

Public Service Pensions

The Public Service Pensioners' Council and the Civil Service Pensioners' Alliance provide a representative voice for public service pensioners. Our members are concerned that their accrued rights are being threatened and are seeking the necessary assurances to dispel those concerns. Our members are not, however, solely concerned about protecting pensions in payment. From the vantage point of retirement, they recognise the importance of good pension provision for current and future public service pensioners and wish to inform the current debate around this issue with facts rather than misconceptions. This briefing from the Public Service Pensioners' Council and the Civil Service Pensioners' Alliance sets out the reality of public sector pensions for our members.

Over recent months, public service pensions have come under increasing attack, both politically and in the media. This has been exacerbated by current economic circumstances and increased scrutiny on public spending, leading some to argue that the pension arrangements of public service workers are unaffordable and unsustainable.

Much of the discourse has been characterised by misinformation and an emotive attack on the public sector as a whole. Too often public debate has concentrated on the pension arrangements of a few highly paid people in the public service rather than the vast majority of low or moderately paid public servants.

THE ROLE OF PUBLIC SECTOR PENSIONS

The pay and pension arrangements of public service employees must encourage the right calibre of candidate to be recruited, and for them to be able to undertake their duties with confidence. A fair overall remuneration package maintains the integrity and honesty of public services and minimises the risks of corruption.

Most public service pensions are contributory but others such as the Principal Civil Service Pension Scheme (PCSPS) are non-contributory, aside from between 1.5% - 3.5% compulsory employee contributions for additional family benefits. However, civil service salaries are effectively reduced by about 6 per cent in comparison with similar outside employments, to account for the non-contributory aspect.

Pensions are therefore an integral part of the public service total remuneration package and should be viewed as deferred pay. This has been recognised by the courts and they are protected as "possessions" under the Human Rights Act. Cuts in pensions would mean that public service employees would seek higher salaries to maintain the overall package.

THE REALITY BEHIND “GOLD-PLATED” PENSIONS

Most public service pensioners are not in receipt of high pensions. In fact most public service pensioners receive a pension broadly comparable with the average private sector worker, as set out in the following table:

The scheme	The facts
Average Local Authority Pension (LGPS)	– £4000 a year (around £1,600 a year for women) ¹
Teachers Pension Scheme	– Average teachers’ pension in payment £9,900 ² – 53% of pensions in payment are less than £10,000 per annum – For teachers with under twenty years service the average pension in 2006-7 was £3,750 per annum – Only 0.64% of pensions in payment are over £30,000 per annum
Armed Forces Pension Scheme (AFPS)	– Over 75% of pensions in payment are less than £10,000 per annum – Only 1.36% of pensions in payment are over £30,000 per annum
Civil Service Pension	– 52.58% of pensions in payment are less than £5,000 ³ – Average civil service pension in payment £6,500 ⁴
Average Occupational Pension ⁵	– £8,320

THE STRUCTURE OF PUBLIC SERVICE PENSIONS

Most public service pension schemes are structured as defined benefit (DB) schemes, where the eventual pension is a product of some measure of salary and years of pensionable service.

All DB public service pension schemes are single schemes. High-flyers are not separated out with superior pension entitlement. The future head teacher joined the same scheme as the classroom teacher. The future chief constable joined the same scheme as the constable.

There are no ‘top-up’ schemes for higher-ranking public servants, with higher levels of contribution attached as exist in the private sector. There are also no split-accrual schemes, where the rate of accrual increases once a public servant passes a certain grade. If a public servant achieves what might be regarded as a ‘high’ pension, then that is a function of years of service, and the salary that they have worked towards over the same period of years.

¹ Source: UNISON, http://www.unison.org.uk/pensions/pages_view.asp?did=8994

² Source: Teachers’ Pension Scheme Resource Accounts 2008-2009

³ Source: Parliamentary question asked by John McDonnell MP (May 2009)

⁴ Source: Civil Service Pensions Annual Accounts 2007/08

⁵ Source: DWP Pensioners Income Series 2007-08 (this average includes all occupational pensions in the private and public sectors).

This structure limits the choices for those who would wish to cut ostensibly ‘high’ public service pensions. Scheme accrual formulas are applicable to all eligible members and are set by statute. Measures to cut back accrual of ‘high’ pensions will affect the much greater number of people who will not be in a position to accrue anything like this level of pension.

Furthermore, any attempt to create ‘savings’ from public service pensions will have a greater impact on women pensioners, who have lower average pensions than men, due to their lower average salary levels and service records.

EVALUATION AND REFORM

Public service pensions have already been through a process of evaluation and reform. The principles for pension reform in the Teachers’, NHS and Civil Service schemes were agreed by the Government and the TUC in the Public Services Forum (PSF) on 18 October 2005. It was recognised that changes in demographics, employment patterns, and the legal and regulatory framework required public service pension schemes to be modernised and to be sustainable. The PSF agreement explicitly recognised that each scheme covered would have a cost envelope that would be respected.

In the Teachers’ Pension Scheme, for example, there is a 14 per cent ceiling on the employers’ contribution rate from the 2008 actuarial valuation onwards and similar arrangements have or are being introduced in other public service pension schemes. In 2006 the Civil Service pension age was raised from 60 to 65 and benefits are now based on “whole career”, rather than “final salary”.

HOW YOU CAN HELP

The current debate around public service pensions is ill-informed and unfair. In our view the central problem is not public sector pensions per se, rather it concerns the private sector's retreat from proper pension provision. If that problem remains unresolved many millions will be condemned to a bleak old age. We believe that the current debate should be grounded in a broader, more objective assessment of the reality of public sector pensions. Thus, we will be working with Parliamentarians, candidates and other influencers to communicate this view and to ensure that the views of our members are represented.

ABOUT THE PUBLIC SERVICE PENSIONERS’ COUNCIL

The Public Service Pensioners’ Council was established almost fifty years ago with the aim of protecting the interests of retired public servants. It brings together the various organisations of retired public servants and the retired members’ sections of public sector unions in order to provide a united voice to Government and the main political parties on issues of concern to public service pensioners.

ABOUT THE CIVIL SERVICE PENSIONERS’ ALLIANCE

The Civil Service Pensioners’ Alliance (CSPA) is a voluntary body which campaigns on behalf of the 500,000 civil service pensioners. The CSPA has approximately 65,000 members in the UK, organised into 100 local groups with membership drawn from all grades and all departments of the civil service and related bodies.