

SUMMARY OF RESPONSES TO PROPOSALS FOR NEW LGPS IN SCOTLAND

Total number of responses received: 102

No. from Organisations: 64	No. from Individuals: 38
Type of Organisation: Trades Unions x 7 Employers x 20 Administration Authorities x 9 Equality Groups x 1 Admitted Bodies x 12 Scheduled Bodies x 9 Other x 6	

Q 1 ANY OTHER BENEFITS

Q 1(a) Are there other benefits that you would like to see included as part of the new scheme proposals?	No Ans	YES	NO
	10	34	58
Q 1(b) If you have answered 'YES' please give details below <ul style="list-style-type: none"> • Re comments. I believe other schemes such as the PCSPS have say three slightly varying schemes with different levels of benefits for different levels of contributions. Could similar 'menu' of schemes possibly be introduced. • Review of Partner and Child benefits - increase in line with 1/60th proposal ie 1/120 and 1/240 • In the event that there are to be different accrual rates for pre and post April, 2009 membership, then in respect of members whose membership is currently only protected to April, 2008, it would be much less confusing for them (and a welcome administrative easement) if their membership could be protected to April, 2009 to coincide with the introduction of the new accrual rate. Many private sector schemes let members take actuarially reduced benefits from age 50 without requiring employee consent. Such a provision would be fairer than the existing rule which militates against longer serving scheme members. The current anomaly arises because longer serving members have invariably achieved their rule of 85 by the time of seeking early payment. This means there is no opportunity for their benefits to be actuarially reduced. No actuarial reduction means that there is a strain on the Fund and that, in turn, generally means that the application is harder to accept. Consideration should be given to the introduction of a winding down arrangement similar to that in the teachers scheme. • A facility to have actuarially reduced benefits from age 55, without the need for employers consent, but on a cost neutral basis would be an additional benefit that we would like to see included. • Better widow(er) pensions when dependants include children • Retention of the 3 month short term pension in the case of all deaths (3 months pay in respect of active members and 3 months pension in respect of deaths on pension) on the basis that this benefit was designed to provide stability of income to the spouse at a time of extreme upset and change. This benefit is specifically payable to the spouse – a lump sum on the other hand may be paid to a nominated beneficiary. Under the proposals the surviving spouse of a pensioner who had been in receipt of a pension for 10 years or more would receive no lump sum at all. • Under the existing rule longer serving members have invariably achieved the rule of 85 by the time of seeking early payment. There is no opportunity for their benefits to be actuarially reduced, which means that there is a strain on the Fund which makes an application harder to accept. • Consideration should be given to the introduction of a winding down arrangement similar to that in the teachers 			

scheme.

- Continuation of benefits in cases of short life expectancy
- Retention of existing scheme.
Improved commutation rate.
Alignment with Scottish Parliamentary Pension Scheme (SPPS) benefits e.g. 1/50th accrual rate.
No one has openly demonstrated that the existing scheme is neither affordable or sustainable. None of the proposals have any stronger guarantee than the present Act of Parliament protected scheme.
The financial case studies shown bear little resemblance to the daily reality faced the vast majority of the Scottish LGPS potential beneficiaries, female staff whose average pay while working is £13,268 and average pension of £3,800 far, far less.
- I feel that the new scheme should only be in place for new members with the status quo for current members
- Much more flexible arrangements for carers to freeze their pension to allow them to stop working to care for elderly relatives whose health is deteriorating. Few carers can afford to just stop working and their relative may end up going into care because of this. It also affects the carer's health trying to work and care at the same time.
- Assurance that protection for PRE 2009 Members is still there, including the Rule of 85 protection.
Clarity on what is proposed in respect of PRE 2009 Deferred and Pensioner Members. Would they remain PRE 2009 members or transfer to the new Scheme?

Q 2 PRIORITY BENEFITS

Q 2 Please order the following features of the proposals according to the level of importance that you would place on their provision, by inserting the numbers 1 to 10 in the box beside each feature, where '1' is 'most important' and '10' is 'least important'.

From the 102 responses received on average only 86 respondents prioritised the scheme features as follows

Scheme Feature	PRIORITY ORDER NUMBER									
	1	2	3	4	5	6	7	8	9	10
Final salary scheme*	62	10	5	2	1	0	1	1	0	1
Accrual rate	5	24	22	13	5	1	7	6	2	1
Death in Service	1	1	4	3	16	17	19	14	9	2
Ill Health benefits	0	5	5	17	15	21	12	8	2	1
Partner Pensions	0	2	9	3	8	12	18	13	15	6
Flexible Arrangements in run-up to retirement	2	6	6	12	9	6	10	16	18	1
Contribution Rates for Employers*	11	23	10	7	5	2	5	10	9	5
Contribution Rates for Scheme Members	2	10	21	23	12	7	6	1	4	0
Transfer Options between current and new scheme	2	8	4	5	15	15	8	9	15	5
Other	11	3	0	2	3	3	1	0	0	7

* only 83 prioritised on Final Salary Scheme and 87 on Employers contribution rates

Of the 11 who regarded “other” as their priority they gave details as follows

- Long term financial sustainability
- Care Scheme should have been considered
- Access to private health insurance
- Carers arrangements should be a priority
- Small print which treats people in varying ways depending on when they joined/moved/changed service is most certainly not amalgamated, I am explicitly locked out of flexible retirement by the small print. When I 1st joined the rule was flexible up to not earning MORE with pay and pension. I believe that this was still the case when I moved in 1996. I recently learned that the 1995 regulations forbid me to have pension and pay. My second pot is governed by different regulations.

Q 3 TYPE OF SCHEME

Q 3(a) Do you agree with the proposal that the new LGPS should remain a Defined Benefit Final Salary scheme?	No Ans	YES	NO
	7	86	9
Q 3(b) If you have answered ‘NO’, what type of scheme would you prefer and why? <ul style="list-style-type: none"> • Average of highest earning years scheme as the single status agreement is likely to adversely affect salaries of professional staff in their 50s coming up for retirement. • This should be averaged over the previous final 5 years employment. • A CARE scheme is more appropriate for the majority of scheme members where a higher pension could be provided to the majority of members for the same overall cost. It would also lead to better cost control, due to management of the risk of salary rises to "high flyers" • It should be based on an average salary scheme, this stops rapid pay rises towards end of service for some people as a "golden hand shake". Also it is simply a fairer way, you get what you pay in as it were. 			

Q 4 ACCRUAL RATES

Q 4(a) Do you agree with the proposal that the accrual rate should be increased to 1/60 th ?	No Ans	YES	NO
	8	81	13
Q 4(b) If you have answered ‘NO’ what rate of accrual would you prefer and why? <ul style="list-style-type: none"> • The accrual rate should remain the same at 1/80th to keep the system viable and to offset the cost of additional medical insurance • But benefits increased in proportion for partners 1/120 and child 1/240 • I would prefer for things to stay as they were for my sake. 1/80th seems a good deal to me. • In our view, the accrual rate should be considered alongside the type of scheme and overall affordability. Adopting a CARE scheme would allow a higher accrual rate, for the equivalent costs. We have serious concerns over the cost implications of increasing the accrual rate from 1/64th to 1/60th. We also acknowledge that a single accrual rate (rather than separate rates for pension and lump sum) could initially be confusing for members. However, we believe it provides greater flexibility for members and should be welcomed. • Although this would be attractive to staff, we have concerns over the affordability of this proposal. This proposal would need to be considered as part of the overall assessment of future sustainability of the scheme. • Scheme to remain 1/80th for pension and 3/80ths for lump sum. Have concern as to whether improvements to the scheme with an average employee’s contribution of 6.3% is affordable in the long term. • Alignment with SPPS e.g. 1/50th would be preferable and as a public scheme benefiting predominantly low paid 			

female staff more equitable.

- 1/40th or 1/50th if MSPs feel this accrual rate is required for their pensions then it should also be the accrual rate for the LGPS.
- 1/60th sounds better than 1/80th & 3/80ths but the poor commutation rate of 12:1 negates this especially for members with many years of contributions who are in the autumn of their working life and have the most to lose nearing retirement, especially as this may be negated even more dependant upon the transfer option between the old and new scheme that may be adopted. Would prefer members who wish to retire by making use of the protection to have an option to retain the status quo of 1/80th & 3/80ths till 2020, therefore eliminating the need for commutation of their expected pension.
- We should be offered the same accrual as civil servants
- More transparency of affordability would be welcome.

Q 4(C) If your preferred rate of accrual is greater than 1/60th, what changes should be implemented to ensure the scheme remains affordable?

No valid comments received

Q 5 DEATH IN SERVICE ARRANGEMENTS

Q 5(a) Do you agree that the death in service benefit should be increased to 3 x final pay?	No Ans	YES	NO
	9	82	11
Q 5(b) If you have answered 'NO', what level of death in service benefit would you prefer and why?			
<ul style="list-style-type: none"> • 2 or 2.25 times final pay. Increase dependants pensions in proportion as Q4 • Would prefer the savings to be used for half-rate spouse's etc pension, leaving the lump sum death in service lump sum at 2 x final pay. • 2 x with the savings used to enhance other benefits • We agree with the increase in death in service lump sum. This benefit is relatively cheap to provide while being value highly by members. It would no doubt prove a valuable feature in attracting and retaining members in the new scheme. Arguably, this benefit could be increased to 4 x pay within the overall constraints of the scheme. • Agree with 3 x final salary death benefit but with conditions. Single members with no spouses / dependants have previously complained about paying the same contribution as married members but for inferior benefits package. This perceived inequality should be addressed. • Remain as 2 times pay, especially where a spouse's pension is payable. This would especially be the case if the new enhancement awarded in cases of ill health were also awarded to spouse's pensions 			

Q 6 CHANGES TO SPOUSES' PENSIONS

Q 6(a) Do you agree with the proposed changes to spouses' pensions?	No Ans	YES	NO
	11	59	42
Q 6(b) If you have answered 'NO', what changes to the spouses' benefit would you prefer and why?			
<ul style="list-style-type: none"> • Concerned regarding the removal of the temporary pension provision. This may leave individuals without an income for a period of time whilst final pension / death in service grant arrangements are organised. This would be an unsatisfactory change at a time where the spouse / partner of a member of staff are potentially very vulnerable. • Increase to 1/120 not remain at 1/160. • Agree to removal of short-term pension. Spouse's pension should be increased to 1/120 of actual pension (after 			

commutation).

