Pensions Briefing

2011

a million voices for public services

Protect Our Pensions campaign

UNISON
the public service union

The crisis is not of our making

"The price of this financial crisis is being borne by people who absolutely did not cause it, now is the period when the cost is being paid, I'm surprised that the degree of public anger has not been greater than it has."

Mervyn King – addressing the Treasury Select Committee

Public Sector Pensions - What Are The Key Issues We Face?

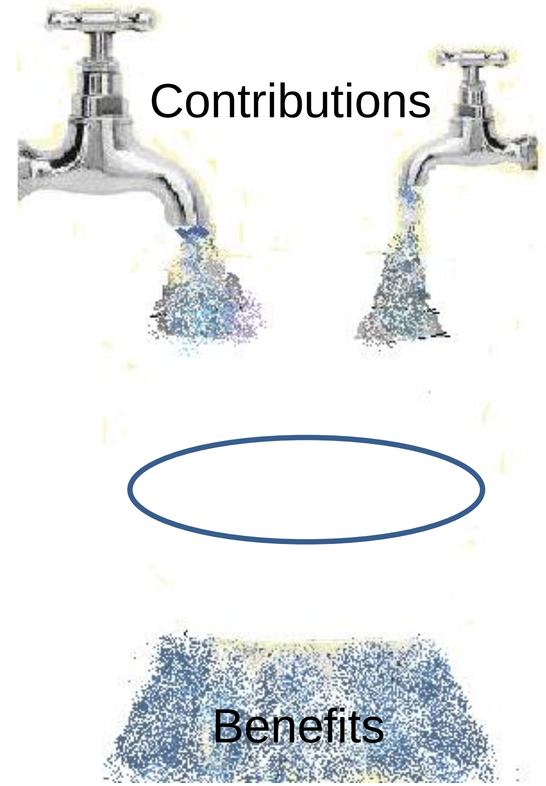
- **Change to the way pension increases are calculated – RPI/CPI**
- **Scheme contribution increases**
- **Retirement age increases**
- **Benefit changes to career average**
- **Fair Deal – TUPE transfers and pensions**

Linking Contributions and Benefits

- NHSPS is an ‘unfunded’ scheme – there is no bucket!

- Balance between Contributions and Benefits is made up / received by the Treasury

- Contributions paid in are currently more than Benefits paid out. Current annual surplus is £2bn!



What is happening?

NHS Pension Scheme (NHSPS) – Pension Choice

UNISON negotiated a new, secure, affordable scheme in 2008 - its implementation is still under way, with the current NHS ‘choice’ exercise giving some NHS workers options to opt in or remain in the old scheme with an earlier retirement age.

The proposed new plans will override this exercise, ignoring your choice. They will mean almost everyone working longer.

From RPI to CPI – robbing pensioners today and scheme members tomorrow

- **The Government has laid legislation which will mean increasing public service pensions by Consumer Price Index (CPI) instead of Retail Price Index (RPI) from April 2011**

- **The consequences are very significant. CPI is typically, on average, 0.7% per year lower than RPI**

- **The Office of Budget Responsibility predicts that pensions will be 8.5% less by 2017**

- **Lord Hutton says move represents a 15% cut in benefits**

- **A member receiving the overall average pension in public service schemes of approx £7800pa will be around £117 worse off this year**

Contribution Increases – a pension tax to pay back the bankers debt

- The Government has announced that NHSPS ‘funding’ will be cut by around £1.3 billion by 2014/15– Note that currently contributions are greater than benefits!
- The Government announced in July that those earning less than £15,000pa (full time equivalent (FTE)) will not face increased contributions. Those earning £15-21,000pa (FTE) will have their increase capped.
- The proposed contribution increases range from almost **£200 a year for workers earning £16,000 a year, or over £900 for those on £35,000**

- **Not one penny of these increased contributions or ‘savings’ will go towards improving your pension.**
- Instead they are being levied to help the Treasury pay off debts created by the banking crisis

What is a career average scheme?

- **Hutton proposes that the calculation of benefits be linked to career average earnings rather than final salary by April 2015.**
- **When you retire the cash value of each year's service would be added up to calculate your pension sum.**
- **Such a scheme could potentially benefit members whose annual salary increases are generally less than inflation and who are unlikely to benefit from regular promotions**
- **UNISON is awaiting details of the accrual rate figure before commenting but it must not be a cost-cutting exercise**

Making us work longer

- **The Government has already brought forward the State Pension Age (SPA) meaning that from November 2018 the SPA will be 65 for both men and women**

- **From April 2020 the SPA will be 66 for both men and women. Under current legislation the SPA is due to rise to 67 between 2034-2036 and 68 between 2044-2046**

- **Lord Hutton has stated that with exception of "uniformed services" retirement should increase in line with SPA**

- **For those now 34 or younger it would be 68. For those between 34 and 42 it is 67. For those between 42 to around 57 it will be 66.**

Fair Deal Over? – Making it cheaper to privatise

- **The Government has started a consultation on Fair Deal**
- **Fair Deal is the agreement that enables TUPE transferred staff from public services to either remain in such a scheme or be provided with a "certified" broadly comparable scheme**
- **The Government may look to scrap this due to the relative cost to companies bidding for public service contracts**
- **This would leave TUPE transferred staff at the pensions mercy of private contractors and effectively end any chance of an in-house bid winning on financial considerations**

Is it all about privatisation

Hutton Review Terms of Reference

“The Commission is to have regard to:

- the growing disparity between public service and private sector pension provision, in the context of the overall reward package – including the impact on labour market mobility between public and private sectors and pensions as a barrier to greater plurality of provision of public services” (emphasis added)

What it all means

Current and proposed reforms would mean that public sector workers will:

PAY MORE in contributions

GET LESS in benefits from the schemes

WORK LONGER before being able to draw your pension

What is UNISON doing?

This is the most serious attack on public service pension rights that we have ever seen.

UNISON believes that the proposed changes are:

- **unnecessary – official data show that decent public service pensions are affordable. Cutting them will just mean more relying on state benefits in old age.**
- **unfair – public service workers are already being hit by pay freezes and redundancies. They shouldn't be paying for a crisis caused by the banks.**

UNISON says: "Enough is enough"

What is UNISON doing?

UNISON is working hard to protect your pension:

- **we submitted evidence that has already resulted in some concessions**
- **we are taking legal action against the weakening of pensions’ inflation protection (RPI to CPI)**
- **we led negotiations with government and employers involving the TUC and all public sector unions**
- **we are balloting for industrial action, along with other unions, to initially start on 30 November**

What is UNISON doing?

A ‘YES’ vote will give UNISON the power to plan a campaign of industrial action, leading off with a one-day strike on November.

Industrial action is a last resort.

It’s not a decision we take lightly. We will do everything in our power to ensure no harm occurs to clients, patients and users of services.

But we need to send a clear message that we are ready to defend our pensions. A strong ‘YES’ vote in the ballot is now essential to strengthen our negotiating arm.

What can you do?

UNISON is working hard to protect your pension. But the power of a union is in its members.

So we need your help:

- **vote YES if you are balloted – our strength will be measured by the size of the vote**
- **talk to your co-workers – encourage them to join the union, and encourage them to vote YES if balloted**
- **be part of the campaign – contact your branch Pensions Champion, or become one yourself – we'll help**
- **disseminate the information in your communities and the media**

Day of Action

30 November

- coordinated action across our public services – UNISON coordinating with the TUC and other unions
- local rallies and protests will be organised with supporters and community groups
- members and supporters encouraged to write to MPs, councillors, newspapers, etc.