Assembly Section

Craigantlet Buildings
Stormont
BT4 3SX
Tel No: 02890 163376
email: Judith.finlay@dfpni.gov.uk

Department of Finance and Personnel
www.dfpni.gov.uk

Mr Shane McAteer
Clerk
Committee for Finance and Personnel
Room 419
Parliament Buildings
Stormont

Our Ref – CPF225/11-15

9 May 2013

Dear Shane,

Public Service Pensions Bill – Response to Consultation

Following the DFP Evidence Session on 24 April 2013, during which Officials provided an overview of responses received to the Consultation on the Public Service Pensions Bill, a number of specific issues were identified as requiring follow up action.

These issues are as follows:

- full details of equality screening;
- all responses to the public consultation;
- an assessment of the implications of the agreed amendments to the Westminster Bill;
- detail of the legislative provisions which allow for the transfer of staff from one scheme to another; and,
- detail of DFP communication with other Departments in relation to the full scheme triennial assessments.

FULL DETAILS OF EQUALITY SCREENING:

Please find attached below a link to the full equality screening document:

http://www.dfpni.gov.uk/public-service-pensions-bill-equality-screening-document.pdf

ALL RESPONSES TO THE PUBLIC CONSULTATION:

The responses are attached at **Annex A.**

<u>AN ASSESSMENT OF THE IMPLICATIONS OF THE AGREED AMENDMENTS TO THE WESTMINSTER BILL</u>

During the legislative passage of the Westminster Public Service Pensions Bill the Government made a number of amendments. These were mostly minor and technical, or to clarify how provisions were intended to work. There were also consequential amendments incorporated which cross-reference and update associated pension legislation. There was no change to the main policy intention that the CARE scheme model should replace the final salary design for public service schemes or to the general approach for linking scheme pension age with state pension age.

No Opposition amendments were accepted during the legislative passage of the Bill.

Key issues debated

The provisions that were subject to the most debate during the passage of the Bill included: increases in the normal pension age; retrospective provisions and protection for members against changes to their benefits in future; protection for accrued rights, and governance arrangements.

Other issues raised at Westminster included member communications, the new fair deal, the protection of accrued rights in new schemes, the process for undertaking scheme valuations, the application of reforms in Scotland, and pension age.

An assessment of the implications of the main agreed amendments to the Westminster legislation is given below (technical and minor amendments designed to clarify or cross-reference provisions are not included).

Schemes for persons in public service

As a consequence of the Executive decision taken on 22 November 2012 not to adopt the legislative approach for a legislative consent motion in the Assembly provisions for the NI Schemes within the devolved competence of the NI Assembly were removed from removed from the Bill. Following a decision of the Scottish Government not to bring forward a Legislative Consent Motion the provisions relating to matters within the Scottish Parliament were also removed from the Bill.

The amendment has the effect that the provisions for pension reform for the devolved Northern Ireland public service pension schemes will now be enacted in the proposed Assembly Bill. The Bill is scheduled for introduction in June and to complete its legislative passage in the Assembly in April 2014. The amendment has the real effect of compressing available timescales for introducing required changes to secondary legislation in the individual public service schemes by April 2015.

Scheme advisory board

A Lords' amendment introduced a requirement at Section 7 for a 'Scheme Advisory Board' to be established in each pension scheme made under Section 1 of the Public Service Pensions Act 2013. The scheme advisory board's role will be to advise the responsible authority for the scheme on the desirability of any change to the scheme. The amendment is intended to promote effective and efficient administration and management of the schemes made under the Act.

Revaluation

A Commons' amendment introduces a requirement that where an Order is made for revaluation of earnings for pension purposes is a negative amount then that Order will be subject to affirmative resolution procedure.

In a CARE scheme, the proportion of pensionable pay an individual earns for a particular year of service needs to be revalued each year during active scheme membership. The Act contains provision for HM Treasury to make orders that specify what the percentage increase or decrease in prices or earnings, is for each period of service. These Orders are normally subject to the negative procedure. The amendment means that in the eventuality that there is a risk of downward revaluation for pension purposes the prospective order will be subject to approval of the House of Commons.

Information about benefits

A Lords' amendment was accepted to specify a requirement for provision of benefit statements to active scheme members within 17 months of schemes being established under the Act. Statements will have to provide a description of the benefits earned by the person in respect of his or her pensionable service in line with directions made by HM Treasury. In the equivalent Assembly Bill the HM Treasury function would be performed by the Department of Finance and Personnel. Provision of benefit scheme benefit statements is currently undertaken as best practice in some public service pension schemes but is not a legal requirement.

Restriction of existing pension schemes

Under the Bill benefit accrual cannot be made in the 'old' schemes after a set date. The Bill as introduced had specified that schemes would 'close' from the set date. A Lords' amendment was accepted to clarify the policy intention that that schemes would be 'restricted' for the purpose of future benefit accrual from the set date rather that 'closed'. This amendment clarifies the position that benefits will continue to be payable from the previous schemes for past service before the date of restriction.

Procedure for retrospective provision

A Lords' amendment was accepted which changes the way in which scheme regulations made under the Act can make retrospective provisions. The amendment at Section 23 means that where a retrospective provision in the view of the responsible authority for the scheme, would have significant adverse effects in relation to the pension payable to or in respect of members of the scheme, the authority must first secure the consent of representatives of the scheme's members. The amendment is designed to strengthen the processes for consultation with TUS on schemes changes which can be detrimental for scheme members.

Extension of schemes

The Act contains provisions so that responsible authorities for the main public service pension schemes may extend scheme membership to additional public sector employments which do not fall within the main categories of public service, such as civil servant, local government worker etc. A Lords' amendment means that where there may be more than one manager for a scheme the responsible authority may delegate authority for extension of access but subject to the conditions set by the responsible authority. This change is designed to facilitate efficient scheme management and administration.

Defence Fire and Rescue Service and Ministry of Defence Police: review

The pension age of 60 for firefighters and police officers which the Act introduces does not extend to the Ministry of Defence (MOD) Fire and Rescue Service, and the MOD Police. A Lords' amendment now requires the Secretary of State to lay a report on the likely effects on health of MOD Fire Rescue and Police of the increased pension age linked to state pension age in Parliament within 6 months of the increased age taking effect. These employments are outside the remit of the proposed Assembly Public Service Pensions Bill and there are no potential effects for the NI schemes.

Final salary link

A Lords' amendment was accepted to specify on the face of the Act that a public service pension in a restricted scheme cannot be recalculated with reference to the final salary link where the member is re-employed and eligible for membership in a new CARE scheme created under the Act. The amendment ensures that the new CARE model is applied consistently for all future service that is not covered by the transitional protection measures or the final salary link for service already accrued contained in the Act.

DETAIL OF THE LEGISLATIVE PROVISIONS WHICH ALLOW FOR THE TRANSFER OF STAFF FROM ONE SCHEME TO ANOTHER

It is understood that TUS would wish to see specific mention in the Northern Ireland Bill to an agreement on "Fair Deal". In future Fair Deal would be achieved by members being allowed to stay in their existing public service schemes on first and subsequent transfers to the private sector. TUS sees this as a key protection both to the scheme members and the continuing sustainability of the schemes. **'Fair Deal'** is important to scheme members, because it means their pension provision will not worsen if they are outsourced. It is important for the continuing sustainability of the schemes because if large numbers of contributing members are lost to the scheme it means the schemes will become increasingly 'cash poor' with the gap between contributions coming in, and pensions being paid, widening. In addition, for funded schemes it will mean the proportion of younger members against the total membership is likely to decline, with the result that the older profile of the scheme members will mean the cost of the scheme increasing.

The Department is completely committed to the fair deal policy and to its reform. Commitments have been made to ensure that members of the schemes who are compulsorily transferred out of the public sector to independent contractors can retain membership of those schemes.

Clause 26 in the provisions of the Bill will extend access to public service pension schemes to allow those members who are compulsorily transferred out to stay in the scheme. Clause 22 will allow scheme regulations to make provisions for pensions for other employees who would not otherwise be members of the scheme. The policy will be delivered via the contracts made with independent providers. This will ensure that members of the schemes will be entitled to accrue future benefits through the scheme after the first tender and any subsequent retendering.

The Department is in discussion with HMT and are currently considering when and how the new fair deal policy will be implemented. We are also consulting on how the new fair deal should be applied to those who have already been transferred out of the public sector under the old arrangements. It would be premature to put something on the statute book while this work is under way.

The principles of the new fair deal policy should apply to the reformed Northern Ireland Local Government Pension Scheme, but the policy has always operated differently in that scheme. The Department of the Environment and the Northern Ireland Local Government Scheme will bring forward detailed proposals in due course; again, in our view it would be premature to legislate while this work is under way.

DETAIL OF DFP COMMUNICATION WITH OTHER DEPARTMENTS IN RELATION TO THE FULL SCHEME TRIENNIAL ASSESSMENTS.

Attached at **Annex B** is the detail and summary of Departmental communications in relation to full scheme valuations. It should be noted that the Cap and Share arrangements (which determined the level of contributions from Employer and Employee) were to be removed. This decision was taken by the Coalition Government in the light of the increases in Employee Contributions, introduced on foot of the Interim Report by Lord Hutton. This meant that there was no longer any need to conduct the valuations. All schemes in Northern Ireland have also adopted this approach.

Yours sincerely,

Judith Finlay

JUDITH FINLAY
Departmental Assembly Liaison Officer

Annexes

A Responses to the Consultation

B Detail of DFP communication with other Departments in relation to the full scheme triennial assessments.

ANNEX A

Northern Ireland Public Service Pensions Reform - responses

The purpose of the consultation document was to seek views on the policy underpinning the proposal for the introduction of a Public Service Pensions Bill in the Northern Ireland Assembly. This Bill will reform public service pension schemes in Northern Ireland in line with pension reforms currently planned in the United Kingdom, based on the recommendations of the Independent Public Service Pension Commission (IPSPC).

The following responses were received.

STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions
Northern Ireland Committee

NORTHERN IRELAND PUBLIC SERVICE PENSIONS REFORM

Consultation on Proposals to Reform Public Service

(DFP Publication 21 January 2013)

Response of the TRADE UNION SIDE (TUS)

Comprising the 34 Affiliated Unions of the Northern Ireland Committee – Irish Congress of Trade Unions (NIC-ICTU) and non-affiliated unions

April 2013

INTRODUCTION

1. TUS is the acronym used for the purposes of this submission, standing for 'Trade Union Side'. We have chosen this terminology as the trade unions involved in negotiations on Public Sector Pension Reform comprise more unions than are presently affiliated to the Northern Ireland Committee of the Irish Congress of Trade Unions.

2. Congress represents 34 trade unions in Northern Ireland. These unions are engaged in representing over 250,000 workers who are employed in the full range of economic and social activity in our society. Non-affiliated unions which are represented in these negotiations include the Royal College of Nursing and the British Medical Association.

3. This paper is a composite of the submissions on this issue being submitted on this Bill by individual trade unions. We ask that readers of this submission take the time to read each submission, due to their specific expertise in each of the public sector pension schemes affected by this proposed legislation. This TUS submission aims to offer a flavour of the views being offered by the trade union on behalf of their members presently in these pensions schemes and, it should be noted, all of those joining the schemes in the coming years and even decades.

4. The numbers affected are substantial. We refer not to the questionable figure of £262 Million 'taken' from the bloc grant (the calculation of which we shall return, but the active, deferred and pensioner members of the six main schemes (for which we have figures).

5. The total membership of the Police Pension Scheme is 19,264 active, deferred and pensioner members.

6. The Local government Pension Scheme (NI) has 95,394 members.

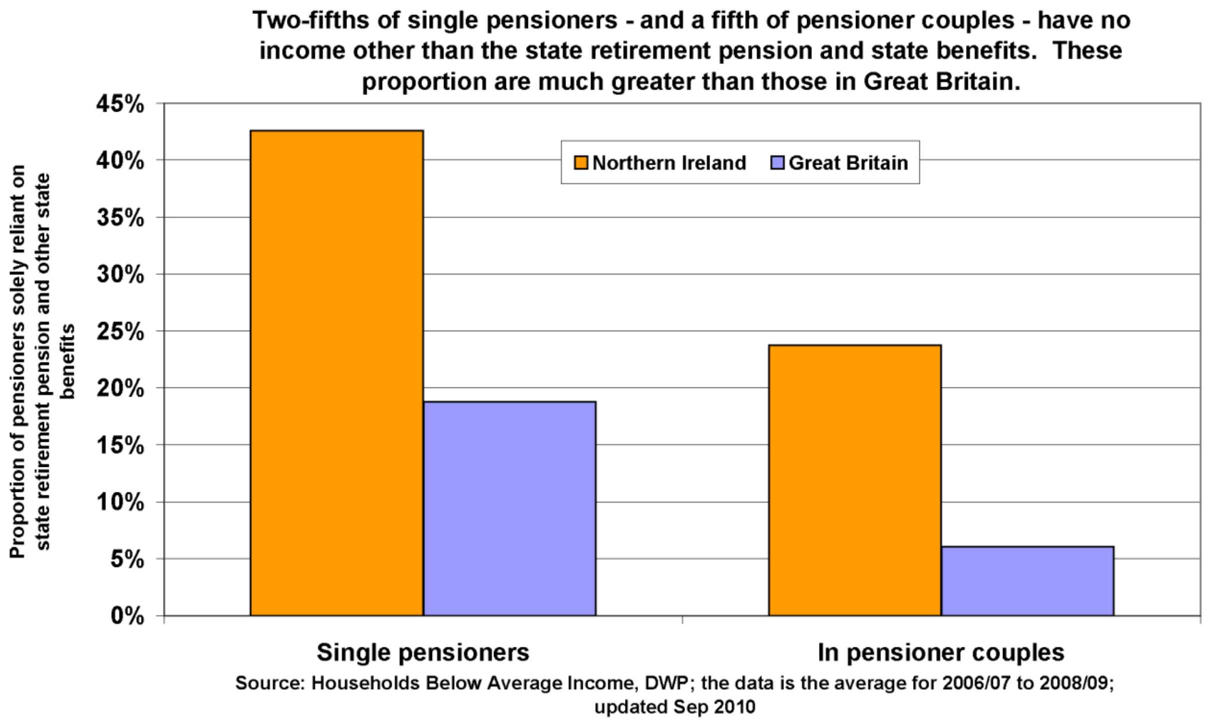
7. The NI Teachers Pension Scheme has 60,393 members.

8. The NI Firefighters Pension Scheme has 2,422 members.

9. The Health & Social Care (NI) Pension Scheme has 101,083 members.

10. The PCSPS (NI) scheme has 68,291 members.

11. The figures above give weight to the argument that this is not legislation which can or should be rushed. One should note also the fact of pensioner poverty in Northern Ireland, summarised in this graphic:



12. The fact that most workers in the private sector do not have adequate (or any) pension provision is not the fault of public sector workers who have decent pensions. Reducing the value of public sector pensions may make some people feel better, but that will hardly improve the lot of anybody. There are, however, households with both public and private sector workers, whose retirement is dependent upon having at least one adequate pension. Trying to justify this move to cut the value of pensions through faked concern for private sector workers is a staple of radio phone-in shows, but it is shallow rhetoric.

13. Pensioners spend their money. As a rule, the 'saving' part of their share of income happens ahead of retirement. Retired people use the reduced income they have in the local economy. Reducing the value of pensions will mean reduced demand for the economy as a whole.

14. Taking a long run macro-economic view, there would also be consequences for the benefits system, as well as reduced taxation receipts from retired people.

15. As will be illustrated in the comments that follow TUS is wholly opposed to the proposed content of the NI Bill. In addition, the Bill needs to be considered in a much wider context with regard to both Pubic Service Pensions and proposed changes to the State Pension.

16. The change in indexation from RPI to CPI adversely impacts on the value of pubic service pensions by circa 15%. In addition for the unfunded schemes (all those within the ambit of the Bill except LGPS/NILGOSC) the additional employee contributions are to average out at 3.2% by April 2014. These represent yet further attacks on public sector pensions.

17. The Westminster DWP whitepaper and subsequent draft bill of January 2013, *The Single-Tier Pension: A Simple Foundation for Saving*, has major implications for public service pensions. In particular two aspects;

(i) the arrangements for increasing the State Pension Age; and

(ii) the ending of contracting-out.

18. The comments that follow are based on the structure of the DFP consultation paper of 21/1/13.

<u>CONSULTATION DOCUMENT</u>

19. **<u>Purpose</u>:** TUS does not accept that it is the role of the NI Executive and in particular the NI Assembly to just replicate in full the Westminster Bill. Public Service Pensions are a devolved matter and there is a need to give full and proper assessment to the issues raised in this response and by the NIC ICTU Trade Union Side both in it's engagement with the Assembly DFP Committee and in the meetings with DFP/Sponsoring Departments Officials.

20. **<u>Background: Why are Reforms Needed?</u>:** in 2005 public service unions entered in to negotiations with employers on a scheme-by-scheme basis and agreed certain outcomes for the future of public service pension schemes. In many cases the change either had still to be introduced and/or agreement reached on measures such as "cap and collar". The current Westminster Government reneged on the outcome of those negotiations as soon as it was elected in 2010. TUS, whilst unhappy with aspects of the 2005 changes believes that they provided the basis for fair and sustainable public service pension reform.

21. It is TUS's view that the totality of the changes are not only an attack on public servants but will also seriously damage scheme sustainability. The implications include likely further additional contribution increases, further increases to normal retirement age and yet more diminution of scheme benefits. This will result in greater dependence upon welfare benefits by retired public servants and exacerbate pensioner poverty.

22. Reference is made to the work of the "Independent Public Service Pensions Commission (IPSPC), otherwise known as the Hutton Report. TUS disputes the 'independence; of the IPSPC and would also point out that the Westminster Government interceded on the work of the Commission via the unilateral decision to change indexation to CPI from RPI. The Government also determined at interim report stage to apply the average 3.2% additional contributions, again without any negotiation or consultation.

23. **<u>Managing Pension Costs</u>:** Reference is made to the potential losses to the NI block funding. There is no proper basis or assessment of how the Finance Minister arrived at the quoted £262m figure. What has been made clearby the Finance Minister to his fellow Ministers is that each Stormont Department will have to fund the 'cost' of not implementing the Reforms from their Departmental budgets. This devolution of responsibility will place ministers under pressure, not alone in respect of this Primary Legislation, but in considering the Secondary Legislation and Regulations for each Scheme.

24. This section at least brings some honesty to the basis for the proposed changes. It identifies that by circa 2060 the GDP costs of pubic service pensions will fall from 1.5% to 0.9%. This is clearly linked to the proposals for the changes to the state pension with its aim being by 2060 to reduce GDP expenditure on state pensions from 8.5% to 8.1

25. Reference is made to DFP's own "actuarial analysis". If this is the document provided to the NIC ICTU Trade Union Side then TUS disputes the accuracy of the figures. The work done by GAD was predicated on the NI HSC Scheme extrapolated across the rest of the NI Public Service Schemes on a 7% figure. The HSC costing is disputed as it applied a baseline cost of 26% vis-à-vis the published cost figure of 21%. No account was taken of scheme variables across the other schemes such as membership uptake pension values, age profile, the impact of auto-enrolment to list just a few.

26. The unions have pressed for and to date been denied (with the exception of NILGOSC) full scheme triennial actuarial assessments. Costings that can be relied upon can only be so when those assessments are made available.

27. The costs to the NI Block and the cost for social security have not been properly assessed. In particular the wider macro economic impact of increasing the normal retirement age with the resultant reduction in labour market opportunities for the unemployed, school/university leavers and those seeking to return to the labour market has not been researched.

28. **The Bill in Westminster:** At the time of writing, the Westminster Bill has yet to be completed. In the stages to date there have been a number of changes and it remains to be seen as to what the final form of the Bill will be. Given the timeline it is not acceptable to TUS that negotiations on the NI Bill should be shoehorned or truncated in order to meet unrealistic timeframes imposed by the Government at Westminster.

29. **Core Provisions:** As per paragraph 20, the post-2005 outcome addressed these issues and it must therefore be concluded that the intent of the Government is to again attack pubic servants and make them pay for the wider economic mismanagement of the UK.

30. **CARE:** TUS does not accept that any case has been made to remove the final salary link, it is accepted that some TUS members are already covered by a CARE Scheme i.e. NUVOS PCSPS (NI) members. There are options/solutions that can deal with what are deemed to be excesses in terms of those who enjoy pensions for example that produce annual income into six figures. Such examples should be dealt with by a fairer general taxation regime.

31. **Linking NRA to SPA:** See comments elsewhere in this response as to the need to assess the macro economic impact in Northern Ireland. TUS believes without prejudice that at the very least there is value in establishing a Northern Ireland Review Group, similar to that established for the NHS Scheme to examine the increased NRA for various occupational groups across the Schemes. Another option that should be examined is the flexible decade of retirement, this would allow for people to leave early without actuarial deductions on the basis that going forward others will wish to stay beyond the NRA.

32. **<u>Fair Deal</u>:**
TUS would wish to see specific mention in the Northern Ireland Bill to an agreement on “Fair Deal”. In future Fair Deal would be achieved by members being allowed to stay in their existing public service schemes on first and subsequent transfers to the private sector. TUS sees this as a key protection both to the scheme members and the continuing sustainability of the schemes. **‘Fair Deal’** is important to scheme members, because it means their pension provision will not worsen if they are outsourced. It is important for the continuing sustainability of the schemes because if large numbers of contributing members are lost to the scheme it means the schemes will become increasingly ‘cash poor’ with the gap between contributions coming in, and pensions being paid, widening. In addition, for funded schemes it will mean the proportion of younger members against the total membership is likely to decline, with the result that the older profile of the scheme members will mean the cost of the scheme increasing.

33. **<u>Final Salary Link for Accrued Service</u>:** This is not giving anything, these are acquired rights related to pension as deferred pay. It is also the case that to do otherwise would be contrary to the convention on Human Rights as it is deemed that pensions are property and to have any erosion of the acquired entitlement would constitute theft of personal possessions.

34. **<u>Cap/Collar</u>:** TUS does not accept the cost basis of the HMT/GAD model scheme, nor the two papers of November 12 on cap/collar and triennial review mechanics. The cost envelope was worked backwards to suit what Government determined would be the maximum amount it would contribute to the schemes. The impact of breaching the collar will only result in further damage to schemes by increased opt outs as the only two solutions are either reduced benefits and/or further additional employee contributions. An additional issue relates to the correlation between increased NRA and ill-health retirements, these costs should not be included as they relate directly to the Governments decision to both increase NRA and to further link it to increases in SPA.

The cost sharing aspect was one of the post 2005 reforms that discussions had only commenced on within the various schemes.

TUS also has concerns regarding the direction taken on possible closure to existing Injury and Compensation Schemes. We have already set out our understanding that existing public service schemes should not be closing but would be changed from a scheme change date to reflect the respective scheme specific agreements. We believe the emphasis in this section should be on continuing existing injury allowance arrangements in accordance with the existing scheme regulations.

35. **Protections:** The protections if required as a consequence of the NI Executive/Assembly forcing changes should run for 10 years plus the taper from the implementation date of the revised schemes. De facto they are not 10 year protections given they ran from 1/4/12 yet it is planned that the implementation date is 1/4/15, thus really only 7 year protections (with LCPS/NILGOSC having a proposed 1/4/2014 date).

36. **Governance:** TUS supports the governance arrangements for NILGOSC in respect of scheme oversight/administration. There needs also to be proper negotiating bodies established to deal with scheme regulations, cap/collar, etc. The DOE LGPS/NILGOSC Review Group could form the basis for such scheme specific bodies. In fact, Lord Hutton in his final report recognised member representation on pension fund committees represented best practice and should be introduced.

37. **Twenty Five Year Guarantee:** There is no reference to this in the document yet it is a fundamental tenant of the Government's position, albeit wiped out as a consequence of the Single State Pension proposals.

38. **General NI Position:** It is TUS view that the NI Executive and Assembly should fully exercise its devolved authority on public service pensions. There is no justification to follow the Westminster Bill, especially when predicated upon dubious assumptions as to the NI Block impact.

39. As clearly pointed out pensions are both a negotiable matter and deferred pay therefore the NI Executive had no right to come to a unilateral decision on 8/8/12 without any negotiation or consultation with trade unions and scheme members.

40. The timeline is wholly unacceptable. At 5 April the position for the LGPS England/Wales is still not clear thus making it impractical for NILGOSC changes from 2014. The 2015 date for other schemes is also not viable, given the timeline for the Bill and the need for scheme-by-scheme negotiations on the regulations.

41. No reference has been made to the November 12 HMT Paper on Fair Deal. TUS does not wish to see the Westminster approach being taken, it is TUS's position that full Fair Deal provisions need to be on the face of the Bill.

42. **EQIA Screening:** TUS fully rejects the decision to screen out a full EQIA. It is TUS's view that this is a pre-determined decision to (i) help expedite passage of the Bill and (ii) to deliberately ignore clear equality issues that arise.

    For example, a key concern of the Fire Brigades Union (FBU) with the proposed Bill on Public Service Pension Reform is the imposition of a Normal Pension Age (NPA) of 60 for all Firefighters. A recent independent report commissioned by the Westminster Government broadly supports the concerns of the FBU and makes it clear that the majority of current Firefighters will not be fit enough to work to 60. It warns that in such cases, "the only option is to leave or have their contract terminated on capability grounds without early payment of pension."

    The report shows that based on actual information from four fire and rescue services that two thirds (66%) of those aged 55-60 are below the recommended fitness standard of 42 mL.kg-1.min-1. Many fire and rescue services' fitness policies, including the one used in Northern Ireland, utilise this recommended fitness level.

It also warns that "It is likely that a substantially larger proportion of women will find it hard to maintain fitness at the required level, leading to a disproportionate number becoming unfit for firefighting before age 60". The FBU is very concerned that the proposed changes will make it difficult, if not impossible to recruit and retain adequate numbers of female Firefighters within the Fire Service. We therefore believe that a full EQIA should be carried out.

43. **<u>Part 1</u>:** TUS contends that the proposals do represent a new policy rather than a change to existing policy. The scale of the changes are so draconian and fundamental to render the new schemes as being incomparable with the current schemes.

44. **<u>Implementation Factors</u>:** As per comments on the consultation document TUS seriously questions the financial analysis of the costings.

45. **<u>Stakeholders Affected</u>:** This is flawed as clearly the proposals impact upon trade unions in the representation of their members rights and entitlements with regard to pensions.

46. **<u>Available Evidence Section 75 Category</u>:** This is a very flawed, incomplete and gross over simplification of the totality of the issues and the inter-relationships between Section 75 categories.

47. **<u>Racial Groups</u>:** There is no evidence of any research into the uptake/opt-out of scheme membership by different racial groups. Pensions are a complex issue and the various proposed changes add greatly to such complexity. It is possible that Racial Groups are more likely to have difficulties understanding and dealing with the complexities around pensions.

48. **<u>Age</u>:** It is clear that the proposals have age implications which need to be fully assessed. All schemes have full age profile data to state age profile is not available for NILGOSC is a clear distortion of the facts. If not then it is a demonstration that DFP did not go looking for the data.