- Given that the proposals would provide significantly greater lump sums on the death of a member, we agree with the removal of the short term spouse's pension. However, we would argue that the lump sum paid on death of deferred members should be equal to that paid in respect of pensioner members. Spouses' pension on death in service should be consistent with a spouse's benefit after ill health retirement (based on Tier 1 benefits). This would be an improvement on the current benefit and should therefore be recognised as an important enhancement to the benefits package.
- Why is there such a difference between the pension guarantee in the case of the death of a deferred member and the death of a pensioner member? Why not have a 5 or 10 year pension guarantee in both cases?
- Do not agree that the pension guarantee for a deferred member should be less than that of a pensioner member, although recognise that existing deferred members have no short-term pension.
- Concern about the affordability of enhancement in cases of death in service. Inequality in respect of benefits being awarded where spouses/civil partners and partners pensions are awarded.
- In the Scottish Parliamentary Scheme partners of deceased members receive a spouses pension of five eighths might this not be considered as an equitable basis for other public servants?
- Dependants' benefits should be payable ONLY in respect of widows, widowers, civil partners. Not co-habitee's.
- Do not agree that the pension guarantee for a deferred member should be less than that of a pensioner member.
- Further consideration should be made to the retention of the short term spouses' pension when a pensioner dies after receiving pension for more than 10 years.

Q 7 ILL HEALTH BENEFITS – NO. OF TIERS

Q 7(a) Would you prefer a two or three tier ill health arrangement?	No Ans	Other	2 Tier	3 Tier
	13	19	54	16
Q 7(b) If you have chosen 2 or 3 tier, please explain why you have made this choice				
<ul style="list-style-type: none"> • 3 Tier - Because there are too many individual personal circumstances that one tier does not take into account • 2 Tier - 2 Tier allows some flexibility but it would need to be clear how it is administered. • 2 Tier - Seems to be a fair way to distinguish between categories of ill people who may never work and who may not work in the foreseeable future. Enhancement of service to age 65 is very generous. • 2 Tier - Two tier approach would better suit the needs of employers and employees and better reflect actual ill-health situations. Three tier proposals would be unacceptable and payment of an ill-health grant by individual employers would place too significant a burden on smaller admitted bodies. • 2 Tier - Targets ill health benefits better. "Permanency" should be included up to age 65. Third tier is too generous to employees who could take up further employment within a relatively short period of time. Even Health Insurance has a permanency clause attached. • Other - Our concerns to the consultation proposals are (1) the level of enhancement being proposed is expensive for the scheme, (2) there should be a separate category for terminally ill persons (3) there is no ill health entitlement for the person who is permanently unfit for their actual post but fit to undertake other gainful employment either immediately or with 2 or 3 years. • 2 Tier - A two tier scheme with the right to review at level two will recognise that there are levels of incapacity yet provide some safeguards. The proposal for tier 3 funded by the employer is not acceptable both in terms of cost and the impact on employment. A termination of employment on the grounds of incapacity breaks the working relationship yet the proposal for a grant will retain a link but with no way for the employer to monitor or control the expenditure. • 2 Tier - We believe that the proposed two tiers would provide better targeting of ill health enhancement to the advantage of the more serious ill health cases. However we have concerns that the definition of Tier 2 will lead to increased numbers of ill health retirements, further threatening the sustainability of the new scheme. We question whether a pension (paid for life) should be paid to a member when there is prospect of him/her returning to work. Therefore we believe there should be a review process built into Tier 2 to stop or amend benefits if the member recovers. Medical advisers could advise on the need for, and frequency of, review at the date of leaving and subsequent reviews, depending on the seriousness of the condition. Employers participating in the Lothian Pension Fund are strongly against a third tier. Employers are able to use other methods to deal 				

with such cases and these methods provide the flexibility they require. This third tier would add to costs and would be complex. It could also impose budgeting difficulties for smaller admitted bodies

- Other - A two tier scheme will recognise there are levels of incapacity while providing some safeguards however what will constitute "gainful employment"? This requires a clear definition; a three tier scheme would be costly. College systems may be unable to cope with the complexities of a 3 tier arrangement.
- 2 Tier - Our preference would be to have a two tier system as opposed to a three tier system. We appreciate that a third tier would be extremely beneficial as employees who are currently in this category of "retirement" are currently uncatered for, however, the feasibility of this option being affordable depends on the payment ceasing on the employee obtaining gainful employment - the motivation for gaining employment might therefore be an issue. As the "unknowns" around this option are incalculable in terms of cost and we believe the "scheme" would be difficult to administer, we would be reluctant to support a third tier of ill health retirement.
- Would a medical be required to join the Scheme? If not, then under current proposals, someone with a progressive illness could join the scheme and could potentially have full enhancement to age 65.
- More detail is required on what is meant by 3rd tier? SEPA for example already has a Permanent Health Insurance provision for its staff. Although this is currently under review, this does provide staff with income until they reach retirement should they been unable to work. Should the member of staff return to work then PHI payments stop. Perhaps more employers should incorporate this within their staff's terms and conditions rather than burden the pension scheme with this.
- There is broad agreement within SLOGPAG that there should be a 1st tier benefit similar to the current provisions that cover staff who have no reasonable prospect of undertaking gainful employment before retirement age. This reflects a more targeted approach to ill health retirement and statutory provisions such as the Disability Discrimination Act (DDA). It should however be recognised that this is less favourable than the current definition that covers staff who are unfit to perform the duties of their current employment or comparable. The improved enhancement of added years should ensure that staff who are forced to retire at an early age are better provided for.

There is also support for a 2nd tier that would cover those unlikely to undertake gainful employment within a reasonable period, say 3+ years, although at a reduced enhancement. We are concerned that some staff who would have qualified for the old 1st tier could be downgraded to this level under the new definition. These staff should therefore be protected under transitional arrangements.

- GMB supports the call to reform ill health provision in the LGPS but we are deeply concerned that some members may be worse off as a result of the reforms proposed. The key issue that faces GMB members in the current scheme is access to ill health provision, there are less concerns about its level of benefit. These proposals do not seem to adequately address the issue of people being denied ill health pensions because in many areas (and there is significant disparity in the operation of this benefit) the permanency hurdle is only deemed as being met in the most serious of cases. It is this issue that GMB is particularly keen to see addressed in the new scheme.

The two tier proposal does not seem to offer any likelihood of extended coverage of ill health benefits as the first hurdle of permanency remains. Introducing two tiers of benefit subsequently on the basis of likelihood for re-employment in the future may prove to be something of an irrelevance if members still find it impossible to get over the first hurdle of entitlement.

Having done so however, GMB does not believe any member who is permanently incapable of doing their job should receive less in the new scheme than they would have had the current scheme continued. A proportion of current members may find themselves in this situation if they fall into the second tier of provision (the 25% prospective service enhancement). This may require an underpin to be written into the scheme rules so that anyone who is a member of the 1998 scheme would have the greater of two calculations, on the basis of 2009 scheme rules and 1998 scheme rules, they would then receive the greater amount. As this is a specific group of members who are potentially affected and their numbers will fall over time, the cost should not be prohibitive.

- Unite the Union welcomes the debate on ill health provisions as it raises for our members a range of contentious issues. It is clear to us that many of our members and in particular some ex manual, craft grades who have unfortunately fallen into ill health due to the nature of their employment have suffered due to the rigidity on permanency and in some cases lack of consistency in the application of the scheme. These are issues that we believe must be addressed. We also recognise that there is an issue over workers who may have contributed to the current scheme for a number of years and who may potentially be disadvantaged by the new scheme under the 2nd tier rules and proposals and would have a legitimate expectation not to lose out as a consequence. We would support a fair mechanism being included in the regulations to deal with this issue which would require further discussion and agreement.

We also believe that a 3rd tier proposal would be a positive step as there are many categories within our membership such as LGV drivers, bus drivers, mechanics etc both in local authority and admitted bodies status who face very stringent medical criteria to hold a vocational licence who would fail to fall into the proposals tier

one or two as the medical evidence is enough to withdraw the licence and in most cases their livelihood but not enough to qualify for the ill health pension.

It is clear that these groups will feel a dramatic impact from the change from the current position of permanent incapacity to do their existing job and in our experience they rarely find equivalent jobs.

A third tier for them and may other categories or workers in similar ill health situations would be a positive and fair way forward. We recognise that the employers would have to fund this additional tier but the savings from the rule of 85 and commutation should mitigate any additional costs. At present, the lack of informed data could not be quantified to state there was an affordability issue.

Q 7(c) If neither of these options are preferable, please outline what an alternative arrangement might look like.

- There should be a facility to retire an employee and grant ill health benefits where an employee is certified as being terminally ill. In this situation, enhancement of 100% of prospective service to age 65 would be appropriate.

In relation to the proposed upper tier, we are unsure about the granting of 100% enhancement – this may be age discriminatory as younger persons would get substantially more service than older members. An alternative may be for there to be enhancement of 50% of prospective service subject to a maximum of 10 years.

- In relation to the proposed lower tier, the enhancement would appear to be expensive whilst by contrast the qualification criterion seems rather narrow. A simpler alternative for the lower tier might be to sanction ill health benefits with no enhancement if the employee is permanently unfit in his or her post or available comparable post. This approach has the merit of:

1. Removing the reference to “reasonable period” and with it the likelihood of increased disputes/appeals on that point;

2. Placing the ill health provisions on a par with the Teachers Scheme in Scotland

3. Providing a minimum benefit for all those who are permanently unfit for their local government post irrespective of whether they can or cannot immediately take up other employment.

As regards providing payments for those not meeting the above criteria, it should be borne in mind that local authority conditions of service already make provision for sick pay of up to 1 year.

