University and College Union

STRIKE ACTION BRIEFING NOTES

30 November

PUBLIC SECTOR PENSIONS: SOME MYTHS EXPLODED

Myth 1 Public sector pensions are unaffordable

In 2006, the teaching unions agreed with the government a series of reforms to place the scheme on a sustainable long-term basis. These included:

- increases in the employee contribution rate
- a normal pensionable age of 65 for new joiners
- a robust cost-sharing agreement on future cost increases
- a cap on future employer contributions of 14.1%.

The government argues that the public sector schemes are unaffordable in their present structure.

But the government's own Public Accounts Committee report on public service pensions on 26 May 2011 stated that the changes based on the 2006 agreement are projected to reduce costs to the taxpayers of £67 billion over 50 years, with costs stabilising at 1% of Gross Domestic Product (GDP) or 2% of public expenditure.

The National Audit Office report in December 2010 stated that public sector pensions are sustainable and affordable.

UCU believes that this is an unnecessary political attack on public sector pensions.

Myth 2 The government has made a good offer

After months of insisting that there was nothing to negotiate over, the government has made a few concessions, slightly increasing the amount of money overall to negotiate with and offering to protect those within ten years of retiring. While this is welcome movement, it doesn't address the central problem with the proposals – that they will mean staff working longer, paying more and getting less.

We want a negotiated settlement but we need to see moves from the government to protect the value of pensions. That's why the strike is so important.

Myth 3 This strike is unnecessary

For months, the government offered no concessions. Then, as more and more unions voted to strike, it made a few concessions.

We want to talk but it has taken the threat of strike action to get this far. The government is responding to pressure and our strike is part of the process of raising that pressure and ensuring that the government knows how strongly we feel about this issue.

Myth 4 Public sector staff have gold-plated pensions

The government likes to say that we cannot afford 'gold-plated' public sector pensions. This is a particularly odious piece of misinformation.

The average pension for lecturers in FE is £9,000 and for HE lecturers £16,400 after years of service. These are not gold-plated pensions.

In truth, the real gold-plating takes place in Parliament and the private sector.

An MP on a salary of £68,000, in a pension scheme with a 1/40th accrual rate, and putting in 15 years of service, can expect a pension of around £26,180.

Meanwhile in the private sector, company directors are doing even better.

The TUC has analysed the pension arrangements of 362 directors from FTSE 100 companies and revealed that the average transfer value (pension pot) for a director's defined benefit (DB) pension is £3.91 million. This would provide an annual pension of £224,121. The biggest pension pot in this year's survey is worth £21.5 million.

The average director's pension is 23 times the average occupational pension (£9,568), and 34 times bigger than the average public sector pension (£6,497).

And some truths...

Fact 1 The real pensions scandal – private sector failure

In fact, if there is a problem with public support for retirement in Britain, it is because of private sector employers' failure.

According the Office of National Statistics, two-thirds of private sector employees are not now in any employer-backed pension scheme compared to just over half ten years ago.

87% of private sector final salary pension schemes are now closed to new members.

Employer contributions to the newer defined contribution or money purchase schemes are on average less than half that towards final salary schemes.

If employees are not able to make proper pension arrangements during their working lives, the cost of supporting them in retirement is simply passed back to the State and to future taxpayers. Employers who refuse to contribute to staff pensions are passing the costs onto future generations.

So the real problem is not the 'generosity' of public sector pensions but the paucity of private sector provision for its employees.

Fact 2 Taxpayers subsidising private employers

The government often speaks as though public sector workers and taxpayers are not the same people. But the truth is that we are taxpayers, just like private sector workers and we are all paying for the failure of private sector employers.

The government is currently paying more

taxpayers money into private sector pension schemes through tax concessions than into public sector pensions.

In addition, the costs of providing for retirement to the public purse are inflated by the fact that so many private pension schemes have closed, leaving the majority of private sector employees dependent on the state for support.

We want fair pensions for ALL.

The government's answer to the pensions problem seems to be to drag everyone down.

Our answer is to build a campaign for pensions fairness to make sure that everyone can have a decent retirement.