49. **<u>Marital Status</u>:** As with age in respect of the data. In fact all schemes require nomination forms to be completed as well as dependants data to be held.

50. **<u>Men/Women Generally</u>:** Again all schemes have full data sets.

51. **<u>Needs, Experiences and Priorities</u>:** Given the total lack of research and data gathering/analysis it is not surprising such N/A conclusions are drawn. A proper assessment would produce differing results.

52. **<u>Part 2 Screening Questions</u>:** Given the comments on paragraphs 36-47 above TUS rejects the conclusions in respect of the following Section 75 groups in particular; Age, Men/Women and Dependents.

53. **<u>Part 3 Screening Decision</u>:** To rely on the basis that all that is happening is a transposition of the Westminster Bill to Northern Ireland is not acceptable and not a defence against a full EQIA.

54. The FBU have provided evidence with regard to adverse impact on women fire-fighters and the LGPS England/Wales EIA identified equality impact issues.

55. The decision of the NI Executive is not binding as the ultimate authority rests with the NI Assembly in respect of the passage of legislation.

56. The screening is flawed due to the massive evidence/data gaps in spite of the readily available existence of such data.

57. TUS will lodge a complaint to the Equality Commission should a full EQIA not be completed.

<u>CONCLUSIONS</u>

58. TUS, without prejudice to its opposition to the totality of public sector pension scheme reforms and the interface with the proposed revision from April 2016 of the state pension provisions, believes that the decisions of the NI Executive, DFP Minister and DFP Officials are wholly flawed.

59. The comments in this response clearly identify such failings. TUS calls on the NI Executive to scrap the proposals in their entirety.

60. In addition TUS calls on the NI Executive to reopen negotiations to include an examination of the impact of the RPI to CPI indexation change, additional employee contributions and the interface with the state pension proposals.

Grace Nesbit
Corporate HR
Royston House
34 Upper Queen Street
Belfast
BT1 6FD

15 April 2013

NI PENSIONS BILL

FDA wishes to raise serious concerns about the above proposed Bill in the context of your invitation to comment as part of the ongoing associated consultation on Pension Reform.

FDA members agreed a set of changes to the Principal Civil Service Pension Scheme and now expect the Executive to implement those changes. The proposed NI draft Bill will prevent this happening and furthermore proposes new provisions that were never discussed with officials contrary to the spirit and actuality of any discussions held.

To be clear, if the draft NI Bill does not reflect the Agreement to which our members signed up to, that agreement will be broken.

The areas of greatest concern are as follows:

Valuation process and governance

The Bill effectively takes away from the DFP Minister and established (or new) Governance arrangements the ability to manage the valuation process of the scheme. The agreement we reached for the Civil Service scheme stipulated that it would be the Minister, in conjunction with the Governance Group, Treasury and GAD who would determine the assumptions for the valuation. The proposed NI Bill will not allow that part of the agreement to be honoured.

Negative revaluation

The existing CARE schemes do not provide for negative revaluation, if and when CPI (the current index) is negative, the figure used is zero. This is what members expect to apply from

2015 but the proposed NI Bill will allow for a negative revaluation to take place. This would not only be a major communications problem if members are not to opt out in such circumstances but most fundamentally it is not part of the agreed way forward.

Consultation and consent

At no point in the pension negotiations were we informed that the consultation provisions in the proposed Bill and therefore in the new scheme would be weaker than is currently the case. In fact all the statements from the Chief Secretary give the distinct impression that the hurdles to future radical reform will be higher. You will appreciate we did not expect any proposed Bill to impose further, undiscussed changes.

We also have significant concerns about the apparent delay in the introduction of the expanded Fair Deal provisions which was central to our agreement plus the lack of any independent review of the automatic link between normal and state pension ages which was a core recommendation of Lord Hutton in his report.

The attached Annex expands on the above issues and outlines additional concerns.

We seek an urgent commitment from you that the proposed NI Bill will be sufficiently changed relevant to your current consultation proposals in order to properly reflect the unique NI socio economic position rather than blindly following the final GB Bill which will enable the agreed pension reforms to take place.

Yours sincerely,

CH Baird
FDA Convenor
NIS

FDA
April 2013

NI Pensions Bill

This paper outlines the key areas where the FDA believes changes are necessary to the current proposals on pension rights in order to make any draft NI Bill fit for purpose:

1. Provision for an independent review of the SPA link;
2. Provision to ensure maintenance of membership in public service pension schemes for transferred workers;
3. Removal of the right for Treasury/DFP to reduce accrued benefits (make retrospective changes);
4. Removal of the provision for 'negative revaluation' of CARE;
5. Introduction of the new scheme by amendment to current regulations rather than 'closure';
6. Improvement to the rights to consultation;
7. Removal of any clause that allows employers to bypass public service pension schemes altogether;
8. Removal of Treasury/DFP control over all elements of schemes without requirements for proper consultation and effective Parliamentary/Executive scrutiny.

1. Provision for an independent review of the link between NPA/DPA and SPA

In his extensively cited report, Lord Hutton stated (Recommendation 11) that the link between receipt of unreduced benefits on retirement – the Normal and Deferred Pension Ages – and State Pension Age should be regularly and independently reviewed to ensure the link is appropriately tracking changes in longevity (Final Report 4.20). This provision also forms an explicit part of the Agreement reached over the Civil Service Pension Scheme changes.

This review doe not appear to be provided for in the proposed Bill which could well mean that the viability of schemes and the efficiency of provision is put under threat through adherence to a fixed link. If longevity does not match the changes to SPA that result from the other reforms government have signalled, then there are substantial consequences for the cost of schemes. Whether this cost volatility is borne by taxpayers or scheme members, the inadvertent impact could be devastating for the new schemes. An independent review, as recommended by Lord Hutton, could ensure that the intention of the provision (for pension age to increase as longevity improves) is actually delivered.

2. Provision to ensure maintenance of membership in public service pension schemes for transferred workers

The Chief Secretary has committed to both the retention of the current 'Fair Deal' provisions that provide some protection for public sector workers who are outsourced, and the extension of these provisions to all transferring staff. While the proposed Bill will enable this to occur in the Civil Service there should also be provision giving legislative certainty to the Chief Secretary's commitment.

The FDA believes it is appropriate for this commitment to be on the face of the bill by means of a clause setting out that all compulsorily transferred staff will retain membership of their public service pension scheme. The exact mechanism to deliver this can then be a matter for scheme regulations as would be expected in an 'Enabling Bill'.

3. Removal of the right for Treasury/DFP to reduce accrued benefits (make retrospective changes)

In facilitating the ability of scheme regulations to make retrospective changes, the proposed Bill threatens to override one of the central tenets of pension saving: that what you've accrued is safe. This is embodied in s67 Pension Act 1995 for private sector pension savers but protection for public service workers comes from the European Convention on Human Rights. Any such proposal would suggest that its purpose is to allow scheme regulations to be altered retrospectively in the interest of efficient implementation where provision couldn't be made in a timely manner. If that is the case then any such proposal should more accurately reflect the stated intention.

Any proposal in the draft Bill that attempts to lower the hurdle to further radical change contrary to the Chief Secretary's statement to the House on 20th December 2011 is unacceptable.

Any provision in the proposed Bill to allow scheme regulations to provide for the reduction of accrued benefits as part of the employer cost cap would be a fundamental breach of scheme members' rights under Article 1 Protocol 1 of the ECHR. Pensioners in receipt of their public service pensions could also have their benefits reduced leaving them reliant on state benefits regardless of the fact that they will have paid all the employee contributions required of them while in the scheme.

4. Removal of the provision for 'negative revaluation' of CARE

Any such provision in the proposed Bill will extend Treasury/DFP control far beyond that which is necessary, prudent and, in light of FDA and Others -v- The Secretary of State For Work and Pensions and Others [2012] EWCACiv 332, legal.

There is absolutely no need for such a clause to be in primary legislation as it is better suited to the scheme regulations that will lay down the parameters of each distinct scheme.

Fundamental to the Agreement reached in the Civil Service was the understanding that, as with the indexation of pensions in payment, revaluation would never be negative. If the relevant index was negative (as has been the case in recent history) then the figure of zero is used and there are no increases, or decreases, applied. This is vital to the confidence of pension saving. Just as pensions in payment should not fall from one year to the next – a principle held to by successive governments – so pensions being accrued should similarly not be reduced. This reflects the existing practice for nuvos – the current CARE scheme in the Civil Service where revaluation either involves an increase if CPI is positive or a freeze if CPI is zero or below. The FDA were not informed at any stage that the Executive intended to deviate from this approach in the new scheme and to do so now is a fundamental challenge to our members' agreement.

Continued inclusion in the proposed draft Bill of a provision allowing negative revaluation to occur could have a profound effect on member behaviour, specifically opt outs. Scheme members are likely to react to an announcement that their whole pension is to be revalued downwards (ie cut) as a result of a negative figure for the consumer price index in September. Their response is likely to be one of mass opt out. This is a hugely counter-productive approach to take on the pretext of 'sharing risk'. The cost management mechanisms already account for inflation yet Treasury wants additional cost to be accepted by members through this provision which puts participation at risk.

5. Introduction of the new scheme by amendment to current regulations rather than 'closure'

There remains a serious lack of clarity on how this is to operate. It appears that all members of existing pension schemes will be deferred albeit with a provision for a final salary link. This would cause significant communications problems (telling members they are being thrown out of the scheme they have been saving in, potentially for decades). It also raises questions about HMRC rules on benefit crystallisation as well as concerns over the calculation of transfer values, access to accrued rights in ill health, redundancy or other early retirement and the provision of benefits to survivors in the event of a member's death. None of these issues have been discussed or appear to be considered in the context of the proposed draft Bill.

An alternative approach that has been suggested is that instead of becoming deferred, active members of existing schemes will remain active members of those schemes but will not build up any more service and will not contribute to those schemes. They will however, also be active members of the new schemes into which their contributions will go. Many of the issues set out above would still apply in this situation.

6. Improvement to the rights to consultation

It is likely that the obstacles to making radical, adverse changes will actually be weaker in the proposed Bill than currently exist in the Civil Service and some other public service schemes. The Executive is proposing to remove these existing provisions and introduce lesser protections which amount to little more than an obligation to inform.

This runs contrary to the pronouncements of the Chief Secretary and others who have stated that a 'high hurdle' was to be put in place by the proposed Bill regarding any further radical change for a period of 25 years.

7. Removal of the right that allows employers to bypass public service pension schemes altogether

This proposal opens the door for employers to bypass public service pension schemes completely. An employer who would otherwise have to provide access to a s1 scheme could, it appears, decide to choose to make other provision, for example the basic auto-enrolment level defined contribution provision outlined in Pensions Act 2011.

There is no obvious need for such a provision, if it is to address a particular anomaly, then it would seem more sensible to address those issues directly. As currently proposed this proposal seems to allow departmental discretion to create individual remuneration packages for employees which are neither consistent with other civil servants nor transparent to the public.

8. Removal of excessive Treasury/DFP control over all elements of schemes from valuations to all scheme regulations without any requirements for proper consultation and effective Executive /Parliamentary scrutiny

The proposals appear to effectively takes away the ability of local Ministers responsible for schemes – the ‘responsible authorities’ - to manage the valuations of their schemes. All relevant parts of a scheme valuation are to be aligned with whatever Treasury/DFP deems appropriate, irrespective of the specific sensitivities of the scheme.

The agreement reached in the Civil Service scheme stipulated that it would be the Minister who would determine the assumptions for the valuation in that scheme, in conjunction with the governance group of the scheme, Treasury and GAD. The proposed draft Bill does not allow that agreement to be honoured.

The proposed extension of control gives Treasury/DFP a far greater role in the running of all public service pension schemes. This proposed extra layer of bureaucracy above that of the schemes' sponsoring departments will restrict the responsiveness of the schemes – as all amendments will have to receive DFP consent. Secondly this undermines the normal consultation requirements. There is little point in 'Responsible Authorities' i.e. DOE consulting on changes to its Scheme regulations if DFP is ultimately the Department that actually determines what scheme regulations are made.

The FDA believes it is still possible for the proposed NI Bill to be drafted specifically for NI in line with proper and effective devolution of powers to the Executive rather than blindly following the final GB Bill which would, for example, allow for logical regional variations and enable scheme regulations to be produced implementing the agreed scheme reforms to the Civil Service Pension Scheme.

Northern Ireland Public Service
Pensions Reform

Consultation on proposals to Reform Public Service Pensions from April 2015

Response by:

Unite the Union

N. Ireland (Health) Regional Industrial Sector Committee

Unite the Union represents 4000 healthcare workers in a diverse range of roles within the National Health Service in Northern Ireland and 60000 workers throughout the whole of Northern Ireland. This response consequently reflects, not only the views of those healthcare workers but the entire membership of our trade union.

The reasoning that reform is needed in public service pensions and particularly within the Health environment is flawed and further penalises the NHS for a national economic position which in no way it is responsible for.

Health professionals have over several generations worked tirelessly to improve health outcomes for the population that we serve and the increasing life expectancy is a mark of the success of the NHS a fact which should not be missed.

The Health and Social Care Pension Scheme which provides the pension arrangements for NHS staff in N.I. is part of the greater arrangements which cover all NHS members of the pension scheme in the UK. Consequently the figures on which the assumption's are made must be made on a national not regional basis.

The NHS pension scheme is not in deficit nor does it show any likelihood of moving into a negative position. In recent years the net position of the scheme has shown a £2 billion surplus which by any measure is a healthy position. The reference to Government figures showing an increase in costs up to £32 billion indicate the rise in salary's in the service and consequently a proportionate rise in members contributions which goes unmentioned. Also strangely missing is the fact that the 1998 agreement increased the members contributions by 0.5% and capped the employers % contribution. It also gave an assurance that if the condition of the fund became critical then a reassessment of the arrangements would be calculated with the employers rate continuing to be capped.

The reduction from 1.5 to 0.9% of GDP is a misrepresentation of the true position. If the arrangements were not changed actuarial calculations indicate that this figure would in any event reduce by 0.5% thus only a further 0.1% is achieved by the governments change.

Increased contributions are seen by members as a hidden taxation since the scheme has no need of them for fiscal security and the money therefore passes straight to the Treasury. The upshot of this is money out of the N.I. economy which does not return!

There is a real concern amongst healthcare staff that the expectation to work on until age 68 is not realistic in many roles and professions. There needs to be a more realistic evaluation of the physical and dextrous roles performed and age will play a significant part in such an analysis.

Northern Ireland Public Service Pensions Reform

Consultation on proposals to Reform Public Service Pensions from April 2015

Response by the Irish National Teachers` Organisation (INTO)

April 2013

Preamble

The Irish National Teachers` Organisation (INTO), is the largest teaching union in Ireland and presently represents around 7000 teachers in all educational sectors in Northern Ireland. INTO has over the past number of years made various interventions and representations on the issue of public sector and teacher pension reform. As such we welcome the opportunity to respond to the consultation exercise given that public sector pensions including teacher pensions are pivotal to ensuring a viable and committed public sector as well as a teaching profession who feel valued and supported by the NI Assembly.

Introduction

The public sector in Northern Ireland remains significant in the sustaining of employment for a large section of the population. Despite the executive's commitment to rebalance the economy and shrink the size of the public sector and grow the private sector little has been achieved and there is no sign of real economic growth which would entice or encourage such a rebalancing.
Therefore INTO on a global level would be concerned that reductions in the benefits or remuneration available to public sector workers will cause lasting damage to the NI economy as well as moving more individuals into the "poverty trap". It is also disappointing that to date the NI Executive has done nothing to dissuade or refute the idea that public sector workers, including teachers are in receipt of "gold plated" pensions and benefits. INTO strongly refutes this perception and we feel that the onus must be on government to support its workforce rather than let them be the victim of media misinformation.
Finally, INTO must express concern that the NI Executive has continually followed the recommendations of the UK Government with regard to pensions. This legislation and others in the pipeline offer the ideal opportunity to achieve balanced and workable solutions which would benefit the NI economy and the public sector workforce. To squander that opportunity at this time is an opportunity that will be lost and generations will pay the price for these proposed reforms. .
With regard to the matters highlighted in the consultation, INTO would respond as follows:

1. **<u>A move to a Career Average Revalued Earnings (CARE) scheme model of pension saving.</u>**

INTO condemns this proposal to move to a Career Average Revalued Earnings (CARE) pension schemes. They are designed to provide generally lower pensions than traditional final-salary schemes. We have closely examined figures produced into these schemes and they do offer significantly lower benefits at retirement including loss of a tax free lump sum, supposedly offset by a change in contribution rate from $1/80^{th}$ to $1/60^{th}$.such pension loss will have an overall impact on the employee and may increase their reliance on state benefits as they move closer into poverty.

Furthermore, INTO have concerns about overt and covert equality issues which could have a detrimental impact on public sector workers, particularly women with caring responsibilities. We believe that this matter should be critically examined before and decision is taken to move forward on the proposals and not as is the practice to simply used the Section 75 approach when the proposals are already in place.

To protect the accumulating pension against inflation, each individual's notional pension has to be uprated each year. The annual uprating might be in line with inflation (based on the Retail Prices Index or the generally lower Consumer Prices Index) or it might be in line with earnings growth. However it is also accepted that movement to CPI has further detrimentally impacted on current public sector pensions and INTO considers that this CPI approach coupled with the revised scheme is a double blow to those employees on their retirement.

Recently the UK Government has commented on the proposal to not allow automatic salary increases for public sector workers unless based on performance. For people who don't get pay rises on promotion, career average benefits that are uprated with average earnings growth will be no less valuable than a final salary scheme. However this recommendation on public sector salaries must be clarified by the NI Executive if any benefit is to be

Another important factor at the discretion of those designing the scheme, in this case the government, will be the extent of inflation-proofing once a pension is in payment. There is no specific detail as to the level of protection to be offered by the NI Executive and this must be set realistically given the high level of inflation and the present Treasury forecasts regarding inflation and economic growth. INTO will not accept a pay reduction through the use of low levels of pension protection. It is accepted that he greater the protection, the more expensive the scheme will be, and the higher the contributions that will be required. However if the workforce is to be valued then this is a cost that must be met.

Other elements contributing to the cost of a career average scheme will be the extent of other features, such as a pension or other benefits for dependents, spouses and partners, both before retirement and after. INTO are concerned at the degree to which the proposals require further detailed announcements by government and negotiation, scheme by scheme,

Career average schemes are very different to final-salary schemes, despite the continued practice of describing both of them as "defined benefit" schemes INTO feels that it would be much better to describe career average schemes as undefined benefit schemes.

When compared to the final-salary scheme it is proposed to replace, no public sector worker will be better off and almost no-one will be able to accrue a higher pension then before. Many members will, for the same number of years and the same level of annual contributions, receive a much lower pension. That is simply because of the obvious reason that most people experience their peak earnings in their last few years of work after starting off with relatively low earnings while young. In a career average scheme low wages or salaries in the early years directly affect the pension calculation; in a final salary scheme they do not. INTO also believes that the changes are likely to have an even greater impact on higher paid employees and those who receive above-average salary increases in future.

Although the government is planning to introduce an average increase of three percentage points for public sector employee pension contributions, this is aimed at cutting the government's contributions, not at raising the level of benefits. INTO supports, uprating of public sector pensions in line with earnings growth. We believe that we are supported in this proposal by Lord Hutton in his recommendations.

INTO must stress that contributions will be higher for better schemes.it is the view of INTO that increase contribution should be met by employer’s and not employees.

It is vital for INTO that we take the opportunity to stress the serious concerns we have over the implications of these entire pension reforms on the teaching workforce. Most individuals enter the teaching profession as a career and over 35 or more years' service they give a lifetime's commitment to the education of at least 2 and possibly 3 generations of the NI workforce. To now move to change the retirement age, reduce their pension entitlement and harmonise their retirement age with the default state retirement age will destroy the teaching workforce. INTO members and other professional teachers will struggle to maintain a professional service at age 68. The NI Executive must be clear that special protections must be considered for teachers to allow them to give a professional service, retire with dignity and not feel that they must remain until ill health or burnout forces them to retire. INTO proposes that special arrangements should be agreed, similar to fire-fighters and mental health nurses, to allow teaches over 60n over to secure a pension on the basis of their accruals, without actuarial reduction.

INTO would highlight that more important than the new basis of calculating the pensions will be the proposed higher retirement age. Some existing staff who retires at 60, including teachers, under their current rules will be told they must now work to 65 for a full pension. And that normal pension age, it is now proposed, should rise even further, to 66, 67 and eventually 68, in tandem with the government's existing plans for the state pension. The effect of this will be just as profound as changing the underlying method for calculating someone's pension We feel that this approach is not reflective of the demands placed on public sector workers, including teachers and will be ultimately a false economy as sickness absence levels rise and the public sector cannot demands of government.

2. **<u>A direct link to equalise schemes' Normal Pension Ages with State Pension Age (except for the police and fire and rescue services</u>**

We have already referred to the matter above.
INTO would highlight that more important than the new basis of calculating the pensions will be the proposed higher retirement age. Some existing staff who retires at 60, including teachers, under their current rules will be told they must now work to 65 for a full pension. And that normal pension age, it is now proposed, should rise even further, to 66, 67 and eventually 68, in tandem with the government's existing plans for the state pension. The effect of this will be just as profound as changing the underlying method for calculating someone's pension We feel that this approach is not reflective of the demands placed on public sector workers, including teachers and will be ultimately a false economy as sickness absence levels rise and the public sector cannot demands of government. INTOs position remains that we remain opposed to the increased retirement age given that the likely outworking will be workforce with significant medical needs as well as disabilities and regrettably reduced productivity and commitment to the work required. We would urge that any decision to harmonise the pension ages is deferred until there has been an honest debate involving all stakeholders, including INTO, on the likely impact of this proposal on the public sector workforce and the impact on the NI economy in general. We would also urge that this policy and its impact are screened for the impact of age in accordance with Schedule 9, Section 75 of the NI Act 1998.

3. **A Normal Pension Age of 60 (subject to regular review) for the police and fire and rescue services).**

INTO welcomes the decision to retain the default retirement age at 60. However we have serious concerns that while this exists, the other projected changes including the harmonisation of the state retirement age will force many workers to remain in work simply to be able to afford to live. This has serious ramifications for the NI economy as well as placing a significant responsibility on the state to support older workers post retirement. It will also mean that public sector workers who have managed some small savings for their retirement will have to rely on this just to manage.

4. **A final salary link for any final salary pension accrued prior to the date at which the new schemes will commence.**

INTO welcomes this offer of protection for older workers and the link to their final salary scheme in order to calculate and assess their retirement benefits. However employees who are below 50 years currently will suffer losses, even with this protection. INTO would encourage the NI Executive to work creatively with INTO and other trade unions to agree a way in which the worst aspects of this proposal can be offset for as long as possible.

5. **A scheme cost cap with a default mechanism to maintain costs with set cost floor and ceiling limits**

INTO would be concerned that this proposal is ultimately designed to allow Treasury to estimate the cost of public sector pensions. INTO is further concerned that such proposals rarely if ever benefit the scheme member. If the NI Executive is serious about a NI Specific scheme then they will agree with stakeholders such caps that are reflective of the makeup and demands of the public sector to ensure and detrimental impact is at a minimum.

6. **Transitional protection measures for scheme members who were within 10 years of their existing Normal Pension Age on 1 April 2012**

INTO welcomes any protection that is offered to existing members of the final salary scheme. However we are concerned that up until now there has not been overall transparency with regard to the cost of new scheme. We would urge that such a costing would be undertaken for the NI public sector to ascertain as to whether opportunities exist to extend thee protection beyond the age range suggested by Lord Hutton in his report.

7. **Revised measures for scheme governance**

Up until now details of public sector schemes in NI have been shrouded in mystery and secrecy. Data when requested is not available or are incomplete yet “informed” decisions by the NI executive have been made on the basis of such information. This also calls into question the effectiveness of equality screening and impact assessment and the decisions reached on this area. We believe that the NI public sector scheme and the Northern Ireland Teachers Superannuation Scheme should be regularly evaluated independently by an agreed party and the results of that assessment made available in full to scheme members.

Reform must mean reform. INTO is no longer prepared to rely on out of date Government actuary reports or incomplete scheme valuations as a basis for pension reform. If governance is to be improved then it must be a root and branch reform which involves the proactive engagement of public sector workers and their trade union representatives at all stages of the scheme and its management. Only with such an approach and a commitment to openness and transparency can public sector works have confidence that proposed changes are inevitable and for the overall good of the workforce. INTO believe such an approach is a restatement of a greater openness and transparency of all areas of government. Pensions and pension schemes should be similarly treated.

Finally, in this section, if the decision is to reform the pension arrangements and move to a CARE model INTO must insist that there will be a requirement of Government to supply members of a career average scheme with a yearly statement of:

(a) Their contributions to the scheme for that year and

(b) the current value of their pension "fund" which would include the uprated contributions of previous years.

INTO believes that similar commitments have been given in other jurisdictions and we believe it would be reasonable to provide scheme members with regular information on the performance of their pension and therefore allow effective retirement planning.

Conclusion

As stated at the outset of this document it is the view of INTO that the proposals for public sector pension reform must be contextualised for the public sector workforce, including the professional teachers who we represent in NI we believe that such a review should be undertaken in partnership with NICICTU trade unions including INTO.

To that end we ask that a detailed and careful consideration is given to this response and that proposals for pension reform in the public sector are changed to reflects our member's concerns and that the NI Executive move away from the UK status quo model to develop a pension scheme fit for the present and future employees of the public sector and which will benefit the NI economy overall

INTO remains willing to discuss any aspects of our response in order to clarify exactly what the policy of the Organisation is and ensure that the NI executive is fully aware of the position of INTO and how we could work together to address the issue of public sector pension reform.

YOUR REF

OUR REF

nipsa

The Leading Public Service Union

Brian Campfield General Secretary

Consultation on Proposals from
Public Service Pension Reform
Civil Service Pensions
Department of Finance & Personnel
Waterside House
75 Duke Street
LONDONDERRY
BT47 6FP

8 April 2013

Dear Sir/Madam

NORTHERN IRELAND PUBLIC SERVICE PENSIONS REFORM

I refer to the DFP consultation document of 21 January 2013 in respect of the above.

I am attaching a copy of the NIPSA response to the consultation document, a hard copy will follow by post.

NIPSA's position is set out in the response. NIPSA requires specific and detailed responses to all of the numerous issues raised in the response. NIPSA will also be vigorously pursuing these matters with the NI Assembly DFP Committee and in the negotiations between NICICTU and DFP/Sponsoring Departments.

Yours sincerely

BUMPER GRAHAM
Assistant General Secretary

Bg08041a

NORTHERN IRELAND PUBLIC SERVICE

PENSIONS REFORM

Consultation on Proposals to Reform Public Service Pensions from April 2015

(DFP Publication 21 January 2013)

Response of the Northern Ireland Public Service Alliance (NIPSA)

April 2013

INTRODUCTION

1. NIPSA is Northern Ireland's largest Public Service Trade Union with over 46,500 members.

2. Of those 46,500 members circa 45,000 are affected by the proposals to be contained in the Northern Ireland Public Service Pension Bill. The main Schemes in which NIPSA has membership are the PCSPS (NI), HSC Superannuation Scheme and the LGPS/NILGOSC Scheme, NIPSA also has an interest in other related Schemes.

