

Protect Our Pensions NHS briefing

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NHS Pensions under attack - Your Pension Needs You!

The Government plans to make sweeping changes to Public Sector Pensions across the UK. This briefing outlines the Government proposals for changes to the NHS Pension Scheme (NHSPS); what it will mean to you; current negotiations; what UNISON is doing and finally what you can do.

What is the Government intending to do?

- They have already reduced the way NHSPS pensions will increase each year for pensioners and those who leave the scheme before their retirement age
- They want members to contribute far more of their pay into the NHSPS
- They want to increase members retirement age for future service with the NHSPS or a successor scheme
- They want to replace the NHSPS with a new scheme by 2015 that will provide lower benefits for future service
- They are considering removing the pension protection members have if they are transferred to the private or voluntary sector
- They are considering changing the state pension and getting scheme members to pay for it through increased National Insurance Contributions

The Government says that schemes like the NHSPS should be the gold standard and they want to avoid the race to the bottom that would see public sector workers retiring into poverty and depending on the state. This is already the case for an increasing proportion of workers in the private sector who will be retiring into pensioner poverty.

But the Government proposals are so severe and unnecessary it is likely to make the NHSPS unsustainable. It will become unaffordable for a high proportion of the current members and will cause the very race to the bottom that the Government says it wants to avoid and could even increase the so called 'burden' on the tax payer.

What does it mean for me?

In plain terms the Government's proposal will mean that you will **Pay More, Work Longer** and **Get Less** when you retire.

- Since April 2011 they now use the Consumer Prices Index (CPI) to calculate cost of living increases on pensions for pensioners and early leavers. This means if you are a pensioner your pension could be 8.5% less than if the change was not made by 2017.
- The Government intends to increase member contribution rates – for any one with whole-time equivalent earnings over £15000 the increase could be between 25% and 70% more. Currently if you were earning say £25,000 a year you are now paying 6.5% of your pensionable pay that qualifies for tax relief, £1625 a year to the scheme. If these increases go through this could rise to 9.6% around £2400 a year by 2014/15.
- The Government want to change the way your pensions are calculated starting by 2015 and the new scheme would provide significantly inferior benefits compared to the current scheme. Many members will struggle to accrue pensions that would take them out of poverty in retirement. This may mean that instead of earning a pension of £417 per year on an annual salary of £25000 it may be as low as £250 a year for future service – that's a 40% drop!
- The Government wants to increase retirement ages to match State Pension Age for all members in their proposed new scheme with no exceptions. Most members who joined before 2008 retain the right to retire at 60. Many who had Mental Health Officer status and Special Class Status in 1995 retain the right to retire at 55. This means that if you were still to retire at say the age of 60yrs the benefits on future service in the new scheme could be reduced by between 36% and 48%.
- The Government is currently reviewing protection given to members when they are outsourced to the private or voluntary sector and if this protection is removed it will mean employers getting away with just paying a derisory amount to an arrangement that does not guarantee any level of benefit at retirement.
- The Government is considering making members of pension schemes pay for increases in the State Pension if this happens members will be paying approximately an additional 1.4% National Insurance contributions on their pay and the employers paying an additional 3.4%

Why the Government's proposals are wrong?

- The contribution increase is effectively a tax on members to pay for the banking crisis. Not a penny of the increase will be used or invested towards your pension scheme. The current NHSPS receives no top-up from the Government. In fact the scheme is "cash rich" and currently pays directly to the Treasury around £2 billion a year more than it costs to pay the pensions.
- The Government make much of people living longer however the contribution increase is around 3 times more than is needed to pay for increasing life expectancy. The

proposed employee contribution increase will go straight to the treasury. It will not help the scheme. It is an unfair tax on health staff trying to save for their retirement.

- These huge increases in your contributions will almost certainly mean many will opt-out of the scheme ruining their pension expectations and making it more expensive for those that remain. If members opt out it will also undermine the future sustainability of the scheme which will add a further burden to the taxpayer.
- Many Statisticians agree the CPI does not reflect real inflation as for example housing costs including changes in interest rates are not included. It will not be enough to protect your standard of living in the future. UNISON is supporting legal and parliamentary action to oppose this change.
- Increasing future retirement ages for all to between 66 and 68 will mean an increasing proportion of members will burn out well before these ages and will be unable to retire in dignity.
- The NHSPS is not gold plated and a high proportion of members get very low pensions. Half the women pensioners receive a pension of less than £3500 a year.
- Reducing the level of future benefits risks the scheme being unable to provide a benefit that will put most members above the poverty in retirement.

These are some of the arguments that UNISON is making to the government in continuing discussions

Current Negotiations

Up until July negotiations were carried out centrally via the TUC and Government Treasury officials. The Trade Union side were keen to ensure that the central negotiations only established broad principles and that the detailed talks should take place at sectoral level. In a ministerial statement on 19 July it was announced that scheme specific discussions should begin. The talks are working to a government determined timetable which states that headline scheme details need to be in place by the end of October.

NHS Trade Unions, NHS Employers and Department of Health (DH) Representatives have met 3 times since the announcement to move to sectoral talks. At the first meeting the Department of Health tabled a consultation document on the year 1 contribution increases. The consultation exercise ends on the 21st October and can be found at:

<http://www.dh.gov.uk/health/2011/07/consultation-pensions/>

In response to the consultation document the NHS Trade Unions issued a statement saying:

“These proposals have been formulated without the agreement of NHS Staff Side, who do not view the proposals as justified or necessary. An equivalent consultation could have emerged from the cost sharing approach to funding the NHS Pension Scheme which was agreed in partnership in 2007. This approach would most likely have led to a requirement to increase contributions or amend benefit structures and the NHS Staff Side would have participated fully in any resulting discussions and consultation emerging from this process. Unfortunately this agreed procedure has been unilaterally dismantled by Government.”

(Full statement can be found at:

http://www.unison.org.uk/pensions/pages_view.asp?did=13235)

UNISON and the other NHS Unions will be submitting responses to the consultation.

Further discussions have focused on working to the government issued timetable, the remit of the sectoral talks and identifying areas where there can be meaningful and informed dialogue. However progress has been slow and Staff Sides concerns on progress and the very short timetable have been escalated to the central negotiations group which meets in September 2011.

What is UNISON doing about it?

The union is seeking to negotiate with the government to ensure your pensions remain fair and affordable. We are also making preparations to oppose any attempts by the government to impose changes that will make members worse off. The more we stand together in the workplace the greater chance we have of protecting decent pensions for people who work in the health service.

What can you do about it?

- **Spread the word – tell your colleagues/friends what’s going on –** for more information/materials go to <http://www.unison.org.uk/pensions/protectour.asp>
- **Become a UNISON Pension Champion/Contact -** for Information on what it involves and how to sign up go to: <http://www.unison.org.uk/pensions/popChampionsBecome.asp> and here <http://www.unison.org.uk/pensions/popContact.asp>
- **Make sure your membership details are up to date –** <http://www.unison.org.uk/membership/>
- **If you aren’t a member you can join here -** <http://www.unison.org.uk/membership/>
- **Contact your local UNISON representative/Pension Champion or visit our website –** <http://www.unison.org.uk/pensions/healthcare.asp>

You can make a difference!
Organise for the best but prepare for the worst