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"The latest news from NIPSA Headquarters"

bulletin

General Secretary, Brian Campfield

Bulletin A/03/12

**To: NIPSA Branch Secretaries (3MM & 6FF)
General Council (1AA)
Civil Service Group Executive Committee (1DD)
Public Officers' Group Executive Committee (1EE)
Seconded Officers (3KL)
HQ Officials (Int 1)**

19 January 2012

PUBLIC SERVICE PENSIONS – WHAT HAS CHANGED SINCE 30TH NOVEMBER

Dear Colleague

The purpose of this bulletin is to provide an overall view of the up to date position on public service pensions since the 30 November 2011 strike.

There has been much hype and spin by the Government on what led up to and what was included in the *'Heads of Agreement'* for each of the main public sector pension schemes. The NIPSA bulletin of 20 December 2011 (A/27/11) provided an initial assessment of the Government's proposals and the intervening time period has not seen any significant clarification or enhancement to the latest offers.

The fact remains that the vast majority of public servants face having to pay more for their pension, work a lot longer before being entitled to receive it and then having a much reduced pension paid to them. It is still the case that there are common features of the Government's proposals that ensure a very real cut in the value of public service pensions whilst hiking the cost to employees.

The common factors include:-

- Increased contributions for the overwhelming majority of public service pension scheme members;
- Having to work to at least 66 and then 67 in line with increases in the state pension age for many public servants before being able to claim a pension that won't be reduced in value for earlier payment. If affected by the increase in normal pension age but you wish to take your pension at the age you expected or before the new pension age you will experience a further reduction in the value of your pension;

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- A pension based on career average earnings rather than final salary;
- Pension value uplifts based on the consumer price index;*
- Pensions in payment to also be based on Consumer Price Index (CPI) rather than as was the case before April 2011 of the normally higher Retail Price Index (RPI); and
- The threat of either further increases in employee contributions, beyond those still to be set for 2013/14 and 2014/15, or further adverse changes to the pension scheme benefits to provide employers with a maximum contribution cap.

It is for the above reasons that NIPSA does not consider that the Government has been genuine in negotiations and committed to treating public servants fairly. That is why NIPSA's General Council has rejected the **'Heads of Agreement'**.

NIPSA is not alone among the public service trade unions in this view. The PCS union, which represents the vast majority of the staff in the UK Civil Service and UNITE the Union have also rejected the **'Heads of Agreement'**. The two main teaching unions in Britain, the National Union of Teachers and the NAS/UWT, have major concerns about the **'Heads of Agreement'** and are seeking clarification from the Government on a number of issues. The British Medical Association, representing doctors, has also rejected the Department of Health **'Heads of Agreement'**.

While all the trade unions have indicated that they wish to continue to negotiate with the Government on pensions, a number of unions are of the view that further strike action will be necessary if the government is to be moved from its intransigent and entrenched position. NIPSA is liaising with other trade unions on this matter.

The variable aspects of the separate **'Heads of Agreement'** for each of the three main pension schemes covering NIPSA members are commented on below:-

****The Government has indicated that it is to review the structure for the basis of the Consumer Price Index (CPI) which could result in it falling further behind the Retail Price Index (RPI).***

Health Service Pensions

- Career average earnings structure.
- Provisional accrual rate of 1/54. This means that someone with 30 years pension will have their pension calculated by reference to a multiplier of 30/54ths of the average salary over their career (uprated to a current value by the Consumer Prices Index plus 1.5%). The multiplier is constructed by the number of years pensionable service divided by 54. It should be noted that there is no automatic payment of lump sum. Anyone wishing to have part of their pension paid as a lump sum will forego £1 for every £12 paid as lump sum.
- Revaluation of active members benefits via CPI + 1.5%.
- Pension age to be linked to state pension age.

- Average member contributions of 9.8% via tiered contributions from 2015 when new scheme is implemented.
- For 2012/13 only, no increased contributions for those earning less than £26,557, for those above the limit additional contributions of up to 2.4%.
- Introduction of an employer cost cap.

Civil Service Pensions

- Career average earnings structure.
- Provisional accrual rate of 2.28% or 1/43.9. This means that someone with 30 years pensionable service will have their pension calculated by reference to a multiplier of 30/43.9 of their average salary over their career (uprated into a current value by the Consumer Prices Index - see similar point above).
- Revaluation of active members benefits via CPI.
- Normal pension age in line with state pension age.
- Average member contribution of 5.6% from 2015 when new scheme is implemented.
- Employer contribution cap to be set.

Local Government Scheme

- New scheme to be implemented from 1 April 2014 (a year ahead of other schemes to take account of no immediate additional employee contribution increases).
- To be based on career average earnings.
- An accrual rate of 1/60 (see explanation above as to calculation).
- Pension age to be linked to state pension age.
- Introduction of an employer contribution cap.

20 December 2011 Protections

The Government confirmed that for all schemes it would apply the previously announced protection arrangements, for those within ten years of normal retirement age at 1 April 2012 (see NIPSA Bulletin A/8/11). They also agreed that schemes, subject to cost controls, could extend the protection on a tapered basis for up to four years.

It was also announced that for those who qualify for the protection that this would include all service up to retirement age. The previous position had been for final salary only at retirement date on service up to 31 March 2015.

Northern Ireland Position

The Northern Ireland Executive has said nothing since the 20 December 2011 announcements and the position remains as per the 6 October 2011 announcement which confirmed that it would apply the changes to public sector pension schemes in the UK to the equivalent schemes in Northern Ireland. One main area of concern is that as of the 20 December 2011 the Northern Ireland Executive was bizarrely pressing that NILGOSC scheme members would have to pay additional contributions despite the developments reported above.

NIPSA has met with the DOE Minister on a number of occasions and continues to make the case that there is no justification for additional employee contributions within the NILGOSC Scheme.

Finally, as reported above, NIPSA is liaising with the other trade unions on all these matters. The NIPSA General Council is constantly monitoring developments and further bulletins will be issued to branches as developments occur.

Yours sincerely

A handwritten signature in black ink that reads "B. Campfield". The signature is written in a cursive, slightly slanted style.

BRIAN CAMPFIELD
General Secretary