Aspect achieving change together

The Local Government Pension Scheme: Benefits, Membership and Contributions Regulations 2007

Response to the Department for Communities and Local Government's consultation paper, February 2007

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I. General comments

1. Aspect has carefully considered these draft regulations which propose a new-look benefit structure for the Local Government Pension Scheme (LGPS) in England and Wales, as circulated for the purposes of consultation by the Department for Communities and Local Government. Our objective is to seek to improve LGPS benefits for existing and potential members, on a sustainable basis, and our Association therefore genuinely welcomes the provision of a new final salary scheme with an improved accrual rate of 1/60 payable to members at the point of retirement from active membership.

2. Aspect nonetheless contends that:

   - LGPS members have still been treated disadvantageously when compared to members of other public sector schemes covered by the national Public Service Forum agreement and this problem should be rectified as far as possible within the new scheme
   - there should be no changes to benefits on offer in the new look scheme without overall agreement between all of the key parties involved with the LGPS.

3. We recall and subscribe to the national Public Service Forum's agreed principles, which state that:

   - existing scheme members should suffer no detriment in terms of normal retirement age and benefits
   - any new scheme for new staff should provide defined benefits, with pensions continuing to increase in line with inflation
   - as the normal retirement age becomes 65, half the generated savings should be ploughed back into scheme improvements.

4. Our comments are based on close knowledge and understanding of our Association's traditional membership who, in the main, have undertaken professional roles within the education departments of local authorities. As a result of local authorities implementing a variety of recent central government policies, our members now find themselves increasingly affected by major reorganisations, the most significant being the establishment of integrated children's services directorates. They frequently encounter issues of job insecurity and may have to contemplate early retirement within a redundancy context. Traditional Aspect members are usually long-term contributors ending their careers within the LGPS, at the higher end of the age profile, having previously pursued a career path within teaching and senior school management prior to becoming centrally-employed local authority staff and duly transferring their pensions into the LGPS.

5. With this context in mind, we continue to seek full protection for existing staff, given the recent abolition of the 85-Year Rule and would draw attention to the different transitional protection arrangements in Scotland, which provide full protection to 2020. Similarly, we would also press for the other options preferred by the local government trade unions that would enhance the position of existing scheme members, in relation to transfer arrangements of scheme members not covered by protection into the new scheme and to the age reduction factors.

Employer and employee contributions

6. We remain concerned over the projected introduction of variable employee contribution levels. We do accept that employers' and members' contributions are invested in financial products subject to market trends and pressures. However, we see no justification for the employer benchmark contribution to be set lower than current average levels, until such time as the consequences of past under-funding have been removed. There are presently 89 separate funds and different employer contribution rates within the LGPS, and a low benchmark contribution figure for employers could therefore penalise those members whose funds are more robustly funded and better managed, since it would not correspondingly lower the cost of providing good quality benefits on a scheme-wide basis. The proposal to introduce a cost-sharing mechanism by 31 March 2009 without the guarantee of parity with other employer contributions in other public service schemes (such as the National Health Service Pension Scheme where it stands at 14.2%) is a worrying development.

7. Aspect can see no clear justification at this time for the introduction of employer cost-capping or contribution 'risk-sharing' within the LGPS. This generates new areas of uncertainty for our membership and would not be acceptable as currently proposed, given the basis of the widely differing funding assumptions and the demographic make-up of the local authority workforces covered by different funds. We believe it would be inappropriate to introduce this within a regionally administered, but UK-wide, pension scheme.

8. Aspect members do not tend to support the principle of variable employee contribution rates to a new-look scheme. Such a proposal means that higher-paid LGPS members would be further subsidising the lower paid. A fixed contribution level based on a percentage of salary already means that higher-paid scheme members pay more, and this point should be carefully considered in terms of anticipating eventual workforce sentiment following the actual introduction of the new scheme.

Ill health retirement

9. Aspect remains opposed to reductions in ill health retirement benefits and believes that the acceptable way to reduce ill health retirement costs is through the better management of ill health situations in the workplace. For that reason, we do not support the multi-tiered ill health provision options contained in the consultation document. We prefer ill health retirement benefits which are designed to meet the needs of those with genuine ill health needs, rather than primarily fashioned to reduce LGPS costs.

10. In the light of tightening local procedures and the current difficulty with establishing permanent ill health, those who qualify now are likely to risk seriously impaired future job prospects, even if they could undertake some other kind of employment. These Department for Communities and Local Government proposals would have a negative impact on those over 51 – the group most likely to need protection, and with the numbers of ill health retirements already dropping rapidly, there is little justification for affecting the position of the most vulnerable in this way.

Retirement on redundancy or efficiency grounds

11. Aspect retains concerns in respect of the proposal to allow immediate payment of pension (post-2010 for existing members) only if the member is aged 55, as well as the employer's discretion to reduce that pension by an early retirement factor for early payment. These proposals point to serious detriment for our Association's traditional membership who will often find themselves facing issues of job insecurity, due in the main to central government education policy changes, and could cause them severe distress. As they have not been previously discussed with the trade unions and represent such a serious detriment for our members, we find them unacceptable and would ask for their withdrawal.

12. Aspect believes that the above comments deserve full and fair consideration by the Department for Communities and Local Government, in determining final responses to this important consultation exercise. The structure of the new-look LGPS remains a key issue for many of our members, and it is important that potentially higher paid LGPS members continue to find it an attractive proposition to work in local government from 2008 onwards. It is therefore important to achieve a broad consensus in identifying and setting the principal features of the new scheme for the period of significant change within local government to be expected from 2008 onwards.

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