



NEWSLETTER

Number 66

22 March 2011

Dear Colleague

1. RPI/CPI SWITCH - LEGAL CHALLENGE

Our legal advisors, acting on behalf of the Civil Service Pensioners' Alliance, FDA, Prospect, and the Police Federation have written to HM Treasury and the Department for Work & Pensions, giving warning of a possible claim for a judicial review of the Government's decision to change the indices which are used for uprating Civil & Public Service Pensions from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). The potential challenge to the Government's decision would be that, in choosing the CPI, the Secretary of State has not acted within his legal authority nor strictly in accordance with relevant statute - section 150 of the Social Security Administration Act 1992 - in adopting a measure of inflation that is, at least in part, directed towards changes in consumer behaviour rather than changes in prices, whereas the law requires him to have regard only to increases in *the general level of prices*. We expect a reply by 24 March 2011. We will then consider together with our colleagues and our legal advisers the prospects of achieving a successful outcome to a judicial review. We will continue to keep you posted.

We are also continuing to seek legal advice on how we might support members who have bought specific packages based on actuarial tables which assume RPI. Such packages include: purchase of added years; purchase of added pension; allocation of pension; conversion of lump sum into pension; pension-splitting on divorce; and transfer-in of pension benefits from non-public sector schemes. Once we have the legal advice and have discussed it with Civil Service Pensions we will issue advice to members, but this might not be for some time yet. Members affected would have three years within which to complain and to seek redress. We will continue to update members in due course.

2. RPI/CPI SWITCH FOR PUBLIC SERVICE PENSIONS: SUPPORT EARLY DAY MOTIONS (EDMs) 1625 AND 1629.

Members will be pleased to learn that the Leader of the Opposition, Ed Miliband MP, has placed the following Early Day Motion (EDM) before the House of Commons:

EDM 1629

17 March 2011

Pensions Increase (Review) Order 2011

That this House considers that the Pensions Increase (Review) Order 2011 (S.I., 2011, No. 827) which was laid before this House on 17 March 2011 should be withdrawn because the Order requires the uprating of public sector pensions using the consumer price index,

replacing the retail price index which the Government has indicated will be a permanent change; notes that the Government has refused to heed arguments that a temporary three year change to the index used would represent a fair contribution from benefits and pension recipients, at a time when wage growth generally is suppressed, to reducing the deficit whilst not unfairly impacting on their incomes over the longer term; but regrets that the Government has instead indicated that the change is permanent, leaving public sector workers and the poorest in society disadvantaged permanently, year after year, even once the deficit is gone and earnings growth has returned.

In addition, John McDonnell, the Labour MP for Hayes & Harlington, has also placed the following Early Day Motion (EDM) before the House of Commons:

EDM 1625

17 March 2011

That a humble Address be presented to Her Majesty, praying that the Pension Increase (Review) Order 2011 (S.I., 2011, No 827), dated 16 March 2011, a copy of which was laid before this House on 17 March 2011, be annulled.

The 2011 Pension Increase (Review) Order, which these EDMs seek to annul, would restrict the increase in all Public Service Pensions on 11 April 2011 to the 2010 September CPI figure of **3.1%** instead of using the longstanding RPI measure, which for 2010 September stood at **4.6%**,

If sufficient MPs *pray* against the 2011 Pension Increase (Review) Order by signing the EDMs, the Government may be forced into having to hold a further debate in the House of Commons, opening up the opportunity for the Order to be annulled. **Therefore, please contact your MP urgently, requesting their support for both EDM 1629 and EDM 1625.** The 2011 Pension Increase (Review) Order is due to become operative with effect from 11 April 2011. Therefore, time is of the essence and your Executive Council would be grateful for your early action.

3. THE FUTURE OF THE STATE RETIREMENT PENSION - STATEMENT BY SECRETARY OF STATE FOR WORK & PENSIONS

In a speech on 08 March 2011, which received much advance publicity, Iain Duncan Smith, the Secretary of State for Work & Pensions, set out the Government's priorities for the future of the UK Pension System. The plans include the following elements:-

the basic State Retirement Pension, the Second State Pension (S2P), SERPS and Graduated Pensions would be rolled up into one *Citizens Pension* and paid to all who qualify at a standard rate of around £140 a week. [No mention has yet been made about the impact upon those in occupational pensions like the PCSPS who are have paid contracted-out NI contributions;

the *Citizens Pension* would be introduced in or around 2015, but only to future pensioners, with no inclusion, as yet, for existing pensioners;

means-testing, in the form of Pension Credit would, to all intents and purposes, be abolished, but no details have yet emerged about future entitlement to other means-tested benefits such as Housing & Council Tax Benefits

It's highly likely that further details will be announced in the forthcoming Budget, scheduled for 23 March 2011, and covered by a Green Paper in the Autumn. However, despite the newspaper headlines and the Government's positive projections of its plans, there does not appear to any cause for celebration for existing pensioners. Whilst your Executive Council will, of course, await the detailed proposals before coming to any firm conclusions, we will be campaigning to ensure that existing pensioners do benefit from any more advantageous arrangements for the State Retirement Pension which might emerge.

4. FINAL REPORT OF THE INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

On Thursday 10 March 2011, Lord Hutton published the final report of the Independent Public Service Pensions Commission. A more comprehensive appraisal of the Commission's final report will be carried in the Summer 2011 issue of *The Pensioner*.

In the meantime, you will wish to note that:-

- **the overwhelming majority of the report's finding & recommendations will be of no direct relevance to existing Public Service pensioners.** However, the Alliance will be keeping a close eye on how the report's implications for working public servants develop, so as to ensure there are no unexpected detrimental consequences for existing pensioners;
- the Commission has, once again, ducked the issue of whether the Government's switch from RPI to CPI was a breach of accrued rights by stating "*I am taking as given the new landscape in which the Consumer Price Index is the measure of inflation*" However, other references to accrued rights and benefits aside from indexing-linking are reassuring;
- the recommendations in the report about the governance, administration and oversight of the individual Public Service Pensions Schemes will be of direct interest to Civil Service pensioners and the Alliance will be seeking to play its part in the subsequent discussions & consultations on those aspects. A principal concern for the Alliance and its members, will be the need for Civil Service Pensions to be able to maintain its standards of service to pensioners, whilst dealing with the massive changes that the implementation of this report's recommendations will bring about for future pensioners;
- the recommendations from the Commission have yet to be considered by the Government, which may choose to vary or reject the proposals made.

We will continue to keep you posted.

5. THE TUC MARCH FOR THE ALTERNATIVE: JOBS, GROWTH & JUSTICE SATURDAY 26 MARCH 2011

The Alliance will be supporting the March. The TUC has confirmed that there will be a **second Assembly Point for the March in St James's Street, off Piccadilly**. The nearest Underground Station is Green Park - approximately 30 minutes' walk from Hyde Park. This Assembly Point has been arranged specifically for pensioners, those with disabilities and those with young

children, with accessible toilets available within reasonable distance of this Assembly Point. **Those participating will be asked to form up at the Assembly Point before 12.45pm**, but, if being dropped off by car, you will need to bear in mind that all nearby roads will be closed by 11.00am. **The Alliance and the National Pensioners' Convention will be starting the March from St James's Street, so all members should look out for our banners.**

Yours sincerely

John Amos

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Deputy General Secretary