

No. 49

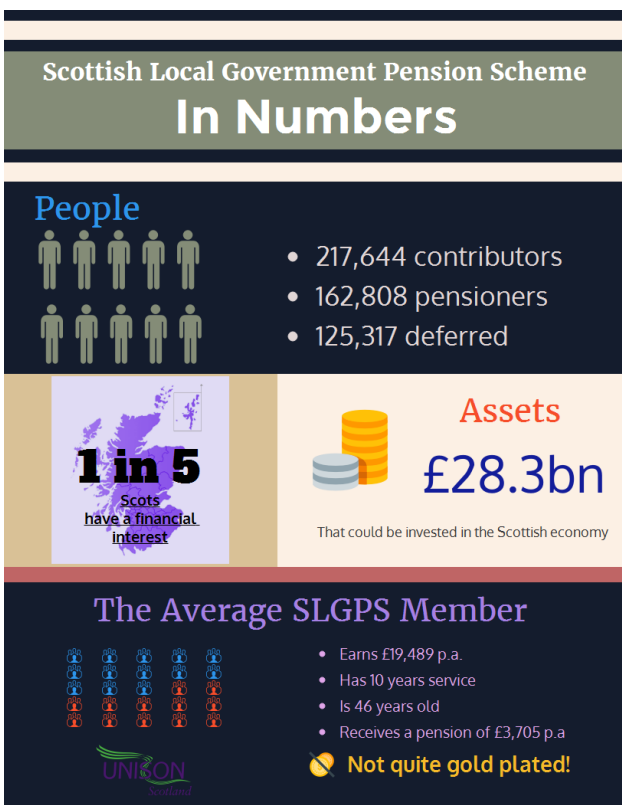
March 2016

## Further Raid on Pensions?

Those who remember UK Government assurances that pensions policy would be settled for a generation, may be surprised (or not!), later this month. The Chancellor's review of pension taxation is to be published as part of the UK Budget on 17 March. There is media [speculation](#) that he will end the tax-free element of the lump sum that is paid on retirement among other changes to the taxation of pensions. The pensions annual allowance is already being reduced in April as explained in this [briefing](#).

The increase in employee and employer National Insurance contributions kicks in this April. This is a 1.4% increase for members in a contracted-out pension scheme and that includes local government and the NHS. This [briefing](#) explains why the increase is happening and gives some examples of how much a typical UNISON member will have to pay.

A [report](#) by pension experts estimate that some 20 million people will lose out from the introduction of the new flat-rate state pension, with the burden falling most heavily on the low-paid. A [report](#) sponsored by the TUC shows that women have barely half the pension provision of men.



## SLGPS Valuation

Scottish ministers have now approved the valuation of the Scottish Local Government Pension Scheme as at April 2014. This is used as the basis for the employers cost cap in future valuations.

The valuation helpfully confirms that the assumptions used in the negotiation of the 2015 scheme are holding up.

In this [briefing](#) we highlight some of the key elements of the valuation – some of which may surprise. Not least the assumption that long term salary growth will be 4.75%. Pay negotiators please note!

Assumptions on life expectancy, while improving, make for grim reading. Our infographic can be downloaded from the Pensions Scotland [website](#).

## No increase in pension and negative valuation

In the 12 months to September 2015, CPI was negative (-0.1%). This means there will be no increase in public service pensions in payment and the CARE revaluation will fall by -0.1%. The UK government changed the index from the RPI to the CPI. Had the index remained as the RPI (as UNISON argued for), both would have increased by 0.8%.

This also brings an unanticipated saving to the UK and Scottish Governments. For example the SLGPS assumption for this year was a 2.5% increase.

## SLGPS Scheme Advisory Board

The February meeting of the Scottish Local Government Pension Scheme Advisory Board included an eye opening presentation from Chris Siers on the transaction costs pension funds incur when using external fund managers. The Board has had a first go at data collection and this highlighted some the challenges in getting consistent data. Chris reported on some initiatives in England on a standard template for fund managers that should help funds in Scotland as well.

The Deputy First Minister has formally signed off the Board's workplan. While the big changes in England and Wales on pooling investments isn't happening in Scotland, the DFM does expect the SAB to make progress on reviewing the structure of funds in Scotland.

This is in part about increasing infrastructure investment and the Board considered the [recommendations](#) of the Scottish Parliament Local Government Committee on this issue. One of the perceived barriers is the application of [fiduciary duty](#) to the SLGPS. The Board received an initial legal opinion on this issue and that will be peer reviewed with a report back to the May meeting. There has been a very quick change to the regulations that limited the amount funds could invest to the main category of infrastructure investment. This is an interim step before taking a longer look at more flexible investment rules for the scheme.

## TUC Pensions Conference

This year's TUC pensions conference brought together a wide range of speakers to cover the key issues facing pensions across the UK. It was generally agreed that auto-enrolment had been a success in bring more workers into the pension system. There was far less consensus on the impact of the pensions choice reforms. Turning pension savers into pension investors, relied on skills and knowledge that most workers simply don't have. There is considerable scope for providers to rip people off as well as outright fraud. Market systems are not appropriate and we actually need large scale collective provision that shares risk. A summary of the conference is on our [blog](#).

## Divestment Campaigns

Fossil Free Strathclyde is [calling](#) on Strathclyde Pension Fund (SPF) to immediately halt its new investments and divest (to remove investments) its current holding from fossil fuel companies. Pension funds have been losing money on these investments and they are looking increasingly risky as well as undermining action against climate change.

**For further information visit our dedicated pension website:**

**Pensions Scotland:** <http://www.pensionsscotland.org>

**Or contact:**

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