3. NIPSA does not accept the DFP position in respect of the "engagement" and/or "consultation" process with the trade unions. Pension provision is a fundamental feature of terms and conditions and is legally deemed to be deferred pay this therefore requires full and open negotiations with the trade unions that represent members covered by the proposed Bill.

4. Even if the "consultation" point was to be accepted for the purpose of the current DFP public consultation, as per the 21/1/13 document NIPSA would remind DFP and the Minister as to the judgement of Lord Woolf. Specifically to how Woolf, Master of the Rolls in R v North & East Devon Health Authority, et parte Coughlan (2001) QB 213 ruled as to the meaning and purpose of consultation.

5. A further failing of the process is that the NI Bill is to be predicated on the Westminster Bill, yet that Bill has not completed it's passage with the Ping Pong stage set for the 23 April 2013.

6. As will be illustrated in the comments that follow NIPSA is wholly opposed to the proposed content of the NI Bill. In addition, the Bill needs to be considered in a much wider context with regard to both Pubic Service Pensions and proposed changes to the State Pension.

7. The change in indexation from RPI to CPI adversely impacts on the value of pubic service pensions by circa 15%. In addition for the unfunded schemes (all those within the ambit of the Bill except LGPS/NILGOSC) the additional employee contributions are to average out at 3.2% by April 2014. These represent yet further attacks on pubic sector pensions.

8. The Westminster DWP whitepaper and subsequent draft bill of January 2013, "The Single-Tier Pension: A Simple Foundation for Saving, has major implications for public service pensions. In particular two aspects;

   (i) the arrangements for increasing the State Pension Age; and

   (ii) the ending of contracting-out.

9. The comments that follow are based on the structure of the DFP consultation paper of 21/1/13.

CONSULTATION DOCUMENT

10. **Purpose**: NIPSA does not accept that it is the role of the NI Executive and in particular the NI Assembly to just replicate in full the Westminster Bill. Public Service Pensions are a devolved matter and there is a need to give full and proper assessment to the issues raised in this response and by the NIC ICTU Trade Union Side both in it's engagement with the Assembly DFP Committee and in the meetings with DFP/Sponsoring Departments Officials.

11. **Background: Why are Reforms Needed?**: in 2005 public service unions entered in to negotiations with employers on a scheme-by-scheme basis and agreed certain outcomes for the future of public service pension schemes. In many cases the change either had still to be introduced and/or agreement reached on measures such as "cap and collar". The current Westminster Government reneged on the outcome of those negotiations as soon as it was elected in 2010. NIPSA whilst unhappy with aspects of the 2005 changes believes that they provided the basis for fair and sustainable public service pension reform.

12. It is NIPSA's view that the totality of the changes (see paragraphs 7 and 8) are not only an attack on public servants but will also seriously damage scheme sustainability. The implications being likely further additional contribution increases, further increases to normal retirement age and yet more diminution of scheme benefits. This will result in greater dependence

upon welfare benefits by retired public servants and exacerbate pensioner poverty.

13. Reference is made to the work of the "Independent Public Service Pensions Commission (IPSPC), otherwise known as the Hutton Report. NIPSA disputes the "independence of the IPSPC and would also point out that the Westminster Government interceded on the work of the Commission via the unilateral decision to change indexation to CPI from RPI. The Government also determined at interim report stage to apply the average 3.2% additional contributions, again without any negotiation or consultation.

14. Attached as an appendix to this response are a copy of;

(i) NIPSA Commentary and Assessment of the IPSPC interim report; and

(ii) the NIPSA submission to the second call for evidence by the IPSPC.

15. **Managing Pension Costs:** Reference is made to the potential losses to the NI block funding. There is no proper basis or assessment of how the Finance Minister arrived at the quoted £262m figure.

16. This section at least brings some honesty to the basis for the proposed changes. It identifies that by circa 2060 the GDP costs of pubic service pensions will fall from 1.5% to 0.9%. This is clearly linked to the proposals for the changes to the state pension (see paragraph 8) with its aim being by 2060 to reduce GDP expenditure on state pensions from 8.5% to 8.1%. (Also attached as an appendix is the NIPSA response to the DWP White Paper).

17. Reference is made to DFP's own "actuarial analysis" if this is the document provided to the NIC ICTU Trade Union Side then NIPSA disputes the accuracy of the figures. The work done by GAD was predicated on the NI HSC Scheme extrapolated across the rest of the NI Public Service Schemes on a 7% figure. The HSC costing is disputed as it applied a baseline cost of 26% vis-à-vis the published cost figure of 21%. No account was taken of scheme variables across the other schemes such as membership uptake pension values, age profile, impact of auto-enrolment to list just a few.

18. The unions have pressed for and to date been denied (with the exception of NILGOSC) full scheme triennial actuarial assessments. Costings that can be relied upon can only be so when those assessments are made available.

19. The costs to the NI Block and the cost for social security have not been properly assessed. In particular the wider macro economic impact of increasing the normal retirement age with the resultant reduction in labour market opportunities for the unemployed, school/university leavers and those seeking to return to the labour market has not been researched.

20. There are clear adverse economic considerations for Northern Ireland that have not been factored in as well as the costs to the social security budget (see also paragraph 12).

21. In addition issues such as the "grey pound" spend have not been assessed.

22. **The Bill in Westminster:** As per paragraph 5, the Bill has yet to be completed. In the stages to date there have been a number of changes and it remains to be seen as to what the final form of the Bill will be. Given the timeline it is not acceptable to NIPSA that negotiations on the NI Bill should be shoehorned or truncated in order to meet unrealistic timeframes imposed by the Government at Westminster.

23. **Core Provisions:** As per paragraph 11 the post 2005 outcome addressed these issues and it must therefore be concluded that the intent of the Government is to again attack pubic servants and make them pay for the wider economic mismanagement of the UK.

24. **CARE:** NIPSA does not accept that any case has been made to remove the final salary link, it is accepted that some NIPSA members are already covered by a CARE Scheme i.e. NUVOS PCSPS (NI) members. There are options/solutions that can deal with what are deemed to be excesses in terms of those who enjoy pensions for example that produce annual income into six figures. Such examples should be dealt with by a fairer general taxation regime.

25. **Linking NRA to SPA:** See comments elsewhere in this response as to the need to assess the macro economic impact in Northern Ireland. NIPSA

believes without prejudice that at the very least there is value in establishing a Northern Ireland Review Group, similar to that established for the NHS Scheme to examine the increased NRA for various occupational groups across the Schemes. Another option that should be examined is the flexible decade of retirement, this would allow for people to leave early without actuarial deductions on the basis that going forward others will wish to stay beyond the NRA.

26. **Review Arrangements for NRA:** See comments in the response to the DWP White Paper on Single Tier pension.

27. **Final Salary Link for Accrued Service:** This is not giving anything, these are acquired rights related to pension as deferred pay. It is also the case that to do otherwise would be contrary to the convention on Human Rights as it is deemed that pensions are property and to have any erosion of the acquired entitlement would constitute theft of personal possessions.

28. **Cap/Collar:** NIPSA does not accept the cost basis of the HMT/GAD model scheme, nor the two papers of November 12 on cap/collar and triennial review mechanics. The cost envelope was worked backwards to suit what Government determined would be the maximum amount it would contribute to the schemes. The impact of breaching the collar will only result in further damage to schemes by increased opt outs as the only two solutions are either reduced benefits and/or further additional employee contributions. An additional issue relates to the correlation between increased NRA and ill-

health retirements, these costs should not be included as they relate directly to the Governments decision to both increase NRA and to further link it to increases in SPA.

The cost sharing aspect was one of the post 2005 reforms that discussions had only commenced on within the various schemes.

29. **Protections:** The protections if required as a consequence of the NI Executive/Assembly forcing changes should run for 10 years plus the taper from the implementation date of the revised schemes. De facto they are not 10 year protections given they ran from 1/4/12 yet it is planned that the implementation date is 1/4/15, thus really only 7 year protections (with LCPS/NILGOSC having a proposed 1/4/2014 date).

30. **Governance:** NIPSA supports the governance arrangements for NILGOSC in respect of scheme oversight/administration. There needs also to be proper negotiating bodies established to deal with scheme regulations, cap/collar, etc. The DOE LGPS/NILGOSC Review Group could form the basis for such scheme specific bodies.

31. **Twenty Five Year Guarantee:** There is no reference to this in the document yet it is a fundamental tenant of the Government's position, albeit wiped out as a consequence of the Single State Pension proposals.

32. **General NI Position:** As per the comments at paragraph 10 it is NIPSA's view that the NI Executive and Assembly should fully exercise it's devolved authority on public service pensions. There is no justification to slavishly follow the Westminster Bill, especially when predicated upon false assumptions as to the NI Block impact (see paragraph 17). There is also a total contradiction between the position taken on Corporation Tax and that on public service pensions and indeed other issues that adversely impact on working people vis-à-vis the corporate fat cats.

33. As clearly pointed out pensions are both a negotiable matter and deferred pay therefore the NI Executive had no right to come to a unilateral decision on 8/8/12 without any negotiation or consultation with trade unions and scheme members.

34. The timeline is wholly unacceptable (see paragraph 5). At 5 April the position for the LGPS England/Wales is still not clear thus making it impractical for NILGOSC changes from 2014. The 2015 date for other schemes is also not viable, given the timeline for the Bill and the need for scheme-by-scheme negotiations on the regulations.

35. No reference has been made to the November 12 HMT Paper on Fair Deal. NIPSA does not wish to see the Westminster approach being taken, it is NIPSA's position that full Fair Deal provisions need to be on the face of the Bill.

36. **EQIA Screening:** NIPSA fully rejects the decision to screen out a full EQIA. It is NIPSA's view that this is a pre-determined decision to (i) help expedite passage of the Bill and (ii) to deliberately ignore clear equality issues that arise.

37. **Part 1:** NIPSA contends that the proposals do represent a new policy rather than a change to existing policy. The scale of the changes are so draconian and fundamental to render the new schemes as being totally incomparable with the current schemes.

38. **Implementation Factors:** As per comments on the consultation document NIPSA totally rejects the financial analysis of the costings.

39. **Stakeholders Affected:** This is flawed as clearly the proposals impact upon trade unions in the representation of their members rights and entitlements with regard to pensions.

40. **Available Evidence Section 75 Category:** This is a very flawed, incomplete and gross over simplification of the totality of the issues and the inter-relationships between Section 75 categories.

41. **Racial Groups:** There is no evidence of any research into the uptake/opt-out of scheme membership by different racial groups. Pensions are a complex issue and the various proposed changes add greatly to such complexity. It is

possible that Racial Groups are more likely to have difficulties understanding and dealing with the complexities around pensions.

42. **Age:** It is clear that the proposals have age implications which need to be fully assessed. All schemes have full age profile data to state age profile is not available for NILGOSC is a clear distortion of the facts. If not then it is a demonstration that DFP did not go looking for the data.

43. **Marital Status:** As with age in respect of the data. In fact all schemes require nomination forms to be completed as well as dependants data to be held.

44. **Men/Women Generally:** Again all schemes have full data sets.

45. **Dependants:** See paragraph 43.

46. This lack of application clearly demonstrates a totally flawed process and endorses the points made re a re-determined outcome to the screening process.

47. **Needs, Experiences and Priorities:** Given the total lack of research and data gathering/analysis it is not surprising such N/A conclusions are drawn. A proper assessment would produce differing results.

48. **<u>Part 2 Screening Questions</u>:** Given the comments on paragraphs 36-47 above NIPSA rejects the conclusions in respect of the following Section 75 groups in particular; Age, Men/Women and Dependents.

49 **<u>Part 3 Screening Decision</u>:** To rely on the basis that all that is happening is a transposition of the Westminster Bill to Northern Ireland is not acceptable and not a defence against a full EQIA.

50. The FBU have provided evidence with regard to adverse impact on women fire-fighters and the LGPS England/Wales EIA identified equality impact issues.

51. The decision of the NI Executive is not binding as the ultimate authority rests with the NI Assembly in respect of the passage of legislation.

52. The screening is totally flawed due to the massive evidence/data gaps in spite of the readily available existence of such data.

53. NIPSA will lodge a complaint to the Equality Commission should a full EQIA not be completed.

<u>CONCLUSIONS</u>

54. NIPSA without prejudice to it's opposition to the totality of public sector pension scheme reforms and the interface with the proposed revision from

April 2016 of the state pension provisions believes that the decisions of the NI Executive, DFP Minister and DFP Officials are wholly flawed.

55. The comments in this response clearly identify such failings. NIPSA calls on the NI Executive to scrap the proposals in their entirety.

56. In addition NIPSA calls on the NI Executive to reopen negotiations to include an examination of the impact of the RPI to CPI indexation change, additional employee contributions and the interface with the state pension proposals.

INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

INTERIM REPORT – 7 OCTOBER 2010

NIPSA COMMENTARY AND ASSESSMENT

Note - *The references in this Commentary and Assessment relate to the structure of the Interim Report.*

- *Issues that arise in either the Foreword and/or Executive Summary are covered within the commentary on the substantive chapter of the Report.*

Chapter 1 – The Pensions Landscape

Para

1.7 The Report acknowledges that employee contribution rates have increased "somewhat in recent years" and is dismissive of such increases. The recent changes to Public Service schemes have resulted in real level increases in employee contributions of 56% -v- a 33% increase in scheme costs.

1.9 Public Sector schemes historically led the way in pension scheme design, now Hutton bends to the trend set by the private sector to disimprove the provision of decent pension schemes.

1.10 The development of differences within Sectors e.g. three Civil Service schemes and the divergence of schemes are not the fault of scheme members past or current but a reflection of tinkering and changes brought about by various Governments.

1.11 Given the number of public service pension scheme members there should be greater recognition of the impact on state social security payments, should either changes or withdrawal of scheme members place a greater demand upon the benefit system.

1.14 (Box 1.B) Not only is the NHS scheme returning a positive excess i.e. total contributions for 2009/10 being in excess of all benefit payments by some £2bn, so is the NILGOSC scheme which for 2009/10 had a surplus of circa £41.5m on contributions over benefit payments and expenses.

1.20 The Report recognises that currently there are twice as many female active members within the schemes and that male earnings and hence pensions are higher than female benefits, yet nowhere in the Report does it raise the question of equality proofing.

1.24 Whilst Hutton in his press release and Foreword nailed the myth of Public Service Pension Schemes not being Gold-Plated the Table 1.B confirms this by detailing the value of the average mean pension value for each of the main schemes, including LGPS (England) £4,052, NHS (England/Wales) £7,234 and Civil Service (UK) £6,199. The overall average is £6,497 which is influenced by higher mean averages for Teachers (England/Wales) of £9,806 and the Armed Forces (UK) £7,722.

1.25 Data shows over 50% of pensioners in receipt of pensions of less than £6,000 pa but 1:10 males and 1:25 females receiving pensions in excess of £20,000 pa, whilst this accounts for less than 5% of pensioners, pensions in excess of £20,000 account for 25% of costs.

1.26 The gender equality issue is brought into stark relief with the production of the data showing male media pensions just over £8,000 pa and media female pensions at just under £4,000 pa.

1.27 The imbalance of public service pensions is again highlighted by the data at this section of the report, approximately 50% LGPS pensions receive less than £3,000 pa but yet 59% of police pensioners receive over £15,000 pa. Despite these differences the Report seeks to treat all Public Service Pension Schemes as one for the purposes of Phase 2 recommendations.

1.30 The vast differences of pension values within schemes is highlighted here with 1% of pensioners in receipt of pensions worth at least £37,000 per annum $^{2}/_{3}$ of which are within the NHS scheme mainly paid to long-serving Doctors. This also distorts the mean value of the NHS pension at £7,234 pa.

1.36 This highlights not only the (---------------) value of private sector pensions but the scurrilous fact that private sector employers do not contribute towards employee pensions in the main. Of 19 million private sector employees only 6.6 million are in any employer scheme, equating to approximately 35%, compared to 85% of public servants who are in a scheme.

1.44 Confirms the inherent problems of defined contribution schemes in having the member/employee carry all the risk, yet Hutton does not totally rule out some potential role for a defined contribution mechanism going forward.

Chapter 2 – Recent Reforms to Public Sector Pensions

Para

2.4/2.5/2.6 + Table 2.A This provides a feint synopsis of the various changes that came about following the Public Services Forum discussions on the need to examine the structure of Public Service Pensions. Whilst earlier in the Report (1.1) he comments that Public Service Pensions have not seen much change since the 19th century. Clearly, he cannot be right on both counts and the changes over recent years have been significant.

2.7 'Cap and Share' or cost sharing as referred to in the review of 2005 have not yet been introduced. Discussions are continuing on the introduction of this mechanism. Despite this Hutton intends to introduce yet more reform before the agreed reforms have been imbedded.

2.14 The new Government pre-empted Hutton with the announcement in the June 2010 budget that CPI movements rather than RPI would be used for indexing going forward. This makes a significant change to the cost of schemes and more importantly attacks the value of pensions.

Based on historic rates of RPI and CPI a pensioner today retiring on a £5,000 final-salary could expect an income of £9,737 in 20 years if it is uprated in line with RPI. However, if it is uprated in line with CPI it will only be worth £8,497 – 13% less. Over that 20 year period, the pensioner will miss out on £10,367 of income. The longer the pensioner lives – the worse the impact will be. This is therefore likely to mean as each year passes a greater likelihood if not inevitability that the state will have to top-up the pension with social security payments.

2.15 Confirms the average impact of this change on scheme costs and with other scheme changes post the 2005 Public Service Forum outcome results in a 25% reduction in the totality of the pension package.

Chapter 3 – The Framework of Principles

This chapter sets out in broader detail the four principles as referred to in the cover circular i.e.

- affordable and sustainable;
- adequate and fair;
- support productivity; and
- transparent and simple.

Chapters 4-7 (inc) cover each of the four principles in detail.

Chapter 4 – Affordable and Sustainable

This chapter deals with long-term estimates of the cost of pensions and in doing so examines complex assessments of the likely cost against a number of economic measurements. In addition the report recognises in a limited manner the fundamental difference between unfunded schemes and funded schemes such as the Local Government Pension Scheme.

Para

4.21/4.22
4.23/4.24 Considerable comment is made on the Report and by those who seek to dilute Public Service Pensions of the costs as a proportion of Gross Domestic Product (GDP). Over the period 2009/10 (1.7% GDP) 2019/2020 – 2029/2030 (1.9% GDP) falling back to 1.7% by 2049/50. Given that there are 12 million active/deferred/pensioner members of public service pensions this is not a high level of GDP expenditure.

It also fails to take into account the extra cost that could fall upon GDP expenditure from state pensions should more public service pensioners have to depend upon pension guarantee payments and/or total opt-outs by public servants from pension schemes. Over the same projected period GDP expenditure for state pensions rages from 5.3% to 6.5%.

Chapter 5 – Adequate and Fair

Para

5.2-5.7 Seeks to deal with what is an adequate level of income for those in retirement. T here are many measures for this and the Report (-------) in the proposals put forward by Lord Turner Pensions Commission. This is based on a percentage of final gross income as detailed in table 5A.

In NIPSA's submission (para 2.9) the case was made that the minimum total pension income should be the European Decency Threshold. This would link to some degree with Turners aims.

This would lift all pensioners out of the poverty trap and also remove dependency upon the Pension Guarantee Credit. Currently the State Pension and Guarantee Credit is made up as follows:

	State Pension	Guarantee Credit	Difference
Single Person	£4,907 pa	£6,779 pa	£1,812 pa
Married Couple	£7,941 pa	£10,345 pa	£2,407 pa

As can be seen from the data in the Report vary many public service pensioners are in receipt of occupational pensions that only just lift them above the pension credit level.

5.12 The Report acknowledges that many women will not reach the Turner levels of adequacy. This confirms the need as identifiable in the comment above on para 1.20 of the Report for full equality proofing of Hutton's proposals.

5.19/5.20 These paras demonstrate the lack of fairness between the Public Service schemes in terms of the average value of pension payments as a percentage of salary.

4.65/4.66 Each scheme has to complete triennial detailed actuarial assessments in order to assess the current funding or national funding levels and projected funding levels to meet liabilities going forward. These reviews are known as the Actuarial Valuation and for many of the schemes these are due to be published in November 2010. The Phase II Report will consider these, along with a longer term assessment of the move for indexation from RPI to CPI.

4.76 The Report comments at 4.76 – 4.95 (inc) on the English LGPS, recognising the differences between a fully funded i.e. invested scheme as opposed to the majority of Public Service schemes which operate on a pay-as-you-go basis i.e. pension costs come each year from a mix of employee contributions and HMT top-up payments. In Northern Ireland the NILGOSC Scheme is an invested scheme and broadly in line with the LGPS as to structure and regulations.

4.79 The LGPS (England) is cash positive and will be liable to remain so until sometime in the period 2016-2025 i.e. the income from employer/employee contributions each year exceeds the value of the pension payments. The NILGOSC scheme is also cash positive.

4.93 The Report concludes that there should be no change to the status/arrangements for the LGPS.

4.95 Taking what is said at 4.93 this para states that the LGPS should 'in line with the unfunded schemes need to consider long-term structural reform of benefits and employee contribution rates".

It is unclear from these statements if Hutton expects whatever comes out from Phase II to apply to funded schemes such as the LGPS.

5.31 (Box 5.C) The Report uses the projective term of 'low flyers' vis-a-vis 'high flyers' to distinguish between lower/moderately paid and high earners. The example given nevertheless does demonstrate the very real value differences in the percentage rate of pension pay expressed as a percentage over average career salary.

The signal is very clear that the Phase II report will address this disparity, either via introduction of a career average based scheme in capping the value of what is deemed to be pensionable pay.

5.35 This comments on the recent reforms in some schemes to introduce tiered contribution levels as a means in some degree to address the disparity issue detailed at Box 5.C. whilst tiered contribution levels are deemed to have made some change for better equity they have an cannot address the inequalities.

Chapter 6 – Supporting Productivity

This chapter is most concerning in that Hutton seeks to undermine 'Fair Deal' the agreement on transferring functions from the public sector to the private sector and in doing to having to ensure that the Private Sector transferee employer has in place a broadly comparable pension scheme to the public sector scheme from which the employee is being compulsory transferred from. This is covered in detail in the Report a Box 6.C.

Not only is this an attack on public service pensions but it is a very clear attempt to assist the Government in its wider anti-public service ethos and to assist with its plans for privatisation, contracting out and externalisation.

Chapter 7 – Transparent and Simple

This Chapter correctly comments on the complexities of scheme rules/regulations and how difficult it is for most people, be they scheme members or the public, to understand scheme funding, entitlements etc. It fails however to consider the general lack of real scheme member participation in the control of the various public sector pension schemes.

Chapter 8 – Reform: Short-Term Options for Reform

Para

Box 8.A The Report recognises the need for proper protection of scheme members accrued rights i.e. those that they have built-up to the point of any change.

Hutton recommends to Government that they should consider as an immediate step increasing member contribution rates. This is despite the fact member contributions have seen real level increase of 56% in recent years (see para 1.7) and that with Cost-Sharing/Cap and Share further increases are looming over the short-term.

It is significant that Hutton calls for the Armed Forces to be excluded from this. The Armed Forces do not contribute currently but yet have a scheme that is more generous than most as demonstrated in table 5.C with a 32% on average payment of salary, compared to 17% in the Civil Service and NHS schemes.

Hutton does however acknowledge the need to protect the low paid but more from the perspective of the likely adverse impact on scheme membership due to the likelihood of increased op-outs from scheme membership.

8.1 The Report acknowledges that pensions are long-term matters and that the Government cannot expect quick short-term gain, this is over and above what they achieved with the indexation move from RPI to CPI.

8.18

Chapter 9 – Long-Term Structural Reform

9.1

9.7

9.8

9.10

9.12

9.17

Annexes

B

C

D

nipsa

NORTHERN • IRELAND • PUBLIC • SERVICE • ALLIANCE

SUBMISSION TO THE SECOND CALL FOR EVIDENCE (1 NOVEMBER 2010) OF THE INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

15 December 2010

1. INTRODUCTION

1.1 NIPSA is Northern Ireland's largest trade union representing 46,000 members employed in the Northern Ireland Civil Service, Non Departmental Public Bodies, Public Services, Local Government and the Community/Voluntary Sector.

1.2 With regard to the Public Service Pension Scheme coverage of the Commission, NIPSA has membership as follows:-

- Principal Civil Service Pension Scheme Northern Ireland (PCSPSNI) circa 21,000 members
- Health and Personal Social Services Northern Ireland Pension Scheme (HPSS) circa 9,000 members
- Northern Ireland Local Government Officers Superannuation Scheme (NILGOSC) circa 15,000 members.

1.3 In addition to the 45,000 active members of the above schemes NIPSA has retired members in all of the schemes, as well as former members holding deferred member rights in the schemes.

1.4 With regard to the specific Northern Ireland schemes these are primarily based upon the principle of parity with the relevant Great Britain scheme e.g. NILGOSC and the Local Government Pension Scheme. The provision of parity is based on specific legislation and/or contractual entitlements.

1.5 NIPSA was part of the trade union delegation that met with Lord Hutton on his Belfast visit and NIPSA officials have raised issues relating to the work of the Commission in other forums e.g. NAPF Local Authority Forum on the 12 November. On these occasions Lord Hutton has been specific that his work does not extend per-se to Northern Ireland and that any decision to action recommendations is one for the Northern Ireland Executive.

1.6 NIPSA acknowledges the very precise point being made by Lord Hutton but would point out that the schemes are in the main by-analogy versions of GB schemes provided for in legislation and/or contracts of employment and therefore the Commission's recommendations are liable to follow through to Northern Ireland.

1.7 Likewise the impact of decisions such as the move from RPI to CPI for indexing, the pension tax changes and the public sector pay freezes all have impacted on the pension provision for active/deferred members and pensioner members of public service pension schemes within Northern Ireland.

1.8 NIPSA made a detailed submission to the first call for evidence and has provided a detailed briefing on the Phase I Report of the Commission; this is available from the NIPSA website at www.nipsa.org.uk/Campaigns/Public-Service-Defence-Campaign/PublicServices-Pensions-Independent-Commission-Interim-Report-NIPSA-Briefing'

2 OVERVIEW

2.1 NIPSA was disappointed with the overall thrust and recommendations contained in the Commission's Interim Report. Whilst NIPSA welcomed the commitment to retaining defined benefit pension schemes and the dismissal of the myth that public service pension schemes are 'gold-plated', we are concerned that it paves the way for further adverse changes to public sector pension provision.

2.2 The Interim Report correctly acknowledges the very considerable disimprovements over the past decade in private sector pension provision but it does not go far enough to put the emphasis on the need for these to be improved. It is in this area that Government is exposed, on the one hand to major state intervention to bolster wholly inadequate levels of occupational pension and on the other hand it shores up the massive greed and tax exploitation by the top 1% of Directors/Senior Managers in respect of their pension provisions.

