

EMBARGO until 12 noon 31<sup>st</sup> May 2012

## LGPS 2014 - JOINT STATEMENT

### NEW LGPS PROPOSALS RELEASED

The Local Government Association (LGA) and trade unions have today announced the outcome of their negotiations on new LGPS proposals (for England and Wales) to take effect from 1<sup>st</sup> April 2014.

These proposals will now be communicated to scheme members, employers, funds and other scheme interests. Unions will consult their members over these proposals and the LGA will consult employers. Government has confirmed that a favourable outcome of our consultations will enable them to move directly to a statutory consultation later in the Autumn to implement these proposals.

The main provisions of the proposed LGPS 2014 are as follows:

1	A <b>Career Average Revalued Earnings</b> (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme).
2	The accrual rate would be <b>1/49<sup>th</sup></b> (the current scheme is 1/60 <sup>th</sup> ).
3	There would be no normal scheme pension age, instead each member's Normal Pension Age (NPA) would be their <b>State Pension Age</b> (the current scheme has an NPA of 65).
4	Average member contributions to the scheme would be <b>6.5%</b> (same as the current scheme) with the rate determined on <b>actual pay</b> (the current scheme determines part-time contribution rates on full time equivalent pay). While there would be no change to average member contributions, the lowest paid would pay the same or less and the highest paid would pay higher contributions on a more <b>progressive scale after tax relief</b> (see table below).
5	Members who have already or are considering opting out of the scheme could instead elect to pay half contributions for half the pension, while still retaining the full value of other benefits. This is known as the <b>50/50</b> option (the current scheme has no such flexible option).
6	For current scheme members, <b>benefits for service prior to 1<sup>st</sup> April are protected</b> , including remaining 'Rule of 85' protection. Protected past service continues to be based on final salary and current NPA.

Where scheme members are outsourced they will be able to **stay in the scheme** on first and subsequent transfers (currently this is a choice for the new employer).

All other terms remain as in the current scheme.

Full details of the above proposals will soon be published on the LGPS website ([www.lgps.org.uk](http://www.lgps.org.uk)) and arrangements are being made for hard copies to be available. The LGA and unions will publish details of their own consultation arrangements.

Future scheme costs will be monitored and controlled to ensure stability and affordability of the LGPS. Further details on cost management and scheme governance will be released once the ongoing discussions in the next part of the LGPS 2014 project are complete.

### Quotes

#### **Sir Merrick Cockell – LGA Chairman said.....**

“The LGA’s objective in this process has been to ensure that the LGPS continues to be sustainable into the future by developing a set of proposals that are affordable for employers and council taxpayers while being fair to members.

Our aim in reaching agreement on these proposals was to give employers the future cost stability they need. In my view employers can be confident that these proposals coupled with forthcoming cost control mechanisms meet that aim.

Along with the LGPS unions we shared the goal of encouraging existing members to stay within the scheme and new employees to join, these proposals are an example of us working together to achieve such shared goals.”

#### **Heather Wakefield – UNISON National Secretary Local Government, Police and Justice Section said....**

“The negotiations over LGPS 2014 have been long and tough and have taken place in a demanding political and economic climate. The process has shown that UNISON, the LGA and the other local government unions can work productively together in the best interests of LGPS members and potential members.

LGPS 2014 is a sustainable, defined benefit scheme, which is designed to protect existing members and be affordable for the low paid and part-time workers who are its majority. Under exacting circumstances, we have achieved the best possible outcome”

#### **Brian Strutton – GMB National Secretary for Public Services said....**



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“GMB members in the local government pension scheme will be relieved that at long last the uncertainty is over and they are able to see the future proposals for their pension scheme. Jointly negotiated by employers and unions and ratified by government, I believe the proposals strike a fair balance between all the conflicting interests we have had to take into account.

Most importantly I believe the proposals lay the foundation for continued sustainability of the LGPS, which government’s original proposals would not have done. In reaching this deal there have had to be compromises that will affect individuals differently, that’s why, after a period of briefing and consultation, GMB will formally ballot members on this joint offer so that they can decide whether or not it is acceptable”.

**Peter Allenson – Unite National Officer for Local Government said....**

“Unite re-entered negotiations to ensure that we achieve the best outcome for LGPS members current and future within the terms of reference of the discussions This has been a real negotiation between the Trade Unions and employers and it is right that our members should now vote on whether to accept or reject the proposals”

## Notes to editors

1. The background to the LGPS 2014 project “(which applies to the LGPS in England and Wales, but not Scotland or Northern Ireland) can be found on the LGPS website at <http://www.lgps.org.uk/lge/core/page.do?pageId=15431012>.
2. Proposed LGPS 2014 Contribution table.

Actual Pensionable Pay	Gross Contribution	Contribution After Tax Relief
Up to £13,500	5.5%	4.40%
£13,501 – £21,000	5.8%	4.64%
£21,001 - £34,000	6.5%	5.20%
£34,001 – £43,000	6.8%	5.44%
£43,001 - £60,000	8.5%	5.10%
£60,001 - £85,000	9.9%	5.94%
£85,001 - £100,000	10.5%	6.30%
£100,001 - £150,000	11.4%	6.84%
More than £150,000	12.5%	6.88%



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## 3. LGPS key facts

- The LGPS is a funded scheme like private service defined benefit schemes and unlike the other public sector pension schemes.
- The LGPS is collectively the biggest pension fund in the UK and fourth largest in the world making it a major shareholder in business and the UK economy. Together the 89 LGPS funds in England and Wales hold some £145 billion in investments and assets, enough to pay benefits for over 20 years. More than four million people are members of the LGPS in England and Wales with some 1.6 million contributing members being affected by these changes
- The LGPS has a positive cash flow, with income from investments and contributions exceeding expenditure on benefits by almost £4 billion in 2010-11
- Members contribute an average of 6.5% of pay to the scheme with higher earners paying proportionately more currently up to 7.5%.
- The average employer contribution rate for current service is 13.9%. In the private sector the comparable employer contribution average is 17%.
- More than 5,000 employers participate in the LGPS, many of which are private sector companies and charities providing local public services. One in four members of the LGPS is employed outside of the public sector.
- 75% of local government employees participate in the LGPS, significantly higher than the average 34% participation rate in private sector schemes but well below the public sector average of 85%. In some local authorities half of the workforce already opts out of the LGPS.
- The average pension in payment from the LGPS is around £4,200 a year, for women the average is £2,800. The average UK occupational pension in payment is £8,740 a year.

31<sup>st</sup> March 2012

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