- Would prefer to retain the existing ill health scheme as it is completely clear and pays out benefits when an employee definitely has to leave employment completely.

The proposed changes provide confusion e.g.

Is it clear that ‘Gainful employment’ will also cover those who are forced/would be able to get a much lower paid job due to ill health, and that it is whether they ‘have a reasonable prospect’ of gaining such employment i.e. regardless of whether they do or not.

Does ‘reasonable prospect’ take into account the local job market as well as their own personal conditions?

Reasonable is still unclear.

For either tier would there be any monitoring arrangements i.e. to prevent members from getting an ill health pension (either full or partial under either tier) when they have in fact fully or sufficiently recovered to take on some job.

Q 8 ILL HEALTH - CRITERIA

Q 8(a) Would any of the 3 tiers require a criteria to be inserted to reflect permanence until age 65?	Tier 1			Tier 2			Tier 3		
	Y 47	N 9	na 46	Y 37	N 15	na 50	Y 18	N 14	Na 70
Q 8(b) Please explain why you have come to this conclusion.									
No point in setting our comments, given that permanence is a requirement for payment of pension under the Finance Act 2004 (A.C of SGLD agreed this)									

Q 9 ILL HEALTH - DEFINITIONS

Q 9(a) Do you agree with the proposed definitions of 'reasonable prospect', 'gainful employment' and 'reasonable period'?	No Ans 19	YES 45	NO 38
Q 9(b) If you have answered 'NO', can you please comment on each definition?			
<ul style="list-style-type: none"> Who decides what the subjective definitions are and how to apply them, the level of remuneration from gainful employment may not be close to the previous salary therefore this should also be taken into account. If am too unwell to carry out my job, I should be able to retire on ill health grounds. These are too fuzzy definitions and open to abuse. 3-5 years for reasonable period is far too short especially if someone is young. The criteria to enable medical professional to make an accurate assessment must be clear as must the definition of "gainful employment". The definitions should be consistent with those used in other public sector pension schemes. For example we employ staff who are members of the local government scheme, and staff who are members of the Scottish Teachers Superannuation Scheme. The same tests for ill-health retirement should apply. We feel 30 hours is high and is almost full time employment - worth reviewing? Would prefer comparable employment rather than "gainful" employment to be the criteria for meeting ill-health as is the case currently. Reasonably satisfied with the definitions for "reasonable prospect" and "reasonable period". GAINFUL EMPLOYMENT: we would like to see a link to the earnings level prior to retirement. Otherwise higher paid members, who were considered capable of any gainful employment regardless of the level of earnings, could be denied ill health benefits. Reasonable prospect is not clear enough - to what extent is ill health retiree supposed to go out of their way to get gainful employment, ie travelling, great reduction in pay and so on. Gainful employment could be amended to paid employment with a further refinement to specify this as earning a wage capable of sustaining an acceptable standard of living. Definitions of 'reasonable' and 'gainful' must be robust. It would be helpful if greater clarity is provided to the current working definitions of "reasonable period" and "reasonable prospect". Concern over gainful employment – is it reasonable to state "any type of paid employment". Think additional criteria required in this case. Definition of 'gainful employment' should include comparability of income as a considered factor. The 30 hour limit is also considered too high and does not cater for members who have only ever worked part-time (should be like for like). Also does the 30 hours relate to one job or could it be a combination of paid work ? It is suggested that gainful employment should be amended to paid employment and the definition of paid employment should be further refined to specify as earning a wage capable of sustaining an acceptable standard of living. If permanency is retained those definitions are redundant. We would also seek assurance that the medical profession have also been consulted on the proposed criteria and definitions. Will there be an appeal procedure if it is evident at the end of the 3 - 5 year period that the original decision by 			

the occupational health practitioner was too optimistic and that the employee should have been awarded ill health retirement as per tier 1?

- Definitions of 'reasonable' and 'gainful' must be robust. It would be helpful if greater clarity was provided to the current working definitions of "reasonable period" and "reasonable prospect". It is important to provide definitions which ensure consistency of application of the ill health arrangements.
- Our view is that the definition of gainful employment is set at too high a threshold. It could act as a disincentive for individuals to take up work. Also, the threshold does not take account of the hours worked by an individual (e.g. they may have only ever worked part-time) or their earnings level prior to retirement. It is also unclear if 30 hours is one paid employment or could it be a combination of work which totals 30 hours?
- Time limit needs to be a max of 3 years as too difficult to predict beyond that time frame to 5 years.
- UNISON Scotland would also want more clarification on the proposed definitions mentioned within the consultation paper, especially since there may be a conflict between some of the terms used in the LGPS with the definitions used by HMRC, for instance in relation to 'permanently incapable'. 'Gainful employment' in particular needs to be tightly defined to ensure that it only covers posts that are comparable to the current employment.

It is a matter of fact that the number of staff retiring on the grounds of ill health has reduced significantly in recent years. We are not convinced that this is entirely due to improved health. We also believe that the CoSLA actuarial costs of ill health are overstated.

Whilst we broadly support the proposed two tiers this leaves a third group who may be fit to return to gainful employment in under 3 years but are none the less still being dismissed on the grounds of capability and find it difficult to find actual employment when they recover. These staff leave with nothing. We therefore support the proposed 3rd tier in the consultation paper. We believe the cost of such a scheme is not large and administrative costs could be minimised.

Q 10 CERTIFICATE OF PROTECTION

Q 10(a) Do you agree that implementation of certificate of protection provision should cover persons who step down to lower paid posts as a result of ill-health?	No Ans	YES	NO
	16	84	2
Q 10(b) If you have answered 'NO', can you please explain why?			
<ul style="list-style-type: none"> • Yes: Protection provision should only be for agreed set periods depending on illness and if expected to return to previous post grade • Yes and No This seems fair where the employee has to step down to a lower paid job due to ill health. This would greatly impact on the process of redeployment as now the extra pension costs would need to be considered. Decisions about redeployment and verification of ill health causing the need to take on a lower paid job would need careful examination. • This decision should be deferred until after an Equalities Impact Assessment is carried out. • In addition UNISON Scotland believes there is merit in strengthening the pension protection rules to cover staffs that are redeployed to a lower paid post. At present these provisions are interpreted as only covering organisational change. We believe they should cover all redeployment situations, including ill health, because staff are entitled to benefit from contributions they have made to the scheme at higher salary levels. 			

Q 11 PARTNER PENSIONS

Q 11(a) Do you agree to the proposal to provide partner pensions to spouses, civil partners and cohabiting partners at a rate of 1/160 th ?	No Ans	YES	NO
	7	57	38
Q 11(b) If you have answered 'NO', what rate(s) would you prefer and why?			
<ul style="list-style-type: none"> • Should be based on 1/120th - to continue the concept of half pension for spouses and partners • 1/120 with saving in 2 x death in service being used to off-set this. • Do not think it should be payable to co-habiting partners unless this was on a tiered basis (see Q12) No. 27 • Despite our concern over increased costs, we believe that partner pensions should be 50% of member's pension. 			

To retain the current accrual rate of 1/160th would add to the complexity of the scheme and be seen as a deterioration of the current benefits package by members.

- We would prefer to retain the principle of ½ rate spouses’ pensions and have partners’ pensions set at 1/120th instead of 1/160th for the sake of perceived fairness and comparability with current “half-benefit” arrangements.
- Dependants’ benefits should be payable ONLY in respect of widows, widowers, civil partners. Not co-habitee’s.
- No - too difficult to prove if someone is cohabiting. There needs to be some formal recognition of a partner, leave this provision for a future review once the government has decided on its position.
- Unite the Union fully supports the extension of provision of partner pensions. We do not agree that the provision is of 1/60th as it does not take account of the previous service enhancement of the deceased partner prevalent in the old schemes. We also note that the proposal includes an option to buy back pension provision to 6th April, 1988 which falls squarely on the member. This should be reconsidered as employers’ discretion to contribute should be made available in certain circumstances.

Q 12 CRITERIA FOR COHABITING PARTNERS

Q 12(a) Do you agree with the proposed criteria for defining partners who cohabit?	No Ans 13	YES 68	NO 21
<p>Q 12(b) If you have answered ‘NO’, what criteria would you prefer and why?</p> <ul style="list-style-type: none"> • No payments should be made to cohabite • 6 or 12 months, not 24 • The financial dependency criteria could cause major problems especially as it would be very difficult to define financial dependency. Strict definitions would be required. • There is no minimum period of marriage / civil partnership required for dependants pensions to be payable so it could be argued that the same should apply to partner's pensions and that a simplified certificate of cohabitation should suffice. • I do not see how the scheme administrators or employers will be able to confirm that partners have co-habited for a minimum of 2 years. Further clarification on how and who will be responsible for gathering the evidence of co-habitation is required. • There is no justification for the two year qualifying period and it has not been applied to spousal or civil partner pensions. More information is required on the criteria for financial dependency / interdependency and again this has not been applied to spousal or civil partner pensions. • We recognise that creating robust and clear criteria for defining cohabiting partners is a difficult area. We feel that the criteria proposed are reasonable. Note that we would wish to see burden of proof required only on death of the member (or on requests for Family Law valuations following the breakdown of a relationship). • Qualifying period to be minimum of 5 years • In principle we agree with the proposed criteria for defining partners who cohabit but we do have concerns about the burden of proof, particularly where there is a dispute regarding the breakdown of such a relationship prior to the death of the member. The phrase in the consultation document “living together as if they were husband and wife or as if they were civil partners” also suggests that the relationship must be consummated. How would we differentiate between partners who cohabit and individuals who live together in a platonic relationship for purely economic reasons or companionship? • With regard to the eligibility criteria for a cohabiting partner pension, we are keen to ensure that the rules are applied fairly and equitably by all employers. GMB would also wish for the two year cohabitation hurdle to be reduced as there is no such restriction on married or civil partners. 			

