

By email CabSecFLG@gov.scot

20 September 2024

Shona Robison MSP
Cabinet Secretary for Finance and
Local Government
The Scottish Government
St. Andrew's House
Regent Road
Edinburgh
EH1 3DG



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Dear Shona,

URGENT ISSUE: LOCAL GOVERNMENT PENSION SCHEME & EXIT CREDITS

I am writing to you on behalf of UNISON members in the LGPS. The issue is so-called “exit credits” under the Local Government Pension Scheme. The issue is urgent.

In May 2024 the SPPA helpfully identified an unintended consequence of the LGPS regulations and the existing healthy position of LGPS funds. In short, a cohort of employers with admitted body status have identified an opportunity for short term cash windfalls through so-called “exit credits”.

The scheme faces the flight of several hundred million pounds in the immediate future in exit credits paid to employers who are intentionally leaving the LGPS with the sole intention of triggering access to inflated cash windfalls.

These are not “credits” in any true sense. The employers have NOT overpaid their pension contributions. The scheme has invested wisely, and one class of employers greedy employers is looking to cash in. It is corporate greed and opportunism with a series adverse effect on workers.

Various examples have come to the attention of our members and the capital sums are truly eye-watering. Our concerns are fairly obvious:

- LGPS membership is a key asset for workers who now face a reduction in pension income arising from blatant opportunism and greed by employers
- The relatively positive position of the pension fund will evaporate
- Future risk will pass to those employers who put pensioner need before corporate greed
- This asset stripping will have a disproportionate effect in the third sector and social care where unfair work is already a major factor in the staffing crisis
- The notion of exit “credit” is a misnomer, and the practice is unjust enrichment. The so-called credit does not arise from surplus employer contributions – it

derives from the investment strategy of the fund. The “credit” to the employer is only triggered by inflicting real cash detriment on pensioners who are removed from scheme membership. This corporate enrichment is clearly unjust. UNISON has referred this issue to our legal team and we intend to promote wider public awareness in the near future.

The intentional destruction of pension rights in this way has a disparate impact on women, older workers and people on low incomes. The Equality Act (Specific Duties) (Scotland) Regulations, the Convention on Elimination of Discrimination Against Women and the Fairer Scotland Duty are all engaged.

UNISON welcomes the SPPA proposal to address this issue. The same issue has arisen in England and remedial measures are now in place. We therefore urge Scottish Ministers to move swiftly to preserve the fund, avert pensioner poverty and retain Fair Work in public service pensions.

We are very mindful of the adverse political and economic circumstances faced by Government, but we believe the financial and policy benefit from swift and decisive action is compelling. If we can assist further with information on the scale of adverse impact on vulnerable workers please let me know.

Thank you for your attention to this matter.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Peter Hunter', with a long horizontal flourish extending to the right.

Peter Hunter
Regional Manager