

Everybody deserves a

FAIR PENSION

Campaign &
information
pack for
Constituency
Labour Parties.



www.unionstogether.org.uk



Trade
Union and
Labour Party Liaison
Organisation

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Labour's unions together

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Contents

- 4** Letter from Paul Kenny, Chair of TULO
- 7** Support the campaign for fair pensions:
statement of support
- 8** The attack on pension: the facts
- 11** Pensions myth buster
- 15** Policy passed at Labour Party Conference
- 17** What can your CLP do to support the campaign?
- 19** Motion for CLPs



Letter from Paul Kenny, Chair of TULO

Dear Friend,

I wanted to write to all Constituency Labour Parties about the current dispute surrounding public sector pensions, and to ask for your support in advance of the national day of action on November 30th.

The facts about the dispute are simple. This Government are trying to force a triple squeeze on public sector workers - the same workers who are currently facing a two-year pay freeze.

Millions of public sector workers are being asked to pay more, work longer, and receive a pension that doesn't properly keep up with prices. **This pack gives you the details of that triple squeeze.**



Shadowy right wing pressure groups, ministers, and parts of the media have also been peddling myths about public sector pensions, calling them 'gold-plated' or 'unaffordable'. **This pack tackles some of those myths.**

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Perhaps most importantly, we are asking local Labour Parties like yours to act in support of public sector workers on November 30th. In this pack you will find a motion which we are asking all constituency parties to put to their monthly meeting, in order to support the day of action. The pack also includes a list of 5 things your CLP can do to support the campaign for fair pensions.

You can add your CLP's name to our statement of support here:
www.unionstogether.org.uk/fairpension.

If these workers are trusted to teach our children, nurse us when we are sick, look after our elderly and vulnerable and clean our streets - among the hundreds of important tasks which make a civilised society work - then surely they are entitled to have a retirement with some semblance of dignity.

I hope that you will support public sector workers.

Yours faithfully,



Paul Kenny
**Chair, Trade Union and Labour Party Liaison Organisation and
General Secretary of the GMB**

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Support the campaign for fair pensions: statement of support

Everyone deserves a fair pension, and is entitled to security and dignity in retirement.

That's why we're backing public sector workers in their campaign against the government's unfair triple attack on public sector pensions, and that's why we're backing the day of action on November 30th.

If the government get their way, ordinary working people struggling to balance the books after a pay freeze and with the cost of living rising, will have to pay more and work longer for a pension that's worth less. That is not a fair deal.

We want everybody to be able to pay into a fair pension for their retirement. That's why we want a fair deal on pensions for public sector workers, why we want to see government action to make pensions better and fairer in the private sector too, and why we oppose the government's unfair changes to the state pension age.

We're supporting fair pensions for everybody.

Add your name today at
www.unionstogether.org.uk/fairpension.



The attack on pension: the facts

The government is putting a three-way squeeze on public service pensions.

Squeeze 1: From RPI to CPI

Once you get a public sector pension, it goes up each year in line with prices. But the government wants to change the way it measures prices, and use the CPI measure of inflation instead of RPI.

That sounds technical, but what's important is that CPI is nearly always lower than RPI.

This is because CPI leaves out some prices - such as housing and council tax costs that often go up faster than other prices. CPI is also worked out in a different way to RPI. Even if RPI and CPI measured the prices of the same things, CPI would come out lower.

Moving to CPI means pensioners will have a bit sliced off their pension each year.

This is what the Royal Statistics Society says about the CPI measure:

"we do not feel it currently serves the purpose of being a sufficiently good measure of price inflation as experienced by households to be used in uprating pensions and benefits."

The switch to CPI is a stealthy way of cutting pensions. The Independent Public Service Pensions Commission led by Lord Hutton said it cuts the value of public sector pensions by 15%.

Before the election both coalition parties said they would protect "accrued rights". This is pensions jargon, but it means that any pension that you have already built up is meant to be safe. But the switch to CPI even hits current pensioners who thought they had paid for a pension that would keep up with RPI.

The CPI switch was announced with no negotiation.



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Squeeze 2: Higher contributions

The government is increasing public sector pension contributions by 3.2% of pay by 2015 - roughly the same effect as a 3% wage cut. This was announced without negotiation.

Yet wages are frozen across the public sector, at a time when prices are going up fast. This is no more than a special tax that will only be paid by public sector staff.

Pension contributions are normally set through negotiations. They are based on an independent assessment of what contributions need to be to pay for future pensions. This is called a valuation, and looks at factors such as how long people are living.

