuations. This has always been the Trade Union Side's position. Furthermore, we will continue to argue strongly that past service deficits caused by past under-funding should not be included in any cost-sharing review.

How to respond to the consultation

Any Branch or Region that wishes to respond to this consultation should do so by writing to Richard McDonagh at the following address:

Richard McDonagh
Workforce, Pay and Pensions
Communities and Local Government
Zone 5F8 Eland House
Bressenden Place
London SW1E 6DU

Anyone who requires more information on the above consultation exercise generally should contact Glyn Jenkins, g.jenkins@unison.co.uk or Alan Fox, a.fox@unison.co.uk

Campaigning to keep the LGPS

UNISON will launch a major campaign in the New Year to counter the hostile propaganda coming from David Cameron and Eric Pickles on behalf of the Conservative Party.

Both insist that the LGPS is unsustainable in the long-term and should become a defined contribution scheme – not a defined benefit scheme as at present. Their view is that there is “pensions apartheid” between private and public sector pensions and that the taxpayer should not be asked to fund the LGPS and other public sector schemes.

We will be telling them that the LGPS is a public good, not a drain on public finances.