2.3 The Interim Report at Chapter 5 covers the issues of adequacy and fairness. NIPSA considers this to be a key issue, including the question of equality; it is therefore more than disappointing that there is neither any evidence nor call for full equality proofing of either the Interim Report or the Commission's final recommendations.

2.4 As with the point made at 2.2 above on state subvention i.e. via payment of pension credit the Interim Report at paras 5.2-5.7 recognises, to a point, this issue but fails to fully address the matter. NIPSA does not believe that the Report's recommendations and the actions of the Government, especially over indexation will do anything to improve the inadequate levels of pension provision.

2.5 NIPSA is very concerned with the Interim Report's comments and recommendations in respect *of 'Fair Deal'* and totally rejects the content of Chapter 6.

2.6 It is noted by NIPSA that the Government has confirmed its commitment to auto-enrolment, albeit it has been delayed to 2012 and will be introduced on a longer phased basis. NIPSA would question the value of this against the very likely high level of public sector pension scheme membership withdrawals due to the acceptance by the Government of the Interim Report recommendation to increase employee contributions.

2.7 The impact of the Interim Report's recommendations on employee contribution increases allied to the severely damaging indexation changes at a time when public servants' pay and job security is under severe attack, will result in very significant withdrawals from the pension schemes. This will not only damage the schemes and also place greater demand on state subvention with payment of pension credit going forward but will also do considerable damage to any prospect of improving the standard of living and adequacy of pensions for public sector pensioners.

2.8 NIPSA would wish to reiterate what was said in our original submission and in particular to point out that we do not accept the need for changes to public sector pension schemes due to the Government's obsession with what they claim is the unacceptable deficit of both the public finances and the funding of public service pension schemes.

2.9 NIPSA does not accept the basis of these claims nor the assault on both public services and public servants. NIPSA fully endorses para 2.11 of our first phase submission i.e.

"The "fiscal challenges ahead" are not as a consequence of public service staffing numbers, pay or <u>pension costs</u> but as a direct result of the fiscal and economic crisis created by the banking and financial institutions which Government was at least complicit in and then bailed out. It is unacceptable to NIPSA for Government to attack and sacrifice public service pensions to part pay for this economic mismanagement".

3 FUNDED SCHEMES V PAY AS YOU GO SCHEMES

3.1 As detailed at 1.2 above NIPSA has circa 15,000 members in the Northern Ireland Local Government Offices Superannuation Scheme (NILGOSC), the NI version of the LGPS and hence a funded scheme.

3.2 The remaining NIPSA membership are in pay-as-you-go schemes, mirroring the Principal Civil Service Pension Scheme Northern Ireland (PCSPSNI) or the Health and Personal Social Services Northern Ireland Pension Scheme (HPSS)

3.3 NIPSA has considered the comments of the NILGOSC Committee and the Trade Union Side of the National Joint Council (NJC) for Local Government Employees; in respect of both assessment of the Commissions Interim Report and also the respective submissions to this second call for evidence. NIPSA would broadly endorse the points made by both with regard to the very different position of the funded schemes viz-a-viz the Pay-As-You-Go schemes.

3.4 NIPSA would remind the Commission of the points made in the Annex to our original submission, on this issue.

3.5 NIPSA welcomed the assessment in the Interim Report at paras 4.76 – 4.95 (inc) of the differences between the LGPS and the Pay-As-You-Go Schemes. In addition NIPSA fully supported the view as expressed at 4.93 that there should be no change to the status/arrangements for the LGPS.

3.6 It is therefore more than disappointing that despite the clear differences the LGPS remains within the scope of the Commission. In this regard NIPSA would endorse the points made by both the NJC Trade Union Side and NILGOSC that the LGPS should have been excluded or at the very least subject to a wholly separate assessment.

4 COMMISSIONS CALL FOR EVIDENCE FOR FINAL REPORT – 25 QUESTIONS

4.1 In the comments below NIPSA seeks to address the specific questions as set out in the Commission's call for evidence for the final report, as per the letter of 1 November 2010.

4.2 The points made below supplement the views already articulated by NIPSA in the original submission, the detailed assessment briefing of the Interim Report (see 1.8 above) and in the points raised by NIPSA Representatives directly to Lord Hutton (see 1.5 above).

4.3 Scheme Design (Q1)

4.3.1 NIPSA welcomed the Interim Report recommendation to retain Defined Benefit Schemes as the basis for public sector pension provision.

4.3.2 NIPSA is opposed to any move away from DB, even as a top-up part of a hybrid scheme. If there is considered to be a need to deal with very high earners then there should be an open debate between the employers and the unions on a suitable capping level.

4.3.3 The various options will do nothing to address the more serious issue of the low value of public service pensions for the vast majority of scheme members be they current, deferred or pensioner members.

4.3.4 Any move to hybrid or more complex arrangements will add to scheme administration costs, something the report wishes to see reduced rather than increased. Furthermore, any added complexity will reduce transparency and make it all the more difficult for scheme members to understand and value.

4.3.5 NIPSA does not rule out assessment of a career average scheme but would have to question the robustness of such existing schemes in light of the very serious detrimental impact the RPI to CPI indexation change has had on the value of career average pensions such as NUVOS

4.4 Risk-Sharing (Qs 2-9)

4.4.1 NIPSA rejects the statement in the Commission's letter of 1 November that "in final salary schemes employers bear most risks (and ultimately in the case of public service schemes, taxpayers)". The move from RPI to CPI, associated with very considerable contribution increases with more to come and other benefit changes such as the virtual elimination in some schemes of pension enhancement for redundancy all make the risk sharing an issue for employees as well as others.

4.4.2 The Public Service Pension Reforms of circa 5 years ago included across the piste the principle of cost-sharing. Detailed negotiations are ongoing within the LGPS, including the NILGOSC Scheme in Northern Ireland, and other public sector schemes on the methodology, assessment, timing and degree of cost sharing. To not permit the out-workings of these discussions is unacceptable as they are part of the fundamental negotiated reforms to public service pension schemes.

4.4.3 The change to the pensionable age for retirement is again an issue addressed by schemes which has yet in the main to be out-worked from the last agreed reforms. There has been no assessment made of the wider economic impact of making people work longer to either draw the state pension and/or the occupational pension. This adversely impacts on the labour market with reduced opportunities for the unemployed, education leavers or returnees to the Labour market. It also could well have an adverse impact on the health of workers and thus adverse implications for the Health Service.

4.4.4 Q2 – as per 4.4.1 – 4.4.3 above Scheme members already bear an increasing degree of risk. There can be no justification for any additional burdens when all of this is taken into account.

4.4.5 Q3 – The move to CPI indexation, introduced without any consultation, has already eroded pension values. NIPSA would press for either a return to RPI or for negotiations with the unions to see if there are more viable forms of indexation. Setting ever increasing pension ages needs to be considered in a much wider context, including assessment of issues such as labour market impact, health and social care implications. There should be serious consideration given to providing for a flexible approach to the retirement age within a 5 to 10 year period so that individuals can choose what is best for them. The actuarial impact is likely to be neutral, especially when linked to the forthcoming changes in the default age.

On indexation for career average the point made directly above is valid, see also comments at 4.3.5.

4.4.6 Q4 – The private sector position is fairly irrelevant, given the massive withdrawal and closure of DB schemes. In the main all risk is now on employees.

4.4.7 Q5 – The interim report covered this point and the question is nugatory given the very limited time available for production of the final report.

4.4.8 Q6 – The real split is unclear and moving and is at this point difficult to accurately determine in view of recent changes and forthcoming issues such as:-

- Roll out cost sharing;
- Increased employee contributions;
- Full assessment of the RPI to CPI indexation changes;
- Schemes triennial review publication;
- Consultation on the appropriate discount rate;
- Changes to retirement age; and
- Potential changes to benefit structure

In addition all of these changes, especially those falling directly on employees will also impact on scheme membership and the consequential cost impact of this. A fair system would at the very most look at on average a 2/3 employer 1/3 employee contribution ratio, but with potential on the employee side to be variable depending upon salary levels.

4.4.9 Q7 – If the approach taken as proposed at 4.4.5 was applied i.e the flexible decade of Retirement this could mitigate against the need for differential treatment. There are liable to be justifications for lower retirement ages in certain occupations such as firefighters.

4.4.10 Q8 – Schemes should provide a common benefit structure and via salary contribution banding those who are deemed to benefit more will contribute more. NIPSA accepts that there is a case for consideration with regard to a salary pension ceiling, however considerable research is necessary to determine what level that should be at.

4.4.11 Q9 – This is linked to the response at 4.4.5 and 4.4.7 above. There is also the issue of a fair transitional arrangement to any increase in scheme pension ages, as most people will have planned their arrangements especially their own economic position based on current expected retirement dates.

ADEQUACY

4.5.1 The Interim Report makes reference to the Turner Report and it's recommendations on adequate income in retirement. For the very vast majority of pensioners be they in receipt of public service pensions, private sector pensions or solely dependent upon the state pension the fact is that the Turner proposals are vastly removed from the reality of low pensioner income.

4.5.2 In NIPSA's original submission (para 2.9.) the case was made for pensions to be based on the European Decency Threshold.

4.5.3 Qs 10/11 – The points above these questions.

4.5.4 Q12 – Public Service Pensions in conjunction with the payment of the contribution based state pension are critical to ensuring fair and adequate pension provision. Whilst there should be some scope to enhance and/or make up for lost service NIPSA would support not just auto enrolment but mandatory membership of the relevant public service pension scheme.

4.5.5 Q13 – Ideally pensions should be portable but due to the lack of adequate private sector pension provision it is unlikely that in the majority of cases transferring public service pensions would represent sound decision making and future good pension provision.

4.5.6 The real issue in response to Q13 is to level up the basis of private sector pension provision.

Employee Understanding and Choice

4.6.1 Q14 – Members have broad awareness of pension benefits in terms of the structure of the respective scheme. Pensions are certainly valued as deferred pay. There is scope to improve the degree and level of understanding of both the schemes and the benefits of pension provision.

4.6.2 Q15 – Scheme design needs to be understandable and the best way of achieving this is single benefit structures such as the existing final salary arrangements. In addition the contribution formula not only needs to be fair but also to be easily understood and applied.

4.6.3 Q16 – NIPSA has no evidence of good private sector communication practice. Whilst there can always be improvements in delivering information, broadly speaking the public sector pension schemes have good communication delivery mechanisms.

4.6.4 Q17 – As with the point made at 4.5.4 there should be some scope to improve pension provision via mechanisms such as AVCs. The use of the flexible decade of retirement linked to a ceiling of 40 years service for pensionable pay purposes would be fair.

PENSIONS AND PLURALITY OF PROVISION OF PUBLIC SERVICES

4.7.1 NIPSA condemns the comments and recommendations in the interim report on Fair Deal.

4.7.2 Q18 – The pro externalisation theme for public services based on the unfair and wholly inadequate pension provision by private sector employers is totally rejected by NIPSA.

4.7.3 Q19 – NIPSA supports the provisions within the LGPS Schemes on admittance of third parties who deliver public services, if there is to be externalisation of public services then all public service pension schemes should apply the same entry provision as the LGPS.

ADMINISTRATION COSTS

4.8.1 Administration costs rise with both complexity of schemes and continuous changes to scheme regulations. Many schemes are just beginning to move to a settled administrative platform post the changes instituted over the past 5 years.

4.8.2 Q20 – The average private sector in-house costs are £47.00 per member and for private sector outsourced costs are £41.00 per member. This compares to the NILGOSC cost of administration of £30.88 per member. However to compare administration effectively requires the calculations to be on the same basis. A scheme with multiple employers (ie an LGPS Scheme) with a high proportion of active members compared to pensioner and deferred members would be much more expensive to administer than a 1 employer scheme (a typical private sector scheme) which may also have a higher proportion of pensioners and deferred members to active members would have a much lower administration cost. It is therefore very difficult to compare administration costs effectively between different schemes but the evidence suggests that the public sector provides very good value for money in pension administration.

4.8.3 Q21 – NIPSA has no experience of good quality and efficient scheme administration in the private sector. NIPSA experience in dealing with the private sector for the transfer in and transfer out of pension arrangements has generally been poor resulting in low quality and inefficient administration when compared to the service provided by Public Sector pension scheme administrators.

4.8.4 Q22 – This is not applicable to Northern Ireland as there only is one fund.

TRANSITION ISSUES

4.9.1 Many of the issues covered above such as communications, understanding, pensionable age all require detailed assessment and proper planning as opposed to short-term, ill-thought out politically acceptable responses to public sector pension provision.

4.9.2 Q23 – Firstly the Commission will have to ensure that there are detailed negotiations on any proposed changes, which requires full engagement with the relevant public service unions.

To ensure an effective transition there must be sufficient time allowed to implement the new scheme. The regulations will require to be accurately drafted and made, the computer software changes required programmed, tested and implemented, the scheme literature and explanatory guides drafted and printed, staff trained in the operation of the new scheme and having it explained to the contributing employers and communicated to the members, pensioners and diferred pensioners.

4.9.3 Q24 – As with the comments at 4.6.3, 4.7.2 and 4.8.3 NIPSA's experience is that the private sector has nothing to offer, indeed the experience is that when public sector pension administration has been contracted out it has been disasterous.

4.9.4 Q25 – All the evidence points to abject failure and in some cases abuse if not fraud in changes to private sector pension schemes. It was because of experiences such as these that the PPF had to be introduced as well as employers defaulting for business failure reasons.

5. CONCLUSIONS

5.1 The pay and pension arrangements of the public services must be such as to attract the right calibre of recruit. In doing so a fair total remuneration package must provide for reasonable overall terms and conditions and at the same time be fair to the taxpayer.

5.2 The current economic difficulties have not been caused by public servants yet it is public servants who are being targeted. In particular public service pensions have unfairly came under the spotlight. This in the main is due to private sector organisations ill-informed assessment of those pension schemes or Daily Mail type stories that concentrate on the pension arrangements of a few highly paid people in the public service rather than the vast majority of low to moderately paid public servants.

5.3 The changes introduced by the Government since June not only undermine the work of the Commission but represent a very serious attack on public service pension provision, in particular the move to CPI.

5.4 The evidence is also available to demonstrate that there continues to be major equality issues with regard to the value of public service pensions. Any further attempt to create cost reductions from public service pensions is liable therefore to have greater impact on women thus exacerbating the inequalities. NIPSA demands that all proposals are subject to full equality impact assessment.

5.5 Pensions are not only part of the total employment package they are in fact deferred pay and as such recognised by the courts as protected 'possessions'.

5.6 The numerous changes to the various public service pension schemes, especially those that rose on foot of the Public Services Forum agreement of 2005 have resulted in very significant additional contribution costs falling on the employee.

5.7 Many aspects of the changes still have to be assessed. The 2010 triennial reviews have just become available and need to be examined in detail. In addition provisions for additional changes such as capping and cost sharing will be taken forward post the 2010 triennial reviews.

5.8 In the United Kingdom one third of pensioners rely solely on the state for income during their retirement years. Many more have to claim top-up state support as the combined value of the state pension and occupational pension is still below the inadequately low level the state considers as being necessary.

5.9 Occupational Pensions therefore either supplement or take pensioners out of state support (other than the earned contribution basis state pension) and considerably reduce the cost of the taxpayer. The continued attacks on public service pensions will significantly change this picture. In fact, for many of the lowest paid public servants it would make more sense to opt-out of the pension schemes as over their working life and retirement they would be financially better off. This is especially so given the CPI move and Public Sector Pay freezes.

5.10 Public Sector Pension Schemes have and are addressing the impact of the demographic changes impacting upon pension costs. The basis of that reform is built upon sustainability and affordability. Further attacks on public service pension schemes will disincentivise scheme membership, re-enforce pension poverty, add costs going forward directly onto the taxpayer via means tested benefits and increase proportionally scheme costs.

5.11 The real pension problem in the UK is the private sectors retreat from providing fair and reasonable occupational pensions. Over two thirds of private sector employees have no occupational pension. The picture is of course dramatically different for senior executives and the Boardroom who have unjustifiable excessive 'rhodium plated' pensions, many in excess of £1m per annum. The retreat from occupational pensions is at a cost to the taxpayer having to provide means-tested top-up payments, to pensioners.

5.12 NIPSA calls on the Commission to ignore the continual attacks on public sector pensions, which come from right-wing pressure groups voiced through the media controlled by them and wholly opposed to public services or by those employers who have abandoned occupational pension schemes. Public Service Pensions are already sustainable, transparent, affordable, plus they are subject to ongoing reform.

DWP WHITEPAPER: The Single-tier Pension: A Simple foundation for saving (Jan 2013)

Para No	Executive Summary
2.	NIPSA is not only opposed to the increase in State Pension Age (SPA) but in the linking of SPA to Normal Retirement Age (NRA) as prescribed for in the Public Service Pensions Bill.
4.	The proposals of the draft Pensions Bill further adversely impact on the sustainability of occupational pension schemes and in particular Defined Benefit (DB) schemes, especially public sector pension schemes. The duel impact of the Pensions Bill and the Public Service Pensions Bill will raise genuine issues of sustainability for many of the schemes.
	The termination of contracting out will also spell the death knell for many of the remaining private sector DB schemes. This will result in increased numbers of workers leaving occupational pension schemes or at best a movement to Defined Contribution/Money Purchase schemes which historically have failed to deliver decent pensions and/or resulted in either rip-off schemes or provide /lavish returns for investment managers/annuity providers and very poor value for the employee.
5.	The Turner Report made very strong recommendations as to the proportionate income percentage needed for pension value vis-à-vis pay levels. The Pensions Bill totally fails to move forward in line with the Turner recommendations on this aspect (see para 32 of Appendix 1 the NIPSA response to the Green Paper).

6. The support to people saving for retirement is highly swayed in favour of the most wealthy in society: 60 per cent of the gross tax relief – more than £22 billion a year (going) to higher rate tax payers.

7. Whilst auto-enrolment is to be welcomed the current arrangements and associated NEST provisions are very limited.

11. NIPSA was one of the organisations that submitted comments on the Green Paper (see Appendix 1). NIPSA considers that the Pensions Bill and other related initiatives such as; Public Service Pensions Bill, Welfare Reform and other aspects of the Government's Austerity Programme do nothing to improve the position of current pensioners and those who will retire (albeit delayed retirement due to increases in SPA and NRA) in forthcoming years and decades.

19. The proposals can only but undermine DB schemes (see 4 above). It is wholly unacceptable for the Government to promote the position that employers can offset additional NI contributions by "**reducing future pension benefits or by increasing employee contribution costs**".

29. The real position of the Government is made somewhat transparent by confirming that the aim of the proposals are to reduce public expenditure by bringing projected GDP expenditure down from 8.5% to 8.1% by 2060.

31. There are clear concerns as to the future of the current triple-lock approach to uprating.

Para No **Section 1 – The Context for Reform**

3. This ignores the implications of the on-going Welfare Reforms which will result in further embedding pensioner poverty.

4. NIPSA fully accepts that the current system is overly complex and off-putting resulting in low take-up of pension credit and wholly inadequate. NIPSA wishes to see a fair, simple system that eradicates pensioner poverty, these proposals fail on all counts.

5. See comments in respect of paras 5 and 31 Executive Summary. The proposed introductory flat rate pension of £144 is 13% below the current pensioner poverty rate of £165. The 18% value of mean full-time earnings is indecent and will ensure that the UK remains at the bottom of the EU and the OECD league tables for state pension values. No comfort can be taken to the references to bus passes, TV licences etc, especially as caveated by "under current plans, the Government will continue."

6. See comments on para 6 of Executive Summary. Tax relief for the top 1% of those earning more than £150,000 is more than £8bn and for all higher rate taxpayers £20bn plus. These reliefs should be ended and directed to providing additional resources to eradicate pensioner poverty. Real action is needed to restore confidence in occupational pensions not least in DC Schemes for which UK assets fell by 1/3 between September 07 and February 09.

8. It is wholly erroneous to state "that many current pensioners have access to relatively generous DB schemes." For Public Service DB Schemes over half of pensioners receive less than £5,600 pa and in the LGPS women's pension is circa £2,800. When you consider the state underpin very many of these pensioners are by and large substituting their occupational pension for pension credit entitlement.

9. See 5 above re the position of the UK in respect of other developed countries relative pension position.

10. The race away from DB schemes by private sector employers can only be exacerbated by the end of contracting-out. Between 2004 and 2007

there was a 25% fall in private sector workers in DB Schemes. Since 1967 when there were 8 million pension scheme members in the private sector we have witnessed a race to the bottom and these proposals will enhance the pace of decline.

14. NIPSA would question how the 1/3 figure has been arrived at and would suggest it will be higher and added to post 2017 when contracting-out goes with the burden mainly passed to employees (see comments para 19 Executive Summary).

15. See comments on para 7 of Executive Summary.

16. The Government has totally failed to reinvigorate workplace pensions, other than for the most wealthy. The public knows only too well what "risk-sharing" means – massive unchecked bonuses for investment bankers and their fellow travellers in the pensions industry whilst pension pots fall massively in value and the public purse accepts the total cost of the casino risk takers.

22. As the single flat rate proposals apply for those who qualify post 2017 the current inadequate flawed system will pertain for decades to come in a dual system and hence more administratively complex system. Government is therefore continuing to embed pensioner poverty and doing next to nothing to get to the 1/3 pensioners who whilst entitled are not currently claiming pension credit to avail of it.

27. The equalisation provisions are of course perverse in that women's age of SPA entitlement is extended and that for years to come the system continues to perpetuate inequality.

Section 2 – The Single-Tier Pension

33. The move to a contribution record based on 35 years represents a 16.66% increase in requirement, from the current 30 years. It would be more appropriate to move in line with the SPA increase ie from 30 – 31 in 2020 and 32 from 2026.

40. The level of means-tested pension credit support still leaves millions of UK pensioners in pension poverty.

41. The five year period will still result in a cliff edge impact.

Section 3 Managing the end of contracting out

59. NIPSA strongly objects to the potential erosion of schemes and taking certain powers away from Trustees to give to employers.

61. There can be no guarantee that the impact will not undermine DB schemes. This linked to para 59 is liable to result in higher levels of employee opt-out and hence damage scheme sustainability.

69-71. The proposed changes on top of the attacks by the government on public service pension schemes calls into question not only the purported "25 year guarantee" but also the government's position in the negotiations, as clearly removing the contracting-out provision was a well advanced policy consideration.

The government needs to be absolute at an early stage as to what it means by "Public Service employers will therefore not be able to pass the cost of increased NI contributions onto their employees . . . . et seq." Does this mean **all costs** including the additional employee NI contributions?

Section 4 The Transition to the single-tier pension

103. The costs control and the aim by 2060 to reduce GDP outlay (see para 29 Executive Summary) will therefore retain the relative levels of pensioner poverty. In addition by 2060 the impact of the employer flight away from occupational pensions of the past 20 years and the likely high levels of employee op-out will place more pensioners into being dependent upon the state pension as their sole basis for income.

109. DWP should establish immediately a robust online pension estimate calculator covering the current scheme, transitional arrangements and steady state flat rate pension scenarios.

Section 5 – Sustainability and assumptions

110. This para again confirms that what underpins the government's approach is cost cutting albeit in the medium to longer term.

113. Given that this government has proven to be wholly incapable of short-term economic forecasting no confidence can be taken from these longer term forecasts.

117. Historical approaches have resulted in the devaluation of the state pension vis-à-vis earnings growth, this is confirmed at para 119.

121. The triple lock assumption is of little value, it needs to be guaranteed via being established on the face of the bill.

122. This would go a little way to improving the value of state pensions and is a nod albeit a limited one in the direction of the Turner Report.

Section 6 – Longer-Term sustainability: State Pension Age

127. Little or no work has been carried at as to the impact on youth/graduate unemployment, women returners to the labour market as a consequence of increasing the SPA and the NRA link to it for public sector schemes. It is also likely to fuel the casualization, part-time and under utilisation of workers. Likewise the impact of the "grey pound" has not been assessed.

130. Again there has been little assessment of the labour market implications as a consequence of the removal of the default age.

134. This needs to be properly assessed taking account of the comments above on paras 127 and 130.

141-155. NIPSA as recorded in this response and in numerous other consultations strongly opposes increases in SPA and the NRA linkage. Government should provide for a more flexible approach to retirement providing people with choice, many will opt to remain in work or take flexible retirement whilst others would opt to go at existing NRAs. Such provisions should therefore retain 65 or at worst 66 as SPA and for existing NRA there should be no actuarial reductions enforced.

161. As with para 127 above there is a need to fully assess the labour market implications.

DWP Whitepaper

APPENDIX 1

DWP GREEN PAPER

A STATE PENSION FOR THE 21ST CENTURY

NIPSA RESPONSE

June 2011

Introduction

1. NIPSA is concerned with the fragmented approach being taken by the Government to the issue of pensions, both in respect of the State Pension and for occupational pensions especially with regard to public service pensions.

2. Since the election of the Government in 2010 there have been numerous reviews and changes to pension provision, these include:-

- Indexation move from RPI to CPI
- Hutton Public Service Pensions Commission
- Increased subscriptions for public service pension scheme employees
- Early access to Pension Savings
- Taxation changes
- Changes to State Pension Age (SPA)
- Review of the Discount rate
- McFall Commission 'Workplace Retirement Income Commission

and now the Green Paper – "A State Pension for the 21st Century".

3. In addition to the numerous interventions by the UK Government there has also been the European Green Paper – 'Towards Adequate, Sustainable and Safe European Pension Systems.'

4. It is clear that the UK Government's approach to the wider pension debate be that as an employer or as the provider of Social Security Benefits is to further penalise ordinary workers be they in employment or in receipt of pensions. The Government is fixated with it's deficit reduction plans and via pension reform seeks to again place the burden on working people (including the retired).

5. The Government totally fails to address the fact that in the UK 2.5m pensioners live below the official poverty line, defined as 60% median population income (based on 2007/08 figures). None of this Government's actions or its predecessor have addressed pensioner poverty in fact in 2009/10 pension poverty rose by 300,000 or by 822 people per day.

6. Approximately 61% of pensioner couples have an income of less than £15,000, whilst 45% of all single pensioners have an annual income of less than £10,000.

7. From the Minister's Foreward it is clear that the Government's objective is to place greater responsibilities on individuals providing for their retirement income. The consultation document is littered with references to the outworkings of any chance having to be 'cost neutral'.

8. At no point is there a recognition that the UK is bottom of the European League is respect of the value of the State Pension (basic and second) as a proportion of average working pay. The UK percentage is 30.6% compared to for example:- Ireland 32.5%, France 51.2% or the Netherlands at 81.9%. The UK is some 29.4% behind the EU average of 60%.

9. NIPSA believes that there is an obligation on the State to ensure that no-one lives in poverty and that the State must provide a pension that meets this requirement. This pension should be supplemented via decent occupational pensions that should be of a defined benefit (DB) nature with mandatory employer/employee contributions based around a fair ratio of contributions.

10. Whilst the above comments and in particular those that follow relate to the current debate on pension provision NIPSA does not believe that the Government's approach will lift pensioners out of poverty nor meet the Turner Commission recommendations on income replacement.

