

Hutton Recommendations	UNISON comment
<p>Recommendation 1: The government should make clear its assessment of the role of public service pension schemes. Based on its framework of principles, the Commission believes that the primary purpose is to ensure adequate levels of retirement income for public service pensioners.</p>	<p>Public Sector Pensions should ensure independence in retirement so that our members can save and work without fear. The real problem with UK pensions is the decline of good quality pensions for workers in the private sector, while their Directors continue on gold plated pensions.</p>
<p>Recommendation 2: Pensions will continue to be an important element of remuneration. The Commission recommends that public service employers take greater account of public service pensions when constructing remuneration packages and designing workforce strategies. The government should make clear in its remits for pay review bodies that they should consider how public service pensions affect total reward when making pay recommendations.</p>	<p>Pensions are deferred wages and that they form an important element of pay and conditions. But pensions are long-term issues and members will not receive their income for years to come so any pay packages need to take that into consideration.</p>
<p>Recommendation 3: The government should ensure that public service schemes, along with a full state pension, deliver at least adequate levels of income (as defined by the Turner Commission benchmark replacement rates) for scheme members who work full careers in public service. Employers should seek to maximise participation in the schemes where this is appropriate. Adequate incomes and good participation rates are particularly important below median income levels.</p>	<p>Many workers do not work full careers in public services. We need to ensure that schemes and benefit levels are fit for purpose long after they leave employment. UNISON has reservations about what are regarded as adequate levels of pension income.</p>

<p>Recommendation 4: The government must honour in full the pension promises that have been accrued by scheme members: their accrued rights. In doing so, the Commission recommends maintaining the final salary link for past service for current members.</p>	<p>We are relieved that the Commission recognised the importance of protecting benefits so that any pensions earned to the date of change will still increase in line with salary increases . UNISON also believes there to be a potential case for arguing that there are other issues that need to be considered as accrued rights, such as the Rule of 85 in the LGPS.</p>
<p>Recommendation 6: All public service pension schemes should regularly publish data which, as far as possible, is produced to common standards and methodologies and is then collated centrally. This information should be of a quality that allows simple comparisons to be made across Government, between schemes and between individual Local Government Pension Scheme (LGPS) Funds.</p>	<p>UNISON has argued for a long time that there should be greater transparency of data so that pension debates can be based on real facts and not myths and propaganda.</p>
<p>Recommendation 7: A new career average re-valued earnings (CARE) scheme should be adopted for general use in the public service schemes.</p>	<p>There is not enough detail in the proposals. The key is that they provide pensions that are value for money for scheme members. It is essential that any CARE scheme is not a cost cutting exercise and we are concerned that this is not spelt out in the final report.</p>
<p>Recommendation 8: Pension benefits should be up-rated in line with average earnings during the accrual phase for active scheme members. Post-retirement, pensions in payment should be indexed in line with prices to maintain their purchasing power and adequacy during</p>	<p>We pushed for active members' benefits to be up-rated in line with average earnings for the build up phase. Post – retirement, UNISON supports increases in line with the Retail Prices Index.</p>

retirement.	
<p>Recommendation 9: A single benefit design should apply across the whole income range. The differing characteristics of higher and lower earners should be addressed through tiered contribution rates. The government should consider the trade off between affordability and the impact of opt outs on adequacy when setting member contribution levels.</p>	<p>UNISON supports tiered contribution rates and believes it equitable that those members that earn more and benefit more, should pay a bigger proportion of the overall cost. It's vital that the current 85% opt-in rates are not undermined by unaffordable and unjustified employee contribution rates. This is why we fundamentally oppose the government levy of a 50% increase in member contributions.</p>
<p>Recommendation 10: Members should have greater choice over when to start drawing their pension benefits, so they can choose to retire earlier or later than their Normal Pension Age and their pension would be adjusted accordingly on an actuarially fair basis. Flexible retirement should be encouraged and abatement of pensions in its current form for those who return to work after drawing their pensions should be eliminated. In addition, caps on pension accrual should be removed or significantly lifted.</p>	<p>UNISON has continuously pushed for greater member choice so that members can retire and draw their pension benefits when they need them. We support flexible retirement and pensions being increased if claimed "late" and would very much support the removal of service limit restrictions.</p>
<p>Recommendation 11: The government should increase the member's Normal Pension Age in the new schemes so that it is in line with their State Pension Age. The link between the State Pension Age and Normal Pension Age should be regularly reviewed, to make sure it is still appropriate, with a preference for keeping the two pension ages linked.</p>	<p>UNISON is against this move as we believe the statistical evidence suggests that the life expectancy of public service workers does not mirror the general advances of the population as a whole because lower life expectancy is linked to low earnings. This will pose serious issues for the NHS CHOICE process as people whom thought their Normal Pension Age was 60 could find this being 66 and</p>

