



No. 55

June 2018

SLGPS Funds Structure Review

The Scottish Local Government Pension Scheme Advisory Board (SAB) will publish a consultation paper on the structural review of funds on 18 June. This will be followed by an introductory seminar, primarily aimed at pension board members, on 27th June at the COSLA offices in Edinburgh.

There will be a UNISON briefing later this month to allow branches to start their consultation process. This will be followed by a UNISON seminar on **Friday 17 August**, at UNISON House, Glasgow, to consider a UNISON Scotland response to the consultation. This is open to all branches with members in the SLGPS, pension champions and pension board members.

The consultation period will close in December and the SAB will consider its advice to ministers in April 2019.

NHS Scotland Pension Contributions

The NHS Scotland Scheme Advisory Board will meet on 14 June 2018 to consider setting the contribution structure for the period 1 April 2019 to 31 March 2023. As things currently stand the scheme has not met the yield of 9.8%, realising 9.6%, therefore the 0.2% will need to be factored into the contribution structure for 2019 to 2023. Below are the key points the SAB are looking at:

- **Tiered** – a single contribution rate applies for each member. This is how the current structure operates. The current structure (and all alternatives considered) is progressive such that higher paid members pay higher rates of contribution.
- **Banded** – a different contribution rate applies for each slice of a member's pay (similar to the income tax system). This means a pay rise would only lead to a modest increase in total contributions to the scheme under a banded structure, whereas a pay rise in a tiered structure could move a member to a higher contribution rate applying for all salary. As above, all alternatives considered are progressive with higher rates of contribution applying to those with earnings in higher pay brackets.
- **WTE** (whole-time equivalent) – this term is only relevant for tiered structures and provides that the allocation of a member to a particular contribution band is determined based on their whole-time equivalent pay. The actual contributions payable are based on the relevant rate applied to their actual pay. This is the basis of the current structure.
- **Actual** – in the context of the tiered structures considered this term means that the allocation of a member to a particular contribution band is determined based on their actual pay. As for 'WTE tiered' the contributions payable are based on the relevant rate applied to their actual pay. For the banded structures all aspects are based on actual pay. The move from WTE to actual pay will mean that members will face an increase of between 0.4% and 0.5%.

Pensions increase

Public service pensions will [increase](#) by 3% for pensions paid before April 2017. The increase is effective from 9 April 2018.

For contributing members, pension pots under the CARE schemes will also increase by 3% for service in the current financial year.

SLGPS early retirement

Members in the Scottish local government scheme will now be able to retire from the age of 55, without the approval of their employer. The actuarial reduction will still apply as at present. This is included in the latest [regulations](#), based on a UNISON proposal last year.

Support for fossil fuel divestment grows

An international coalition of Catholic institutions, including SCIAF in Scotland, have [pledged](#) to take their money out of fossil fuels. The University of Edinburgh will also divest from fossil fuels completely within the next three years as part of its plans to become carbon neutral.

UNISON continues to press SLGPS and other pension funds in Scotland to follow this lead. Scottish councils have a statutory duty to cut carbon emissions and dirt investments are simply not compatible with this duty. UNISON has published a helpful [guide](#) on divestment.

SLGPS contribution rates

Local government scheme contribution bands have been increased to ensure that members do not drift into higher bands through pay increases.

Pensionable Pay (2018/2019)	Rate (%)
On earnings up to and including £21,300	5.5%
On earnings above £21,300 and up to £26,100	7.25%
On earnings above £26,100 and up to £35,700	8.5%
On earnings above £35,700 and up to £47,600	9.5%
On earnings above £47,600	12%

The SAB received a report on 2017 valuations at its last meeting. The scheme is broadly healthy, although future challenges remain. We are awaiting a timetable for the formal s13 report on the scheme later this year.

The SLGPS annual report has been [published](#) and the latest SAB Bulletin can be downloaded from [Pensions Scotland](#) website.

In Brief....

- There has been a big increase in pension coverage, largely as a result of auto-enrolment. However, we also need to improve the quality and adequacy of many schemes if this increase is to improve incomes on retirement. We explain why in our latest pensions [blog](#).
- The TUC has published a [report](#) 'Fixing the Retirement Lottery', which sets out a number of recommendations to improve the security and stability of retirement income.
- The Pensions Regulator is to get additional [powers](#) and funding to strengthen the regulation of pension schemes. This is important for members after the BHS and Carillion scandals. The Westminster, Work and Pension Committee has published its third [report](#) on pension freedoms, with recommendations to protect members pensions.
- The England & Wales LGPS SAB has amended their cost transparency template to take account of the FCA report. Most of the biggest asset managers have now signed up to the [code](#) and pension boards in Scotland should be checking their list of managers against this list.



Pensions
Scotland

For further information visit our dedicated pension website:

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

Or contact: Dave Watson: d.watson@unison.co.uk