

GMB HITS BACK AT POLITICAL SCAREMONGERING ON THE SUSTAINABILITY OF THE £120BN LOCAL GOVERNMENT PENSION SCHEME

The debate about pensions must not be allowed to become a race to the bottom says GMB

GMB and other Local Government unions today published a list of ten key facts about the Local Government Pension Scheme (see notes to editors below). In doing this the three main local government unions are seeking to set the record straight about a pension scheme with over four million members and £120 billion in assets.

The facts are that the new LGPS, introduced in April 2008 for all the schemes 1.7m contributing members, was agreed by employers, unions and government after several years' informed discussion. All stakeholders participating in that debate accepted the new scheme as a sustainable and viable means of pension provision in local government for the long term.

In exchange for increased member contributions and benefit reform, employers agreed to a scheme requiring councils and other LGPS employers to contribute on average 13.6% of members' pay year on year. The income to the scheme from members since the introduction of the new structure has increased by 15%. The average employee contribution to the scheme is now 6.4% (higher than the UK average of 4.9%). In addition the LGPS was at the forefront of introducing higher contribution rates for higher earners, a concept now being proposed by government across the public sector.

The current LGPS is not the cause of increases in Council Tax or cuts in local services. In fact money equivalent to less than 6% of Council Tax revenue goes towards the LGPS, about £70.50 a year for an average Council Tax paying household in England. The numbers being peddled by those opposed to quality pension provision in the UK are dangerously misleading for a debate that should be considered not a forum for shallow point scoring.

Of that contribution it is the funding owed for past service that is often the greater part. Past underfunding by employers has meant that insufficient funds have been put aside for future pensioners. However, as a funded scheme, unlike the others in the public sector, the LGPS has over £120bn in assets, a figure sufficient to pay benefits for more than 20 years without any additional contributions being made. In addition the LGPS receives £4-5bn more in income than it spends in benefits every year, ensuring its enduring viability.

Even in the current economic climate the LGPS received nearly £3bn in income from its investments in 2008-9. The scheme is a major shareholder in British businesses, property and regeneration. This is on top of the contribution it makes to the income of more than one million current pensioners many of whom would be entirely reliant on taxpayer financed state benefits if it wasn't for the Local Government Pension Scheme. The average pension of £4,000 a year (£2,600 for women) does not lead to a gold-plated retirement but it does mean members have some security in later life. The local government trade unions believe that the drive to the bottom approach to

pension provision being led by the Conservative and Liberals will lead to millions more pensioners suffering and significantly increased pressure on public services.

Heather Wakefield, National Secretary for Unison said, **“The cost to the taxpayer of abolishing the LGPS would be high. If our members did not pay into the scheme, the taxpayer would have to foot the bill through state pensions. The private sector has shown itself happy to use taxpayers’ money to cover up its mistakes and poor decisions. They should stop talking about what does not concern them and put their own house in order. Our members – almost three quarters of them women – work hard to provide public services on low pay and have sensibly decided to contribute to a safe and well-funded scheme. Two thirds of them earn less than £18,000 a year, so their pensions can hardly be gold plated. The scheme must continue”**.

Brian Strutton, National Secretary for GMB said, **“Let’s be clear, the debate about pensions must not be allowed to become a race to the bottom. The private sector must stop cheapening their workers’ pensions or we’ll have future generations of pension paupers relying on state benefits. Let’s also stand up for the LGPS which is affordable and sustainable for the long term to provide future pensions for some of the lowest paid workers around; workers who will fight to protect their pensions.”**

Peter Allenson, National Officer for Unite said, **“The LGPS is clearly sustainable given these details brought together for the Trade Unions who are determined that the myths that some are peddling should be exposed as the scare mongering they clearly are.**

The LGPS is not gold plated but actually through its investments and benefits bring real value to Local Communities.

Everyone should bear in mind that the scheme was reformed in 2008 with some benefit changes and increases for employees in their contributions with the Government and employers being party to the new scheme.”

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Notes to Editors: Ten Key LGPS Facts are set out below

LOCAL GOVERNMENT PENSION SCHEME TEN KEY FACTS

1. The LGPS is a funded scheme like private sector defined benefit schemes and unlike the other public sector pension schemes. Together the 101 LGPS funds hold more than £120billion in investments and assets, enough to pay benefits for over 20 years

2. The LGPS has a positive cash flow, with income from investments and contributions exceeding expenditure on benefits by £4-5billion every year

- 3. Members contribute an average of 6.4% to the scheme with higher earners paying proportionately more*
- 4. The employer contribution rate for current service is 13.6%. In the private sector the comparable employer contribution average is 15.6%. Many employers are paying a high overall contribution to the scheme because of past underfunding and contribution holidays*
- 5. The LGPS is collectively the biggest pension fund in the country and fourth largest in the world making it a major shareholder in business and the UK economy*
- 6. Four million people are members of the LGPS in England & Wales either as active, contributing members, pensioners or deferred members*
- 7. In April 2008 (2009 in Scotland and Northern Ireland) reformed schemes were launched covering all existing and new LGPS members that changed the benefit structure and increased average member contributions to the scheme from 5.8% to 6.4%*
- 8. In the last year income from employee contributions to the scheme has increased by 15%*
- 9. More than 7,000 employers participate in the LGPS, many of which are private sector companies providing local public services*
- 10. Not gold-plated, the average pension in payment from the LGPS is around £4,000 a year, for women the average is £2,600*