Q 13 FLEXIBLE RETIREMENT – SHOULD CURRENT PROVISIONS BE RETAINED

Q 13(a) Do you agree that current flexible retirement provisions should be retained?	No Ans 8	YES 91	NO 3
<p>Q 13(b) If you have answered 'NO', which provisions should be removed, and why?</p> <ul style="list-style-type: none"> • This could cover some ill health situations where the person does not qualify for an ill health pension. <u>This reduces any need for a third tier ill health provision.</u> • The current provisions are too vague and require clearer direction as to what constitutes a "reduction in hours or grade". The provision being at the discretion of the employer must be retained. • GMB agrees that flexible retirement is a valuable option for some LGPS members and supports the reforms that facilitate this. In light of this, it may also be worth considering redefining the definition of final pensionable pay. This would be at minimal cost and in line with the agreed approach to encourage, where practical, flexibility of retirement. GMB also supports the cost-neutral uplift of benefits that are accrued after normal pension age. However we would wish to see this extended so that all benefits, regardless of when they are accrued, are increased on a cost-neutral basis for late retirement. 			

Q 14 FLEXIBLE RETIREMENT - INCREASED FLEXIBILITY

Q 14(a) Do you agree that increased flexibility should be provided through being able to draw all or part of occupational pension benefits without having to retire completely?	No Ans 10	YES 86	NO 6
<p>Q 14(b) If you have answered 'NO', please explain why</p> <ul style="list-style-type: none"> • The drawing of "part" should be deleted as there will be significant problems as the GMPs cannot be split. • We are broadly in favour of this proposal, although it should be noted there has been virtually no demand from any members to take all their benefits never mind only partial benefits. • The current provisions are too vague and require clearer direction as to what constitutes a "reduction in hours or grade". The provision being at the discretion of the employer must be retained. • It should be stressed that the "Benefits" of drawing part of pension early may result in a poorer rate of pension if the members had retired at 65 having worked full time up to that point. This is not clear from the proposals, but individuals may plan differently if they were fully aware of the implications of their decisions. This point of making sure individuals are aware also should apply to the dreadful reduction levels if individuals retire at 60 from 2020 on. Basic point: I have concerns about continually added additional complexity to the scheme. It makes it difficult for members to understand the scheme, and the benefits of it (some of which I'm doubtful). Keeping the scheme simple has its benefits. • Current flexible retirement arrangements have only recently been introduced and it would be our view that it would be appropriate to test these first before developing further. • The pension fund is for retirement and should not be able to be partially used whilst still working. • The extension of the proposals to allow members to draw part of their pension seems to introduce a number of potential administrative problems. This facility has already been introduced in England and Wales and has raised a number of, as yet, unanswered questions on how it would work in practise. In particular <ul style="list-style-type: none"> • How the benefits to be drawn are calculated e.g. will the member be allowed to take a percentage of their accrued pension or can they take the benefits accrued up to say 31/03/08. • What will be the effect on accrued membership? • What death in service benefit is payable (i.e. 3 x pay plus a 10 year guarantee on the pension already in payment)? • How will the part of the benefits not drawn be subsequently increased (RPI or in line with earnings)? Whether there will be any demand by members to only draw part of their pension is in any case questionable. • Although this is agreed in principle, doubts are raised about how to make payment of part pension work in practice. Issues such as GMP, which cannot be split, do not seem to have been considered. • UNISON Scotland broadly supports the proposals for flexible retirement in the consultation paper. The loss of the Rule of 85 is deeply felt by many members and the Scottish transitional arrangements and retention of savings in 			

the scheme are important provisions.

It is important that members can continue to retire without the consent of their employer from age 60. Revised actuarial tables with reduced early retirement reduction factors are important in assuring members that this is genuinely cost neutral. In particular they should reflect salary increases when estimating the value of the pension given up on early retirement.

We also favour the removal of the requirement to take a reduction in hours or grade in order to take flexible retirement. Those who take flexible retirement should have their benefits treated the same as someone who is granted early retirement.

- We support the facility in the new scheme for members to take all or part of their pension when they agree with their employer to reduce their hours or grade. We acknowledge that the proposal is not to require the additional consent of the employer to the release of the pension in this context providing the member is aged at least 60. GMB is concerned however, about the potential double consent hurdle for members under 60. We would not want members to find themselves in a position where they had agreed to reduce their hours/grade (and therefore their income) in good faith only to discover that they are then refused their pension. GMB is also unclear on the reasoning behind this element of the proposal. Given the actuarial reduction factors applied to early retirements are intended to be cost neutral and are repeatedly stated as being cost neutral, we do not see where the strain on the fund referred to on page 24 of the consultation comes from. It has to be understood that the success of flexible retirement is heavily reliant on employer practice and this would need to be monitored over time to ensure that this flexibility is being properly utilised for each relevant age group appropriately.

Q 15 ADDITIONAL PENSION BENEFIT

Q 15(a) Do you agree with the provision to buy additional pension benefit, and cost-neutral uplift factors for benefits accrued beyond age 65?	No Ans 11	YES 91	NO 0
<p>Q 15(b) If you have answered 'NO', please explain why</p> <ul style="list-style-type: none"> • There should continue to be an option to purchase additional pension either by members or employers and uplift to benefits beyond age 65 should be available on a cost neutral basis. • Although residual service should always reflect the annual salary immediately prior to the period of phased retirement. 			

<p>Q 15(c) What other cost neutral provisions would you like to see made available to support flexible retirement?</p> <ul style="list-style-type: none"> • Why is additional pension benefit limited to £5k? This should be increased. • Factors should be provided so that all the cost of flexible retiral to the fund would be by a reduction in the employee's pension. This would allow all employees to take their pension irrespective of their age providing the employer agreed to the flexible retiral in the first instance. • Abolition of abatement in all circumstances. Option to fund strain payment through longer term employer contributions (return to Pre 1998 position) • Your pension plus part-time earnings should be able to exceed your full-time earnings. • Option to fund strain on the fund payments over a longer period or introduce a cost share programme which leaves pension benefits intact. • At the moment where a member wishes to receive early payment of benefits and meets the 85 year rule, the "strain of fund" costs normally prohibit the employer from granting approval. Allow members to pay the strain costs or receive actuarially reduced benefits. • The use of accumulated AVC funds to purchase additional pension benefit in the main LGPS on a cost-neutral basis, such benefit being accessible before full retirement. • Possibly greater periods of sabbaticals, where an employee could extend their time off in a more block basis (obviously this would be workpost orientated as most placements would not be suitable for this) to say cover for periods where they may feel they are required to spend a substantial time at home (terminally ill relative etc).

Q 16 EMPLOYEE CONTRIBUTION RATES

Q 16(a) Do you agree that the proposed employee contribution rate is fair, given the level of benefits proposed?	No Ans 11	YES 65	NO 26
<p>Q 16(b) If you have answered ‘NO’ please explain why and what your preference would be?</p> <ul style="list-style-type: none"> • The rate should be consistent throughout the pay scales. If higher earners gain more tax relief that is because they pay higher taxes in the first place. This structure seems to punish higher earners again by deducting income to support lower earners. • The rate is too high, more allowance should be made for inflation and as compensation for the Pension Holiday taken by the employers. The value on money today is undervalued compared with the benefits gained by the employer in the retention of staff in the long term. Therefore the employer should pay more • Tier scales points should be index linked to inflation. • Yes. But there are possible gender equality issues if rate is not uniform. • Everyone gets the same benefits based on contributions so they should pay the same percentage. • We assume that this question refers to the proposed working assumption for the average contribution rate for employees of 6.3%. With an estimated average scheme cost of 19.6%, and a target cost sharing ratio of 2:1 it would be prudent to set the employee contribution rate higher than 6.3%. We feel that a rate of 6.5% would not be seen as unreasonable by members given that previous proposals suggested a contribution rate of 7%. • A flat rate contribution for all members would be preferable on grounds of equity of treatment. • The proposals that there should be an increase in the member contribution seems fair and seems to be generally accepted by all parties in order to help ensure that the scheme remains affordable in the long term. However, rather than a tiered or banded contribution structure, both of which will add considerably to administrative complexity, a flat rate (possibly 6.5%) is preferred. • 6.3% does not appear to give us a sustainable and affordable pension fund. • A straight forward one-tier percentage. It is a bare-faced lie to state that a tiered rate is fairer. It is completely inequitable and unjust. • It removes a long established principal until recently protected by Parliament. Members have always contributed to their funds at the rate of either 5% or 6% even though the vast majority of public sector schemes depended on the Exchequer for funding. Some of our funds were encouraged to run at 75% funding in the 80's and 90's, some employers took contribution holidays and some funds across Britain were used to subsidise both poll and Council tax. • We are not in favour of tiered or banded contribution rates but would prefer to have a flat rate contribution of 6.5%, which we would regard as fair, applicable to all members. We also believe a flat rate employee contribution is more easily understood by the vast majority of the membership. • Not in favour of tiered or banded contribution rates, prefer a fixed rate but tied to the proposed 2:1 ratio of employer/employee contribution although feel 5:2 would be a more acceptable contribution ratio. Would also like safeguards like minimum and maximum contribution rates, the actuaries will have more of an insight for this but we feel a minimum of about 10%:5% (or preferably 12.5%:5%) and a maximum of 20%:10% (or 25%:10%) would be acceptable. • In our view, as the proposals provide for improvements in benefits and the target cost sharing ratio is 2:1, consideration should be given to setting the employee contribution rate at a level higher than that proposed. 			

Q 17 EMPLOYEE TIERED CONTRIBUTION RATE SYSTEM

Q 17(a) Do you agree that the LGPS should incorporate a tiered contribution rate system	No Ans 7	YES 38	NO 57
<p>Q 17(b) If you have answered ‘NO’ please explain why?</p> <ul style="list-style-type: none"> • Should not be a tiered sys. Apply set rate across all pay scales similar to the existing method. Rate should be set at level to make scheme workable. Can't agree sys where all staff are entitled to the same acc rates but higher earners pay • As a voluntary, and a defined benefits, scheme it is felt that it is inappropriate for scheme members to be subject 			

to different contribution rates based upon the level of earned income.

