

Protect Our Pensions LGPS campaign



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IN THIS EDITION...

- **CLG consults on short-term changes to the LGPS**
- **Powerpoint for Regions and branches to use**
- **Islington Council Supports Our Campaign**
- **Write to your MP and local Council Leader today!**
- **Make sure we get a 'yes' vote**
- **Keep up with the latest in UNISON's campaign to *protect our pensions***

1. PICKLES CONSULTS ON CHANGES TO THE LGPS

The Department for Communities and Local Government has now launched the formal consultation on short-term changes to the LGPS to make the £900 million 'savings' identified by Coalition ministers by 1 April 2015. The consultation letter and proposals can be accessed at http://www.professionalpensions.com/digital_assets/3550/2004147.pdf. These changes do not include changes to the LGPS from 2015, which will be the subject of negotiation in October.

What is being proposed for your pension?

The consultation document includes proposals by the Department for Communities and Local Government (CLG) **and** proposals already made by the Local Government Group (LGG) – once the Local Government Association – and the Local Government Employers (LGE).

CLG'S PROPOSALS

Parameters

The CLG's proposals are based on the following parameters:

- No contribution increase for those earning less than £15,000 full time equivalent
- A total increase of 1.5% for those earning between £15,000 and £21,000 full time equivalent
- High earners to pay progressively more, but no more than an additional 6% before tax relief

CLG proposals – Two Approaches

The proposals by CLG consist of two possible Approaches:

Approach 1

- Increase employee contributions over three years in April 2012, April 2013 and in April 2014 to raise £450 million 'savings' – equivalent to 1.5% of the pensionable pay bill
- Change the accrual rate - currently 1/60 – to 1/64 in April 2013 and 1/65 in April 2015 to raise a further £450 million

Table 1 below shows how the savings would be split between contribution increases and changes to the accrual rate across the three years. The contribution increases would be phased in on a 40:40:20 ratio between 2012 and 2014.

	2012/13	2013/14	2014/15
Tariff Increase	£180m	£360m	£450m
Accrual Rate	£0	£360m	£450m
Total	£180m	£720m	£900m

Contribution increases

Table 2 below shows the current LGPS contribution bands

£0 - £12,600	5.5%
£12,601 - £14,700	5.8%
£14,701 - £18,900	5.9%
£18,901 - £31,500	6.5%
£31,501 - £42,000	6.8%
£42,001 - £78,700	7.2%
£78,701 +	7.5%

Table 3 below shows the proposed new bandings and contributions before tax relief in 2012/13, 2013/4 and 2014/5. The contribution rates shown for 2014/15 are cumulative over the three years. There would be no increase for those earning less than £15,100 full time equivalent, and 0.1% increase for those earning between £15,101 and £19,400. The highest increase would be for those earning above £150,001 – 6%.

Tariff Band (% of membership)	Current	2012/13	2013/14	2014/15
£0 - £12,900 (8.67%)	5.5%	5.5% (0.0%)	5.5% (0.0%)	5.5% (0.0%)
£12,901- £15,100 (10.61%)	5.8%	5.8% (0.0%)	5.8% (0.0%)	5.8% (0.0%)
£15,101- £19,400 (25.20%)	5.9%	5.9% (0.0%)	6.0% (0.1%)	6.0% (0.1%)
£19,401- £21,000 (7.47%)	6.5%	6.7% (0.2%)	7.2% (0.7%)	7.7% (1.2%)
£21,001- £32,400 (31.34%)	6.5%	7.2% (0.7%)	8.0% (1.5%)	8.3% (1.8%)
£32,401- £43,300 (11.16%)	6.8%	7.5% (0.7%)	8.3% (1.5%)	8.7% (1.9%)
£43,301- £60,000 (4.18%)	7.2%	8.2% (1.0%)	8.7% (1.5%)	9.0% (1.8%)
£60,001- £81,100 (0.91%)	7.2%	8.7% (1.5%)	9.2% (2.0%)	10.0% (2.8%)
£81,101- £100,000 (0.25%)	7.5%	9.0% (1.5%)	9.8% (2.3%)	11.0% (3.5%)
£100,001- £150,000 (0.16%)	7.5%	9.5% (2.0%)	11.0% (3.5%)	12.0% (4.5%)
£150,001 + (0.05%)	7.5%	10.0% (2.5%)	12.0% (4.5%)	12.5% (5.0%)

Table 4 below shows the contribution rates for four levels of full-time pay, the % deduction made from **current** pay after tax relief for LGPS contributions and the % deductions that would apply after tax relief by 2014/15. The table highlights how our current regressive system of tax relief disproportionately benefits the higher paid.

