eBRIEF

For Members of the Scottish Parliament

UNISON Scotland

Public Service Pension Contributions

Background
This briefing outlines the issues likely to face the Scottish Parliament over the decision of the UK Government to attack public service pensions. The Pensions Commission chaired by Lord Hutton made 27 recommendations in relation to public service pensions. However, the UK Government has decided to take additional measures that UNISON and the other unions believe will seriously undermine pension provision in Scotland.

Devolved Issues
Primary pension legislation is a reserved matter for Westminster. This includes the state pension scheme and provisions that cover all pension schemes like taxation. However, public service pension regulations are devolved. This includes the important aspects of scheme design, including pension contributions.

Pension Contributions
Lord Hutton did not make a recommendation on the size of any employee contribution increases. The UK Government are proposing a 3.2% increase on top of the current average contribution of around 6.4% of pay. That's a 50% increase. Recent suggestions that this might be less for the lowest paid are not credible given the large proportion of low paid staff in the public service. More than 50% of council staff earn under £18k. At a time of pay restraint and rising living costs this unnecessary increase is not sustainable. Surveys have shown that large numbers of staff will be forced to opt-out of the pension schemes, placing a further burden on welfare benefits and driving up pensioner poverty. This concern was highlighted in a report by the Westminster Public Accounts Committee.

These additional contributions are not necessary to fund pensions in Scotland. They are simply a 'tax' on staff to pay back government debts that were raised to bail out the banks. The NHS scheme is a 'Pay as you go' scheme with contributions and benefits paid out of revenue. In the last three years net cashflow has been around £2 billion (positive) in each year. The Scottish Local Government Pension Scheme (SLGPS) is a funded scheme, currently subject to a triennial valuation. Under an agreement reached between the Scottish Government, CoSLA and the unions in 2008, any increased costs will be shared between employees and employers. However, early indications are that the Scottish funds will not need to increase contributions in the next few years. Strathclyde Pension Fund (covering around half of scheme members) said last week that they anticipated no increase in contributions.

The Treasury 'expect' the Scottish Government to implement this increase in contributions, although only part of the cost (NHS & Teachers) is scored against the Barnett formula. This is a devolved decision and the trade unions believe that the Scottish Government should abide by the agreements they reached with the trade unions on future pension costs. UNISON is prepared to negotiate over the Hutton recommendations. However, a 50% increase in contributions will wreck quality pension provision as well as being unnecessary and unaffordable by our members.

Useful links
- UNISON Scotland pension page

For more information please contact UNISON's Bargaining and Campaigns team on 0141 342 2811, or email Dave Watson, Scottish Organiser.

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