Within the Further Education sector it should be noted that the changes to the LPGS are significantly at odds with changes already enacted for the Scottish Teachers Superannuation Scheme. For promoted staff within FE this would result in colleagues in the LPGS paying a significantly higher contribution rate to that paid by colleagues in the STSS for a very similar range of benefits.

Any move to a tiered contribution system will be a significant administrative burden on employers and is likely to incur significant redevelopment costs for employer payroll systems.

The proposed tiered systems may lead to part-time staff paying a different contribution rate to full-time staff graded at the same level. This may give rise to potential discrimination claims on the basis of less favourable treatment.

The College employs a number of part-time staff who have LPGS pensionable employment with more than one employer. It is likely that the tiered contribution proposals would result in these staff paying a different contribution rate to full-time staff on the same level of earnings. Any steps to address difficulties of this type are likely to pose a significant administrative burden on employers.

- Apart from the substantial difficulty in providing a fair rate for employees with 2 or more jobs often on different payrolls and sometimes with different employers there is a significant cost to implement this change. This will impact to a greater extent on the large number of small bodies who are already struggling to meet the employer's contributions. If the aim is to encourage lower paid employees to join the scheme, the employers could be accused of supporting "bad advice". A significant number of the lower paid will be worse off as they will not get tax relief since they do not pay tax and when they receive their benefits it may well hinder them from getting state benefits to which they would otherwise be entitled.

There may be a question of sex discrimination as most of the low paid are women and they would be getting the same proportionate benefit as men who would be paying more.

- The lowest proposed contribution rate is 5.5% - close to the current rate. There is too small a variation from the current scheme to attract lower paid employees to join.
With tiered contributions, the rate of pension contribution may become a significant factor for individuals deciding whether or not accept a higher paid position and may impact on workforce mobility.
- We feel most strongly that a tiered contribution rate system should NOT be introduced. We do not accept that the inherent inequality of a final salary scheme can be redressed by tiered contributions. A CARE scheme with a flat rate member contribution would be fairer to members.
- A tiered system might be a barrier to succession planning. A member who is promoted might end up paying higher pension contributions by being in a higher tier which might perversely mean their net pay is less.
- UNISON Scotland welcomes the proposal to have a tiered contribution rate, which would operate similar to the current tax banding system. This would mean that lower paid employees would pay proportionately less than higher earners who usually benefit most from a final salary scheme and the tax free contributions, particularly in the higher tax bracket. The implementation of a tiered contribution system in this way would limit the 'cliff edge' possibilities within a straightforward banding system, where any employee moving between salary bands may be faced with a considerable increase in pension contribution rates.
- GMB supports the tiered approach to member contribution rates in the proposed new scheme and would favour the third option with seven tiers. Essentially the more tiers there are, the fairer the mechanism. We do not see why there should be any insurmountable administrative hurdles to the introduction of such a system.
- Unite the Union supports the tiered approach to member contribution rates and we have produced from the trade union side, a series of properly costed model examples using the actuarial data provided. These examples have been discussed with the Scottish Local Government Pensions Advisory Group and they have been given broad support within the Group. We would welcome the continued debate to reach agreement on the number of tiers which we believe are likely to be the five tiers recently discussed within the SLOPAG Group which ranged from a 5.5% contribution on earnings up to £18,000 and a limit of 12% for earnings of £40,000 and above. The tiers would be staged in a similar way to current tax bandings and the contribution rate for each tier will only apply to the portion of pensionable pay that falls into that tier and we also can see no genuine reason for administration concerns that cannot be addressed. All of which would have to be the subject of an equality impact assessment.

Q 18 EMPLOYEE TIERED CONTRIBUTIONS – NO. OF TIERS

Q 18(a) Which of the illustrative tiered contribution rate options do you feel is preferable?	No Ans 25	OPTION			
		1 17	2 15	3 9	Other 36
<p>Q 18(b) If you have chosen Option 1, 2 or 3, please explain why you prefer this option?</p> <ul style="list-style-type: none"> • Option 3 - Closer to ability to pay BUT increase percentage for those over 40% tax band (to be varied in line with budget) so the effective rate is no lower than any basic rate tax payer. • Option 1 - Only if a single rate cannot be implemented. • Option 1 - I agree that those with higher benefits should contribute slightly more proportionately but a large number of different rates is unnecessarily complicated. • Option 2 - With only 3 tiers the step up between contribution rates is steep. In option 3 there are 7 tiers which perhaps is too complex. Option 2 appears to strike a balance between the step up in tiered rates and complexity. 					

Q18(c) ALTERNATIVE MECHANISM

<p>Q 18(c) If none of these options seem suitable, please provide details of an alternative mechanism.</p> <ul style="list-style-type: none"> • A single rate of 6.3 to 6.5% of actual earnings.
--

Q18 (d) IMPLEMENTATION COSTS ETC

<p>Q 18(d) What implementation costs and issues do we need to be aware of, and what solutions are there to operationally implementing a tiered contribution system. For example, how should contributions be determined where a member has more than one salaried job within the local government workforce?</p> <ul style="list-style-type: none"> • Paying per job seems simpler, as jobs could be with different employers. May be combine if with same employer • Implementation costs under this authority for 43 bodies (some with multiple payrolls) could cost many £000s. Guidance would be required as there is no one answer that could work in all situations. This means that some people will pay too much and others will not pay enough. • Costs should be minimal as most modern systems should be capable of calculating more than one rate. Those with multiple jobs should pay the appropriate contribution for each job. • A number of employees within this Council have 2 or more salaried posts. Administratively perhaps the easiest solution would be for their earnings to be aggregated and the contribution rate applied as if the member was employed in just 1 post. However, given the way our payroll system has been set up, this may incur costly bespoke work to our system. Additionally, in some areas, eg the central belt, it is feasible that a member has several part-time posts spread amongst different local authorities within the same administering pension authority and on, aggregate, these employments would attract a higher contribution rate, however as they are with different authorities, would, potentially, pay the lower contribution rate.

Q 19 EMPLOYER CONTRIBUTION RATES

Q 19(a) Do you agree with the move towards a 2:1 ratio between employer and member contributions rate?	No Ans 11	YES 82	NO 9
<p>Q 19(b) If not, what would you prefer and why?</p> <ul style="list-style-type: none"> • The evidence is that a 2:1 ratio is not realistic. Should the target not be 2.4:1 or something between 2:1 and 2.5:1 • The existing system should continue with better representation for LGPS members. The recent attempts to assert that our LGPS funds are “public monies” only highlights the vulnerability of the funds. 			

Members have contributed for decades believing the pensions promises that they were led to believe in and making future plans based on these. Staff believed that these funds were being built up as a prudent source of funds for the primary benefit of existing and potential pensioners.

It now appears that those of us who believed for decades that we would be the primary beneficiaries of a Defined Benefit scheme with a transparent promise must now adopt an uncertain place in a queue of potential stakeholders.

- UNISON Scotland accepts that there is a general agreement about moving to the principle of adopting a cost sharing ratio as a trigger mechanism for review. However, this rests on the condition that any scheme deficits arising prior to the implementation of the new scheme, as well as the cost of investment risk, should continue to fall on the employer.
- Unite the Union acknowledge the reasoning of a contribution rate of a 2 -1 ratio between the employer and the member. However, we believe that the employer's actuarial costings were extremely conservative and that future valuations should take this into account. We also strongly believe that any element of cost sharing entitles the Union and members to have a greater say in the running of the schemes and a meaningful input into important issues such as potential savings and investment strategies. Any future discussions concerning cost sharing must be based on objective data which is comprehensive and agreed as reliable. We would want to see an agreed framework for any future cost sharing and do not believe that a fixed formula is the way forward. The review group needs to be able to discuss and agree options in the future which are proportionate and reflect a wide range of issues that need to be part of the formulation.

Q 20 TRANSFER OPTIONS BETWEEN CURRENT AND NEW SCHEME

Q 20(a) Which transfer option do you prefer?	No Ans 15	OPTION		
		Other 16	1 48	2 23
Q 20(b) Why have you chosen this option?				
<ul style="list-style-type: none"> • Option 1 - Appears simpler to operate although Op 2 would be transparent for those retaining R85 arrangements • Option 2 - This would provide for a more flexible decision and allow members to decide on the final outcome based on their own individual circumstances and any possible commitments they may have post retirement such as mortgage shortfalls or dependants needs. • Option 1 - Although complex in the short-term, it is felt that this option would result in more straightforward scheme administration and explanation in the longer term. • Option 1 - It gives members a guaranteed, index linked pension based on 1/60ths. The option to have lump sum is also there. AVC members are likely to be able to take all fund tax free. • Other - Although it represents a challenge in terms of communications and administration, we consider the only fair option is to give members the choice between Option 1 and 2. We note that as yet there is no time limit suggested for members having to make the decision. • Option 1 - We strongly favour Option 1 as it will provide greater clarity and simplicity, while recognising that communication of the transfer will be challenging. However, the scheme will be significantly easier to understand and administer (and hence cheaper) in the long term. However it is important that the transfer terms ensure that no members lose as a result. It is worth pointing out that if Option 2 is chosen, some members who joined prior to 1 Dec 2006 and who retire before age 65 would have 3 different elements of service - service prior to Mar 2008 (qualifying under rule of 85), service between April 2008 and March 2009, and service after April 2009. This adds to the further complexity. • Option 1 - It is reasonable and fair, as long as it is explained fully to scheme members ie why the numbers of years service to date has been reduced to bring back the actual pension fund amounts earned as represented under the new scheme. It is a one off exercise as well and less likely to have errors, instead of constant comparisons having to be made. • Option 1 - Difficult to explain at the start but easier going forward. Difficulty with protection under the "rule of 85". Actuaries may be able to suggest a suitable solution. • Option 1 - Prefer clean break method of option 1. Although this will be difficult and time consuming to communicate and explain, it is a one off exercise and future calculations will be less complex. Do not agree that enhanced transfer values should be used to award year for year as this would represent an unnecessary cost. There could be significant ongoing costs associated with option 2 in relation to the maintenance of records in the 				

future.