But this latest increase has nothing to do with this process. It is just a levy on public sector workers - a stealth tax.

The government say they are protecting the low paid - they say that those earning less than £15,000 will not have to pay extra. That is not true.

Most people in the public sector earning less than £15,000 work part-time. But the government only counts you as low paid if you would earn less than £15,000 if you did your job full-time. So if you earn £12,500 a year for a half-time job, you are counted as earning £25,000 a year. More than four out of five of those earning less than £15,000 but work part-time and don't count as low paid are women.

And of course if the low paid are protected, everyone else will have to pay more than three per cent.

The government wants to take more than £3 billion a year from this tax on public sector staff. The same government cancelled a tax on banker's bonuses that raised £2 billion, and may well now raise more.

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Squeeze 3: Working longer for a smaller pension

The government wants almost everyone in the public sector to work longer before they can get their full pension. Most people would need to work through to the state pension age - which ministers want to go up to 66 for men and women by 2020 and 68 by 2046.

This takes no account of the stresses and strains of different jobs.

The police, armed services and fire fighters also face increases in their lower pension ages.

This tears up the agreement made with the previous government. That deal increased pension ages in most schemes for new starters. But it recognised that it is unfair to impose a new pension age on staff who have already worked many years. In the local government scheme, everyone already has a pension age of 65.

This triple squeeze adds up to paying more, working longer and getting a pension that no longer properly keeps up with prices.

(The information in 'The attack on pensions: the facts' is taken from the TUC 'pensions justice' website. For more information, go to www.pensionsjustice.org.uk)



Pensions myth buster

Shadowy right-wing pressure groups, politicians and parts of the media have waged a long campaign against public sector pensions. You'll have seen the headlines, over and over again: Public sector pensions are supposedly "gold-plated", "unreformed", "unaffordable".

But it's remarkable how few of these stand up. Check out some of the more common myths here, to see the truth behind the headlines:

Myth 1: Public service pensions are 'gold-plated'

Most public sector pensions in payment are less than £5,600 a year (£3,000 in local government). Half of women public service pensioners get less than £4,000 a year.

This is what John Hutton said in the report of his Commission:

"The Commission firmly rejected the claim that current public service pensions are 'gold plated.'"

A YouGov poll asked people what they thought the average public sector pension ought to be.

The average answer was £17,088. Nearly half (44%) said it should be more than £15,000.

Almost half (49%) of respondents believed the average public sector pension is more than £10,000, and only 23% think that it is less than £10,000.



Myth 2: Public service pensions are unreformed

Tough negotiations with the last government resulted in an agreed deal to reform public sector pensions. The National Audit Office say that it would reduce the future cost of pensions by 14%.

Changes included higher pension ages for new starters and higher contributions in some schemes - including bigger percentage contributions for the highest paid. Other negotiated changes included a move to a career average scheme in the civil service.

It also dealt with what everyone agrees is a difficult pensions issue: trying to predict how long people will live. If people live longer than expected, pensions will cost more than predicted.

Under the deal, the extra costs of unexpected increases in longevity would first be shared by employer and employees together. But the employer cost was capped, meaning that meeting the higher costs of any further extra increase in lifespan would fall entirely to members.

Myth 3: Public service pensions are unaffordable

The critics talk of a pensions time-bomb and say that the costs of public sector pensions are out of control.

Pensions commitments go many years into the future. So working out what it would cost if every pension payment for decades to come had to be paid tomorrow morning produces a big, scary number. But it is also a meaningless number. That is not how pensions are paid.

Both the National Audit Office and the Hutton Commission say the best way to measure whether public sector pensions are sustainable is to work out the likely cost of future payments as a share of the wealth the country will produce (GDP - as economists call this.)

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This has been done twice in recent years. First after the changes negotiated with the last government, and again to also take account of the switch to CPI indexation.

So what did these show? The deal negotiated with the last government in 2007 made costs stable. This is how the National Audit Office described it:

“The 2007-08 changes are likely to reduce costs to taxpayers of the pension schemes by £67 billion over 50 years, with costs stabilising at around 1% of Gross Domestic Product (GDP) or 2% of public expenditure. This would be a significant achievement.”