Executive Summary

11. With regard to the four guiding principles NIPSA has a number of concerns:-

- Personal responsibility – the failure to include the employers role is unacceptable
- Fairness – the right to a basic pension income that meets the poverty threshold should not be based on contributions. There is clear scope for payment over and above the poverty threshold that is based upon NI contributions.

- Affordability and sustainability – NIPSA does not accept that the approach for provision of state pensions should be cost neutral. As referred to at para 8 the UK is at the bottom of the European league with regards to the value of pensions as a proportion of average working pay. To lift pensioners out of poverty and to meet the Turner report on adequacy there is a clear requirement to increase the proportion of public expenditure on state pensions.

12. It is foolish to bank on auto-enrolment, it is likely that many people will opt-out and that the administration costs in pension schemes will rise considerably.

13. NIPSA would not dispute the difficulties created via means testing and that for many pensioners they feel stigmatized in applying for pension credit. The process also does little to address the inherent inequalities in pension provision, both state and occupational pensions. The options for a revised system as proposed in the Green Paper do little to provide for decency in retirement and seek to put more of the burden on individuals as opposed to the state and employers.

14. The Government has failed to address, in fact it has aided and abetted the retreat from decent and fair occupational pensions by employers. At the same time it has done very little to address the outlandish actions at Boardroom level in creaming off unjustifiable pension funds for the elite.

15. Regardless of the outcome of the current examination of pensions, stability must be brought back so that people, especially those within 10/15 years of the SPA know what their entitlements will be, including those in occupational schemes in order that they can make a considered plan for their retirement.

Chapter 1 – The Current Pension System

16. It is clear to the bulk of commentators that the existing system is failing working people and that the value of the state pension including pension credit and the state second pension does not provide an adequate or decent standard of living for pensioners.

17. Whilst the demographic trends have improved rapidly over recent decades they are beginning to slow, in addition no work has been carried out to assess the impact on life expectancy by the increase in SPA. This is especially so for manual employees and for those living in areas such as Northern Ireland,

Glasgow and the North East of England who have much higher mortality rates.

18. NIPSA is concerned that the recent NAPF research for YouGov identified that 34% of respondents indicated that they are relying on the state pension only. In addition 17% are dependent upon property investment at a time when a very high percentage of home owners are in negative equity.

19. The nature of British Society is also borne out by the NAPF survey with 8% banking on a lottery win and 9% on inheritance windfall to fund their retirement. As per para 9 there is a need to ensure that the state pension is supplemented by decent occupational pensions.

20. The current structure of the state pension is not only complex it also discourages participation in occupational pension schemes, especially for the low paid the bulk of whom are women and hence the endemic inequalities in UK pension provision. The variable withdrawal rates on income/savings of up to £184pa are a clear disincentive for the lower paid to participate in occupational pension schemes.

21. The current and proposed safety nets fall well below what is necessary to take pensioners out of poverty.

22. Whilst NIPSA does not accept the cost neutral policy of the Green Paper it is clear from para 53 that there is currently circa £2.9 billion that should be paid out to pensioners and that this provides some albeit limited finances to improve upon the inadequate pension rates currently paid.

23. It is clear to all that the answer to question 1 is a definitive 'no'. The current system is failing millions of pensioners and increasing the level of pensioner poverty.

Chapter 2 – Options for State Pension Reform

24. The Government seeks to cover itself with credit in respect of the comments at para 62 with regard to the "triple guarantee" whilst conveniently ignoring the impact of the indexation impact in moving from RPI to CPI.

25. At paras 75-81 the case against option 1 is compelling. Option 1 does little to provide for real improvements and takes too long to work through, thus enshrining inequalities for decades to come.

26. The dependency on the second state pension only encourages further retreat by private sector employers from provision of occupational pensions.

27. There is also a falsification of the maximum qualifying years "49/50 from 16 to 65/66" only a very small minority of the working population meet this, in fact for many who progress through the education system it will be age 24/25 before they contemplate entering the labour market. For many other young people they are deprived from building up pension entitlement due to mass youth unemployment.

28. In respect of Option 2, NIPSA does not accept that a value of £140 pa is adequate and totally rejects the cost neutral stance.

29. NIPSA is very concerned that with the changes to public service pensions, including considerable increased employee contributions, and the already announced stealth tax on pension funds via a reduction in the contracted out rebate from 5.3% to 4.8% this will exacerbate the withdrawal rates from occupational pension schemes.

30. To go further under option 2 with the abolition of the contracting out rebate will result in yet more employers closing DB schemes and employees leaving on mass. The Government should be seeking to support workplace pension schemes rather than adding extra costs unto them.

31. The Hutton Commission addressed this issue and whilst NIPSA mainly opposed the Commission's recommendations it by and large did get it right in it's comments on the contracting-out rebate.

32. NIPSA believes that there should be a single-tier pension set at a level that meets peoples needs and that via occupational pensions the combination should provide for pensioner income that is at least at the levels recommended by Turner:-

Benchmark replacement rates set out by Lord Turner's Pensions Commission

Gross income	Benchmark gross replacement rate (%)
Less than £9,500	80
£9,500 - £17,499	70
£17,500 - £24,999	67
£25,000 - £49,999	60
£50,000 and above	50

Source: Pensions Commission

33. There is an acknowledged need for the state to provide an equivalent occupational scheme for the self employed and for employers with a small workforce. This should be a funded scheme similar to the LGPS with arrangements to ensure that employers, self-employed and employees are represented on the equivalent of a Board of Trustees.

Chapter 3 – Means-Tested Safety Net For Pensioners

34. If the Government was to adopt the approach as set out by NIPSA in this response there should be no need for any safety net.

35. It is clear that as the Green Paper suggests itself e.g para 53 that the current means tested system fails.

36. The floor for pension provision should be a guarantee to all pensioners of a minimal entitlement that is at a level above the poverty line (£178 pw as per the National Pensioners Convention for 2011). The pension should increase each year via RPI. The state pension should be topped up via an occupational pension with no offsetting. The tax system should deal with income rather than offsetting via Social Security, otherwise the system is not only complex but adds to opt-outs.

Chapter 4 – State Pension Age

37. NIPSA commented on the Consultation Paper (9/8/10) on moving the SPA to age 66 and would refer to that submission.

38. It is clear from the debate in the House of Commons of 20 June that many MPs are concerned as to the impact on moving the SPA to age 66 especially

with such little notice. As per para 15 above there needs to be proper notice of such changes and transitional arrangements to ensure that people can properly plan for their retirement.

39. Changing the SPA also has wider labour market implications, especially in respect of reducing opportunities for education leavers and returnees to the labour market to find employment.

40. Increasing the SPA is also likely to adversely impact on those in manual employment, se para 17 above.

41. NIPSA broadly would endorse para 146 as this would help address the points raised above at paras 17 and 40.

Conclusions

42. NIPSA does not believe that the Green Paper will make any significant improvements to pension provision nor to adequate levels of income in retirement.

43. Some of the direction of travel eg reduction/abolition of the Contracting-Out Rebate will only further damage availability and membership of DB occupational pension schemes.

44. It is wholly unrealistic for the Government to adopt a cost neutral approach if the UK is to move from being bottom of the European league in pension provision and more importantly to see positive movement in the eradication of pensioner poverty.

45. NIPSA reiterates it call for the state to provide a flat rate state pension set at a level above the current poverty line of £178pw to be supplemented via occupational pensions (see paras 32/33 above).

46. Occupational Pensions should be DB and as such should provide for portability that does not reduce the value/acquired rights of employees on transfer from one employer scheme to another.

47. NIPSA calls on the Government to reverse its punitive decision to switch indexation from RPI to CPI, both for state pension provision and for all public sector occupational schemes.

My Ref: RH/MJB/NIPSPR

30 March 2103

Consultation on Proposals for Public Service Pensions Reform
Civil Service Pensions
Department of Finance and Personnel
Waterside House
75 Duke Street
Londonderry
BT47 6FP

CONSULTATION ON PROPOSALS TO REFORM PUBLIC SERVICE PENSIONS FROM APRIL 2015

NAHT takes this opportunity to respond to the above consultation as detailed in the consultation document of 21 January 2013.

NAHT is an independent trade union and a professional association representing school leaders and school bursars in all sectors of education, including state and independent schools, sixth form and further education colleges, pupil referral units, social service establishments and other educational settings within Northern Ireland, England, Scotland, Channel Islands and the Isle of Man.

NAHT notes that the above consultation has been presented as part of the development of pension policy to be contained within the proposal for an Assembly Public Service Pensions Bill. It is further noted that the proposed Bill is the bi-product of the Coalition Government's desire to manage pension costs within the public service which forms part of the Public Service Pensions Bill introduced in the House of Commons last year.

NAHT was fully engaged in discussions with the Department for Education (DfE) at Westminster which brought about the Proposed Final Agreement in respect of the Teachers' Pension Scheme (England & Wales). NAHT has not 'signed up' to that agreement but, along with other teacher unions, has fully engaged in 'without prejudice' discussions on the proposed post-2015 Teachers' Pension Scheme (England & Wales). It is therefore against this background that NAHT responds to the above consultation.

Firstly, HM Treasury has failed to demonstrate that public service pension schemes are unaffordable. It has flatly rejected to issue valuations on schemes, including the Northern Ireland Teachers' Pension Scheme, to substantiate that change is required. The failure to issue a valuation suggests that there is something to hide, thus NAHT remains unconvinced that any change is required and until such evidence has been produced NAHT remains of that view. Furthermore, the push to revamp public service pensions appears to come more from the private sector whose pension provision has faltered majorly over the past years. It would appear that the wish some have been to drag public sector pensions down to a lower level or as Lord Hutton put it in his report - *'Independent Public Service Pensions Commission Final Report (March 2011)'* (IPSPC) - 'a race to the bottom'. The report advised that the private sector should be looking to raise their pension provision to that of the public sector not to the reverse. The proposals in the above consultation document do nothing to suggest that the future provision of public service pensions will provide lesser benefits than the current schemes deliver – a worsening of provision as suggested below.

Career Average

Whether one is a higher flier or not, the move to a career average arrangement when coupled with the move to extend the normal pension age in line with the increases in State Retirement Age (65, 66, 67 or 68), will present a worsening of benefits. It flies in the face of the Coalition Government's wish that people should save more for their retirement! Furthermore, the likely effect of revaluing earnings in line with Consumer Price Inflation rather than Average Earnings or via Retail Price Inflation would be seen as a further attempt to reduce retirement income. NAHT does NOT, therefore, support any move away from the final salary benefit to a career averaging arrangement.

Normal Pension Age

It is no surprise to note that NAHT does not support increasing the normal pension age whether or not it is in line with increases in the State Retirement Age. NAHT did not support the move for post-2007 teachers to have a normal pension age of 65. NAHT feels that many roles within the public service are stressful and to suggest that public servants should work for 43, 44 or up to 46 years before being able to collect an unreduced pension is ridiculous. Yes there are some whose bodies permit a much longer working life, but, for example, in teaching one must have the full mental and physical attributes at all times to ensure the health, welfare and safety of pupils in their charge. To suggest that a 68 year old physical education teacher would be able to cope is blatantly wrong. Thus NAHT cannot support such a change.

Final Salary Link and Transitional Protection Measures

If new pension arrangements are to be imposed it is imperative that full protection is afforded to accrued benefits at the time of the introduction of revised arrangements – as per proposal of IPSPC. Furthermore, there must be a level of protection for those who are close to retirement. Whilst not perfect the provision proposed within the public service schemes for England & Wales go

The Fire Brigades Union
Jim Quinn Regional Secretary
Northern Ireland

Established 1918

FBU Office
14 Bachelors Walk
Lisburn
BT28 IXJ
Tel: 07912039785
Email: jim.quinn@fbu.org.uk

12 April 2013

RE: FBU SUBMISSION - ICTU RESPONSE TO CONSULTATION ON REFORM OF PUBLIC SERVICE PENSIONS

A key concern of the Fire Brigades Union (FBU) with the proposed Bill on Public Service Pension Reform is the imposition of a Normal Pension Age (NPA) of 60 for all Firefighters. A recent independent report commissioned by the Westminster Government broadly supports the concerns of the FBU and makes it clear that the majority of current Firefighters will not be fit enough to work to 60. It warns that in such cases, "the only option is to leave or have their contract terminated on capability grounds without early payment of pension[1]."

The report shows that based on actual information from four fire and rescue services that two thirds (66%) of those aged 55-60 are below the recommended fitness standard of 42 mL.kg-1.min-1. Many fire and rescue services' fitness policies, including the one used in Northern Ireland, utilise this recommended fitness level.

It also warns that "It is likely that a substantially larger proportion of women will find it hard to maintain fitness at the required level, leading to a disproportionate number becoming unfit for firefighting before age 60"[2]. The FBU is very concerned that the proposed changes will make it difficult, if not impossible to recruit and retain adequate numbers of female Firefighters within the Fire Service. We therefore believe that a full EQIA should be carried out.

The FBU believe that the evidence supports our concerns that the NPA of 60 is inappropriate.

Yours sincerely

Jim Quinn

Jim Quinn
Regional Secretary
Fire Brigades Union
Northern Ireland

---

[1] Page 123 – 9.1.2 Normal Pension age for Firefighters- a review for the firefighters' pension committee – December 2012 – (Williams review)

[2] Page 138 – 11.5.5 Normal Pension age for Firefighters- a review for the firefighters' pension committee – December 2012 – (Williams review)

Templeton House
411 Holywood Road
Belfast BT4 2LP
T: 0845 308 7345
F: 0845 308 7344
E: info@nilgosc.org.uk

www.nilgosc.org.uk

26 March 2013

Dear Civil Service Pensions

Northern Ireland Public Service Pensions Reform

Thank you for the opportunity to comment on the proposal for a Bill for Northern Ireland on the Reform of Public Service Pensions from April 2015.

1. Introduction

1.1 NILGOSC is the Northern Ireland Local Government Officer's Superannuation Committee. It is the Non-Departmental Public Body with responsibility for administering the Local Government Pension Scheme for Northern Ireland (LGPS(NI)). NILGOSC's sponsoring department is the Department of the Environment.

1.2 The Local Government Pensions Scheme in Northern Ireland has in excess of 92,000 members. 204 public sector employers use the scheme. The LGPS (NI) is a funded pension scheme.

2. The Westminster Bill

2.1 NILGOSC was content that this matter was being taken forward through Westminster although it did have a number of issues with the Bill as drafted which although it had informed DFP and the Public Bill Committee about were not rectified before the Second Reading and the NI Executive's announcement that Northern Ireland would have its own Bill. We therefore trust that the Bill for Northern Ireland will address the technical concerns we had.

2.2 As the Administrator for the LGPS(NI) it will be the detailed clauses of the Bill that we would wish to comment on particularly. The high level contents as set out in your consultation paper have already been accepted by the Minister for the Environment and Regulations are currently being drafted to reflect those matters.

2.3 NILGOSC has a concern that the introduction of the Bill (Primary legislation) at this stage will affect the progress of making the revised LGPS(NI) Regulations (Secondary legislation) which is already underway.

3. The Northern Ireland Local Government Pension Scheme (LGPS(NI))

3.1 Negotiations have already commenced between the Trade Unions and Employers regarding changes to the LGPS (NI) from 1 April 2014.

3.2 The high-level changes do not have the agreement of the Trade Unions involved and therefore NILGOSC is concerned that the NI Executive's decision to pursue a separate Bill for Northern Ireland will re-open the discussions about the LGPS (NI) and delay the changes already accepted by the Minister.

3.3 NILGOSC supported the approach taken in England & Wales to treat the LGPS separately from the other public service pension schemes due to its funded nature. Employers' pension contribution rates are currently 20% of pay, a rate which NILGOSC does not think is sustainable in the long term. Therefore NILGOSC welcomes changes to the LGPS(NI) that will make it more sustainable.

3.4 The next Actuarial Valuation of the LGPS(NI) is as at 31 March 2013. The calculation will be undertaken in June 2013. In order for the actuary to take into account the proposed changes the Scheme legislation has to be made by May 2013. Draft legislation is still not available and therefore NILGOSC is concerned that the legislation will not be made in time to have an effect on the next Actuarial Valuation. And the subsequent effect will be that Employers' contribution rates will remain high.

4. Response to the Core Provision of the Proposed Bill

4.1 <u>Move to a CARE basis</u>

4.1.1 NILGOSC supports the change from final salary to CARE as it is a fair basis of calculation of benefits.

4.2 <u>Link of Normal Pension Age with State Pension Age</u>

4.2.1 The LGPS(NI) already has a normal retirement age of 65.

4.2.2 From an Administrators point of view this change adds new complexity for our members as it appears that members will be eligible for 2 pensions, the first payable at age 65 based on service accrued up until 31 March 2014, and the second payable at the new Retirement Date based on service accrued from 1 April 2014.

4.3 <u>A Normal Pension Age of 60 for Police and Fire</u>

4.3.1 NILGOSC has no view on this.

4.4 <u>Final Salary Link for any Final Salary Pension Accrued</u>

4.4.1 There is an acceptance that the final salary link will remain for service accrued up until the Scheme changes and the draft legislation for the LGPS in England &

Wales includes this feature. The Trade Unions and Employers involved in the Northern Ireland negotiations have accepted this as a feature of the new Scheme.

4.4.2 As a Scheme Administrator we did not expect to see this feature recommended by the IPSPC as it makes the administration of a pension scheme more complex.

4.3 <u>A Scheme Cost Cap with a default mechanism to maintain costs</u>

4.3.1 This feature is already provided for as part of the LGPS(NI) Scheme regulations although agreement on the definition of the mechanism had not been reached and therefore was not in place at the time of the IPSPC review. NILGOSC is content that there should be a mechanism to adjust costs although cognisance must be made of the fact that the LGPS(NI) is a funded scheme and therefore Scheme costs fluctuate in line with the investment markets.

4.4 <u>Transitional Protection for members within 10 years of retirement</u>

4.4.1 The Trade Unions and Employers involved in the Northern Ireland negotiations have already accepted this as a feature of the new Scheme.

4.4.2 For an administration viewpoint this adds another extra complexity to the management of the Scheme and the service provided to the Scheme members.

4.5 <u>Revised measures for Scheme Governance</u>

4.5.1 NILGOSC already has a Board responsible for the operation of the Scheme. The Board is properly constituted, trained and competent with member nominees.

4.5.2 The Pensions Regulator already has an oversight of some issues and therefore we are content that the role is expanded as long as the Regulator takes account of the size and the secure funding nature of the public sector schemes and therefore does not necessarily apply the same requirements for small trust based scheme to schemes like ourselves.

5. The Coalition Government's Pension Policy

5.1 The IPSPC review was designed to make the public sector pension schemes sustainable and affordable. The high-level matters outlined in your consultation document facilitate that. The detailed agreement reached between the Trade Unions and Employers in England & Wales for the Local Government Pension Scheme is estimated to save Employers approximately 2% of salary costs which is to be welcomed. However Employers Rates will still remain high.

5.2 The Government has recently published its White Paper on the Single State Pension which recommended the end of Contracting-Out from 2016. Employers currently receive a rebate on their National Insurance costs of approximately 3.4%. The end of this rebate with therefore increase Public Sector Employers costs by up to 3.4%.

5.3 On the one hand the Governments policy of public sector scheme reform is estimated to save Public Sector Employer's costs but on the other the changes to the National Insurance regime will cost those employers significantly more. That change will also increase the costs for employees.

5.4 The Government may attempt to solve this paradox through increased funding of public sector bodies however this will not greatly assist the 204 employers in the LGPS(NI) scheme as many are not 100% government funded.

5.5 As a result of the Coalition's combined policies Employers in the LGPS(NI) scheme will end up paying increased Employer pension contributions. NILGOSC's concern is that more Employers will seek to leave the Scheme due to financial restraints. This is in addition to our concern that the increase in costs to employee members will also give rise to the members choosing to leave the scheme.

Yours faithfully

David Murphy
Chief Executive

Northern Ireland Local Government Association (NILGA)

Consultation on Proposals for Public Service Pensions Reform
Civil Service Pensions
Department of Finance and Personnel
Waterside House
75 Duke Street
Londonderry
BT47 6FP

12th April 2013

Dear Sirs,

Response to consultation on Northern Ireland Public Service Pensions Reform

Introduction

The Northern Ireland Local Government Association (NILGA) is the representative body for the twenty six district councils in Northern Ireland. We are the registered employers association for the local government sector.

Proposed changes to public sector pensions impact all twenty six district councils as employers and also upon the overwhelming majority of our 11,500 employees who are members of the local government pension scheme.

Responses to proposals

General

NILGA wishes to see the retention of quality pension provision for our workforce. Quality pensions are a key aspect of our employment offer which is valued by employers and employees alike. At the same time, such provision must be affordable to taxpayers and ratepayers and placed within a framework that ensures that this remains the case.

Career Average Revalued Earnings (CARE) scheme model of pension saving.

NILGA supports the principle of CARE schemes as the future model for public sector schemes. We do so as we believe that they represent a means of ensuring that good quality and affordable pension provision can be maintained into the future and that they provide for a more stable means of funding future provision.

A direct link to equalise schemes' Normal Pension Ages with State Pension Age

NILGA supports the proposal to link occupational pension scheme pension age and state pension age. Increasing longevity is a primary source of increasing pension costs and represents other economic challenges in ensuring that as a society we can maintain a balance between working life and life in retirement.

Retention of final salary link for accrued benefits

NILGA supports the protection of accrued benefits with a final salary linkage. We believe it would be iniquitous to put at risk and generate confusion around pension scheme members future income, often built up over decades.

Northern Ireland Local Government Association
Unit 5B, Castlereagh Business Park, 478 Castlereagh Road, Belfast BT5 6BQ
tel: 028 9079 8972 fax: 028 9079 1248 email: office@nilga.org www.nilga.org

Scheme cost cap
The development of a scheme cost cap with supporting mechanisms to ensure that pension provision remains affordable is something that we would support. Such mechanisms will give confidence to employers around future costs and also provide greater certainty to scheme members.

Transitional protection measures within 10 years of Normal Pension Age
Any change to pension provision carries the inherent risk of impacting in a disproportionately adverse way on those who are in the years immediately prior to retirement. NILGA supports proposals to ensure scheme members approaching retirement have arrangements for protection.

Other related matters

Legislative consent
NILGA notes with regret that it was not possible for agreement to be secured at the NI Executive to legislative consent. We would draw attention to the fact that, in relation to the local government pension scheme, the reforms being introduced at Westminster reflect a negotiated outcome between the local government sector and its trade unions. The majority of those trade unions form the core of the trade unions representing local government (and other public sector employees) in Northern Ireland. Those outcomes also commanded overwhelming support in both trade union and employer consultations.

Local government scheme reform
We note the proposals issued by the Department of the Environment in recent days relating specifically to the local government pension scheme. It is vital to district councils that those reforms are carried through in a timely manner for scheme valuations which will (amongst other things) set contribution rates for the next three years.

If there are any matters set out above where you require clarification or further comment, please do feel free to contact us.

Yours sincerely,

John Adams
Head of Workforce

NASUWT
The Teachers' Union

Consultation Response

Northern Ireland Public Service Pensions Reform

Department Of Finance and Personnel Consultation

April 2013

1. The NASUWT is the largest teachers' union in Northern Ireland representing the overwhelming majority of the workforce.

2. At the current time there are approximately 60,000 active, deferred and retired members of the Northern Ireland Teachers' Pension Scheme (NITPS).

3. The evidence draws upon the extensive experience the Union has of teachers' pension provision and retirement expectations in Northern Ireland and throughout the UK.

GENERAL COMMENTS

4. The NASUWT does not believe the proposed changes to the Public Service Pension Schemes including the teachers scheme are necessary or appropriate. The NASUWT rejects the view that reform is necessary because the costs and affordability of public service pensions are unsustainable, unaffordable and the benefits are 'gold-plated'.

5. Along with other public service pension schemes throughout the UK, the Northern Ireland Teachers' Superannuation Scheme underwent substantial review in 2005/6 designed to ensure that it remains viable, sustainable and affordable.

6. A number of significant amendments were agreed including the raising of retirement age to 65 for new entrants to the profession; the reduction in the accrual rate from 80ths (with an automatic lump sum entitlement of 3 times salary) to 60ths for all future service; and significant increases in employee contributions from 6% to 6.4% for all scheme members.

7. The review included specific provision to contain in future employer (and thus public) costs in the form of ‘cap and share’ arrangements under which increases in costs due to demographic factors, such as increases in longevity, would be shared equally between the employee and employer contributions with the employers’ contributions subject to ‘capping’.

8. It was asserted at the time by unions, employers and ministers that the changes represented *‘a good and fair balance between the interests of teachers and taxpayers’* while *‘ensuring the long-term sustainability and affordability of the TPS’*.

9. These agreed changes will result in significant savings over time - worth around £1.25 - £1.5 billion a year across the public service schemes and substantially more in the long term.

10. The NASUWT does not believe that any economic or financial case has been made to make these changes.

11. The NASUWT notes the Minister for Education is on record as saying that he does not believe that public sector pensions should be a means by which the British Government can increase its revenue, especially at a time of a public sector pay freeze, increases in national insurance contributions, higher VAT and rising inflation. The NASUWT welcomes the Minister’s opposition to the British Government policy of using pension reforms to increase Revenue for the Exchequer and notes that, in response, the British Government has made it clear that failure to implement members’ pension contribution increases in Northern Ireland will result in a reduction in the block grant.

12. Nevertheless it remains the case that the administration in Northern Ireland has a choice and the NASUWT believes that the proposed changes should not be implemented. The true financial position of the NITPS should be established through the long overdue actuarial valuation of the scheme to enable a sound appraisal of the position of the scheme to be made.

SPECIFIC COMMENTS

13. Unfunded pay-as-you-go schemes, such as the NITPS, paid out of the contribution income each year inevitably over the lifetime of a typical scheme have a balance between income and expenditure that will vary as schemes ‘mature’. While these costs may be spread over time, past governments (and, by extension, taxpayers) have accepted the benefit of the unfunded arrangements that accrue during periods when contributions exceed pension payments. There should therefore be an acceptance that the cost when the position is reversed and additional contributions from government are needed to balance those payments particularly when it has not been demonstrated that the scheme is unsustainable.

14. The most relevant indicator of the cost of the NITPS and other UK public sector pay-as-you-go pension schemes to the taxpayer is to combine the contributions that employers make to the schemes and the balancing payment from the Treasury to cover the ‘deficit’. It is the Treasury’s practice to estimate what these payments towards public service pensions will be and express them as a proportion of the gross domestic product (GDP).

15. The Independent Public Services Pensions Commission (IPSPC) asked the British Government’s Actuary’s Department (GAD) to provide updated projections of the cost of future benefit payments from unfunded public service pension schemes in light of recent developments including the scheme changes in 2007-8 and the change from RPI to CPI indexation. According to the Commission’s Interim Report:

    The analysis shows that total benefit payments are expected to peak at 1.9 per cent of GDP in 2010-11 and remain at about 1.8 per cent of GDP for the *following decade before falling to around 1.4 per cent of GDP by 2059-60. Net of employee contributions, benefit payments peak at about 1.5 per cent of GDP in 2010-11, before falling to below 1.1 per cent by 2059-60.*

16. The fact that the average (median) size of the typical public sector pension according to the IPSPC was between £5,000 and £6,000 per annum in 2009-10 makes risible any claims that such provision is unreasonable, 'gold-plated' or in some way 'unfair'.