	2011/12	2014/2015		
Full-time pay	Contribution rate net of tax relief ¹	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)
£10,000	4.40%	4.40%	0.00%	0
£25,000	5.20%	6.64%	1.44%	30
£40,000	5.44%	6.96%	1.52%	51
£80,000	4.32%	6.00%	1.68%	112

1: Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower because of the proposed new tariff.

Accrual rate changes

The effect of changes in the accrual rate in 2013-14 and 2014-15 on pensions would depend on the length of service in the scheme. For member with one year of service in the LGPS, her/his pension would be reduced by 1.54% by 2014, at all levels of final pensionable pay. For someone with five years of service in the LGPS – three years at 1/60, one year at 1/64 and a third-year reduction to 1/65, the pension would be cut by 2.79%.

Approach 2

- Increase employee contributions over three years in April 2012, April 2013 and April 2014 to raise £300 million 'savings' – equivalent to 1% of the pensionable pay bill

- Change the accrual rate from 1/60 to 1/67 in April 2014 to realise a further £600 million 'savings'

Table 5 below shows how the savings would be split between increased contribution rates and a worsening of the accrual rate to 1/67 in 2014, across the three years from 2012 to 2014.

	2012/13	2013/14	2014/15
Tariff Increase	£95m	£220m	£300m
Accrual Rate	£0	£0m	£600m
Total	£120m	£240m	£900m

Contribution increases

Table 6 below shows the proposed new bandings and increase in contribution rates before tax relief in 2012/13, 2013/14 and 2014/15.

Tariff Band (% of membership)	Current	2012/13	2013/14	2014/15
£0 - £12,900 (8.67%)	5.5%	5.5% (0.0%)	5.5% (0.0%)	5.5% (0.0%)
£12,901- £15,100 (10.61%)	5.8%	5.8% (0.0%)	5.8% (0.0%)	5.8% (0.0%)
£15,101- £19,400 (25.20%)	5.9%	5.9% (0.0%)	6.0% (0.1%)	6.0% (0.1%)
£19,401- £21,000 (7.47%)	6.5%	6.5% (0.0%)	6.8% (0.3%)	6.8% (0.3%)
£21,001- £32,400 (31.34%)	6.5%	6.8% (0.3%)	7.2% (0.7%)	7.5% (1.0%)
£32,401- £43,300 (11.16%)	6.8%	7.1% (0.3%)	7.8% (1.0%)	8.2% (1.4%)
£43,301- £60,000 (4.18%)	7.2%	7.8% (0.6%)	8.4% (1.2%)	8.8% (1.6%)
£60,001- £81,100 (0.91%)	7.2%	8.7% (1.5%)	8.8% (1.6%)	9.5% (2.3%)
£81,101- £100,000 (0.25%)	7.5%	9.0% (1.5%)	9.8% (2.3%)	10.5% (3.0%)
£100,001- £150,000 (0.16%)	7.5%	9.3% (1.8%)	10.8% (3.3%)	11.5% (4.0%)
£150,001 + (0.05%)	7.5%	9.5% (2.0%)	11.8% (4.3%)	12.5% (5.0%)

Table 7 below shows the contribution rates for four levels of full-time pay, the % deduction made from **current** pay after tax relief for LGPS contributions and the % deductions that would apply after tax relief by 2014/15. The table highlights how our current regressive system of tax relief disproportionately benefits the higher paid.

Full-time pay	2011/12	2014/2015		
	Contribution rate net of tax relief ¹	Contribution rate net of tax relief	Increase in contribution rate net of tax relief	Additional cost (£ per month)
£10,000	4.40%	4.40%	0.00%	0
£25,000	5.20%	6.00%	0.80%	17
£40,000	5.44%	6.56%	1.12%	37
£80,000	4.32%	5.70%	1.38%	92

1: Contribution rate net of tax relief is the percentage of your total pay by which your take-home pay is lower because of the proposed new tariff.

Accrual rate reductions

The effect of changes in the accrual rate in 2013-14 and 2014-15 on pensions would depend on the length of service in the scheme. For a member with one year of service in the LGPS, her/his pension would be reduced by 10.54% by 2014, at all levels of final

pensionable pay. For someone with five years of service in the LGPS – four years at 1/60 and a third-year reduction to 1/67, the pension would be cut by 2.09%.