	possibly even higher.
<p>Recommendation 12: The government, on behalf of the taxpayer, should set out a fixed cost ceiling: the proportion of pensionable pay that they will contribute, on average, to employees' pensions over the long term. If this is exceeded then there should be a consultation process to bring costs back within the ceiling, with an automatic default change if agreement cannot be reached.</p>	<p>There is no justification in reducing current cost ceilings as agreed with the last government. The savings generated by previous reforms and the move to CPI indexation and contribution increases have reduced the cost of schemes to employers and government. UNISON will not accept any move to reduce the notional cost of the schemes. There are already cost-sharing provisions in the NHSPS which UNISON believes to be appropriate.</p>
<p>Recommendation 13: The Commission is not proposing a single public service pension scheme, but over time public service pensions should move towards a common framework for scheme design as set out in this report. However, in some cases, for example, the uniformed services, there may need to be limited adaptations to this framework.</p>	<p>UNISON argued strongly that only a defined benefit pension scheme would be able to provide adequate income for low to middle wage earning workers. Public service workers should only be moved to new schemes when this is agreed with UNISON.</p>
<p>Recommendation 14: The key design features contained in this report should apply to all public service pension schemes. The exception is in the case of the uniformed services where the Normal Pension Age should be set to reflect the unique characteristics of the work involved. The Government should therefore consider setting a new Normal Pension Age of 60 across the uniformed services, where the Normal Pension Age is currently below this</p>	<p>UNISON does not believe a “one size fits all approach” is necessarily appropriate because no workforce is the same. Reform needs to be on a scheme by scheme basis to ensure that the scheme best reflects and fits with the needs of its workers. However, there need to be clear and transparent underlying principles which are equality proofed and comply with equal pay and equality legislation.</p>

<p>level in these schemes, and keep this under regular review.</p>	
<p>Recommendation 15: The common design features laid out in this report should also apply to the LGPS. However, it remains appropriate for the Government to maintain the different financing arrangements for the LGPS in future, so the LGPS remains funded and the other major schemes remain unfunded.</p>	<p>UNISON supports the LGPS continuing to be a funded scheme and, because of this unique nature, questions the rationale for being included in the same reforms as the unfunded schemes.</p>
<p>Recommendation 16: It is in principle undesirable for future non-public service workers to have access to public service pension schemes, given the increased long-term risk this places on the government and taxpayers</p>	<p>The Commission completely misunderstands how admission agreements work in the LGPS and the safeguards to the Council Tax payer already built into such agreements. Excluding workers after they have been privatised means that if Fair Deal is scrapped the very race to the bottom for pensions the Commission and Government say they want to avoid will happen.</p>
<p>Recommendation 17: Every public service pension scheme (and individual LGPS Fund) should have a properly constituted, trained and competent Pension Board, with member nominees, responsible for meeting good standards of governance including effective and efficient administration. There should also be a pension policy group for each scheme at national level for considering major changes to scheme rules</p>	<p>Everyone who contributes to a scheme should be afforded the highest standards of governance and involvement in the management and administration of their money. A commitment to greater transparency and involvement by trade unions and scheme members will start to bring them into line with modern standards.</p> <p>However the composition of the pension boards and national policy groups needs more detail before full commentary can be made. In the case of the LGPS boards there is no guidance on who will make the investment</p>

