



Independent Public Service Pensions Commission Final Report

The final report was published today. There are 27 key recommendations. These are attached, a more detailed analysis and commentary is being produced now.

The following is a summary of the key issues.

Final salary will be replaced by Career Average

There is no recommendation that the CARE scheme should be of the same overall value to existing Final Salary Schemes. CARE should be adopted for 'general' use in the public service schemes.

The commission recommends that while members are paying into the CARE scheme, pension earnings should be revalued in line with average earnings instead of prices, which would be (CPI).

Increase in retirement age

Increases in the normal retirement age for public service schemes are to linked to increases in State Pension Age (SPA) this means higher than 65.

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

There is no indication that Normal Pension Age should be decided scheme by scheme based on the life expectancy of actual members of a scheme.

Cost sharing

The Commission proposes the cost ceiling for the taxpayer/employer should be a fixed proportion of pensionable pay. It doesn't specify what should be covered by the ceiling or suggest where the ceiling may be.

So it could be used as an excuse by government to share all costs with scheme members.

Or it could just stick with existing cost share arrangements where for example in the NHS the long term employer contribution cap is already set at 14%

The Commission still believes there is no evidence outside London and the SE that public service pay is lower than the private sector. It recommends public service employers take more account of pensions when constructing pay packages.

Supports the end of Fair Deal

Only public sector workers can be members of a public sector pension scheme.

Excluding workers after they have been outsourced means that if Fair Deal is watered down the very race to the bottom the Commission and Government say they want to avoid will happen.

Scheme Governance

There is a commitment to greater transparency and involvement by trade unions and scheme members in the design of new governance structures across the public sector. Everyone who contributes to a scheme should be afforded the highest standards of governance and involvement in the management and administration of their money.

Lord Hutton recommends the Government should introduce primary legislation to adopt a new common UK legal framework for public service schemes.

The specific recommendations however do not go far enough, Lord Hutton has made no mention of the EU Directive 41/2003/Institutions for Occupational Retirement Provision. Or the IORP Directive, which apply to state backed schemes with investment funds, specifically the LGPS.

Scheme Administration Costs

Lord Hutton has recommended that Central and local government should closely monitor the benefits associated with the current co-operative projects within the LGPS, with a view to encouraging the extension of this approach, if appropriate, across all local authorities.

Government should also examine closely the potential for the unfunded public service schemes to realise greater efficiencies in the administration of pensions by sharing contracts and combining support services, including considering outsourcing.

Lord Hutton has missed the opportunity of recommending LGPS fund mergers, which could have produced significant increases in income for the employers, scheme members and taxpayers.

There is no evidence to suggest that improved collaboration over the purchasing of fund management for the LGPS has delivered anything like the income generation that fund mergers would achieve.

Savings in administration are insignificant compared to what could be done with fund management costs and increases in income by economy of scale.

UNISON does not support the outsourcing of administration services.

How will the changes be made?

Each government department will undertake negotiations with trade unions and social partners by the end of this Parliament.