

Please Read – Contains Important Pension Scheme Information

To All Members of the Local Government Pension Scheme (LGPS)

You may have heard recently about public sector workers having to pay more for their pensions.

Unfortunately, with a subject as complex as pensions, media coverage can often be misleading so I would like to take this opportunity to set out the position as I understand it to apply to members of the LGPS in the Falkirk Council Pension Fund.

The key message to deliver is that, despite what you may have seen or heard in the media, ***an increase in employee contribution rates for the LGPS in Scotland is unlikely in the immediate future***. The rest of this note explains the reasoning behind this conclusion.

The trigger for the debate about contribution increases was last year's announcement by the UK Government that it wished to make pensions savings equivalent to an extra employee contribution of 3.2% of pay, with the increases being phased in over a 3 year period from 2012/13. Separately, it later emerged that the UK Government wished to save £900m p.a. from the LGPS.

What was not made clear at the time of the announcements was that:

- a) the 3.2% increase related only to unfunded pension schemes such as those for Police, Fire, NHS staff, Civil Servants and Teachers, and
- b) the LGPS saving of £900m related only to the version of the LGPS that operates in England and Wales

So where does this leave the Schemes in Scotland and, in particular, LGPS members?

NHS, Teachers', Police and Firefighters' schemes in Scotland

For the above schemes, the Scottish Government has reluctantly agreed to apply the contribution increases since failure to do so would adversely affect its level of funding from Westminster. The Scottish Government is currently consulting stakeholders regarding the implementation of these higher contribution rates.

LGPS in Scotland

For the LGPS, the Scottish Government has stated that it wishes to leave any decision about scheme contribution rates to Scottish local authorities and that ***it is not going to impose unilaterally any contribution increases***. COSLA, the body representing local government employers in Scotland, has already indicated that it does not support any increases in employee contributions.

On this basis it would seem unlikely that there will be any increase in scheme contribution rates in the LGPS in the immediate future.

Future Reform

Scheme members will be aware that an independent review of Public Sector Pension arrangements was concluded earlier this year by Lord Hutton. The review made a number of key proposals that include:

- Replacing final salary arrangements with career average schemes by 2015
- Increasing scheme normal pension age in line with the State Pension Age

The “Hutton” recommendations were accepted in full by the UK Government. Once again, however, the Scottish Government has discretion over the timing and extent to which these reforms will be applied to the LGPS in Scotland.

The current position is that the Scottish Government will consider the proposals in accordance with a timetable which suits Scotland best and will engage with Unions and employers throughout that process.

The Pensions Section of Falkirk Council will update you about these important events as the timetable unfolds.

I hope you found this update helpful.

Chief Finance Officer
Falkirk Council

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