	decisions and in whose interest they will be made.
Recommendation 18: All public service pension schemes should issue regular benefit statements to active scheme members, at least annually and without being requested and promote the use of information technology for providing information to members and employers.	We agree that this would help member engagement and understanding. This is already done in the LGPS and seems to work well. With regard to information technology not everyone has internet and e-mail access.
Recommendation 19: Governance and the availability and transparency of information would be improved by government establishing a framework that ensures independent oversight of the governance, administration and data transparency of public service pension schemes. Government should consider which body or bodies, including, for example, The Pensions Regulator, is most suitable to undertake this role.	We welcome improved governance and transparency, subject to the specifics of the framework and the body or bodies being sufficiently resourced and independent enough to perform the role adequately.
Recommendation 20: When assessing the long term sustainability of the public finances, the Office for Budget Responsibility should provide a regular published analysis of the long term fiscal impact of the main public service pension schemes (including the funded LGPS).	As long as we can be reassured that the analysis is truly independent and has a high level of competency and understanding of Public Service Schemes.
Recommendation 21: Centrally collated comprehensive data, covering all LGPS Funds, should be published including fund comparisons, which, for example, clarify and compare key assumptions about investment growth	Again, UNISON would welcome greater transparency in this area but would need to be reassured that the analysis is independent and that the relevant assumptions are justified.

<p>and differences in deficit recovery plans.</p>	
<p>Recommendation 22: Government should set what good standards of administration should consist of in the public service pension schemes based on independent expert advice. The Pensions Regulator might have a role, building on its objective to promote good administration. A benchmarking exercise should then be conducted across all the schemes to assist in the raising of standards where appropriate.</p>	<p>We stated clearly in our submission response that administration within public service schemes (and certainly costs) compares favourably with the private sector.</p>
<p>Recommendation 23: Central and local government should closely monitor the benefits associated with the current co-operative projects within the LGPS, with a view to encouraging the extension of this approach, if appropriate, across all local authorities. Government should also examine closely the potential for the unfunded public service schemes to realise greater efficiencies in the administration of pensions by sharing contracts and combining support services, including considering outsourcing.</p>	<p>There is no evidence to suggest that improved collaboration over the purchasing of fund management for the LGPS has delivered anything like the income generation that fund mergers would achieve. UNISON submitted evidence produced independently that showed up to £1.2bn additional income could be made from merging the 101 funds to 14. This is £300m more than the 50% or more increase in member contributions. Savings in administration are insignificant compared to what could be done with fund management costs. UNISON does not support the outsourcing of administration services and there is no evidence that costs or service levels are better than in house staff.</p>
<p>Recommendation 24: The government should introduce primary legislation to adopt a new common UK legal</p>	<p>A full review of all the legislation both UK and EU and the creation of a transparent legal framework is required. The</p>

<p>framework for public service schemes.</p>	<p>specific recommendations however do not go far enough; Lord Hutton only referenced EU legislation and did not mention in full the EU Directive 41/2003/Institutions for Occupational Retirement Provision which should be applied to the LGPS, this legislation is vital for scheme member security of their assets which is absent from the LGPS legislation.</p>
<p>Recommendation 25: The consultation process itself should be centrally co-ordinated: to set the cost ceilings and timetables for consultation and overall implementation. However, the consultation on details should be conducted scheme by scheme involving employees and their representatives.</p>	<p>UNISON agrees that consultation needs to be on a scheme by scheme basis with clear reference to workforce and scheme characteristics and that unions need to be at the forefront of these negotiations.</p>
<p>Recommendation 26: The Commission's view is that even allowing for the necessary processes it should be possible to introduce the new schemes before the end of this Parliament and we would encourage the Government to aim for implementation within this timeframe.</p>	<p>It is important that this review is not simply accepted and rushed through by Government and changes need to be properly consulted on and accepted as being appropriate prior to being implemented.</p>
<p>Recommendation 27: Best practice governance arrangements should be followed for both business as usual and the transformation process, for each scheme. And there will also need to be the right resource, on top of business as usual, to drive the reforms; particularly given the challenging timescale and scope of the reforms.</p>	<p>UNISON has pointed out in previous responses to the Commission that the Governance arrangements already in force have worked well when the Public Service Schemes were reformed from 2005 to 2009. It is essential to build on the structures that are already in place and expand through dialogue between employers, unions and government departments. The trade unions made strenuous efforts to</p>

	<p>ensure that members were engaged in the process and their views were heard. It is essential that this continues into the future.</p>
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