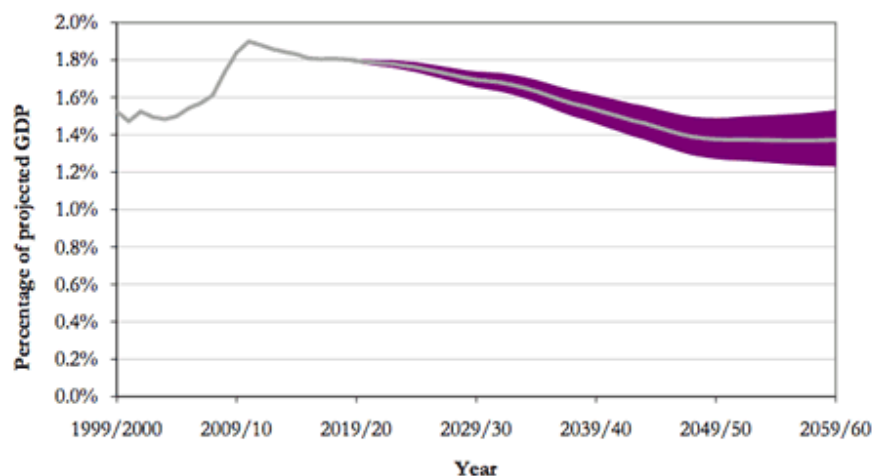
Before this government made any changes at all therefore, public sector pensions had both been reformed and made affordable.

Experts agree that these negotiated changes reduced the value of public sector pensions by 10%. An even more sophisticated exercise was done for the Hutton Commission. This was based on the switch to CPI indexation as well as the 2007-8 changes.

Predicting the future can never be exact, so this exercise looked not just at the most likely cost, but looked at best and worst cases as well. This is why the graph line gets thicker as it moves into the future.

As can be seen, the costs of public sector pensions as a proportion of GDP falls even on the worst case. This is without any further changes that the government is trying to impose.

Projected benefit payments as a percentage of GDP – sensitivity analysis



Source: GAD projections for IPSPC and IPSPC analysis.

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Myth 4: The government is protecting the low-paid

“We are proposing in particular that the lowest earners will face the least, or even zero increase in their contributions. Our proposal would not increase contributions at all for those earning less than £15,000 a year, and we propose a limit of 1.5 percentage points increase for those earning up to £18,000. This would be progressive and fair.”

Danny Alexander, Chief Secretary to the Treasury 17 June 2011.

The government wants contributions in pensions to rise by an average of 3.2 per cent. They say they want bigger increases for the high paid and smaller increases for the low paid. But they are not using people's actual pay to measure whether they are low paid, but their full time equivalent pay.

This means that many part-time workers who take home what most would consider a low wage will not get this protection. Let's look at an example to see how this works.

Meet Sue, she works in the NHS and works half time. Her pay is £14,000 a year. But as she works only half the week the government counts her pay as £28,000 a year - the full time equivalent.

At the moment Sue pays 6.5 per cent of her pay into her pension. By 2014 the government wants her to pay 9.5% - an extra £416 a year or £8 a week. That's a 45 per cent increase in the amount she pays. Sue's pay is currently frozen for two years, even though inflation is higher than it's been for many years.

The government's own estimate is that prices will have gone up by 16 per cent by 2014. If Sue's standard of living is to keep up with both this increase in the cost of living and her extra pension contributions she would need a 19% pay increase by 2014. That's not very likely - and shows the government is not going to protect Sue's standard of living.

The TUC estimates that more than a million public sector workers are like Sue, the vast majority of whom are women.

(The information in 'Pensions: myth buster' is taken from the TUC 'pensions justice' website. For more information, go to www.pensionsjustice.org.uk)

Policy passed at Labour Party Conference

September 2011

Conference notes analysis published by the TUC on 5 September 2011 which found that women's unemployment is set to rise as a result of the Conservative-led Government's public sector job cuts.

Conference further notes the TUC resolution on 14 September to defend public sector pensions and campaign for decent pensions for all recognising everyone deserves dignity in retirement.

Public service workers have suffered an on-going pay freeze and cuts to public services and closures of many vital services our communities rely on.

Now the Government has launched an unprecedented attack on public service pensions. This is not only an injustice but could undermine the viability of some pension schemes.

Conference expresses concern at the Conservative-led Government's mishandling of changes to public sector pensions and the provocative manner of ministers during the negotiations.

Conference recognises that the Labour Government took tough decisions on public sector pensions to cap the taxpayers' liability and introduce reformed pensions schemes. Conference acknowledges that these decisions were taken in consultation with public sector unions.

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Conference agrees that the UK's ageing population means that some public sector pensions will need to change. However, Conference believes that the approach taken by the Government so far has been unfair, is not a genuine attempt to make the schemes more sustainable, and is a cash grab by the Treasury, imposing an additional tax on workers already facing a pay freeze. The increased contributions are not being used to strengthen the schemes but are going to the Treasury to pay debts caused by the banking crisis.

