

TITLE OF REPORT : PAY AND PENSIONS UPDATE

REPORT OF THE CORPORATE HUMAN RESOURCES MANAGER

National Pay Bargaining and Local Government Pension Scheme (LGPS)

Pay

The Trade Union Side submitted the following claim for a pay increase for 2013 - 2014:

A substantial flat rate increase on all scale points as a step towards the longer term objective of restoring pay levels and achieving the living wage as the bottom NJC spinal column point.

The Employers say following informal consultation through regional networks, that the consensus view of most councils is that there should be an appropriate pay offer but that pay should be just one element of a broader package that would include reform of some terms and conditions.

The Employers sent the following update on 21st February.

At a meeting last week of the National Joint Secretaries we indicated to the unions again that the National Employers were still committed to trying to reach a collective agreement with the unions. Therefore, we asked them to reconsider, even at this late stage, their stance of being unable to discuss changes to terms and conditions in return for a 1% across-the-board offer. We also told them that if they could not move from their current position that any pay offer would be likely to consist of two elements applying to different parts of the pay spine, rather than a single figure applied across-the-board.

Consequently, at a meeting today of the National Joint Council Executive the National Employers asked the Trade Union Side to consider two options with a view to securing an eventual agreement. These are set out below:

Option 1

- 1.0% on all pay points from 1 April 2013
- NJC mileage rates replaced by HMRC Approved Mileage Rates (<http://www.hmrc.gov.uk/rates/travel.htm>) for those councils currently applying NJC rates, from a date to be agreed (*Green Book Part 2 Para 12 and Part 3 Para 6 refers*)
- Unilateral arbitration clause replaced by bilateral reference, from date to be agreed (*Green Book Constitution Para 17 refers*)
- An increase in the minimum paid annual leave entitlement from 21 days to 22 days, from a date to be agreed (*Green Book Part 2 Para 7.2 refers*)
- Increase in continuous service entitlement for the purposes of calculation of entitlements to annual leave, occupational maternity leave / pay and occupational sick pay from return to service within five years to within ten years of the original transfer, from a date to be agreed (*Green Book Part 2 Para 14.2 and 14.3 refers*)
- Joint statement providing a list of the issues on which both Sides agree to commence immediate serious discussions.

Option 2

- 1.0% on pay points 4 to 10 from 1 April 2013
- 0.6% on pay points 11 and above from 1 April 2013

Trade Union Response

UNISON announced that their NJC Committee met on 27th February to consider the response to the two options, they decided to reject both options and inform the Employers of that decision with a view to getting them back into negotiations on an improved offer.

Pensions

There is a lot happening going with pensions including:-

- Auto Enrolment
- 2014 Changes to the LGPS
- White Paper proposing a new single tier state pension.

For this pension update, a bit on how the proposed new single tier state pension might effect LGPS members and employers with the LGPS scheme.

Proposed new single tier state pension.

Employees in pension schemes such as the LGPS are contracted out and pay less in national insurance contributions.

These proposals seek to end the current contracting out of NI arrangements by 2017.

Employees may benefit from an increase in their future pension benefits but may see their net pay go down.

Members of the LGPS would have to pay 1.4% of their earnings between £5,564 and £40,040. The Department of Work and Pensions believe that 90% of LGPS members will get potentially better future total pension benefits. The 10% that will not benefit are likely to be those that are higher earners.

The worrying effect for the LGPS members, is that contributions rose in 2008, will rise again in 2014 and they now also face these possible changes to NI in 2017.

As a result we may see more LGPS members ask to opt out. This viewed against the back drop of pension auto enrolment shows how complicated this is all becoming.

Employers are also expected to lose out by an increase in NI contributions of 3.4%. This increase cannot be recharged to LGPS members and may give rise to the pressure of further efficiency savings.