LGG PROPOSALS

The key elements of the LGG proposals, attached as Appendices B and C of the CLG consultation document, are:

- No increase in contribution rates for those with full time equivalent earnings below £15,000
- Three different options for increases in contribution rates from April 2014, raising £600 million, £605 million or £605 million respectively
- Choice of a reduced accrual rate or increased contributions from April 2014 for those earning over £15,000
- Choice of a reduced contribution rate (from the current rate) and an equivalent reduced accrual rate for those with full time equivalent earnings below £15,000 from April 2014
- Raising the normal pension age from 65 to 66 for benefits accrued from April 2014. Benefits accrued prior to April 2014 would retain a normal pension age of 65

‘Choice’

The LGG approach provides for some ‘choice’ in the approach to be adopted to making the £900 million savings, but each of the proposals to reduce the accrual rate or increase contributions would raise over £600 million which, combined with the proposed increase in retirement age, would raise the £900 million required by ministers.

Contribution rates

Table 8 below highlights the three options for changes to contribution rates from 2014.

Table 1.3	Lower Band	Upper Band	Current contributio	a) same increase	b) same uplift	c) steeper increase
Band 1	£0	£12,600	5.5%	0.0%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	2.1%	1.9%	1.5%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.1%	1.5%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.1%	2.0%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.1%	2.5%
Band 5	£31,501	£42,000	6.8%	2.1%	2.2%	2.5%
Band 6	£42,001	£78,700	7.2%	2.1%	2.3%	2.5%
Band 7	£78,700	plus	7.5%	2.1%	2.4%	2.5%
Total raised				£600m	£605m	£605m

In each option those earning below £14,700 would face no increase in contributions (£15,000). In Option a), all those above £14,701 would pay 2.1% more for their pension from April 2014. In Option b), the increase would range between 1.9% and 2.4% for those earning above £14,701 and in Option c), the increase would range from 1.5% to 2.5%. Only Option c) would comply with ministers' proposals for a 1.5% cap on contribution increases in all schemes for those earning below £21,000.

Accrual rate reductions

Table 9 below shows how much would be raised by three potential reductions to the current 1/60 accrual rate – to 1/67, 1/68 or 1/69. The Table assumes that all members would opt for the lower accrual rate, rather than equivalent contribution increases.

Table 1.4	Lower Band	Upper Band	Current contribution rate	Reduce accrual (67ths)	Reduce accrual (68ths)	Reduce accrual (69ths)
Band 1	£0	£12,600	5.5%	0.0%	0.0%	0.0%
Band 2	£12,601	£14,700	5.8%	0.0%	0.0%	0.0%
Band 3	£14,701	£18,900	5.9%	2.1%	2.4%	2.5%
Band 4a	£18,901	£21,000	6.5%	2.1%	2.4%	2.5%
Band 4b	£21,001	£24,000	6.5%	2.1%	2.4%	2.5%
Band 4c	£24,001	£31,500	6.5%	2.1%	2.4%	2.5%
Band 5	£31,501	£42,000	6.8%	2.1%	2.4%	2.5%
Band 6	£42,001	£78,700	7.2%	2.1%	2.4%	2.5%
Band 7	£78,700	plus	7.5%	2.1%	2.4%	2.5%
Total raised				£600m	£675m	£715m

Increased pension age to 66

LGG believe that increasing the normal pension age from 65 to 66 would save **on average** 1% - 1.5% of payroll – equivalent to £300 million per year. This figure would vary by pension fund.

2. POWERPOINT FOR REGIONS AND BRANCHES TO USE

A PowerPoint Presentation on the CLG and LGG proposals, with briefing notes, for regions and branches to use is attached and will also be available at <http://www.unison.org.uk/pensions/lgps.asp>

3. ISLINGTON COUNCIL SUPPORTS OUR CAMPAIGN

Islington Council in London passed the following motion on 6 October, expressing its concern at the proposals for the LGPS. **Please try and get your own council to adopt this motion – or similar. It would also be helpful if your council wrote to Eric Pickles, Secretary of State for Local Government, alongside Danny Alexander, Chief Secretary to the Treasury. We need to bring as much pressure as possible to bear on councils and ministers to get them to change their minds on the proposals.**

“ Support for the Local Government Pension Scheme

Council notes that the LGPS is a sustainable, good quality pension scheme that benefits from being funded and locally managed. It is valuable to employers and employees alike.

