

A UNISON summary of the latest proposals

On 2 November a statement was made in Parliament about public sector pensions, setting out a 'preferred design' for the future of public sector pension. This design entails a number of changes to previous proposals for public sector pension schemes. HM Treasury has produced a 28 page document containing the proposals but the key changes are as follows.

What has changed

- new "accrual rates" – which determine the amount of pension income you earn with each year's contributions – were initially proposed by the Treasury to be $1/80^{\text{th}}$ or $1/100^{\text{th}}$ – which would be 25% or 40% worse than current accrual rate of $1/60^{\text{th}}$. **The new government statement suggests that accrual rates should remain the same at $1/60^{\text{th}}$.**
- the previous proposal to raise Normal Retirement Ages in line with the State Pension Age would have meant some people in their fifties and sixties delaying their retirement plans in order to claim the pension they had planned for. **The new government statement suggests that anyone within 10 years of their current Normal Retirement Age next April would be protected from this change, and anyone between 10 and 14 years from their current Normal Retirement Age would have some tapering protection.** However it is not yet clear whether this would have to be paid for with further detrimental changes to other workers' pension entitlements.

What has stayed the same

- as before, **contributions will be increased** for all pension scheme members earning over £15,000 a year by an average 3.2% (for part time workers this will apply if your full time equivalent salary is greater than £15,000), the lower paid will pay less than the average but many middle and higher paid will pay more.

For the Local Government Pension Scheme ministers are currently consulting on proposals for contribution increases lower than the average 3% called for, by having a lower average contribution increase between 1% and 1.5% in exchange for a worse accrual rate than the standard $1/60^{\text{th}}$ (see above).

- as before, anyone who won't already be within 10 or 14 years of the current Normal Retirement Age (as explained above) will now face **increases in their Retirement Age**, rising in line with the State Pension Age, rising to 66, then 67, then 68.
- as before, the treasury's preferred design for all schemes remains a Career Average Revalued Earnings scheme (CARE) where the pay used to calculate pension is an average of pay earned by an individual over their membership of the scheme. The treasury is proposing that the earnings should be revalued in line with average earning increases up to retirement. This is different to the current Final Salary schemes where the pay used to calculate the pension is based on earnings near retirement.

With a $1/60^{\text{th}}$ accrual rate CARE scheme there are likely to be winners and losers when compared to a $1/60^{\text{th}}$ final salary scheme. Those members whose salary rises in the final years of their career or who expect to have access to steady career progression are likely to receive a lower pension than they otherwise would have. Members with flatter career paths and few promotions throughout their career are likely to benefit from this compared to a final

salary scheme but this depends on how increases in revalued average earnings compare to the actual pay increases they receive over their membership of the CARE scheme.
- as before, the pension income received in retirement will be **indexed to a new, lower measure of inflation**, CPI, which is lower than the Retail Price Index used currently.

Whilst a welcome movement, this was only a statement of principle and not an offer for your pension scheme. At present many elements of the proposal are still being scrutinised. UNISON will continue to negotiate on your behalf right up to 30 November. Until we have a clear and comprehensive offer we need to keep up the pressure and still proceed with our plans for strike action on 30 November. If and when a firm offer for your pension scheme has been received, we will consult UNISON members.