

THE TRUTH ABOUT THE LOCAL GOVERNMENT PENSION SCHEME

Public Sector Pension Schemes are under almost daily attack in the press. Claims that the schemes are unaffordable, gold plated or featherbedded have become automatic in many areas. Statements like pensions 'black hole', 'pension apartheid', 'unsustainable perk' etc. are heard repeatedly.

Both the Conservatives and Liberal Democrats want cuts to public sector pensions and some have called for the immediate closure of these schemes to new entrants, replacing them with cheap money purchase schemes for future service. It is essential that unions refute these attacks and stop the politics of envy resulting in a policy of poverty for all.

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Key Facts

- The LGPS is a core part of the terms and conditions of employment of nearly two million workers enabling and encouraging them to save for their retirement.
- The LGPS is affordable. Current benefits require employer contributions of less than 14%, past service deficits, some caused by lower employer contributions in the past can be paid off over several decades. The Trade Unions and employers are developing a fair basis for ensuring the ongoing sustainability of the scheme.
- Other workers do not subsidise the LGPS. Over 50% of the cost is met by employee contributions and investment returns. Only around 5% of income from Council Tax goes towards the pension scheme.
- LGPS is funded with real money and makes a direct contribution to the economy. There is currently over £100 billion held by LGPS funds being invested, creating jobs and regenerating the economy.

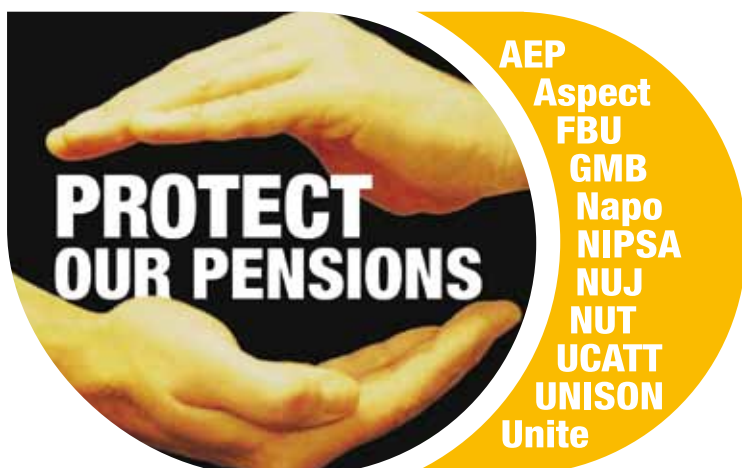
Fighting Envy

- The LGPS Normal Retirement Age is 65 as is the standard among pension schemes in the private sector. Members contribute up to 7.5% of pay and the average LGPS pension in payment is around £4,000pa.
- Defined Contributions will not deliver pensions to many of our members above the poverty threshold as John Healey said at the NAPF Local Government Conference in May 2009, “A defined contribution

scheme is wholly dependent on the state of the market when a person retires. So if you were to retire this week, and the person sitting next to you next week, the amount of money you’d each have to live on for the rest of your lives could vary by tens of thousands of pounds.” The Minister said that experts have calculated that if the average LGPS member had saved in a defined contribution scheme instead of the LGPS they would only receive on average £1,000 a year instead of the current scheme average of £4,000.

- If LGPS provisions are cut further, more workers will be reliant on state benefits for their retirement income. 5% of GDP is already spent on state pension benefits, this figure will rise significantly if more retired workers are left in poverty. The cost of this will be met by future taxpayers – this is a real pensions time-bomb.
- In the private sector many employers have washed their hands of decent occupational pension provision forcing many workers to rely on the State. If the same happens in local government a high proportion of the two million strong workforce would have no incentive to save and will become reliant on the State.
- The real pension divide is not between public and private sector workers, but between the fat cats in the board room who secure outrageously generous pensions for themselves with low retirement ages, and their workforce who suffer repeated cuts to their future pension benefits.
- LGPS trade unions call for quality pensions for all workers across both the public and private sectors. Everyone has the right to dignity and security in retirement.

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