17. Furthermore, the decision to change indexing from RPI to CPI for public service pensions will result in a gradual decline in the average level of pensions compared to earnings, as earnings nationally, whether in the public or private sectors, tend to increase faster than prices in the long term.

18. More significantly, the change from RPI to CPI will result in lower increases to pensions in payment resulting in a considerable cut in income in 'real' terms over time. For a typical teacher's pension of £10,000 per annum, the cumulative loss through lower increases to their pension could be as great as £50,000 in total if the difference in the relative indices is maintained at 1% per annum over 25 years of retirement.

19. The change from RPI to CPI has already resulted in a substantial reduction in scheme future liabilities. For example the TPS in England and Wales cost screening worth £22 billion have been made and will generate similar cost savings in other public service schemes including the NITPS.

20. The provisions of the teacher pension schemes have been adapted over the years to better meet the needs of teaching and the teacher workforce. During the recent reforms to the schemes, steps were taken to further 'tailor' those provisions - including the introduction of a 'phased retirement' option and changes to the final salary provisions - to better match changing circumstances and changes in the make-up of the teacher workforce.

21. The NASUWT believes that any moves that make the teachers' pension schemes less attractive will have a detrimental effect on the recruitment and retention of high quality staff to the teaching profession.

The objectives that should guide public service pension in future

22. The NASUWT is concerned that no adequate Equality Impact Assessments (EIA) has been carried out before advocating change to the NITPS scheme. The Union is concerned that key decisions on the future architecture of the NITPS appear already to have been made in the absence of any explicit equality impact assessment. The NASUWT believes the Department for Education should conduct an EIA but is sceptical of the extent to which any assessment of equality impact can proceed in the absence of comprehensive and robust equalities data that allows for a detailed consideration of the equality impact of the proposed pension reforms on all protected groups.

23. The absence of a comprehensive profile of the membership of the Northern Ireland Teachers' Pension Scheme, including by reference to ethnicity, disability, maternity/paternity leave, sexual orientation, transgender, religion/belief must be addressed as part of the completion of an EIA. The NASUWT notes the serious limitations in the data the DE has in this respect, and in particular the absence of current workforce data in respect of maternity/paternity leave, sexual orientation, transgender, religion/belief. The union is also concerned that workforce data is patchy in respect of the disability status of teachers. Without the above data to provide a benchmark for the EIA, it will not be possible to establish the impact or otherwise of the pensions changes (positive or negative) across the protected groups. The NASUWT recommends that an appropriate survey of existing in-service NITPS members be conducted as it will be critical to establishing a clear picture of how teachers with these and other protected characteristics are represented within Scheme membership and to enable the DE to gauge the likely impact of the proposed pension scheme reforms. Data must be collected on the existing teacher workforce to establish a picture of the profile of teachers with protected characteristics and to apply this benchmark data to the profile of the current and likely future NITPS membership.

24. The NASUWT believes that any legislative changes in Northern Ireland to underpin pension reform must not mirror those in Westminster which will leave a great deal of the content of subsequent Regulations to be determined without appropriate consultation and democratic scrutiny, radically affecting members' future benefits and accrued rights, their revaluation, normal pension age, scheme governance, future valuations and cost-capping arrangements.

Core Provisions

A move to a Career Average Revalued Earnings (CARE) scheme model of pension saving.

25. The NASUWT believes that any reform of the NITPS must be based upon a cogent and accurate understanding of the workforce profile and the profile of membership of the NITPS. The DE must proceed with extreme caution in planning any reforms to architecture of the NITPS and collect and assess the data before finally determining any changes to the existing pension scheme.

A direct link to equalise schemes' Normal Pension Ages with State Pension Age (except for the police, fire and rescue services).

26. Increased longevity is being argued to provide the justification for increasing the NPA in line with the SPA. However, it is proposed to exclude certain uniformed services the police, fire-fighters and armed forces. These occupations will have an NPA fixed at 60 years of age. No objective justification of this has been provided.

27. These services are predominately male and this disparate approach could potentially discriminate against the high numbers of women who make up the public sector workforce in many roles, including teachers, and will only exacerbate the inequity between different occupational groups.

28. The NASUWT has undertaken research into the views of teachers in Northern Ireland on the proposed pension scheme reforms in order to gauge the likely impact of the proposed changes on levels of participation in the Teachers'

Pension Scheme. The evidence indicates that, taken as a whole, the proposed reforms to the Teachers' Pension Scheme will have a particularly adverse impact on participation rates.

29. Inevitably, any opt out by existing members of the NITPS as a result of changes in scheme design or increased contributions (or both) will have a detrimental effect on their future retirement income and on scheme viability. It is likely that ageing teachers in receipt of low pay, those who are struggling with the burden of debts, teachers with family commitments for example will have a greater propensity to opt out of the NITPS on grounds of affordability.

A final salary link for any final salary pension accrued prior to the date at which the new schemes will commence.

30. The NASUWT is opposed to change for the current members of the NITPS. The union believes any discussion of changes should have been centred on a new scheme. The benefits of the current members of the NITPS must be protected with a continuation of the final salary pension scheme. There may be potential benefits of a CARE scheme but these will depend on the cost.

A scheme cost cap with a default mechanism to maintain costs with set cost floor and ceiling limits

31. The NASUWT agreed in 2007 to '*cap and share*' arrangements under which increases in costs due to demographic factors, such as increases in longevity, would be shared equally between the employee and employer contributions with a cap on employer contributions but that was in the context of a balanced package of reform. The union believes that the cost contribution for employers can only be considered in the context of the balanced package on reform as a whole and does not accept employers being protected at the expense of scheme members.

Transitional protection measures for scheme members who were within 10 years of their existing Normal Pension Age on 1 April 2012.

32. The application of the 10 year transitional protection and 3½ years of phased protection is helpful but in the context of other reforms does not allow the majority of teachers. Such protection should be applied to all existing members of the Teachers' Pension Scheme as at 2015.

33. In the NASUWT research, teachers aged between 40 and 60 years expressed greatest concern about an increase in the NPA and were more likely to express the view that they would not be able to continue working for a significant period beyond their current NPA.

34. The age of teachers was also strongly correlated with views on opting out of the pension scheme; older teachers, many of whom will benefit from the transitional protections, were much more committed to remaining in the pension scheme than were younger teachers and those of middle age.

35. The NASUWT is concerned that the lower revaluation of accrued benefits on a less-than-average earnings basis (by CPI plus 1.6% per annum) will result in a relative detriment to those teachers with long periods of service or deferred pensions for periods of service early in their career, by virtue of the lower revaluation and loss of pension in real terms over time. Any protected groups that are more likely to be over-represented in these categories of membership would be disproportionately affected by their early years' pension being revalued by a factor lower than the increase in average earnings.

36. Similarly, those who leave the pension scheme early in their careers will be further disadvantaged by the lower revaluation of their deferred benefits (in line with CPI only) and any protected groups over-represented among deferred members will be disproportionately affected by the changes.

Revised measures for scheme governance

37. Every public service pension scheme should have a properly constituted, trained and competent pension board, with member nominees, responsible for good standards of governance, including effective administration. The nature of that governance and the role, composition and selection of the Pension Board in particular must be subject to future consultation and agreement with the scheme stakeholders, including the NASUWT.

CONCLUSION

38. It is worth remembering in this context that the principles for reform of the teachers', NHS and Civil Service pension schemes agreed in 2005 recognised.
    - the role of good pensions as a key element of the overall remuneration package and in supporting recruitment and retention;
    - that public service pensions are a key benefit of public service employment and should be celebrated as such;
    - that schemes should continue to guarantee defined benefit provision, linked to an individual's earnings;
    - that schemes should also offer indexation to protect retired members against rises in the cost of living;
    - the accrued pensions rights of the existing workforce will be fully protected in the event of transition.

39. The NASUWT urges the DE to consider carefully the implications of this submission in the context of these principles and the need to:

(a) Use the flexibility available to mitigate against the features of the Teachers pension schemes in England and Wales.

(b) The transitional protection for existing members of the NITPS based on 10 year transitional protection and 3½ years of phased protection should be applied to all existing members of the Teachers' Pension Scheme as at 2015; and

40. The NASUWT believes the NITPS is a sustainable scheme which has already been through the significant reforms necessary to ensure they remain viable in the long term.

Chris Keates
General Secretary

For further information on the Union's response contact:

Seamus Searson
NASUWT Northern Ireland
Ben Madigan House
Edgewater Office Park
Edgewater Road
Belfast BT3 9JQ

028 9078 4480
www.teachersunion.org.uk
nasuwt@mail.nasuwt.org.uk

Reform of PUBLIC SERVICE PENSIONS

UNISON's written submission on Public Service Pensions Reform Northern Ireland

Introduction

UNISON is the largest public service trade union in the UK representing around 1.4million members. The majority of our members are in the public service including approximately three quarters of a million members in the Local Government Pension Scheme (LGPS), nearly half a million members in the NHS Pension Scheme (NHSPS) and several thousand members in the Principal Civil Service Pension Scheme. In Northern Ireland UNISON represents more than 40,000 ,the majority of these in Health and Education.

UNISON was at the forefront of scheme specific negotiations with employers and government departments that resulted in the agreement for the Local Government Pension Scheme England and Wales from April 2014, and the NHS and Civil Service Pension Schemes from April 2015. UNISON undertook a comprehensive consultation with its members including member ballots in the Local Government Pension Scheme England & Wales & Northern Ireland, the NHS pension Scheme and the Civil Service Pension Scheme

UNISON believes that the purpose of the Public Service Pensions Bill should be to enable the individual pension schemes to implement the agreements reached between the employers and members.

UNISON has a number of serious concerns with the current wording of the Westminster Bill. It is our intention to try and seek clarification and reassurance on a number of the clauses of the bill and obtain amendments to the Bill where necessary. It is for this reason that we did not recommend MP's vote against the Bill at the second reading but will reserve our right to lobby MP's to vote against the Bill if necessary.

The concerns we have with the Westminster Bill and will equally apply to the Northern Ireland Bill fall under four main headings:

1. Are the provisions in the Bill as currently worded helpful to the implementation of the scheme specific Heads of Agreements?

2. Does the wording in the Bill provide adequate protection to members' rights and are there clauses with unintended consequences?

3. Does the Bill as currently worded enable schemes to deal with major issues that will impact on the ongoing cost of the schemes such as changes in longevity?

4. Does the Bill do enough to ensure effective governance of the schemes?

The provisions within the Northern Ireland Bill should be sufficiently worded to prove helpful to the implementation of the scheme specific Heads of Agreements?

For the agreements to work in both the LGPS and the NHSPS, it must be clear from the Bill that the schemes will be free to set up their own structures, as is the case now, to review pension policy and consider major changes to their scheme rules if necessary following a valuation.

In the NHSPS considerable work is undertaken by the Technical Advisory Group both on the assumptions and methodology used in the costing of the scheme and formulating proposals for change when necessary. The proposals are then taken to the Governance Group and Staff Council. At all stages the view of the Treasury/DFP is taken into account in formulating proposals.

UNISON would like assurance that a group along the lines of the Pension Policy Groups, as set out on *recommendation 17 of the Hutton Report,* would be able to be set up, and existing structures that currently undertake that role are able to stay in place, to operate effectively and consider any proposed changes to the scheme.

We would seek clarification that Treasury/DFP directions will not apply to individual LGPS funds. LGPS funds currently appoint their own actuary and agree with that actuary the assumptions and methodology most appropriate to their specific fund. Scheme regulations already specify when valuations are to be carried out and the requirements and control of valuations will be significantly strengthened under *clause 12 (4)* of the Westminster Bill.

UNISON would suggest that to make it clear at the outset, that any Treasury/ DFP directions made would require not just consultation, but the agreement of the government actuary. Also, that the Treasury should be required to consult and take into account the opinions of the existing governance structures of the schemes, before making a direction. To do otherwise seems to simply undermine the role of scheme specific governance structures.

When dealing with the employer contribution cap, **UNISON** would seek clarification as to what the Treasury/ DFP involvement would be with the LGPS. Principles designed jointly by the LGA and trade unions and agreed by the Government; provide a mechanism for setting the cap and collar that will be incorporated into the scheme regulations

We do not understand why any Treasury/ DFP directions should therefore apply to the LGPS as this seems to contradict the principles already agreed by government.

We would also seek to make it clear that any Treasury/ DFP direction made regarding the above would also need the Treasury/DFP to at least consult with the scheme manager and scheme board of the appropriate schemes.

UNISON is concerned that specific wording could unintentionally trigger a "crystallisation event" in funded schemes like the LGPS. This would have significant funding implications for all the funds in the scheme. We would suggest that within Northern Ireland it is made clear that existing public service schemes would not be closing but would be changed from a scheme change date, to reflect the respective agreements so that members can only accrue Benefits on the agreed basis from that date.

Will the Northern Ireland Bill provide adequate protection to member's rights and will there be clauses with unintended consequences?

UNISON does not believe that the proposed Pension Reform gives sufficient security to members and there are a number of areas that could potentially undermine the scheme specific agreements.

UNISON would not oppose an enabling provision which would allow Scheme regulations to make retrospective changes. It is however, essential that regulations cannot be made that have the effect of reducing accrued rights to pension benefits, unless the scheme members or their representatives have agreed to the change. The absence of such wording potentially undermines the commitment given by government that accrued rights up to the date the schemes are changed will not be reduced

This would also ensure workers in public service pension schemes would enjoy the same protection of their accrued pension rights as exist for workers in the private sector in pensions law.

UNISON understands from certain comments made by the government at the Westminster committee stage of this bill that the government believes trade unions would be able to prevent such a change and that if that failed, members could rely on the European Convention on Human Rights. Whilst appreciating the recognition of the role of unions in protecting workers pensions entitlements we would prefer that protections are built into the Northern Ireland Bill itself.

UNISON would suggest that The National Agreement with the government is based on public service schemes remaining Defined Benefit Schemes after 2014 and 2015. The government is on record as believing that these agreements should last at least 25 years and this is set out in Clause 20 of the Westminster Bill. The power currently in Clause 7 of the same Bill to potentially replace the schemes with defined contribution schemes, let alone a scheme of any other description, will undermine confidence in that agreement.

There is a defined contribution scheme already operating in the civil service but this is in addition to the defined benefit scheme. Members are able to choose which scheme they can join. If the intention is to be able to establish other types of schemes to operate alongside the defined benefit schemes, the wording should reflect this.

With the move to CARE provision this would have the effect of reducing accrued rights especially in the case of schemes negotiated for the LGPS and Civil Service Pension Schemes where the revaluation rate on earnings only is linked to CPI. The possibility of reducing benefits through negative revaluation was not part of the scheme specific discussions or the costings that underlined them.

UNISON as a major Health and Social Care Union has concerns regarding the direction taken on possible closure to existing Injury and Compensation Schemes. We have already set out our understanding that existing public service schemes should not be closing but would be changed from a scheme change date to reflect the respective scheme specific agreements, so we cannot see why injury benefit schemes need to be closed - this was not part of the scheme specific discussions that UNISON attended.

UNISON believes the emphasis in this section should be on continuing existing injury allowance arrangements in accordance with the existing scheme regulations. Injury benefit arrangements have already been periodically reviewed and regulations amended in the NHSPS.

UNISON would wish to protect the accrued rights that members have earned in their Public Service Pension Schemes. We cannot see why there should be a power to make retrospective provision which adversely affects members of the schemes. We would want to change wording so that any adverse effect would require the changes to be made to regulations using the affirmative procedure, so that it would be debated in the Assembly. An adverse effect can be measured but a significant adverse affect is open to interpretation and is subjective.

Under the agreements a cost cap will be enforced so it is certainly possible that schemes will need to change in the future, however it should be made clear that any change must not have the effect of reducing accrued rights.

UNISON would also question why such changes would not require normal consultation procedures. The jointly agreed scheme specific governance arrangements should be discussed and considered by the relevant scheme bodies and then, if agreed by the stakeholders, consulted in the usual way.

UNISON would wish to see specific mention in the Northern Ireland Bill to an agreement on “Fair Deal”. In future Fair Deal would be achieved by members being allowed to stay in their existing public service schemes on first and subsequent transfers to the private sector. UNISON sees this as a key protection both to the scheme members and the continuing sustainability of the schemes.

‘Fair Deal’ is important to scheme members, because it means their pension provision will not worsen if they are outsourced. It is important for the continuing sustainability of the schemes because if large numbers of contributing members are lost to the scheme it means the schemes will become increasingly ‘cash poor’ with the gap between contributions coming in, and pensions being paid, widening. In addition, for funded schemes it will mean the proportion of younger members against the total membership is likely to decline, with the result that the older profile of the scheme members will mean the cost of the scheme increasing.

The Northern Ireland Bill should be worded to enable schemes to deal with major issues that would impact on the ongoing cost of the scheme such as changes in longevity?

As part of the agreements, normal pension age in the public service schemes will be linked to a member’s state pension age (SPA) for service after the date that the schemes change in 2014/15. UNISON understands the government’s intention to try and use the link to SPA to deal with increases in life expectancy of scheme members. UNISON would however, suggest that a future review of the continuing appropriateness of the link between Normal Pension Age (NPA) and SPA be built into the Northern Ireland Bill. We believe it is necessary to ensure that the variation in changes in life expectancy in public service schemes is reflected in the changes in the SPA. Periodic reviews were recommended by Lord Hutton in his final report.

There are clear issues of fairness relating to groups of workers who do not enjoy the same life expectancy as others and there are serious issues regarding how schemes would be costed, if scheme specific life expectancy is seriously out of sync with SPA.

The other issue that makes it prudent to allow a review to take place is whether the link is ever likely to be successfully challenged under the European Convention on Human Rights. This could occur for example, if a service is outsourced and colleagues doing the same job end up with different levels of protection on their NPA.

In the private sector, if a retirement age is changed it can only apply to service after the date of the change. In the proposed public service schemes after 2014/15 all service from those dates would be changed to reflect a different retirement age if SPA continues to be increased.

UNISON would also suggest that there are specific discussions regarding the affect of working longer on specific groups of workers. For example, as part of the agreement in the NHSPS, a Working Longer Review Group has been set up. The review will take up to 18 months and will look at specific groups, for example paramedics. UNISON would not wish to pre-judge the findings of the group. The Northern Ireland Bill should at least enable schemes to be able to look objectively at the effect on members having to work longer and also take into account the views of employers. Employers may find it preferable that some groups have a lower normal retirement age rather than having to deal with issues including increasing long term sick leave and ill health retirements as retirement ages increase.

Will the reforms do enough to ensure effective governance of the schemes?

UNISON has always worked hard to try and improve the governance of pension funds and to make them more transparent and accountable to the stake holders.

All funded public sector schemes in the European Union, including those made under statue with a state guarantee are covered by the requirements of the EU Directive – Institutions for Occupational Retirement Provision (IORP). The provisions in the Northern Ireland Bill must not fall short of the requirements of a funded pension scheme, which the LGPS is.

The Westminster Bill sets out the local authority becoming the scheme manager for each fund, with a pensions committee and/or a local board, but does not say how that board is constituted. Currently the pensions committee is run under local authority law, on which the councillors sit in the lead party majority, with a fiduciary duty to tax payers and not to scheme members.

This means that that the current governance system sits outside of the EU IORP Directive despites its transposition into UK law via the Pensions Act

2004 and the Occupational Pension Scheme Investment regulations. UNISON's counsel opinion, which we submitted in detail to the Hutton Commission, is clear that the IORP Directive Applies to the LGPS funds.

Governments can exempt statutory IORPs, such as the LGPS from Articles 9 to 17 of the Directive's 22 principal articles. This is by virtue of Article 5 of the Directive which says.

"Article 5: Member States may choose not to apply Articles 9 to 17 to institutions where occupational retirement provision is made under statute, pursuant to legislation, and is guaranteed by a public authority."

However, the major issues of non-compliance of the LGPS arise from Articles 8 and 18 of the Directive.

Article 8 requires legal separation of the IORP (in this case each LGPS fund) from the employer. Article 18 requires prudential investment rules, investments to be made in the sole interests of scheme members and beneficiaries and conflicts of interest resolved in their favour.

We believe that the Assembly must introduce the directive to the LGPS by amending the Bill or face potential legal challenge.

UNISON would suggest an amendment to show that the European Directive – Institutions for Occupational Retirement Provision (IORP) applies to public funded Public Service Schemes such as the LGPS. UNISON does not believe it is appropriate for *articles 9 – 17* to apply to a statutory funded scheme such as the LGPS and member states can choose not to apply these articles. However, there is no such power to dis-apply *articles 8 & 18.*

UNISON would suggest that it makes clear that the Pensions Manager and Pensions Board cannot be one and the same person or persons. In practice the two roles are distinct so a tightening up of the wording we believe would be advisable. The local authority cannot run the pension system, an independent board could if it is separated from the sponsoring employer, and an example of this is the London Pension Fund Authority.

UNISON believes that appropriate wording to reflect the above will lead to greater transparency and more effective governance. It is particularly important at a time that discussions are taking place over the extent of possible infrastructure investments that *article 8 & 18* are taken into account.

UNISON has pushed for member representation on pension scheme committees for many years. Lord Hutton in his final report recognised member representation on pension fund committees represented best practice and should be introduced. UNISON would suggest that every pension board should have member representation. Ideally it should provide the same level of representation in public service pension schemes as is required in private sector defined benefit schemes. After the ‘Maxwell’ pension scandal and the findings of the Goode Committee, the Pensions Act 1995 required all defined benefit schemes to have a minimum proportion of member nominated trustees. This is still in force as amended by the Pensions Act 2004. The minimum proportion was initially and remains 1/3 of the Trustee Board but the government has given itself the power to increase this to1/2 at some time in the future.

The argument has been in the past that an occupational pension scheme that is made under statute like the Local Government Pension Scheme means that members of the scheme do not bear the same level of risk as colleagues in the private sector. In fact, it has become clear that while accrued benefits are effectively underwritten by the Local Authority, investment performance together with employers paying very low levels of contributions during the 1980s and early 1990s has significantly contributed to the size of LGPS past service deficits. The effect of low contributions and declining investment returns has had a greater effect on the size of the deficits than the increase in life expectancy. It is clear that the cost pressure caused by these deficits has been a major factor influencing decisions to change future pension provision in the past. So although under the current cost cap proposals investment returns are excluded, the members of the scheme do bear significant risk if the performance of the funds do not result in alleviating cost pressure and should have representation on the pension boards.

9th April 2013

Antrim borough council

Ref: CMcF/KS

11 April 2013

DEPARTMENT OF FINANCE AND PERSONNEL RECEIVED 12 APR 2013 CIVIL SERVICE PENSIONS

Consultation on Proposals for Public Service Pensions Reform
Civil Service Pensions
Department of Finance and Personnel
Waterside House
75 Duke Street
LONDONDERRY
BT47 6FP

Email: pensionspolicycsp@dfpni.gov.uk

Dear Sir / Madam

RE: CONSULTATION - NORTHERN IRELAND PUBLIC SERVICE PENSION REFORM

Your letter dated 18 February 2013 regarding the above refers.

At a recent Meeting of Council's Resources Committee Members considered and welcomed the above consultation document, its purpose being to seek views on the policy underpinning the proposal for the introduction of a Public Services Pension Bill in Northern Ireland. With regard to the core provisions contained therein, Council would respond as follows:

- Linking pension age to state pension age: NILGOSC already does this and therefore we would offer no further comment.
- Final salary link for pension accrued prior to date at which new scheme commences - we agree this should be protected.
- Mechanism for a cost cap for unforeseen events - we see this as essential protection for the employer organisation.
- Transitional protection measures - this is fully supported by Council.
- Revised measures for scheme governance - it would appear essential to have a properly trained and competent pension board.

/Cont'd

Antrim Civic Centre, 50 Stiles Way, Antrim, BT41 2UB
T. 028 9446 3113 F. 028 9448 1324 Minicom. 028 9448 1343
Text. ABC and your message to 60777 E. info@antrim.gov.uk W. www.antrim.gov.uk

Chief Executive - David McCammick

Director of Corporate and Regulatory Services
Catherine McFarland

Director of Development, Leisure and Borough Services
Geraldine Girvan

Should you require clarification on any of the above, please do not hesitate to contact me.

Thank you for the opportunity to participate in the consultation exercise.

Yours faithfully

C McFarland

CATHERINE McFARLAND
Director of Corporate Services

Marie Cochrane
Local Government Policy Division
Department of the Environment
1st Floor, Millenium House
17-25 Great Victoria Street
Malone Lower
BELFAST
BT2 7BN

15th April 2013

NORTHERN IRELAND PUBLIC SERVICE PENSIONS REFORM

Dear Marie

I refer to the documents circulated by William Dobbin on 18 February 2013 in relation to the above matter and welcome the opportunity to respond to the consultation exercise on behalf of arc21.

I am outlining the following comments on behalf of arc21, for your information, which I am emailing to the address included in the consultation document pensionspolicycsp@dfpni.gov.uk :

GENERAL COMMENTS

I note that the consultation document in relation to proposals to reform Public Service Pensions is part of the continuous implementation of new pension arrangements for Public Sector employees to ensure that they are both sustainable and affordable in the long term.

This is a welcome strategy and, with appropriate governance arrangements being put in place, should ensure that the necessary long term financial planning is undertaken to minimise the burden on the taxpayer.

Employees of arc21 are members of the Local Government Pensions Scheme (NILGOSC) and welcome the fact that the Department has highlighted the benefits of this funded scheme in the consultation document.

One of the critical success factors of the NILGOSC scheme has been the adoption of a strategic approach to long term financial planning, recognising the importance of individuals building up a pension fund during their earning years.

It is also useful that rights and benefits, built up over the years, are protected and this principle too has featured throughout the pensions reform process, including this consultation document.

<u>CORE PROVISIONS</u>

In response to the core provisions set out in the consultation document I would comment as follows ;

CAREER AVERAGE REVALUED EARNINGS (CARE) MODEL

The move from the “Final Salary” model to the “Career Average” model has been debated over a long period and in general is welcomed as a more fair method to introduce which will be of benefit to the majority of public sector employees.

DIRECT LINK BETWEEN NORMAL PENSION AGE AND STATE PENSION AGE

This issue is likely to be more controversial particularly for those who would have had an aspiration to retire at 60. However, given that the consultation document recommends that the link between the two should be regularly reviewed to make sure it is still appropriate should provide a degree of comfort.

In addition, the plans for transition arrangements, particularly involving those individuals who are within 10 years of retirement, and the protection of accrued rights also provide a further measure of comfort.

arc21 would recommend that the review period should be built into the final legislative process so that there is more certainty as to the periods when the reviews are to take place.