However, we recognise that the issue of transfer options should not delay the progress of the new LGPS. Therefore, although we prefer option 1, we are willing to compromise and for the short-term go with option 2 on the basis that this arrangement will be reviewed in line with the valuation cycle.

- Option 2 - The consultation paper highlights two options to transfer current LGPS members into the new scheme. UNISON Scotland believes that there would be presentational difficulties with the first option. This is where a straight transfer of current membership to the new scheme may seem like fewer years are transferred due to the improved accrual rate of the new scheme.

Therefore, UNISON Scotland would prefer the second option whereby current members of the scheme would have two pension calculations worked out when they retire. This would involve calculating their pension entitlement from their years of membership of the current scheme, based on the current 1/80ths accrual rate and a second calculation based on their years of membership of the new scheme based on the 1/60ths accrual rate.

- Option 2 - GMB believes that the easiest approach to transferring from the old to the new LGPS is the second of the transfer options outlined in this consultation. Generally speaking this will lead to two calculations for the pensions of all existing members. In our view this is preferable to a transfer of service that entails far greater actuarial complexity and has the added disadvantage of potentially dissuading some members of the current scheme from continuing membership on the grounds that they are not happy with their existing savings being treated in this way.

The communication task of any option other than transfer option two is also a major challenge and if this is realistically going to be pursued. Serious consideration must be given to how these options would be communicated in a member-friendly way.

- Option 2 - Unite the Union recognise that transfer option 2 will be more beneficial as it clearly outlines the rule of 85 transitional arrangements for eligible members and a key to ensuring a positive response from the members is to avoid where possible, pension jargon and unnecessary barriers to a positive message which will be the responsibility of all the stakeholders involved should we reach an agreed position which is our aim.

Q 20(c) ALTERNATIVE TRANSFER OPTIONS

Q 20(c) If neither, please give details of your preferred alternative approach.

No valid alternatives were put forward

Q 20(d) OPTION 1 - VIEWS ON LEVEL OF BENEFITS TO BE TRANSFERRED

Q 20(d) If Option 1 is preferred, please give your views on whether you would wish the actual level of member benefits to be transferred, or for an enhanced transfer rate to be applied. If an enhanced transfer rate is to be applied, and this results in the scheme becoming unaffordable, what changes should be implemented to ensure the scheme remains affordable? For example, other benefits could be reduced or member contribution rates could be increased.

- If members of the existing scheme are transferred then it should be done so on a like for like basis with no enhanced transfer rates.
- Would be in favour of increased contributions, depending on what the actual levels were
- Transfer rate should reflect the value of benefits, not the actual level of service, as at the point of transfer.
- I am happy for actual rate - but many will view this as a reduction in benefits as service will appear to reduce. It is a reduction in dependants benefits in some circumstances. If can't pay higher dependants pensions, increase the lump sum paid to estate if member dies to within 10 years of drawing benefits, with taper within 5-10 years.
- Transfers should be on a cost neutral basis.
- Our view on whether actual level of benefits or an enhanced transfer rate is used for the transfer depends on the costs involved. On balance, we would prefer for the actual level of benefits be transferred as this would avoid further costs provided the transfer terms can be communicated to members in an easy-to-understand way. We are also concerned that the transfer will provide transparent preservation of the existing protections in regard to the rule of 85. Enhanced transfer rates should be considered alongside the potential costs.
- Actual level of member benefits - with clear explanation of why the reduced years b/f does not represent any unfairness.

- Actual actuarial equivalent level of service carried forward with additional service for those with protection under the "rule of 85"
 - If Option 1 was to be implemented, actual actuarial level of service should be carried forward with additional service for those protected under rule of 85. The key issue is that any arrangements should be based on cost neutrality.
- However, as outlined at 20(b), we have agreed to Option 2 for the short-term.

Q 21 GOVERNANCE

Q 21(a) Do you agree that the LGPS scheme governance arrangements should be reviewed?	No Ans 19	YES 66	NO 17
Q 21(b) Why have you chosen this option?			
<ul style="list-style-type: none"> • Yes - Increased transparency and develop good practice. Employee/Member representatives voting should already be there. If employees / members share risk of scheme, 50% of numbers on bodies and committees. • No - Outwith the scope of the review. This is not the forum for this discussion. • Yes - Some time has elapsed since the last review of governance arrangements. There are periodically requests from Trade Unions and Participating Employers for greater input into the decision making process. These arguments need to be re-considered to see what improvements can be made without undermining the executive responsibility that rests with the administering authority. • Yes - We believe that the level of public interest in pension funds warrants measures to ensure openness and accountability for all stakeholders. However the review of LGPS governance should acknowledge that the statutory framework under which the LGPS operates is significantly different to the trust law under which private representatives are trustees and are bound by trust law. In addition, administering authorities have no powers to amend scheme benefits. We would support flexibility to co-opt scheduled and admitted body employers to serve on governance structure with voting powers. This reflects the fact that decisions made at a local fund level impact directly on employer contribution rates. We would support a governance structure that includes "member trustees" only if a cost sharing structure is put in place at a local fund level. • No - The existing arrangements are adequate in that they allow for engagement with employers and staff representatives in a way suited to local circumstances. Adoption of the "Myners Principles" is widespread and that is evidence of sound governance. • Yes - Agree that governance should be improved Pension Schemes increasingly have a range of admitted bodies and it is important that they are provided with the opportunity for an enhanced role. If this issue requires legislation these may be other aspects of pensions administration/management that could be considered, e.g. a reduction in the number of pension funds within Scottish Local Government. • Yes - The executive authority should remain with the administering authority; however, more involvement by stakeholders can only benefit the scheme in the longer term. • Yes - If employee contribution rates are variable then there is a requirement for employee representation in the governance, also the governance should be reviewed when the final structure of the new scheme is known. • Yes - Agree that governance should be improved, however it should be noted that the LGPS operates in a statutory framework which is significantly different to those affecting private sector schemes. Where revised arrangements are considered they should recognise other elements of the scheme. • Yes - UNISON Scotland has highlighted that any introduction of cost sharing could change the whole basis of the governance of the LGPS. At present there is no direct member representation on the funds (like Trustees in private sector schemes) because the liability to ensure the scheme is funded rests with the local authorities. If scheme members have to make increased contributions to meet future costs then there is a strong argument that they should be entitled to a greater say in the running of the funds. At present there are a variety of consultative arrangements with some funds doing better than others. The trade union side on SLOGPAG have tabled proposals for each fund to have member nominated representatives becoming 50% of any committee/ board that controls a fund and UNISON supports this approach. In addition we believe that a combination of the EU Directive 41/2003 Institutions for Occupational Retirement Provision (IORP) and the Pensions Act 2004 requires the obligatory appointment of member nominated representatives with full voting rights. In addition to improved governance arrangements at fund level there is a requirement for a national body similar to SLOGPAG to deal with the regulations and related issues. • Yes - The funded nature of the scheme means that there should, in principle, be no reason not to have member 			

nominated representatives involved in the governance of the scheme in a way analogous to trustees in the private sector. Clearly the experience of the last few years has demonstrated that members' benefits are influenced by financial pressures on the scheme. As such they should be allowed a greater say in how the scheme, and the constituent funds, are run. Therefore the continuing practice of keeping members at arms length from their scheme is not sustainable. The discretionary nature of some of the provisions relating to the scheme give further weight to the argument for greater involvement by members in the running of the scheme at a local level.

- Yes - Unite the Union welcome the more open and transparent approach shown within the Scottish Local Government Pensions Advisory Group and from joint Union and employer discussions. We believe that this should be a forerunner to a more transparent and inclusive approach which will allow the joint trade unions active participation in the data sharing process. This is essential to ensure our members retain confidence in this critically important aspect of their employment given the fact that pensions are, of course, deferred wages. Unite the Union believe that regardless of any debate on the potential cost sharing aspect, governance of local governments schemes is a critically important issue for the Union and our members. Public authorities have a major responsibility to ensure that trust and transparency are at the heart of the workings of the pension's schemes and trade unions have an important role to play by supporting the appointment of member nominated representatives akin to trustees on pension fund boards in other sectors. We also believe that recent European legislation will support our stance on these matters, notwithstanding this, the employers, the fund administrators and the Scottish Government should lead by example on this front.

Q 21(c) WHO SHOULD UNDERTAKE REVIEW

Q 21(c) If you have answered 'YES' who should undertake this review and what should the specific focus of the review be?

- It is suggested that the Review be carried out by COSLA/Directors of Finance. The main focus of the review should concentrate in the first instance on establishing the current arrangements in place across the 11 LGPS Funds in Scotland. Also, information from a sample of other UK LGPS funds could be surveyed with a minimum best practice threshold being established to meet the practical needs of individual funds.
- An independent body such as Audit Scotland should undertake the review.
- COSLA
- The review should be conducted by some independent professional experts with all sides also represented show that views and concerns may be raised during this process.
- A stakeholder body including representation from COSLA, Trade Unions, Pension Funds, SPPA and possibly Admitted Bodies.
- The introduction of the new scheme and the impetus for good governance should be reflected in the introduction of an ongoing monitoring group. This would probably consist of the organisations represented on SLOGPAG, and would monitor the new scheme, taking responsibility for the equality, viability and sustainability issues within the scheme. Any cost sharing discussion should be held within this group.
- The Scottish Local Government Pensions Advisory Group was originally set up with a specific remit by the previous Scottish Executive Administration. Unite the Union believe that this group should be formally tasked with an ongoing monitoring role with an agreed remit to ensure that important areas of sustainability, affordability, quality proofing and any cost sharing proposals can be discussed openly with all necessary up to date and agreed relevant data made available to all parties on a regular basis which we believe is a prerequisite of good practice and good governance which will stand the scheme in good stead for the future

Q 21(d) VIEWS ON POTENTIAL ACTIONS

Q 21(d) Please give any views on the value and/or practicalities of the potential actions which may be implemented to strengthen governance and consultative processes across the LGPS, for example member nominated representative participation on scheme committees, development and implementation of equality proofing good practice, and a national tripartite group to oversee the LGPS.

