NEWSLETTER

Number 61 12 October 2010

Dear Colleague

INDEX-LINKING OF PUBLIC SECTOR PENSIONS

On 08 September 2010, I wrote to the Chief Secretary to the Treasury in the following terms:

Rt Hon Danny Alexander MP
Chief Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Dear Chief Secretary

INDEXATION OF PUBLIC SERVICE PENSIONS

Thank you for your letter of 02 September 2010 in response to Mike Duggan's letter of 25 June 2010. Mike is away at present, so I am replying for him.

In our view, your Government's decision to move to CPI indexation for public sector pensions already in payment is in breach of the following:-

- ***Assurances given immediately prior to the General Election by Philip Hammond on behalf of the Conservatives and by Steve Webb on behalf of the Liberal Democrats.*** *Had those assurances not been given the outcome of the election might have been very different. The move was not signalled in party manifestos, nor was it contained within the Coalition Agreement.*

- ***Contractual obligations freely entered into by the Government as employer.*** *Employees have given their labour on the clear understanding that their pensions would attract RPI indexation and have ordered their retirement dates and financial affairs on the basis of that understanding. Many have entered into particular financial arrangements, such as the purchase of added years, the conversion of lump sums into pensions and acceptance of moves to other employers on TUPE terms, on the clear understanding that pensions would increase in line with the RPI. The proposed change amounts to pensions mis-selling.*

- ***The Human Rights Act 1998.*** *Particularly Article 1 of Protocol 1 of the European Convention on Human Rights.*

- ***The Secretary of State's obligation under Section 59 of the Social Security Pensions Act 1975 and Section 151 of the Social Security Administration Act 1992 to increase pensions in line with the "general level of prices".*** *The CPI* *does **not** provide “a more appropriate measure of benefits and pension recipients’ inflation experiences than RPI”, nor does it meet the legal requirement to reflect the “general level of prices.”*

We would be grateful for an early meeting with you to discuss these issues, please.

I understand that our colleagues in the Public Service Pensioners’ Council will be writing to you in similar terms. We would be pleased to share the meeting with them.

I look forward to hearing from you.

The Minister has not yet responded.

I wrote the letter in the light of some early legal advice. We will now be seeking further legal advice on how best to proceed.

We have recently seen a letter from the Chair of the UK Statistics Authority which says “We believe that the CPI should become the primary measure of consumer price inflation **but only when the inclusion in the index of owner occupiers’ housing costs has been achieved.”**
(my emphasis). This supports our contention that *The CPI does **not** provide “a more appropriate measure of benefits and pension recipients’ inflation experiences than RPI”, nor does it meet the legal requirement to reflect the “general level of prices.”*

We have been discussing tactics with the Public Service Pensioners’ Council, the National Federation of Occupational Pensioners, the National Pensioners Convention and the unions.

The issue will be one of the key themes in the NPC’s National Rally and Lobby of Parliament to be held on 27 October 2010, which we have asked Groups to support.

Now that the Labour Party has appointed new Pensions spokespersons, we will be briefing them on the issue.

We will keep you posted as things develop but that might take some time.

INFLATION

In September 2010 the RPI was 4.6%, the RPIX (RPI excluding mortgage interest payments) was 4.6% and the CPI was 3.1%.

In July 2010 average earnings (excluding bonuses) rose by 1.8% and average earnings (including bonuses) rose by 1.5%.

CIVIL SERVICE PENSIONS FOR 2011

Under current arrangements, Civil Service pensions should rise by 4.6% from 12 April 2011, in line with the September RPI. However, the Government has said that it wishes to use the September CPI instead. So, if the Government has its way, Civil Service pensions will rise by only 3.1% from 12 April 2011. But, as I say above, we are still fighting them.

BASIC STATE PENSION FOR 2011

From 12 April 2011, the Basic State Pension will rise by 4.6% in line with the September RPI. From 2012 the Government says that it will raise the Basic State Pension by the CPI, or average earnings, or 2.5%, whichever is the greater.

THE INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION – INTERIM REPORT

On 7 October 2010, Lord Hutton published the Interim Report of the Independent Public Service Pensions Commission. For access to the full Interim Report, you should go to http://www.hm-treasury.gov.uk/indreview-johnhutton-pensions.htm

The terms of this Interim Report will be covered in more detail in the next issue of *The Pensioner* and in future Group Circulars. At this stage, I have reproduced below the relevant brief statement made by the General Secretary to those attending the Alliance's Annual General Meeting on 7 October 2010:

> *Because of the need to attend to the business of today's Annual General Meeting, the Deputy General Secretary and I have only been able to briefly study the Executive Summary of the Interim Report of the Independent Public Service Pensions Commission, which was published online at 8.00 am this morning.*
>
> *So, first a health warning! This is an early, cautious and brief précis of the relevant parts of the Interim Report and more information will be circulated to Groups and Branches in the near future.*
>
> *Firstly, for existing pensioners, there is good news in the sense that, as Lord Hutton had earlier promised, there are no recommendations for changing any accrued rights, entitlements or benefits. However, the Interim Report only makes passing reference to the impact of switching indexation arrangements from RPI to CPI, commenting that the move will cost individual pensioners 15% of what they could have arguably expected to have received by way of their public sector pension during the course of their retirements!*
>
> *For working members of public sector pension scheme, the news is not quite so good, although the Interim Report forcefully rejects the lurid description of public sector pensions as 'gold plated', argues the case for direct benefit schemes and defends the continuation of unfunded schemes, such as that for the Civil Service. However, the Interim Report does recommend increased membership contributions in the short-term and the Final Report, expected in Spring 2011, will look at further structural issues such as extending the age of eligibility to receive a full public sector pension and moving away from final salary arrangements to ones based on career-averaged salaries.*
>
> *Thus far, the reaction from trade unions has been varied, with guarded welcomes from GMB and UNISON, but indications that other trade unions may be more opposed to the recommendations of the Interim Report.*
>
> *So, no comfort for Alliance members on the RPI/CPI front, which will not come as a great surprise, but our RPI/CPI campaign will continue!"*

Yours sincerely
John Amos
John Amos Deputy General Secretary