

# Protect Our Pensions briefing

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## Hutton Says Pay More, Work Longer, Get Less – We Organise

The long awaited report by Lord Hutton on public service pension schemes was published on Thursday March 10th. As expected he is recommending long term structural reform of the pension schemes that millions of public sector workers depend on.

The report is 215 pages long with 27 recommendations it will take a little more time to digest all of the key issues. However the government can ignore all it if it wants to. More likely they will cherry pick the changes they want to make.

All of the issues around pensions will be taken forward by Dave Prentis in a series of negotiations with the government that will run up until June. Nothing will change, except pensioners benefit increases, until the negotiations with government have finished.

General Secretary, Dave Prentis, has summed up UNISON's reaction:  
*“Whatever the Hutton report may say about fairness, the Government will use it as a Trojan horse to raid the pensions of hard working public sector workers. Pensions that our members have paid into year in year out and which are fair and affordable.*

*In fact, even before the report today, the Government announced they were increasing employee contributions by 50%. There is a lot of nonsense talked about public sector pensions – they are not gold plated. The average is very low - in local government, the average is just over £4,000, falling to £2,800 for women.*

*Asking workers to pay more and work longer for less is simply not an option. We want to talk to the Government about their response as a matter of urgency. If we cannot make any progress in our talks with the government to get it to see sense, we will have to take very hard decisions on moving to an industrial action ballot.*

*If you just do one thing, pass on this message to your work colleagues. If they are not in the union, ask them to join, so we have a stronger voice. You could get involved in activity within the branch or become a pension champion or write to your local MP to*

*protest.*

## **Hutton in Brief**

**Pension Scheme Benefits:** What we are paid and how they are worked out  
Hutton has recommended the closure of Final Salary benefits we currently have. In their place we can expect a new system of Career Average sometimes known as CARE. A career average pension scheme is one that bases how much pension you earn on your yearly earnings averaged over the time you are a member of the pension scheme.

Crucially he has recommended that the averaged earnings you earn in the scheme will rise in line with increases in average earnings up to when you retire. Without this a career average scheme will be virtually worthless, particularly for younger workers.

However there is no commitment to maintaining the same overall value in the report. A career average scheme could be introduced simply to cut costs Again the scheme design should be a matter for each scheme to decide, reflecting the workforce.

**Retirement Age:** Hutton has recommended the age at which you can retire moves in line with the changes to the State Pension Age. This would mean all schemes would increase their retirement ages to more than age 65. 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.

*Implications for members in the NHS:* As he has proposed that this applies to all scheme members then it brings into question the NHS pension scheme choices exercise. The NHS pension scheme still allows some members to retire at 60.

**Paying more?** On top of the contribution increases that have already been announced Hutton has recommended a limit on the amount employers pay into the schemes. If costs rise above this limit then the government will expect scheme members to pay more. This is sometimes called cost sharing, which is already in place in the NHS and in the LGPS in Scotland. But this could go further sharing the cost every time the schemes change their assumptions on for example how much they think inflation will go up in the future.

**Pension Scheme Governance (who looks after our money):** He has recommended wide ranging legal reform, which includes national organisations to oversee each pension scheme. He has also recommended scheme member representation on LGPS fund committees. UNISON supports the view that everyone who contributes to a scheme should be afforded the highest standards of governance and involvement in the management and administration of their money. A commitment to greater transparency and involvement by trade unions and scheme members will start to bring them into line with modern standards.

However the composition of the pension boards and national policy groups needs more detail before full commentary can be made. In the case of the LGPS boards there is no guidance on who will make the investment decisions and in whose interest they will be made.

**Local Government Pension Fund (LGPS) mergers.** The LGPS invests any spare cash that is left over after paying out pensions in things like company shares or property. Hutton has recommended that the 101 funds should co-operate in pooling their investment funds and commissioning fund managers together. He also suggested that pension administration services could be contracted out to companies like Capita.

There is no evidence to suggest that improved collaboration over the purchasing of fund managers for the LGPS will deliver anything like the income generation that fund mergers would achieve. UNISON submitted evidence produced independently that showed up to £1.2bn additional income could be made from merging the 101 funds to 14. That is more than the £900m that government wants in scheme member contribution increases of 50%.

## **Can you be a pension's champion?**

The big challenge for us over the next few months is to build a network of at least one pension champion in every branch and workplace pension contacts.

Can you be a champion or contact? You will be trained and supported by your region and national union and will receive campaign packs, ideas for actions and news.

Branch pension champions will need to ensure that they keep up with all the technical issues and negotiations so that they can support the branch leadership and help build the campaign to defeat the attacks on our pensions.

Workplace pension contacts will take on the role of discussing with colleagues the issues we face, passing on news about campaign activities and asking people to get involved, both with the campaign and by joining the union. You will not be asked to represent or negotiate on behalf of members.

If you want to be a champion or a branch pension contact, or you are a retired member and want to get involved, please contact your branch secretary or email your details to [protectourpensions@unison.co.uk](mailto:protectourpensions@unison.co.uk).

Branches should set up and support retired members groups – we have 130,000 retired members who could be active and involved. They have a lot to offer, don't leave them out!

## **Regional Consultation Meetings**

All UNISON regions have set dates for consultation with branch activists over the coming weeks. Please contact your region for details.

## **Increases to our pension contributions – Stop the Bankers £4billion Bail Out Tax**

The government announced in its spending plans in October 2010 that all of 'pay as-you' go public sector pension schemes, such as the NHS, should make savings of £2.8 billion by 2014/15 this will come from increased employee contributions phased in from 2012.

The 'savings' for LGPS England and Wales on top of this are around £900 million a year. LGPS Scotland around £140 million

This is unjustified tax that will make the schemes unaffordable for a high proportion of members and if there is a large number of people dropping out it will mean the remaining members have to shoulder the burden of the government tax.

Our U-Gov poll revealed that around 1 in 5 of the general public would leave a scheme if their contributions went up by 50%.

This is a tax on over five million public sector workers, their dependents and families, to pay for the crisis the banks and bankers caused!

We have to fight this proposal with everything we've got so that we all have an income when we retire! Every single member of a public sector pension scheme, except the armed forces, can join us to stop the bankers' bail out tax on our wages!

### **The Governor Tells the Truth - Banks Are To Blame - But We Take the Pain**

Finally the truth is out and straight out of the horse's mouth, the Bank of England Governor Mervyn King... the man in charge of money in our economy!

This is what he said to a committee in Parliament "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."

So while the bankers continue to gorge themselves on bonuses millions of pensioners face a cut in their pension payments.

Scheme members face paying a £4 billion tax to pay off debts raised to save the banks.

If there is a greater reason for getting our marching boots on, ready for the 26th of March demonstration, we can't say what it is!

On **26 March 2011**, thousands of people will join the TUC march in London, to tell the government that savage spending cuts are unnecessary and unfair.

We don't believe the coalition when they say we are all in this together - their public service cuts will hit the most vulnerable the hardest.

There is an alternative

- fair taxation
- investment in our local communities, health and education
- a more equal and just society

**11am** assemble at Embankment in London - Nearest tube station: Embankment

**2.00-4.30pm** Rally in Hyde Park in London

Route is flat and ok for wheelchairs.

Make sure everyone joins the TUC march to defend public services, jobs and pensions  
<http://www.unison.org.uk/26march>