Unite Briefing: **Public service pensions**
November 30th, 2011 – Day of Action

Unite, along with the unions across public services, is balloting its membership to take part in a day of action on November 30th , 2011 to defend decent public service pensions.

The negotiations:

Unite, the TUC and other trade unions are committed to continuing talks with the government and relevant employers in each of the major public service pension schemes. The government has so far failed to properly engage in negotiations with the trade unions.

The government has refused to budge from plans that would mean public service workers would have to work longer, pay 50% more now and get 50% less as a pension in the future. This is unjust. It is also unnecessary. The government is urged to bring new proposals to the table to make progress in negotiations possible.

The facts about public sector pension schemes:

- Despite government claims, public service pensions are not 'gold plated'; the median pension is currently £5,600 and for women it is just under £4,000, with 65% receiving less than £6,000.
- In July 2010, the government unilaterally announced it was changing the indexation from RPI to the lower CPI measure. This has reduced pension benefits by an estimated 15%.
- The government proposals risk creating more pensioner poverty, not just through reducing the value of pensions, but also increasing the numbers who have no occupational pension at all. The government wants to increase the contributions members make now by a further 3.2%. An increase in contributions means that many members will opt out of pension schemes they can no longer afford. This will put the future of the schemes in doubt by reducing contribution income overall – a danger that even other ministers, such as Secretary of State for Health, Andrew Lansley, have pointed out in leaked correspondence.

Are these proposals necessary to make pensions affordable?

No. The government's proposals are unnecessary. In 2005, significant changes were negotiated to public service pension arrangements. This included raising the normal retirement age to 65 for the NHS, Teacher and Civil Service schemes, where the normal retirement age was already 65, it was agreed to end the ability to retire after 25 years service. In the Local Government Pensions scheme the retirement age after 25 years was 60. Contributions of the highest paid were increased. Under cost-sharing and 'cap and share' future employer contributions are capped at 14% and the increase cost of, for example, longer life expectancy, falls on the active members of the pension schemes, and not on the government or the employer.

Are these pensions a public drain?

No. Analysis by Government Actuary Department for the Hutton Review found that public service pension benefit expenditure from unfunded schemes is expected to reach 1.9% of GDP in 2010-11, and remain close to this level for the next decade before decreasing to 1.4% of GDP by 2060. Even this measure of public service pensions ignores the inflow of contribution income, and suggests that all of this is a straight drain on the taxpayer, which is not the case.

Are these schemes in deficit?

The so-called 'unfunded' schemes have a planned correlation between contribution and benefit expenditure over the long term, rather than at any particular time. This means, at times, the schemes are in surplus, for example this is currently the case with the NHS scheme– the largest scheme. In 2008-09, it actually made a profit of £2bn for the Government. The government uses that money for other purposes, and in effect promises a fixed investment return for using it.

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Timeline of pensions negotiations: how did we get here?

June 2010	The government repeats public service pension myths: “So can we really ask them to keep paying their taxes into unreformed gold-plated public sector pension pots? It’s not just unfair; it’s not affordable,” Nick Clegg “We need to do something about the spiralling cost of public sector pensions,” George Osborne In the ‘Emergency Budget’ the government unilaterally changes the indexation of public sector pensions from RPI to CPI without any consultation. This cuts the value of pensions by 15%. It is announced John Hutton will chair a review of the future of public service pensions.
October 2010	The Interim Report from the Hutton Review is published. Analysis from the Government Actuarial Department confirms that public service pensions are not ‘gold plated’ - the median public service pension is £5,600 a year and expenditure as a share of GDP will be 1.9% of GDP in 2010-11 and remain close to this level for the next decade before decreasing to 1.4% of GDP by 2060. Even though Hutton has not made recommendations, or published his final report, George Osborne sets a precise figure of £1.8bn a year for the savings the government aim to be making from reforms to public service pensions by 2014/15. According to the Comprehensive Spending Review papers this is equivalent to a 3% increase in contributions. **The trade unions and public service pension members had not been informed beforehand**.
December 2010	The National Audit Office publish a report into public service pensions, saying the changes negotiated under the last government have generated significant savings.
March 2011	Hutton publishes his final report and negotiations begin on pensions; first, between the trade unions and government on an overarching framework across the schemes and then with government and the relevant employers on each of the major public service pension schemes.
17th June 2011	As negotiations continue to take place, Danny Alexander, chief secretary to the treasury commenting to the Daily Telegraph and the Today programme, sets out detailed proposals to increase contributions and raise the normal retirement age to 68.
28th June 2011	In a speech to the Local Government Association, PM David Cameron asserts, again against all evidence, that “the pension system is in danger of going broke.”
25th July 2011	A leaked letter from health secretary, Andrew Lansley to Danny Alexander says “There is also the risk that lower-paid staff in particular will simply opt-out, leaving HMT (HM Treasury) with reduced receipts in the short term while still having to pay for past pension promises. In the NHS, if it appears that we intend to significantly reduce the value of future accrual we also face the risk of opt-out from higher-paid groups as well as the lower paid. This would create a significant fiscal pressure in the short to medium term and in respect of lower-paid staff who opt out would increase pressure on the social security budget in the longer term.”
September 2011	The government continues to refuse to move on its central proposals. This leads to the trade unions across the public services to announce they intend to ballot for a day of action on November 30th, 2011 and urge the government to return to the table with new proposals.
22nd September 2011	Trade unions have further meetings with government negotiators. These fail to broker peace as government continues to deny scale of problem. Despite repeated requests from the unions, they also fail to provide full disclosure of the costs to workers.
30th November 2011	Day of action to defend pensions.