A NORMAL RETIREMENT AGE OF 60 FOR THE POLICE AND FIRE AND RESCUE SERVICES

Given the fact that, generally, individuals in this category retire at an earlier age than 60, and therefore enjoy pension rights over a longer period, it would appear that increasing the age to 60 provides a fairer approach to sharing the overall financial burden of the pension’s liabilities in the public sector.

MAINTENANCE OF A LINK TO ACCRUED FINAL SALARY

The maintenance of accrued pension rights prior to the date at which the new schemes will commence is both critical and fair and is to be welcomed.

SET COST FLOOR AND CEILING LIMITS

To ensure that public service pensions remain affordable and sustainable in the long term it is useful to make provision for limits as part of the financial strategy which would then facilitate the budgeting arrangements involved in the CSR process.

This is to be welcomed but arc21 would suggest that the financial strategy make provision for the schemes to be self financing over a specified period of time and incorporate regular reviews of the funds values and costs to try to keep in line with the overall strategy.

I understand that the NILGOSC scheme is based on a 10 year strategy with three year reviews at which contribution rates, for both Employers and Employees, going forward are decided to ensure that the strategy is complied with.

This would appear to be a more fair approach with both key stakeholders bearing their fair share of the assets and liabilities of the fund at all times.

Setting an employer cost cap may result in an unfair apportionment of the burden being borne by employees, particularly during periods of economic decline.

TRANSITIONAL ARRANGEMENTS

Transitional arrangements proposed for those who are within 10 years of their existing normal pension age on 1 April 2012, are to be welcomed as a fair approach to implementing the new pension schemes whilst recognising the impact on scheme members particularly those approaching retirement age.

REVISED MEASURES FOR SCHEME GOVERNANCE

arc21 welcome the proposals to ensure that the public service pension schemes are properly constituted and would suggest that the Department takes into account the experience gained over the years from pension schemes which have well established and highly regarded governance arrangements already in place in Local Government.

NILGOSC, for example, is a single entity which governs in excess of 200 employing authorities, Local Government and other Admitted Bodies, and therefore the experience gained by this organisation would appear to be useful to draw upon.

It is recommended that the governance structure, or structures, being considered be kept to an absolute minimum to ensure that a standard approach can be applied as much as possible and to minimise the potential for confusion between the various categories of public sector bodies.

CONCLUSION

In conclusion, the Department appear to be adopting a pragmatic approach to the introduction of reform of public service pensions, particularly bearing in mind the fact that many of the previous pension schemes have been unfunded and therefore the financial impact on such organisations greater.

In terms of governance structure, financial strategy and operational matters, fortunately in Northern Ireland the NILGOSC organisation is well established and highly regarded and therefore arc21 would recommend that the experience of NILGOSC be called upon as much as possible to ensure the successful implementation of the proposed new pension scheme arrangements.

I hope that the comments outlined in this document are useful to the Department and, in the meantime, should you have any queries please do not hesitate to contact me.

Yours Sincerely

George Craig.

GEORGE CRAIG
Corporate Services Director

From: Secretary [mailto:secretary.pfni@btconnect.com]
Sent: 05 February 2013 12:22
To: Pensions Policy CSP
Cc: Mulholland, Dan
Subject: Consultation on Proposals to Reform Public Service Pensions from April 2015

Dear Sir/Madam

Thank you for the opportunity to review the proposed pension legislation.

The Police Federation for Northern Ireland is content to address our concerns within the Police Negotiating Board (P.N.B.) Pensions Group as has been the case fore a number of years.

I would highlight one issue which we wish to bring to your attention which is the opt out of the travelling to and from work for the purposes of injury in the execution of duty ill-health retirement. This issue is to be discussed and agreed with the constituent parts of P.N.B. from N.I.

Any other issues will be dealt with via the Working Group within P.N.B. at a National level.

Regards

Stevie McCann
Secretary - P.F.N.I.

Response from South Eastern Health and Social Care Trust

The Trust welcomes the opportunity to respond to the above consultation.

The Trust has considered the consultation document and has no further comments.

Response from an Individual

I started teaching in 1994 and came into the profession on the understanding that I would be able to retire at 60 and have a final salary pension for the duration of my career.

I am now being told that I will have to pay more, work longer (to 67 years of age) and take a substantial cut in my pension benefits (my Wesleyan financial advisor says my final lump sum will be about £25 000 less at retirement).

I would like you to consider the following very valid points:

What sort of teaching workforce do you envisage in the future? Do you think we will be energetic, highly motivated and even have all our faculties in tact (hearing, sight, ease of movement) if we remain in post in our 60s? I routinely do several things at once - from checking absences, checking out truanting pupils, emailing the exam board, tracking pupils' progress - all the while having 31 pupils in front of me supposedly being taught. This is the nature of our jobs. On top of that I often have parents ringing in wanting to speak to me. I cannot leave the classroom unattended so a lot of my time is spent after school ends sorting out pastoral problems with them. On top of that my evenings are spent marking and preparing lessons. I have given up extra-curricular activities, as my time is taken up with all of the above and much more, and there are only so many hours in the day the human body can work. This frantic pace of our days means we need to mentally sharp and physically fit to control a class of unruly teenagers. How do you think I will do this after 60 years of age? It is actually not possible and we should be allowed to retire at 60, with no impingement on our pension at all. To reduce my pension by 4% for every year I go early before 67 is completely immoral.

There is already tremendous difficulty for young teachers to get employment. How is this situation going to improve if the current workforce is forced to work until well into their 60s? The manic, stressful nature of our jobs means we need the older teachers to retire by 60, to leave way for the younger teachers to take over. It is obvious the younger you are, the more energised you are, the more experience you have of technology and the fresher your ideas are on the current methodology.

I do not believe there is a deficit (and the government has never released a figure to us) but rather it is financially expedient to take more money off us, simply because you can. The unions negotiated some changes a few years ago to the pension scheme and were told at that stage that this would mitigate against future problems. Why are we now being told it is because we are living longer? We have known that for years. These changes to our pension are completely reckless and immoral and the government is hiding behind lies.

As a result of being treated in such a shabby manner by government the result will be an even more demoralised workforce, with more and more teachers doing less and less. (I have already witnessed this in the last few years). Their hearts hardened, giving up their time for extracurricular activities will cease to happen, and going the extra mile for pupils will become a thing of the past. An ageing workforce will mean stress levels and physical ailments will soar. These pension changes are draconian and ill thought out. The future of the workforce looks bleak and the pupils caught up in it all the bleaker. I fear for the state of education.

Response from an Individual

Pension reform is accepted as necessary but I would like to draw attention to the transition arrangements and the unfair treatment of certain groups in the NICS scheme.

While there are special measures for scheme members within 10 years of retirement, the next groups 10-15 yrs and 15-20 yrs from retirement also need to be considered. All of these scheme members are in the latter half of their career and hence limited in what financial and lifestyle changes they can now plan for.

The situation is compounded by making the start of the 10 year period April 2012, three years before the actual changes and hence excluding a large number of affected members. Even worse is the impact of changing the normal pension age to the state pension age at the same time, and at a time when the state age is also moving. Therefore for staff just outside the 10 years at April 2012 their pension age will in reality move from 60 to 67, an increase of 70% to the length of time that might be planning to work.

I think some form of more graduated transition for normal pension age to state pension age is required. As the state age moves up in one year steps the same increase could immediately apply to those due to retire at 60 ie state age moves 65 to 66, normal pension age moves 60 to 61 etc, even for the group now within 10 years of retirement. The savings from this measure could then be used to help transition members in the 10 -20 years from retirement up to the full state pension age and only those a full 20 years from retirement now would have to make up the whole 5 year step (ie from 60 to 65) as well as the separate steps from the increasing state pension age.

Response from an Individual

I think it is ludicrous and obscene to be changing teacher pension schemes. As a teacher of 10 years I have been contributing into my pension fund under the idea that it would be available to me after the age of 60 and based on the average of my last 3 years earnings. How can I have been doing this for 10 years for it to be changed now? I am the product of our government's university tuition fees and already am burdened with these repayments as well as pension contributions, tax and NI contributions? I am a mother of 2 young children and how am I supposed to pay for increased pension contributions when I have to pay obscene childcare costs too as I get no help as I work? Our system is disgusting and quite frankly would put people off working. Here in Northern Ireland we do not have pay and conditions of teachers' work parity with England but we are supposed to have the pension cuts like they do? Maybe if we had pay and conditions parity this extra burden would not seem too bad, but quite frankly I completely understand why our young people are leaving Northern Ireland to seek employment elsewhere. This government is unrealistic and have absolutely no foresight whatsoever. Who wants a 67 year old teacher? They would be no better than a 67 year old police or fire officer. We should and must all be treated the same. I believe that levels of sick leave will increase because of this change and how are NQT's ever supposed to actually find a job now? Once again we the committed and hardworking population has to pay for governmental and banking failures and quite frankly I am repulsed.

Response from an Individual

I entered the teaching profession in 1991 and have spent 22 years enjoying my job and teaching to the best of my ability which was deemed excellent in an inspection report of 2006. I came into teaching on the understanding that I would work a maximum of 40 years and I would be able to retire with a pension based on an average of the final three years of my teaching career. I was also to believe that this would be for the work I had undertaken to educated the children of Northern Ireland and provide for a better future.

I am now being told I will have to pay more, work longer (and indeed longer than any of the uniformed services) and take a pension which is based on a career average for the last 18 to whatever number of years of my teaching career. Has any thought been given to the following?

- Teachers are under immense pressure on a daily basis. In fact levels of stress amongst teachers in my experience are higher than among many of these "uniformed services". Should teachers be kept in their profession longer than any of these other public servants? Is their job deemed less stressful or demanding?

- I routinely work past midnight throughout the year meaning a day average of 6 to 7 hours teaching and around 4 to 5 hours preparation and planning. Are 10 to 12 hour days acceptable as this is what the profession currently demands of teachers? This does not include pastoral care, continuing professional development, extra-curricular activities, revision classes, mock interviews, parents' meetings, training days, lessons review and evaluation, department action planning, UCAS, mentoring, examining and reporting, risk assessment, school development planning, child protection, EMA, to name but a few in which teachers are all involved. The nominal 195 days are farcical in terms of the hours teachers devote to their profession. Do we not deserve to retain the pension we were expecting given our level of service?

- So many young teachers are being trained and do not have jobs and cannot get jobs. Is it not sensible to invest in these young people with fresher ideas, more experience of technology and ultimately more energy than to keep teachers into their 60s in a job which demands more and more as each year passes?

- Teachers my age, older and even those younger are planning for retirement and these plans will now have to change with many being put under increasing financial pressure. I know I have planned based on what I believed to be a fair pension when I started in the profession and to retire at perhaps 60.

- We are now to be hit with increased contributions and these changes explained by the threat of health service cuts should this not take place. This is tantamount to blackmail.

- None of current problems with the teachers pension (or indeed any public service pension) scheme are the fault of the members of the scheme. We have been paying our contributions for years based on the understanding that the pension was as it was originally described to be. We did not mismanage funds; we did not expect to live longer. Surely there should have been some sort of ongoing actuarial review of the teacher pension schemes before now. 22 years on and this is the first time it has been mentioned. There has been severe mismanagement of funds and/or deluded management and/or a knee jerk reaction to the collapse of markets. As teachers we are encouraged to review and evaluate every single lesson we teach and yet somewhere in government no-one has had the sense to evaluate the level of contributions over the past 22 years. Schools would be castigated severely or put on "special measures" if it was not obvious that regular review and evaluation were taking place. People have not suddenly started to live longer; this has been ongoing for many years and yet again no-one in government thought to review and evaluate this in terms of the impact on pensions. Should we be punished for a government management error?

I am frankly at a loss to describe adequately the effects these changes will have on the current generation of teachers who have devoted themselves to delivering high quality education to our children. Their work will be completely devalued and they will be demoralised by these changes. Stress levels will increase possibly leading to an increase in teacher sick leave and perhaps even depression and worse. I cannot protest enough on a personal level and for the profession as a whole against these draconian measures. I fear for education.

Response from an Individual

As a teacher working in an SLD school for pupils with Severe and/or Profound and Multiple Learning Difficulties, I have grave concerns about the proposed changed to the Normal Retirement Age (NRA).

Teaching in an SLD setting is a physically demanding job, dealing with young people who not only have a diagnosis of Severe Learning Difficulties but also can exhibit challenging behaviour and have a range of medical needs. A move to a NRA of 65 would pose a severe risk for these pupils, endangering their health and safety. Staff are required to lift and move pupils, carry out medical procedures and deal with a range of challenging behaviours in pupils aged 3-19. This is both physically demanding and requires teachers to be mentally agile. By forcing teachers to work on past 60, the risks of injury to teaching staff, and injury to pupils, increase. Parents frequently complain that grandparents are unable to cope with their grandchildren who have Severe Learning Difficulties and a number have expressed their disbelief that, in the future, their children's education and day-to-day needs may be met by teachers who are in their 60s.

Research and statistics with regard to the number of staff from special schools, who have either been forced to retire early on health grounds or requested Efficient Discharge, since they have felt unable to competently do their job, are well documented. From personal experience I am aware of colleagues who have left the profession for the reasons detailed above due to the unique pressures associated with managing schools for pupils with severe learning difficulties.

Teaching in the SLD setting is a rewarding job. However, when the physical and emotional side is considered, a change of the NRA to 65 will raise a wide range of health and safety risks, putting the most vulnerable children in our society at risk.

Response from an Individual

I have been teaching now for ten years, at the start teaching was a fantastic profession. Despite spending many hours at night and at weekends marking coursework and preparing classes I looked forward to coming to school. Sadly those days are gone now. My days are so full that I have virtually no time to prepare and my out of school working hours are so great that at times of the year I am permanently unwell. As a graduate with an MSc in Computer Science I completed my PGCE and entered the teaching profession despite the reduced salary over becoming a programmer as it was something I was passionate about. Sadly these changes are now close to making teaching a profession that would have to be a last resort as a career and not one I would currently recommend to anyone.

Has any thought been given to the following?

- Teachers are under immense pressure on a daily basis. Teaching at 65 just isn't a viable option. Most teachers in my school (a very good school) are exhausted and needing to retire around 60-63. With these changes you are either going to have teachers in their 60s who are not up to the job and are taking frequent sick leave or a group of 60-68 year old ex teachers stacking shelves until they reach 68.

- I routinely work past midnight throughout the year meaning a day average of 6 to 7 hours teaching and around 4 to 5 hours preparation and planning. Are 10 to 12 hour days acceptable as this is what the profession currently demands of teachers? This does not include pastoral care, continuing professional development, extra-curricular activities, revision classes, mock interviews, parents' meetings, training days, lessons review and evaluation, department action planning, UCAS, mentoring, examining and reporting, risk assessment, school development planning, child protection, EMA, to name but a few in which teachers are all involved. The nominal 195 days are farcical in terms of the hours teachers devote to their profession. I personally had one day off over Easter during my 'two weeks' off, the rest was spent marking A level ICT coursework. 18 pieces of it, averaging 20,000 words each.

- None of current problems with the teachers pension (or indeed any public service pension) scheme are the fault of the members of the scheme. We have been paying our contributions for years based on the understanding that the pension was as it was originally described to be. We did not mismanage funds; we did not expect to live longer. Surely there should have been some sort of ongoing actuarial review of the teacher pension schemes before now. There has been severe mismanagement of funds and/or deluded management and/or a knee jerk reaction to the collapse of markets. As teachers we are encouraged to review and evaluate every single lesson we teach and yet somewhere in government no-one has had the sense to evaluate the level of contributions over the past 22 years. Schools would be castigated severely or put on "special measures" if it was not obvious that regular review and evaluation were taking place. People have not suddenly started to live longer; this has been ongoing for many years and yet again no-one in government thought to review and evaluate this in terms of the impact on pensions. Should we be punished for a government management error?

I am frankly at a loss to describe adequately the effects these changes will have on the current generation of teachers. I personally feel completely devalued and demoralised. The good education system that we have fought so hard for is going to become a distant memory.

Response from an Individual

As a member of the Senior Management Team working in an SLD school for pupils with Severe and/or Profound and Multiple Learning Difficulties, I have grave concerns about the proposed changed to the Normal Retirement Age (NRA).

Teaching in an SLD setting is a physically demanding job, dealing with young people who not only have a diagnosis of Severe Learning Difficulties but also can exhibit challenging behaviour and have a range of medical needs. A move to a NRA of 65 would pose a severe risk for these pupils, endangering their health and safety. Staff are required to lift and move pupils, carry out medical procedures and deal with a range of challenging behaviours in pupils aged 3-19. This is both physically demanding and requires teachers to be mentally agile. By forcing teachers to work on past 60, the risks of injury to teaching staff, and injury to pupils, increase. Parents frequently complain that grandparents are unable to cope with their grandchildren who have Severe Learning Difficulties and a number have expressed their disbelief that, in the future, their children's education and day-to-day needs may be met by teachers who are in their 60s.

In my own personal experience, I am attending the City Hospital Neurology outpatients as a result of nerve damage exaggerated as a result of working with pupils with challenging behaviour in our school. I am now 30 years of age and have been attending this since September 2011. This is only one example of the occupational wear and tear that this profession has on the staff who work with these pupils on a daily basis. I cannot imagine having to work until I am 65 years of age under the current physical and emotional stress that this very specialist provision places on staff.

Research and statistics with regard to the number of staff from special schools, who have either been forced to retire early on health grounds or requested Efficient Discharge, since they have felt unable to competently do their job, are well documented. From personal experience I am aware of colleagues who have left the profession for the reasons detailed above due to the unique pressures associated with managing schools for pupils with severe learning difficulties.

Teaching in the SLD setting is tremendously rewarding job. However, when the physical and emotional side is considered, a change of the NRA to 65 will raise a wide range of health and safety risks, putting the most vulnerable children in our society at risk.

I believe that consideration should be given to teachers who have worked the majority of their career in Special Schools for pupils with Severe Learning Difficulties as an exception to the normal pension conditons.

Response from an Individual

As a Principal/Vice Principal/teacher working in an SLD school for pupils with Severe and/or Profound and Multiple Learning Difficulties, I have grave concerns about the proposed changed to the Normal Retirement Age (NRA).

Teaching in an SLD setting is a physically demanding job, dealing with young people who not only have a diagnosis of Severe Learning Difficulties but also can exhibit challenging behaviour and have a range of medical needs. A move to a NRA of 65 would pose a severe risk for these pupils, endangering their health and safety. Staff are required to lift and move pupils, carry out medical procedures and deal with a range of challenging behaviours in pupils aged 3-19. This is both physically demanding and requires teachers to be mentally agile. By forcing teachers to work on past 60, the risks of injury to teaching staff, and injury to pupils, increase. Parents frequently complain that grandparents are unable to cope with their grandchildren who have Severe Learning Difficulties and a number have expressed their disbelief that, in the future, their children's education and day-to-day needs may be met by teachers who are in their 60s.

Research and statistics with regard to the number of staff from special schools, who have either been forced to retire early on health grounds or requested Efficient Discharge, since they have felt unable to competently do their job, are well documented. From personal experience I am aware of colleagues who have left the profession for the reasons detailed above due to the unique pressures associated with managing schools for pupils with severe learning difficulties.

Teaching in the SLD setting is a rewarding job. However, when the physical and emotional side is considered, a change of the NRA to 65 will raise a wide range of health and safety risks, putting the most vulnerable children in our society at risk.

Response from an Individual

As a teacher working in an SLD school for pupils with Severe and/or Profound and Multiple Learning Difficulties, I have grave concerns about the proposed changed to the Normal Retirement Age (NRA).

Teaching in an SLD setting is a physically demanding job, dealing with young people who not only have a diagnosis of Severe Learning Difficulties but also can exhibit challenging behaviour and have a range of medical needs. A move to a NRA of 65 would pose a severe risk for these pupils, endangering their health and safety. Staff are required to lift and move pupils, carry out medical procedures and deal with a range of challenging behaviours in pupils aged 3-19. This is both physically demanding and requires teachers to be mentally agile. By forcing teachers to work on past 60, the risks of injury to teaching staff, and injury to pupils, increase. Parents frequently complain that grandparents are unable to cope with their grandchildren who have Severe Learning Difficulties and a number have expressed their disbelief that, in the future, their children's education and day-to-day needs may be met by teachers who are in their 60s.

Research and statistics with regard to the number of staff from special schools, who have either been forced to retire early on health grounds or requested Efficient Discharge, since they have felt unable to competently do their job, are well documented. From personal experience I am aware of colleagues who have left the profession for the reasons detailed above due to the unique pressures associated with managing schools for pupils with severe learning difficulties.

Teaching in the SLD setting is a rewarding job. However, when the physical and emotional side is considered, a change of the NRA to 65 will raise a wide range of health and safety risks, putting the most vulnerable children in our society at risk.

Response (1) from an Individual

I have just finished reading the Consultation on proposals to reform public service pensions from April 2015, and agree broadly with the necessity of the review. I also note that the review is Northern Ireland specific and that there is some flexibility in the way forward

However, I am concerned at the proposed retirement age for paramedics, given that the document accepts the physically demanding nature of the role, and more so when it is clear that Police, Fire and Prison colleagues are to be retired at an earlier age (60) simply because there is an historic anomaly in the provisions provided by their respective schemes, and that ambulance is seen as 'health' and not as a front-line responder working in difficult conditions . In essence, I am querying the data used by Hutton in so far as:

What is the post-retirement life-expectancy for Police, Fire, Prison and Ambulance staff i.e. the number of years post-retirement that the scheme continues to pay a pension until death? And therefore, how many staff actually reach a pensionable age and what the projections are using the proposed new model?

Because if the life-expectancy of paramedics is short (or, indeed, shorter than the other groups) then the entire provision is unequal in so far as the amount paid in by a group, verses the drawings from that group of staff.

Developing this further, if the premiums paid in by paramedics thus do not lead to an equal and proportional draw from the pension funds, then one may query whether it is in the interests of this group of staff to join and thus pay into the fund. If this is a realistic (or potential) prospect long-term, then the whole integrity of the fund is at question – something far more serious I believe…

Finally, given that there is a proposal for staff to work longer, and given that it is likely (again, the data should illustrate this) that more staff will not reach a pension age, then the death-in-service payments are likely to increase significantly – possibly to the extent that the draw on the global public purse becomes greater due to death-in-service than the changes proposed

Response (2) from an Individual

Further to my last (below) I have come up with another potential solution (or at least, part of a solution)

Currently, it seems that public servants retire on a mixture of /60th or /80th pensions – this is part of the discrepancy between organisations and can no longer be justified.
In addition, it is possible for scheme members to buy 'added' or 'additional' years

So, my proposal (the 'cowen principles' if you like) are:

- The public service pension scheme should be an 'opt-out' basis i.e. auto-enrolled unless individual choice is to opt-out
- All public service pensions to be on a 'retire at 67' basis as a starting point
- Certain organisations / groups of staff can retire earlier – providing that a pro-rota increase in contributions is made by scheme members
- ALL staff can, voluntarily, continue to buy:
  Added years, OR
  Bring forward their retirement date by using the 'added years' to buy 'time'

Example model using **simplified** example data:

Contribution	Retirement age
7% (standard)	67
8%	66
9%	65
10%	64
11%	63
12%	62
13%	61
14%	60

(obviously needs rigid data to determine exact funding percentiles)

This will assist the global position in so far as:

- Potential to reduce ‘death-in-service@ issues
- Encourages additional funding input to the scheme
- Allows user flexibility as they can have with a private provider
- Ensures early retirees have funded their ‘slice’ of the scheme appropriately
- Ensures equality of funding vs benefit
- Allows a model that can be future-proofed
- Allows staff to retire early, generating employment for subsequent generations

Obviously some work will need to be done to look at the feasibility of the above but can this form part of the discussions…..

Response from an Individual

I am concerned because I was 50 on 24 September 2012 and the document seems to imply that since this is after 1st April 2012, I will suddenly have my normal pension age increased to at least 65!

Would a more graduated scheme not be better rather than just a precipice?

I particularly would like to know what the part I have highlighted in red means?

I have included the relevant document which is open for consultation until 15th April.

page 9 states:
Transitional protection measures for scheme members who were within 10 years of their existing Normal Pension Age on 1 April 2012.
Transitional protection measures will apply for scheme members who are within 10 years of their existing Normal Pension Age on 1 April 2012. These groups would remain in the existing schemes (except for the local government scheme, where transitional protection is to be provided by means of an underpin). In most schemes, those within a further 3-4 years of normal pension age would have an option for a delayed transition to the new scheme; however the transitional arrangements for each scheme vary within the parameters that were set centrally by Government.

Response from an Individual

With reference to the current consultation on pension reform, I am generally content with the concept of a career average scheme, however I do have difficulty with the substantial increase in years to be served to reach pension age.

I have served 30 years in the NICS and have, from the beginning, had an expectation of retirement at (maximum) age 60 with a full pension (with 43 years served). I am now informed that I will be required to serve 50 years to qualify for a full pension! The increase in years to work together with the substantial increase in pension contributions is having a significant effect on morale and mental well-being and has had a significant impact on my retirement plans.

I see no options in the current documentation to offer retention of the current retirement age (60), albeit perhaps with a slight (further!) increase in contributions. Nor does the documentation make clear what penalties will be suffered by those with 40+ years served who wish to withdraw their pension (to which they were previously fully entitled) at age 60.

Response (1) from an Individual

I am a serving prison officer and after reading the Northern Ireland Public Service Pensions Reform consultation document I have concluded that in April 2015 I will have earned 27 years pension (27/80). Up to 2028 I will earn the remaining 13 years (= 40/80) but will not be able to claim these years without penalty until 2038 when I reach my 68th birthday. If I retire at 60 years of age I am expected to live on 27/80 pension (£10,125 at today's wage) however if I wish to receive the remaining 13/80 of my pension It will be at a drastically reduced rate.

I understand that changes have to be made, however when you take into account the ongoing increases in pension contributions and the fact that my pension will be changed to "CARE" therefore offering less overall value than my original contract, plus the fact that my only realistic option is to work with the countries most violent individuals until I am 68 years old, it seems that myself and others in my position are being unfairly punished.

I find it deplorable that I am expected to spend over 51 years in uniform (even though we are not accepted by some as a uniform service) before I can retire. I am sure that there are very few members of the Government who spend so long in full time employment before they retire on a healthy pension. To have the job of a Prison Officer in Northern Ireland, who is under constant threat of death from terrorist organisations compared to that of a Prison Officer in the rest of the UK seems unbalanced. I can not remember an Officer from another Prison Service being murdered on his way to work, however the funeral of my friend and colleague David Black is still very fresh in my mind. I don't believe that these points are considered when committees look for the quick fix to a problem.

I realise that it is difficult to comment on individual cases, however I think sometimes it is justifiable to request the boards comments when the recommended changes have such an adverse affect.

After the latest round of redundancies and the fact that all recent recruiting is already under the new pension regime, how many serving Prison Officers are actually affected by the changes? And is the saving on this minority group really going to have any affect on the overall cost of pensions.