- The idea of member nominated representatives attending Committee is worthy of further consideration. What is less clear is the capacity in which they would act. If reps were given decision making powers this would clearly conflict with the executive responsibility that rests with the administering authority. Consideration would also

have to be given to the practicalities of stakeholder observer status such as how Unions from all employers would be represented; how the number and diversity of employers, admitted bodies, pensioners etc would be accommodated.

- Pension schemes are already heavily regulated and further regulation would not be welcomed. Changes should be implemented through guidance rather than regulation. If there is a requirement for an overseeing role, an independent audit would be more appropriate than a national tripartite group.
- We do not see the necessity
- Representation of all parties involved or affected should be involved.
- Pension Schemes are already heavily regulated and it is our view that further regulation would be unnecessary. Voluntary guidance as per the arrangements in England and Wales should be sufficient.

Q 21(e) ANY OTHER SUGGESTIONS ON GOVERNANCE

Q 21(e) Please detail any other suggestions and comments you have on LGPS governance arrangements.

- I am concerned that employees /members will be left with a share of the risk, but decisions will still be made by employer representatives
- We believe transparency and openness for all stakeholders is very important. LPF is proud of its governance structure. We have good working relationships with stakeholders via regular and ongoing consultation via the LPF Consultative Panel, representing employers and members of the Fund. Greater transparency could be achieved via the adoption of a governance statement, as required by authorities in England and Wales.
- Transparency of the governance arrangements is vital and therefore minutes of meetings etc should be available in the public domain for members to peruse etc. , perhaps this may be done via the LGPS website.

Q 22 EQUALITY IMPACT ASSESSMENT

Q 22(a) Are you aware of any equality issues that arise from the new scheme proposals?	No Ans 12	YES 34	NO 56
---	----------------------	-------------------	------------------

Q 22(b) If you have answered 'YES' please give details below.

- Yes - Potential for discrimination between part-time and full-time workers through the adoption of tiered contribution arrangements
- Yes - Good to have pensions for co-habiting partners, but 24 month "waiting time" too long. One can get married and qualify within a few weeks. Reduce to 6 or 12 months. Provision for dependant children has not been increased proportionately.
- Yes - Around the criteria applied to partner pensions ie 2 year requirement and financial dependency / interdependency.
- Yes - The proposals do not appear to take on board the demographic/ gender bias of the workforce ie the LGPS workforce is primarily female and part-timers and hence a CARE scheme would have been more appropriate.
- No - The work of the tripartite group has addressed the relevant issues.
- Yes - Think that partners pensions could raise an equality issue - two years in a relationship for example.
- Yes - Tiered contribution rates might be discriminatory as well as the proposed ill health enhancement scheme.
- Yes - The work of the tripartite group has addressed the relevant current issues. It is too early to say particularly in relation to the demographic/gender bias of the workforce. Accordingly it is imperative that in due course the scheme must be equality proof.
There is danger or at least potential for discrimination in tiered contributions and proposed ill health tiers
- Yes - Conflict between implementation of the protection of rule 85 for members who may qualify for rule 85 post 6/4/2010 but have not reached the age of 55, members who are also in the protection but qualify before 6/4/2010 may happily retire with employers consent between 50 and 60 but members who qualify post 6/4/2010 may not take advantage of this option till they reach 55 surely this is age discrimination!
- Single members with no spouses/dependants benefits on death have inferior cover despite paying the same contributions, perhaps the nominated beneficiaries should obtain the same benefits as would a spouse/partner etc.
- The equality proofing of the new scheme is an essential component of the permanent review group's

responsibility. This responsibility includes not only equality proofing the technical aspects of the scheme but also the practical experience of the running of the scheme. Again here the importance of transparent data and information sharing should be apparent. Scheme take up is a prominent indicator of the relevance of scheme design and it is imperative that this is closely monitored and efforts are made to assess and identify the causes of non participation among particular groups.

GMB welcomes the involvement relevant organisations have had in the development of these proposals and while there may be specific issues on the scheme’s design that could be addressed, it will not be until the scheme is in place that equality proofing will be properly measurable.

- There may be a gender equality issue with tiered contributions.

See also comments in Q14(b) whereby longer serving employees may be discriminated against when making applications under Regulations 30 and 34 due to the level of strain cost demanded.

Could there be age discrimination with tiered system, given older will contribute more?

Q 23 ACTUARIAL ASSUMPTIONS

Q 23(a) Do you agree with the assumptions used to underpin the development of the new scheme proposals?	No Ans 27	YES 61	NO 14
Q 23(b) If you have answered ‘NO’, please give evidence to support alternative assumptions.			
<ul style="list-style-type: none"> • Yes - Our only comment is that it would be worthwhile assuming 100% will opt for max lump sum as per our experience / knowledge with the Fire Pension Schemes as such the overall costs may have to be recalculated. • No - Actuarial assumptions used by the previous administration have not been available for comparison and open debate. • No - One assumption made is that members when retiring will opt for a maximum lump sum (up to 25% of pension value) and for current lump sum (based on 3/80ths per year of pensionable service) in equal numbers i.e. a 50/50 split. We would like to know what consideration was given to the following scenarios: If past service is transferred to the new scheme on either a cost neutral or enhanced basis such that all pensionable service is counted against an accrual rate of 1/60th per year, does this allow for a member to opt for zero lump sum on retirement (decreasing risk for the member but increasing future potential costs to the fund)? What assessment was made of the attraction of the rate of 1:12 for pension to lump sum commutation? Very simply, it would appear that in order for a lump sum of £12 to replicate a pension income of £1 the member would have to secure an investment return of 8.33% per annum (earning £1 in interest for every £12 invested and provided they expect to live more than 12 years after retirement). While there are other, non-investment, reasons that a member would prefer a lump sum payment, a commutation rate of 1:15 would seem far less risky for the member (of course, a rate of 1:12 is risk favourable for the pension fund). • No - Commutation and transfer option for current members could discourage current members to stay within the new scheme, the poor commutation rate could encourage members nearing retirement to use AVCS for the increase of any lump sum therefore drawing higher pensions than expected also new members may make alternative arrangements for lump sums and therefore after 40 yrs membership retire on two thirds final salary rather than the current half salary therefore creating greater costs per year than expected. A more realistic commutation rate of 20:1 may improve this, and hence keep costs down due to more members using a higher or maximum commutation of their pension • Yes - We believe the broad approach to a new LGPS as set out in the consultation paper will ensure the long term sustainability of the LGPS in Scotland. The actuarial assumptions quoted in the report err on the side of caution in estimating the cost of the new scheme. Whilst there are not major differences between UNISON’s actuarial advice and the employers we believe the actual costs will be less than set out in the consultation paper. The savings from the Rule of 85 and commutation provisions will be retained in the Scottish scheme and that will also increasingly benefit the funds in the coming years. • GMB notes the discussions that have taken place regarding the detail of the actuarial assumptions and costings used to formulate these proposals. It is important that any future assessment is done using this as a starting point as for example 2005 data has been used for some elements while increased longevity estimates have been taken into account in calculating the mortality effects. Clearly any subsequent cost sharing discussions should start from the basis of the data used to determine the new scheme’s contribution and benefit structure, not artificially realigned at some future point. We also notice that the overall benchmark cost for the scheme has been adjusted from the initial discussions in ‘Facing the Future’ which suggested a 21% total benchmark cost. The proposed new scheme we see is now benchmarked at 19.6% with most of the difference (given the agreement to 100% recycling of the savings from 			

the removal of the Rule of 85) apparently being used to reduce the employers' contribution rates.

Q 24 IS EMPLOYER CONTRIBUTION RATE FAIR

Q 24(a) Do you agree that the proposed employer contribution rate is fair, given the level of benefits proposed?	No Ans 20	YES 69	NO 13
Q 24(b) If you have answered 'NO', please explain why and what your preference would be.			
<ul style="list-style-type: none"> • No - Ignoring the cost of "past deficits" or "future deficits" which will still have to be paid for by Employers is misleading. When these are factored in there is no significant improvement in employers contribution from these proposals. • No - Prefer 5:2 ratio also like safeguards in place regarding minimum and maximum rates of contributions linked to this ratio. 			

Q 25 ARE CONTRIBUTIONS AFFORDABLE IN LONG TERM

Q 25(a) Do you think the contributions are affordable in the long term?	No Ans 32	YES 54	NO 16
Q 25(b) Please explain why you have reached this conclusion.			
<ul style="list-style-type: none"> • No - We are being asked to predict the rate of rise for inflation over a 30 year cycle, historically the value of money has depreciated exponentially over such a time span and price parity of imported goods is totally unpredictable so the value of the pension won't equate to the contribution made. In terms of value for money the pension is not affordable • No - We see nothing in the proposals, apart from the possibility of cost-sharing which suggests that the affordability and sustainability issue has been addressed. The cost of the scheme for existing members is actually higher than the current scheme. The admitted body employers in the LPF in particular have indicated that the current level of employer costs are causing severe budget pressures. With no clear indication of imminent reduction in these proposals, we fear that more admitted bodies will not allow new employees to join the LGPS and / or consider withdrawing from the scheme altogether. It is difficult to escape the conclusion that within a short period another review of the LGPS will be necessary. • Yes - By introducing some new restrictions on benefits and increasing the employee contribution then the scheme should be more affordable in the long term. Table 6 on page 38 implies an average employer contribution of 13.3%. If the 2:1 ratio is maintained and employee contributions rise to 7% then the employer rate is 14%. This appears reasonable and would provide significant savings to D&G Council. • No - If employee contribution rates are constrained in terms of increases there is a possibility that from an employers perspective contribution rates will not be affordable. • No - The contribution levels would only be affordable in the long term if they were maintained at or near to current levels. <p>A high level objective for the reform of the LGPS was to ensure that the scheme becomes affordable and sustainable over the longer term.</p> <p>However savings from the removal of the Rule of 85 have been reinvested in the new scheme which provides for a significant improvement in the accrual rate from 1/64th to 1/60th. In overall terms the estimated costs of the proposed new scheme are very similar to the costs of the existing scheme.</p> <p>The Spending Review for the next 3 years has commenced and the local government settlement at Council level should be announced in December. It is anticipated that the settlement will be tight and efficiency targets are likely to be maintained or increased.</p> <p>Against this backdrop of tight financial settlements and efficiency targets the Council is experiencing upward trends in relation to a number of budgets including services for vulnerable children and care for the elderly. In addition, there are a number of high value risks to the financial position of the Council including modernising pay/single status and equal pay.</p> <p>Employers are meeting the current level of contributions with some difficulty. On this basis it can be argued that the proposed scheme is affordable if contributions can be maintained at current levels. However, given the</p>			

financial context within which the Council operates and given the fact that contributions will increase with Modernising Pay settlements, it is not certain that this level of contribution is affordable in the longer term. There is very little, if any, headroom to accommodate further increases in contributions to the LGPS.

