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HUTTON REPORT LGPS STILL UNDER THREAT

Hutton's Final Report

Lord Hutton published his final report into public sector pensions on 10th March, detailed information on the report is available on the website (www.gmb.org.uk/pspc).

GMB was very critical of some key elements of the report:

- His failure to condemn the Osborne Pension Tax and address the issue of member affordability with the same vigour as his consideration of narrow taxpayer affordability;
- Leaving key elements of his new pensions model for the government to determine, in particular the cost envelope for the new scheme and the accrual rate of the career average arrangement;
- Recommending that access to public sector pensions should be limited to those directly employed in the public sector, potentially excluding the 25% of the LGPS members who have been outsourced but through Admitted Body Status, remain in the LGPS;
- Linking retirement age in the new scheme to state pension age which is set to rise to 68.

However, there were some positives which reflect the level of pressure GMB had exerted on the Commission during the consultation process:

- His recommendation of a career average scheme with average earnings revaluation instead of inflation or a cash balance scheme;
- Protection of past service and the link to final salary of service up to the point of transfer into the new scheme;
- Transparent and engaged discussion with unions before the new schemes are introduced;
- Strong recommendation that any reform should ensure those on low earnings can achieve an adequate pension on retirement.

Osborne Pension Tax

In an earlier bulletin (P3/11) we outlined the consequences of George Osborne's 3.2% member contribution hike in the LGPS. Opposition to the policy is mounting but there is

still some way to go. You can help by writing to your MP and asking them to sign Early Day Motion 1538 calling on the government to think again.

Annual Pension Increase & Contribution Tier Adjustment

From April 2011 LGPS pensions in payment will increase by 3.1% meaning a £200 a month LGPS pension worth £206.20 a month. Previously LGPS pensions were linked to a higher index (RPI), one of the first steps the government took was to cut this and replace it with a lower index (CPI). If the old method of increasing pensions had been kept, the £200 pension would be going up to £209.20 a month.

The member contribution bands are also adjusted in line with inflation each April. Aside from any changes from next year caused by the Osborne Pension Tax (due in 2012), the LGPS contribution bands for 2011-2012 are as follows:

Whole Time Salary	Contribution Rate
Up to £12,900	5.5%
£12,901 to £15,100	5.8%
£15,101 to £19,400	5.9%
£19,401 to £32,400	6.5%
£32,401 to £43,300	6.8%
£43,301 to £81,100	7.2%
More than £81,100	7.5%

Next Steps

However the combination of paying 50% more and getting less pension is what is facing us. It's wrong and unacceptable.

GMB is continuing to talk to government and making every effort to ensure the LGPS remains a good quality, sustainable pension scheme that those providing local public service can be a part of.

But we must be also ready to fight.

Brian Strutton

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