Ministers have failed to engage properly with the millions of public sector workers who will be affected by the changes and take on board their legitimate concerns. Despite lengthy negotiations the Government has refused to listen or move leading to union members being balloted on taking strike action as a last resort to show their opposition.

Conference commends the work of public sector workers up and down the country who provide vital services to everyone. The Labour Party calls for meaningful negotiations to reach satisfactory agreements.

Conference calls on the Labour Party to continue to campaign for a fair deal on pensions for everyone, both public and private sector workers and to ensure that a 'race to the bottom' on this important issue is avoided.

Conference also calls on the Shadow Cabinet to press the Government to have meaningful negotiations on pensions to reach an agreement and avoid more strikes.

Conference calls on the Labour movement to set out how decent public services for all can be provided during a period of constrained resources.



What can your CLP do to support the campaign?

At Labour Party Conference this year, policy was passed to support the Day of Action on 30th November. These 5 action points might help your CLP put together a plan for how you can support the campaign.

1. Pass a motion in your CLP, and sign the statement of support

The simplest way to support the campaign is to pass policy at your CLP's next GC or all member meeting. Doing this will also enable you to have a discussion about the campaign at your meeting, and make sure everyone understands the issues. When you have done this, you can then add your CLP's name to the statement of support on the unions together website.

You might want to photocopy the factsheet and myth buster in this pack to hand out to members. You could also invite someone from one of the trade unions to address the meeting and introduce the campaign. It could also provide a good opportunity to make contact with union branches that are affiliated to your CLP but don't always attend - let them know that you're proposing a motion supporting the pensions campaign and ask them to come along to the meeting.

2. Ask your elected representatives to support the campaign

It's important that we show that Labour people across the movement are backing the campaign for fair pensions. Once your CLP is supporting the campaign, it's a good idea to ask Labour's elected representatives in your area to add their name to the unions together statement of support too. Write to your Labour MP, MSP, AM, MEP or Councillors, and ask them to go to www.unionstogether.org.uk/fairpension and add their name to the statement.





3. Write to local union branches

Once your CLP has voted to support the campaign, make sure you let local trade unions know. It might be a good idea to write to all the local trade union branches letting them know that your CLP is backing their campaign. You could invite them to come and speak at your next CLP meeting, or use the opportunity to invite their branch to affiliate to the CLP if they are not already.

4. Write to the local paper

Lots of the stories about pensions in the national press re-enforce some of the myths that we have 'busted' in this pack - for example, claiming that public sector pensions are 'gold-plated', when in fact most public sector pensions in payment are less than £5,600. One way to challenge these myths is through the local media. Consider writing to your local paper's letter page to explain why you are backing the campaign, and use the opportunity to challenge some of the false pension myths.

5. Attend a local rally or campaign, and take the CLP banner

The clearest way to show your CLP's support for the campaign is to attend any local rallies or protests on the day of action on November 30th, and to make sure there is a visible presence from the local Party. Take your banner or flag along - you could also offer to provide a speaker for the platform. You might want to take some Labour Party membership forms with you. You can download black and white 'join the Labour Party, join the fightback' forms here, which clearly advertise the reduced trade union membership rate: www.unionstogether.org.uk/union-join.

Motion for CLPs

CLP believes:

Everyone deserves a fair pension, and is entitled to security and dignity in retirement.

If the government get their way, public sector workers, struggling to balance the books after a pay freeze and with the cost of living rising, will have to pay more and work longer for pensions that are worth less. That is not a fair deal.

Everyone should be able to pay into a fair pension for their retirement. There should be a fair deal on pensions for public sector workers, and the Labour Party should develop policies to make pensions better and fairer in the private sector too.

CLP resolves:

To back public sector workers in their campaign against the government's unfair triple attack on public sector pensions, and to support the day of action on November 30th.

To add our CLP's name to the statement of support on the unions together website, and to encourage the CLP's members and elected representatives to do the same.

To write to local union branches to notify them of our support, and to ask them to get involved with the CLP.

To attend a campaign rally on 30th November, and take the CLP banner to show our support.

unionstogether is the campaigning voice for the 15 trade unions that are part of the Labour Party.

We campaign for the Labour Party because we believe that hard-working people are better off with a Labour Government. And we campaign within the Labour Party because we want to help make sure that Labour stands up for the needs of our members.

Together, we bring the voices of 3 million working people to the heart of the Labour Party.

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