



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)

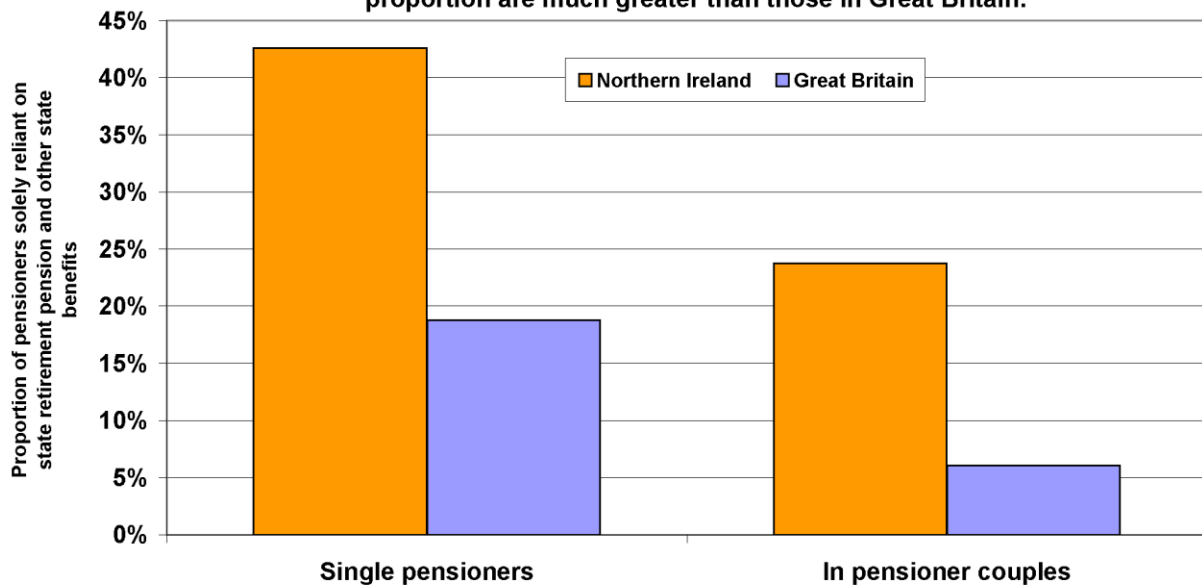
**Comprising the 34 Affiliated Unions of the Northern Ireland
Committee – Irish Congress of Trade Unions (NIC-ICTU)
and non-affiliated unions**

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 pensions 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 PCS (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:

Two-fifths of single pensioners - and a fifth of pensioner couples - have no income other than the state retirement pension and state benefits. These proportion are much greater than those in Great Britain.



Source: Households Below Average Income, DWP; the data is the average for 2006/07 to 2008/09; updated Sep 2010

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 Public Service Pensions and proposed changes to the State Pension.
16. The change in indexation from RPI to CPI adversely impacts on the value of public 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.

CONSULTATION DOCUMENT

19. **Purpose:** 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 its engagement with the Assembly DFP Committee and in the meetings with DFP/Sponsoring Departments Officials.
20. **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. 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. **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. What has been made clear by 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 public 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 public 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. **Fair Deal:** 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. **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.
34. **Cap/Collar:** 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. **Part 1:** 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. **Implementation Factors:** As per comments on the consultation document TUS seriously questions the financial analysis of the costings.
45. **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.
46. **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.
47. **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.
48. **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.

49. **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.
50. **Men/Women Generally:** Again all schemes have full data sets.
51. **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.
52. **Part 2 Screening Questions:** 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. **Part 3 Screening Decision:** 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.

CONCLUSIONS

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.