Council is concerned by proposals announced by the Chancellor in the last CSR to impose an extra 3.2% contribution tax on scheme members, increasing scheme average contributions from 6.6% to 9.8% and notes that none of the additional revenue will go towards improving the financial security of the scheme and that in addition, research indicates that 40 - 50 per cent of affected members may opt out of the scheme as a result of this policy, thereby undermining the viability of the largest pension scheme in the UK. Current Government proposals are not a genuine attempt to make the schemes more sustainable, they are a cash grab by the Treasury, imposing an additional tax on workers.

Council notes that public service workers have suffered an ongoing pay freeze, widespread redundancies and cuts and closures of many vital services on which our communities rely.

Council further notes that the LGA wrote to the Chancellor on 16 February 2011 to express concerns that mass opt-outs would be both undesirable and damaging to the scheme – Council shares these concerns.

Council is disappointed that the Government has failed to negotiate fully and openly with the Trade Unions and regrets that the Government's intransigence has increased the possibility of industrial action. Council notes that the trade unions and community groups have agreed to organise local and national protests in support of public services, jobs and pensions. Council agrees to support the work of the Trade Unions in raising awareness of this issue and local employees in defending their pension scheme.

Council resolves to ask the Leader to write to the Chief secretary to the Treasury within the next month to express Council's concerns and urge the Government to rethink their proposals."

4. WRITE TO YOUR MP AND LOCAL COUNCIL LEADER TODAY!

It is vital that all Pension Contacts and Champions – as well as branches – write to your MP's, council leaders and councillors about pension proposals using the attached model letters.

Who is my MP?

If you don't know, don't fret! All you need to do is click on <http://www.writetothem.com> and put in your postcode. The name of your MP will appear!

5. MAKE SURE WE GET A 'YES' VOTE!

The negotiations with ministers are at a critical stage, with proposals for the short-term savings announced and the framework for the 'new' schemes from 2015 about to be set in place. Ballot papers will start to be sent to members today. It is vital that we get a huge turnout in the ballot and the biggest possible 'yes' vote to show ministers that they have to come forward with some better ideas for your pension. Talk to everyone in your workplace and make sure they vote and that they vote 'yes'.

6. KEEP UP WITH THE LATEST IN UNISON'S CAMPAIGN TO PROTECT OUR PENSIONS

UNISON is producing lots of materials to tell members about the ballot and to help you campaign around the LGPS. Below is a list of materials that you can order. Make sure that you – and your members – are up-to-date with the full facts and get campaigning!!

Supporting branches to get a strong “Yes” vote in the forthcoming pensions ballot is a priority.

There is a wealth of material available to support you in your workplace and your community.

All the materials listed below that have a stock number can be ordered from the online catalogue at: <http://www.unison.org.uk/resources/onlinecatalogue.asp>

Items in blue have been sent directly to branches, but additional quantities can be ordered online.

For further information on the pensions campaign and for the latest resources visit:

www.unison.org.uk/pensions/protectour.asp

For any queries relating to your order please email: stockorders@unison.co.uk

Existing materials

The following items are in stock now and will be despatched immediately for delivery within 24 hours from orders being placed.

[Vote Yes to protect your pension generic members leaflet \(stock 3063\)](#)

[Vote Yes to protect your pension generic poster \(stock 3064\)](#)

[Vote Yes sticker \(stock 3059\)](#)

[UNISON Fighting for decent pensions pull-up stands \(5 sent direct to each regional contact\)](#)

[Everyone deserves a decent pension pull-up stands \(5 sent direct to each region al contact\)](#)

Vote yes recruitment leaflet (stock 3070)

NHS campaign leaflet (stock number 3054)

LGPS campaign leaflet (stock number 3014)

Pensions leaflet for the general public (stock number 3053)

Protect our pensions recruitment leaflet (stock number 3013)

Protect our pensions campaign poster (stock number 3046)

Pension champion – recruitment leaflet (stock 2991)

Pension contacts – recruitment leaflet (stock 2992)

UNISON sticking up for pensions sticker sheets (stock 3047)

Pensions branch meeting poster (stock 3065)

UNISON fighting for decent pensions placard (stock no 3061)

Everyone deserves a decent pension placard (stock no 2392)

Everyone deserves a decent pension sticker (stock no 3067)

Photo boards – I'm voting yes to protect my pension (stock no 3058)

Other materials

The following materials have been sent to regions and other networks:

Speakers notes for branch meetings
Powerpoint presentation
Core text for branch emails and other communications
Online resource pack including approved copy and artwork

Other materials are already available for download from:

www.unison.org.uk/pensions/protectour.asp

**Please circulate this newsletter to members in your
workplace**