- No - Table 6 on Page 38 implies an average employer contribution of 13.3%. This is marginally less than the anticipated future service cost in 2008/09 (i.e. around 13.8%). With the likely funding constraints we should be aiming for a scheme where the employers contribution is nearer 12%.

Q 26 ENSURING SUSTAINABILITY OVER THE LONGER TERM – IS COST SHARING MECHANISM SENSIBLE

Q 26(a) Do you agree that a cost sharing mechanism is sensible?	No Ans 16	YES 79	NO 7
<p>Q 26(b) If you have answered 'NO' Please explain why.</p> <ul style="list-style-type: none"> • Another fundamental point is that if circumstances change and cost go down, ie the average life span decreases (obesity, drinking, smoking, lack of exercise) all of which are expected to increase in the future, then employees and not just employers should benefit through a reduction in payment and / or increased benefits. • If additional costs result from affordability this should be covered by additional contributions, the scheme should be self funding. I would not prefer reduction in benefits. • Yes - Agree that a cost sharing mechanism is sensible. • Yes - Mechanism must be mandatory otherwise Employers are still taking all the risks. If no mandatory cost sharing mechanism is in place we need a cap on employers contributions. • Yes - GMB recognises the drive to introduce a cost sharing mechanism for the LGPS in Scotland but would urge against direct comparisons with the Teachers and NHS pension scheme which are fundamentally different in both funding nature and organisation. • Yes - This should apply to both cost increases and decreases. 			

Q 27 COST SHARING ON BENEFITS ONLY OR WITH FUND INVESTMENTS

Q 27(a) Do you agree that cost sharing should be based on the cost of benefit provision, or both this and fund investment elements?	No Ans 33	BENEFITS ONLY 38	BENEFITS & INVESTMENT 31
<p>Q 27(b) Please explain which option you prefer and why?</p> <ul style="list-style-type: none"> • It is agreed that cost sharing should be introduced but based only on the cost of providing benefits only. To link the cost sharing to benefits and investments could lead to unnecessary volatility with cost sharing thresholds being triggered far too frequently. • B&I - Both need to be considered otherwise it is only partial cost sharing. • B&I - The sustainability of the scheme in the long term can only be achieved by considering all aspects of cost. • B - The investment market can be volatile and therefore cost sharing on the basis of benefits only is more predictable. • B - Do not agree that the cost sharing should include investment elements as investments decisions are long term and short term fluctuations in investment returns could lead to unnecessary volatility in contribution rates. It should be on the cost of benefit provision only. • B - Cost sharing should not include any investment elements which can be volatile and complex whilst benefits only provides a more stable mechanism. 			

Q 28 VIEW ON CAP ON EMPLOYER CONTRIBUTION RATES

Q 28 Please give your views on whether a ‘cap’ should be placed on employer contribution rates to improve sustainability of the LGPS over the longer term.

35 answered YES that there should be a cap. 34 answered NO. 21 Respondents did not answer this question.

- Yes - I believe a cap should be placed on employer contributions as after all this is funded from the public purse and would only mean an increase elsewhere such as tax.
- Yes - It is considered that a cap would be appropriate. This could be around 14% as proposed for the teachers scheme. Even with an employee contribution of 6.5% and a 2:1 cost sharing ratio, this would still leave a margin for scheme costs to increase before the cap was triggered. The cost-sharing proposal would be further simplified by the adoption of a single contribution rate.
- No - We believe that effective cost sharing mechanisms would remove the need for a cap. In addition, we find it difficult to see how employer contributions can be capped given the different approaches to funding across the 11 LGPS in Scotland as well as different approaches within different schemes to setting employer contributions.
- No - but the situation could be reviewed, if necessary, say every second actuarial valuation. Whilst 2:1 ratio seems reasonable the benefit package would require to be considered if contribution rates became excessive.
- Yes - A cap that acts as a trigger for further review of both employer and employee contribution rates, as well as of scheme benefits, would make sound sense. This would have a combined advantage of giving employers greater predictability over future pension costs while re-assuring scheme members that any future cost increases would not automatically be added to employee contribution rates.
- No - We strongly believe that an employer contribution cap is totally inappropriate for the LGPS which is both a funded scheme and split into 11 separate funds and hundreds of employers. Such an approach would, in GMB's view run contrary to the notion of encouraging scheme participation by employees who would not be able to satisfactorily plan their long term expenditure if there was an ever present threat of member contributions increasing exponentially. The likely result would be that some would be disinclined to join a scheme that entailed such a risk and still more would opt out whenever the member contribution rate increased.

Q 29 VIEW ON HOW PRINCIPLE OF COST SHARING COULD BE IMPLEMENTED

Q 29 Please give your views on how the principle of cost sharing could be implemented in the LGPS and any other cost sharing issues that would need to be taken into account.

- We believe a trigger in the guidance leading to further discussions will not be sufficient to achieve sustainability. This will be overly cumbersome and will take time to implement. Cost sharing mechanism should be incorporated into the scheme benefits and / or regulations.
- The assumptions included in the valuation process are often considered over a period of 15 years or longer. However, for the purposes of cost sharing it might be beneficial to review the cost ratio after every second valuation (6 years)
- The initial cost of the scheme would provide a benchmark of the anticipated cost of the scheme against which future changes could be measured. Given the problems that would otherwise ensue we believe that any increase or decrease in costs should only take account of long term demographic changes – any changes due to the alteration of financial assumptions should be met by employers. It is necessary to define how the ongoing cost of the scheme would be reassessed, how frequently and who would do it.
- Cost sharing should be implemented by ensuring a fixed ratio between employee and employer contribution rates. The sharing ratio should be no greater than 2:1, employer : employee and if this moves there requires to be a trigger mechanism to investigate a review.
- Scottish Water has employees who are members of three different funds and has no plans to change, as previous exploration of the option of moving all members to a single fund proved cost prohibitive due to fund deficits. With this in mind, the prospect of different employee contribution rates in different funds fills us with dread. This could generate extremely significant employee relations implications. For example, if one fund perhaps has more male than female employee members, or different age profiles amongst our employees, we could face claims of indirect discrimination. Also, if new employees were joining a fund with lower contribution rates than existing employees, or vice versa, this too would lead to significant disruption.

We believe that any changes to employee contribution rates should be managed on a national level for the whole of the LGPS in Scotland.

- The cost-sharing proposal would be further simplified by the adoption of our proposal for a single contribution rate of 6.5%. Indeed in practical terms we feel this is the only way this could work
- Cost sharing should be arranged at local level and not national level, and should reflect the performance of the fund so that members of schemes that perform well from a funding perspective do not have to finance those scheme that have deficits. Cost sharing will be difficult to implement and will require consultation with employees.

In addition, there may be problems in terms of recruitment/retention, where, contribution rates in one local authority are higher than neighbouring authorities.

Q 30 ANY OTHER COMMENTS

Q 30 Please outline any other comments you have to make, either on specific scheme benefits or the proposed benefit package generally.

- Overall the value of the LGPS is recognised and the scheme continues to offer a very positive benefit to staff
- We recognise that there is limited time for SPPA to consider the responses before having to make draft regulations. As such, there is a concern that responses will not be capable of being fully evaluated. Given these circumstances and bearing in mind that some lead in work can take place prior to final regulations being available, we would not be averse to SPPA having a further 3-4 months, say in order to refine the draft. This should still leave administrators around 8-9 months in which to prepare for the new arrangements. Employees with contracts of less than 3 months (or casuals) should be excluded from the Scheme
- We would have liked to have had the opportunity to consider the introduction of a Career Average Revalued Earnings (CARE) Scheme. In our opinion a CARE scheme provides for a fairer distribution of benefits from the scheme in proportion to service accrued and contributions paid. For the same cost, a large proportion of the local government workforce would be better off under a CARE scheme. It would also help to reduce the risk to employers.
We believe that tiered contribution rates would not meet the stated aim of fairness or the implicit aim of encouraging lower paid employees to join the scheme. Tiered contribution rates add to the complexity of the scheme for members as well as being extremely costly and cumbersome to operate, both for employers and administering authorities.
- There is not much time between the end of this consultation and the introduction of the new scheme. I would urge the SPPA to fully consider this response and take account of all comments made.
- East Dunbartonshire Council would suggest that there is study conducted to determine the effect of consolidating the existing 11 individual pension funds into a single fund administered on a "shared-service" basis.
- We recognise that the benefit package is an improvement on the current scheme and to that extent is welcome as long as the package remains affordable. The main issues are those that flow from introducing tiered ill-health arrangements is and the additional complexity, risks and costs introduced by tiered contributions; these will impose unwanted burdens on employers for little or no real benefit for low paid workers.
- Ultimately the most important issue is to ensure the scheme remains affordable to employers recognising the full range of cost pressures on local government and admitted bodies. The latter often do not have significant financial resources and their unique position must be recognised.
- Aberdeen City Council, as an employing authority, is surprised that the proposed scheme contains many scheme improvements without a much higher employee contribution. Our interpretation was that the changes were to ensure the long term viability of the scheme and we have concerns that the proposed scheme achieves this aim – and in our opinion it will mean further changes within a relatively short time scale.