Response (2) from an Individual

Would it be possible to have an explanation of the term "uniformed services" (as stated in Northern Ireland Public Service Pensions Reform consultation document) as this does not seem to apply to Discipline officers in the Northern Ireland Prison Service even though they can be subject to disciplinary proceedings with regards to incorrect or miss use of uniform under the Prison Service code of conduct and Governors orders. Also it is possible for officers to claim tax allowance for "Laundering of uniform".
If the Prison service is to be excluded due to the fact that they are not seen as "Emergency Services", does this mean that Ambulance Service personnel will be accepted along with Police and Fire Personnel.

It is also stated in the consultation document that Police etc. will have a pension age of 60 as "These groups historically have lower pension ages than other public servants in recognition of the unique characteristics of the work they do".
This gives the impression that a Police Officer who may come into contact with offenders during his duty is seen as having a more "unique" role than a Prison Officer who will be in constant contact throughout their entire shift with over 30 convicted offenders.

Response from an Individual

More and more we are seeing that austerity isn't working and that taking money from public service pockets will only damage the private sector. Public sector and private sector pensions should never have been compared, our pensions were promised to us after a career of mediocre pay at the majority of civil service pay levels; there is also a strong argument that private sector wages should be increased. This decimation of the ethos of the public services through issues such as our pension reductions will do untold damage for years to come to a public service that should be cherished by a society which will only miss it when it's too late. I fully support my union in its fight against these immoral cuts.

Response from an Individual

After reading through the document published in January 2013, I have to question the retirement age set for Prison Officers. I am currently 43 years of age, with a current retirement age of 60. This retirement age is now proposed to move to 68 years old.

Whilst I am at work, I am considered to have "all the powers, authority and protection and privileges of a constable," This is under the Prisons Act (NI) 1953. Section 8.

Currently I have had to restrain prisoners who are in their twenties. In another 20 - 25 years, will I still be expected to restrain and control prisoners of that age when I am mid to late 60's?

Can you clarify at what age I will be expected to retire, from a job that is classed as a constable in the PSNI, if these proposals go ahead as they are. Currently myself and my colleagues, are being classed as office workers who are "pen pushers" who can be catered for if any disabilities arise in later life. Currently the NIPS is going through reform, and if anyone has a disability, there are very few operational posts as an officer than we can be employed to do.

Due to this, I can foresee a lot of prison staff being medically retired, due to the fact that they are unable to carry out their tasks due to physical disabilities which are more likely to appear as age goes on. The fact that we are "living longer" does not mean we are able to carry out the physical tasks required longer.

Response from an Individual

A 'slice' in relation to the accrual of benefits under the proposed scheme, is more than a little vague; perhaps this is intentional?

In relation to the retirement age, some clarity, particularly in relation to roles exempt from the 65 retirement arrangement, would be beneficial.
In my role, I would maintain that I am, at least, as 'physically active' as Paramedics, Prison Officers etc, who are in the exempt category - what other roles fall in this category?

Response from an Individual

I object to the proposed changes. One of the reasons I joined the Civil Service was the pension scheme. To force changes to this scheme without the consent of people who were employed under these conditions is immoral. Throughout my career I have faithfully served in the Civil Service as I agreed when I was employed. Now my employer is rewarding my service by forcing me to work longer, pay more contributions to obtain a lesser pension. I know the deceitful and fallacious argument that the pension will be greater but I have calculated that the new pension scheme will cost me approximately £53,000.00 in additional contributions and in a reduced lump sum. I am disgusted by the way I am being treated. If two parties make an agreement each should have the integrity to honour that agreement. I choose not to join the private sector, where financial rewards over the period of my civil engineering career have been greater, because of the conditions I was offered in the Civil Service. The main factor that influenced my decision was the pension scheme. Now my employer wants to renege on this agreement. If these changes go ahead I will lose all trust in my employer.

What is to stop my employer form declaring I will get no pension at all? The decent thing to do is to change the pension scheme for new entrants. They can then make an informed decision to join or not and they may also be able to trust that the scheme will not alter.

Response from an Individual

With regard to the current public consultation on pension reform, I wish to make the following point:-

Whilst I understand the reason why the current pension system needs reviewed, I cannot understand why those who work part-time and are on lower salaries than their full time equivalents, are being penalised by having to make increased % contributions as if they were a full time equivalent, rather than on their current salary.

When it comes to receiving my pension, I will not be paid as if I was a full time equivalent, I will receive a pension relative to my working hours. It is in this respect, that I object to paying increased %contributions based on a full time equivalent rather than as I actually am, as a part time worker.

I do understand that a number of other pension schemes have changed their schemes to make allowance for part time workers. As the NI Civil Service is a fair employer, I would hope they would consider the option to do the same and thus allow lower paid workers to pay a fair increase.

Response from an Individual

I fully understand that replying to this is a waste of my time since the decision on this merely requires rubber stamping and all submissions will be ignored, but I'll try anyway.

When I joined the current system I was promised a high quality final salary pension when I retired at the age of 60. Since then my contribution have, and will continue, increased dramatically. Why? Simply put, we have to bale out banks using public money and public servants have to pick up the tab. With salaries not increasing with the rate of inflation and conversion of my pension to average earnings – I do look forward to not having enough money to live on when I do eventually retire – probably at 75 when it comes my time.

I think that this is robbery and the Government are getting away with it. The argument states that we get paid more and have better benefits than the private sector! No evidence that has been produced has convinced me of this. I believe that this is an easy way to save money in the medium term; it will not fix the underlying problems with public finance and can not be reasonably justified.

It is a disgrace. May be we could cut the number of MPs, MLAs and their overpaid unelected lackeys in half – this would save as much money

Response from an Individual

I feel that only having "transitional protection measures for scheme members who were within 10 years of their existing Normal Pension Age on 1.4.12" is unfair under Section 75 to persons with dependents and females also.

As a female person with dependents, (who is a member of the final salary scheme,) I had to reduce my hours of work when my children were young due to caring responsibilities. Had I known at the time that reducing my hours to care for my dependents would be to the detriment of my pension, my career choices would/may have to have been different.

I also turned down promotion opportunities due to my caring responsibilities as I needed to be closer to home etc. These opportunities would have increased my wages and would have increased my contributions to my pension under CARE. Had I known my pension was not protected as final salary linked, these career choices would/may also have been different.

I also feel that not being notified that I would be affected by this reform earlier on in my career failed to provide me the opportunity to make proper decisions regarding my career, or to make proper provisions for my retirement.

As a result of the above points, and the proposals to reform public service pensions, my pension will be worth a lot less than colleagues who did not have to reduce their hours of work, or limit their promotion opportunities due to caring responsibilities.

On 1.4.12 my normal pension age increased to 66 from 60. Whilst I understand that there is a need to raise the pension age due to current life expectancy expectations , I feel this, plus the changing of my pension to CARE is totally unfair and I and others like me should be granted transitional protection measures for my final salary linked pension. These 6 years of pension contributions at the end of my career will no way make up for the missed opportunities to increase wages/pension contributions as I feel my highest promotion/earning potential has passed..

I feel that the transitional protection measures should be for scheme members who were within 20 years of their existing normal pension age on 1.4.12, as for those who had caring responsibilities, who are mostly female, have not been given fair notice or treated fairly.

Response from an Individual

It is necessary for a Bill to be processed through the Northern Ireland Assembly to increase our contributions how can you possibly consider increases before our elected representatives have had their say.

The Westminster Public Service Pensions Bill has just progressed through the House of Lords' and it will be April before it passes its final House of Commons stage. The Bill inter alia provides the legal umbrella framework for secondary legislation to cover each of the public service pension schemes.

The Bill does not deal with two critical adverse changes to public service pensions, (a) change in indexation to CPI from RPI and (b) the increased contribution rates for the unfunded schemes. The Public Service Pensions Bill is a framework Bill and so does not contain detail on individual scheme designs. These designs will be set out in regulations and scheme rules for each of the Schemes. Officials from DFP have commenced negotiations with NIC ICTU on the arrangements for the Assembly Bill. NIPSA is playing the lead role in those negotiations. **At the first meeting Trade Union Side set out its position very clearly, that it does not accept the Westminster Bill or the DFP Minister's position.** TUS made clear that it expects there to be full, open and real negotiations on all aspects of the Bill.

In addition the TUS will be giving evidence to the Assembly's DFP Committee in late February. The Committee was pressed to look at the wider economic disadvantages to Northern Ireland of forcing people to work longer, including the adverse impact on youth/graduate unemployment, the loss of additional money to the local economy from the various adverse changes to public service pension schemes and the need to ensure that the Treasury in London does not have any control over Northern Ireland public service Pension schemes.

It is likely to be March or April before the Bill can be introduced into the Assembly. At that point NIPSA will be seeking members to raise concerns with their MLAs and to apply pressure on them to have the Bill amended rather than the DFP Minister's approach of a mirror piece of legislation that fully replicates the dangerous and flawed Westminster Bill. When the Bill is introduced into the Assembly this will provide NIPSA members with the opportunity to write to and/or lobby their MLA's. NIPSA will provide members with additional information and draft letters to send to MLA's.

State Flat Rate Pension

The Westminster government recently announced that it plans to introduce a new old age pension/state flat rate pension from 2017. As usual it was introduced with much hype and little truth.

The long term aim of the government is to reduce expenditure on state pensions and when you dig into the detail of the paper this is confirmed as by 2060 the impact will be to reduce estimated state pension expenditure from 8.5% of GDP to 8.1%.

There are two main methods to ensure this happens; (i) increasing the age at which the pension is payable, by 2060 the age is likely to be 70+ and (ii) by increasing the contribution requirements currently 30 years national insurance contributions qualifies a person to a full state pension this is being increased by over 16.6% to 35 years.

For current pensioners and those who retire before April 2017 they will stay on the existing system and be subject to means testing for pension credits. The proposed 2017 rate of £144 is still well below the established pension poverty rate of £165 per week. There will also be an end to "contracting out", this applies to defined benefit pension schemes in which both the employee and the employer pay lower national insurance contribution as the occupational pension scheme substitutes for the state second pension.

This is likely to result in the death knell for most private sector defined benefit pension schemes. It will also have significant implications for all public service pension schemes. The Government is consulting on the interface between the proposals for the single state pension and the current reforms to public service pension schemes.

NIPSA will be responding to the proposals and seeking considerable changes to the proposals in order to try and have a fair, simple and an above poverty level state pension. In addition, NIPSA will continue to oppose increases to the pension age.

I fully support NIPSAs view on this and do not wish to work into my seventies even if I am fit to do so!!!!!!

Response from an Individual

When I joined the civil service I *signed* a contract about my pension, now you have changed my pension without my consent, this breaks an agreement between myself and you (my employer), surely this is against the law? I disagree with having to pay more than I agreed to when I joined the Civil Service.

Response from an Individual

Regarding the consultation, I find it hard to consider this consultation as anything other than a waste of time and a box ticking exercise, due to the fact that from the news, press and other areas where information has been released regarding Public Sector Pensions it would appear that the decisions have already been made regarding the reforms.

It is my opinion that a meaningful consultation should give the impression that the views expressed by the people responding might actually influence decisions.

It would however have been interesting if one of the options for pension reform was to inform public sector workers how much their pension contributions would have had to be increased by to maintain their current pension arrangements.

Response from an Individual

I am tired of listening to and being told how little Civil Servants pay for their pensions, indeed until a few years ago we were told it was free. Strange then, that when an increase was announced in contributions, it was done in terms of a percentage. A percentage of nothing is nothing.

This error by the bean counters and politicians exposed the truth that Civil Servants pay a considerable price for their pensions.

I joined the Civil Service in 1975 and for several years after that date received pay rises. In those days those pay rises amounted to, generally in the wider and Public sector at 3%, 4%, 5% or 6%. Whilst the private sector received their pay rise in full, the Public sector had 2%, 2.5% or 3% held back to, as we were told, "PAY FOR OUR PENSIONS".

A simple calculation of salaries through the intervening 30 years will show that after last years increased contribution I am paying a few pounds short of £200 towards my pension every month and this is likely to go up to around £225 or more in April.

That money which was removed from salaries in the 1970's and 80's should A) be shown on our monthly salary statements as contributions to our pensions and B) should be accessible to staff to make their own arrangements if they desire. After all staff joining after the mid 1980's have still had their salaries reduced for the pension contribution without every having that invisible deduction explained to them.

It is also true that independant analysists have studied the Civil Service scheme and declared it revenue neutral, so why the increase in contributions, simple TAX Civil Servants to pay off the debt the bankers caused.

Leave the pension system alone, stop telling lies about it's costs and admit to the inaccuracies and lies that have been perpetrated in the past.

Response from an Individual

I agree with the change to 65 years for all Civil service employees, however, I do believe that there is discrimination against younger employees as they have already signed up to a pension scheme where the retirement age is 65 and are already paying greater contributions that those on final salary – however under the proposals, those in Nuvos would have to increase the level of their contributions.

Response from an Individual

As regards the proposed reforms, I have a suggestion that the pension contributions should be paid into a pot, as it apparently is with the councils. I appreciate that government may not wish to put in its share of the contributions at this stage as the public finances are not as favourable at present, but the workers' contributions could be put into the pot and the government could put in 'IOUs' in the pot until the public finances are more favourable and then when it is more favourable actually pay the arrears into the pot and when the amounts owing have been paid, switch to a pay-as-you-go system for paying into the fund. This method of funding public service pensions would help to make them self-funding and would mean that the burden on future generations would be substantially reduced.

Response from an Individual

I notice in the consultation document that it refers to Paramedics who have a physically demanding role been exempt from a early retirement age of 60 as per the Police and Fire Services. There is clear evidence to show that a lot of ambulance workers have to currently retire on ill health grounds before 65. To expect them to retire at the state pension age in the future will be impossible to achieve. This was an issue that was accepted by the government when they offered to set up a working group to look at this issue as part of pension reforms. I would request that this issue is looked at as part of the pension reforms in Northern Ireland and that a working group is set up to look at this. I believe that it is something that will become a bigger issue in the future as ambulance staff will be expected to work for longer in such a physically demanding role and they will not be able to do so.

Response from an Individual

When I started teaching, I entered into a contract regarding my pension. This contract ensured that my pension would be based on my final salary. I expect this to be honoured as I do not agree to any changes to my pension provision being made. I should point out that I was 'forced' into this scheme (as no choice was allowed at the time) that I did not want at the time to join, having already started a private pension, as I would have been better off making my own provision privately with the amounts that have been paid into the scheme over the years.

Response from an Individual

Why as a member of the Northern Ireland prison service am i being excluded for exemption. we are a uniformed service, we hold in prison those who have committed crimes many have mental health problems, drugs and or alcohol problems, we are open to assault on a daily basis, we are open to accusations of all natures and yet we are refused the recognition we deserve. We as a service have suffered loss throughout the troubles and lately the loss of our dear colleague David Black murdered for doing a job.

If we are not the same as the emergency services and indeed the police then why does it say on our warrant cards that whilst on duty we have the powers and privileges of a police constable?

Response from an Individual

I do not agree with the proposals for pensions. It is unfair to staff who signed up to a pension scheme to change the terms of it partway through their career.

By all means, revise the terms for new recruits to the civil service, they have the choice whether or not to sign up to them. But to ‘move the goalposts’ for those of us who are in existing schemes is wrong.

Response from an Individual

I would like to register my disapproval of these proposals.

I always find it disappointing but a true demonstration of a governments character when law abiding, hard working people are picked upon to get the government out of the difficult situations their poor policy's have got them into.
Instead of having the courage to go after the real issues which might make them unpopular and which drain the governments purse they penalise ordinary compliant workers to pay for those who contribute nothing to society.
I am happy to pay more into my pension because I'm going to live longer but this should be covered by reducing my taxes which are paying for all those who refuse to work and sponge handouts for nothing.

I find it incredible that civil servants are being criticised for working and yet no one has made any suggestion that those who are getting handouts should be paying back for what they get i.e. work squads to clear rubbish, care for parks & countryside, roundabouts and clean up our country etc.

I fail to understand why someone who works hard all their life should get the same pension as someone who has lived of government handouts and sponged every feeble attempt by government at patching up a morally degrading nation by throwing money at it.

I also think it is deplorable to make those who have worked all their lives work even longer to pay for deficits caused by those who refuse to work.
I also believe it is legally wrong for the government to decide to change my contract conditions when they want to - something which if I tried to do I would be either sacked or jailed!

I hold those in government personally responsible for these poor decisions and proposals and personally responsible for the detrimental effects they will have on my standard of living and life!

Response from an Individual

This is my response to the consultation. I think it is an absolute disgrace that public sector pensions should be reduced by these new measures. Hard working low paid public sector employees like myself have already had to suffer several years of pay freezes. On top of that our pension contributions have already started to increase and this is to continue over the next few years. This begs the question why is this consultation only being carried out now? It's seems to be a case of the horse already having bolted. The Government should be looking at ways of making the wealthy pay more in taxes, national insurance contributions etc instead of putting the burden on the lower paid.
I will be attending protests organised by my union against these proposals and I think thousands of others will be doing likewise. Lets hope the Government sees sense and abandons these draconian measures.

Response from an Individual

I understand that the deadline for receipt of comments was yesterday. Please accept my apologies for this late response. If possible, I would be grateful if it could be considered as if submitted on time.

Firstly, the consultation document mentions (at page 3) that, "*Urgent action by the Department of Finance and Personnel is required to manage these costs [which would exceed £262m per year] and any consequential losses for Northern Ireland block funding. HM Treasury has confirmed to the Minister of Finance and Personnel that where the reforms are not implemented a commensurate reduction will be applied to Northern Ireland block funding.*"

This statement suggests that the proposed reforms are the only means of avoiding dire financial consequences for the citizens of Northern Ireland. If this is indeed the case, it would be hard to argue against the proposed reforms. However, where is the evidence that the proposed reforms are the only alternative to avoiding such consequences? The consultation document does not offer any alternative scenarios or options. No doubt these were explored in the Report of Lord Hutton but, in terms of responding to this consultation, there is no evidence in this document that any other avenues have been explored by the Department or the Assembly. On that basis alone, I cannot support the proposed reforms.

Secondly, when I signed up for the NI Civil Service I made a long-term career decision based, in no small part, on the terms of the pension scheme on offer. It is now apparent that the Department and the Assembly intend to unilaterally change those terms, considerably to my disadvantage. I do not think this is fair or equitable. I find the arguments (at page 7), that the current pension arrangements, "*unfairly benefit high flyers…expose[] taxpayers to salary risk…and… create[] a barrier to people moving from the public to the private sector*", are frankly spurious.

Assuming that the phrase, "high flyers" refers to an employee's salary, the analysis that "high flyers" benefit *at all* over those on low salaries is not accepted. Nor, if any such benefit does exist, is it considered necessarily "unfair".

Given that it is the Assembly who control civil service salaries, it is difficult to see how any increase could be "unexpected".

It is my experience that any organisation should seek to retain well motivated and capable staff. This policy seems to be designed to ensure that such persons leave or do not join the service in the first place. I think it is self-evident that, when employees are penalised unfairly, it will be those most able to make other choices who will in fact do so. Those with limited options, to adopt the language of the consultation document, the "low flyers", will be retained.

Response from an Individual

Hello, please see below which I would like to be considered as part of the consultation;

as a Northern Ireland Civil Service employee of some 16 years I would like to point out that in relation to the proposed pension increases, many civil servants such as myself have had to endure long periods of below average pay (I only got £500 a month in 1996) which at the time was justified by saying we had very generous pensions. To pull the rug from under us (so to speak) at this point could be seen as a double standard, and will cause hardship for many dedicated workers and their families.

Response from an Individual

I write on behalf of Ballymena Borough Council in response to the above consultation. The Elected Members considered the core provisions which the Minister plans to include within a Public Service Pensions Bill in the Assembly and understand that the reforms in respect of local government employees will be introduced in April 2014.

Members considered the relative merits of each of the core provisions and Ballymena Borough Council are broadly satisfied to endorse the approach. The Council acknowledges that the provisions are a proportionate means of achieving the objective of providing sustainable and affordable pension provision within the public sector in Northern Ireland.

ANNEX B

Detail of DFP communication with other Departments in relation to the full scheme triennial assessments.

1. Ministerial Colleagues Letter

Department of Finance and Personnel
www.dfpni.gov.uk

DFP Private Office
Craigantlet Buildings
Stoney Road
Belfast
BT4 3SX

Tel: 028 90163371
Email: private.office@dfpni.gov.uk

Our Ref: COR/531/2012

FROM: SAMMY WILSON MP MLA

DATE: 8 OCTOBER 2012

TO: MINISTERIAL COLLEAGUES

PUBLIC SERVICE PENSIONS

Introduction

1. The purpose of this memo is to update Executive colleagues on the approach being taken to the regulation of Cap and Share arrangements and associated scheme valuations in the UK-administered public service pension schemes and how existing processes may be impacted by the implementation of revised public service pension arrangements by 2015.

HMT Pensions Bill

2. My letter to Ministerial colleagues dated 13 September 2012 provided an update on the introduction of the Public Service Pensions Bill at Westminster. The Bill will implement the changes recommended by Lord Hutton to reform UK public service pension schemes.

Scheme Valuation and Cost Control

3. The Bill will introduce new requirements for scheme regulations to provide for actuarial valuations to be carried out in accordance with HM Treasury directions by April 2015. HM Treasury directions will oversee:

- how and when valuations are to be carried out;

- the time periods over which a valuation will measure a scheme's assets and liabilities;
- the data, methodology and assumptions to be used in valuations;
- the matters that must be covered by the valuations (which may relate to the outputs that must be produced);
- how the valuations of new and connected schemes will be combined; and
- the time period for implementing changes to the employer contribution rate as a result of the outputs of the valuation.

4. The Bill also introduces a legal requirement for scheme regulations to set an employer cost cap, and contains provisions which will regulate how this cap should be set, measured and operated in line with HM Treasury regulations. HM Treasury regulations will:

   - set margins either side of the cost cap beyond which action must be taken to bring the costs back within the margins; and
   - specify the target cost (within those margins) that the scheme should return to if the costs of the scheme go beyond those margins.

5. Scheme regulations will also be required to specify the processes to be applied if the scheme cost, arising from a second or subsequent valuation, does not fall within the HM Treasury margins.

6. Scheme regulations for public service schemes which are funded will be required to provide for an actuarial valuation of the pension fund which will be used to inform the setting of the employer contribution rate. The Bill also introduces requirements for the valuation and the employer contribution rates for funded schemes to be subject to an independent review process and for remedial action to be taken where the review identifies a problem. The Bill requires employer contribution rates for funded schemes to be set so that they meet two specified objectives. These objectives are to ensure that the rate of employer contributions is set at a level that is sufficient to maintain the solvency of the scheme and the long-term cost efficiency of the scheme.

Current Cap and Share Provisions

7. HM Treasury has advised that as a consequence of the implementation of revised pension arrangements by April 2015, and its plans for increased contribution rates for public service schemes for 2013-14 and 2014-15, there is no longer a need to take forward the existing Cap and Share arrangements. Similarly the need to spend further time or resources on conducting the valuations which some schemes have in process or pending is also negated.

8. The Chief Secretary to the Treasury has written to the Trades Union Congress advising that Government plans to come forward with consultation in two areas, proposals to remove Cap and Share provisions, and member contribution rates from 2013-14.

Next Steps

9. Current provisions for Cap and Share, where they exist in the Northern Ireland schemes will in due course need to be removed from scheme regulations. An associated objective will be to deliver the new valuations required to implement the new schemes in 2015.

Summary and Recommendation

10. In recognition that there will be areas of common ground between Cap and Share provisions and valuations in public service schemes in Northern Ireland and Great Britain which require amendment HM Treasury has offered its assistance in delivering the required changes. Where Ministerial colleagues have responsibility for any of the Northern Ireland public service pension my officials in Civil Service Pensions are available to assist and liaise as necessary with HM Treasury on behalf of your Departments on any issues of concern and Grace Nesbitt can be contacted on 028 9054 7437 or by email at Grace.Nesbitt@dfpni.gsi.gov.uk

Sammy Wilson

SAMMY WILSON MP MLA

2. Letter issued to members of the Northern Ireland Public Sector Pension Group (NIPSPSG) on 21 December 2012

Corporate Human Resources
Pensions Division
7th Floor
Royston House
34 Upper Queen Street
BELFAST
BT1 6FD

Department of Finance and Personnel
www.dfpni.gov.uk

☎ 028 9054 7437 (47437)
Fax: 028 9054 2044 (42044)
E-mail: Grace.Nesbitt@dfpni.gov.uk

---

21 December 2012

To: NIPSPG members

At our last meeting, on 4 December 2012, I gave an undertaking to write to you formally on the subject of scheme valuations.

As previously advised, HM Treasury has decided that there is no longer a need to spend further time or resources in conducting the actuarial valuations of public service pensions schemes which some schemes have pending or in process. An exception to this is the national joint valuation for Police Services throughout Great Britain, and I have written to the Department of Justice separately in this regard.

The Coalition Government will instead concentrate on delivering the valuations based on the position in 2012 that will inform the new schemes in 2015. For unfunded schemes this will reflect the position "as at" 31 March 2012. This date provides a suitable balance between ensuring data is as recent as possible, while leaving sufficient time to perform and implement the valuation when new schemes come into effect in 2015.

I would now advise you to, where appropriate engage the Government Actuary, and commence work on the 2012 valuation. You will of course be aware of decision by the Executive on 22 November 2012 not to use the LCM and that we will be doing our own Pensions Bill. Our priority is to meet the April 2015 deadline and it is helpful to note, as was apparent from the Assembly debate on 26th November 2012, that there appears to be the political support to do so.

Grace Nesbitt

Grace Nesbitt
Head of Pensions Division

3. Extract from the record of the Northern Ireland Public Sector Pension Scheme held on 1 February 2013

The Chairperson reminded representatives that new provisions for scheme valuations and cost controls contained in the Public Service Pensions Bill have made pre- Bill provisions for valuation processes redundant. Existing regulations should be removed or amended in order to avoid complications arising from outdated requirements in existing scheme regulations to conduct valuations on the basis of actuarial assumptions and designs in the unreformed schemes.

4. Email to NIPSPG members on 12 March 2013

Civil Service Pensions (CSP) sent an email to NIPSPG members on 12 March 2013 requesting that they consider the issue of new provisions for scheme valuations and cost controls which will be contained in the Public Service Pensions Bill. Members were reminded that these new provisions will make pre-Bill provisions for valuation processes redundant. CSP also asked members to consider the requirement for the old provisions to be removed from scheme rules where they exist and invited them to provide a brief update in advance of the next meeting which was scheduled for Friday 15 March 2013.

5. Responses from NIPSPG members

Department for Education

The Department for Education has advised that the Minister had agreed that work should begin to make the necessary legislative changes which would permit the Northern Ireland Teachers Pension Scheme (NITPS) to move straight to completion of a 2012 valuation without having first completed a 2008 valuation. The DE Minister was also asked to note that consequential amendments will be required to NITPS regulations once with plans to remove cap and share provisions are progressed. DE also advised that it will endeavour to ensure that the amendments are framed in such a way so as not to conflict with expected future provisions to be contained in the Assembly Bill.

Other Departments

Civil Service Pensions is awaiting responses from other Departments with responsibility for a Northern Ireland Public Sector Pension Scheme.