

3. The budget (December 2012)

On 5 December 2012, the Chancellor George Osborne presented his Autumn Statement. Many issues of concern to pensioners were not covered at all. Nevertheless, the main announcements affecting older people were as follows:

- From April 2013, the Basic State Pension (BSP) will rise in line with 2.5%, giving an increase of £2.70 from £107.45 to £110.15 per week for a single pensioner and a £4.30 increase from £171.85 to £176.15 a week for a couple. Had this rise been linked to the Retail Price Index it would have been 10p more a week. However, for millions of women who do not qualify for a full state pension, their increase next April is likely to be just £1.60 a week – giving a weekly pension of around £66.
- From April 2013, the state second pension and millions of public sector pensions will rise by the CPI figure of 2.2%.
- From April 2013, the basic personal allowance for Income Tax for those aged under 65 will rise to £9440, but the Chancellor has stuck to his plans to freeze the age related personal tax allowances for someone aged 65 to 74 at £10,500 and for someone aged 75 or more at £10,660 until they align with the ordinary personal allowance. Those retiring after that time (born after 5 April 1948) will therefore receive a lower personal tax allowance of £9440. This measure is expected to save the Exchequer £3.3bn by 2016/17, and according to Treasury figures will result in 4.4m existing tax paying pensioners losing an average of £80 next year, whilst future pensioners will suffer a loss of around £197. By contrast, those earning more than £150,000 a year will see their tax drop next April from 50% to 45% - giving them an extra £10,000 windfall.
- The Chancellor mentioned that in the next Parliament (after 2015), the government would introduce a single-tier state pension of around £140 a week by combining the existing basic and second state pensions together. No extra money will be allocated to this change, so it represents little more than a repackaging of the pension system. A white paper was expected in the spring of 2012, but is now unlikely to appear until well into 2013. Existing pensioners will not be eligible for the payment, despite the fact that some, mainly women pensioners, would benefit. This will create a further inequality in the state pension system.
- The Winter Fuel Payment will remain at £200 for households with someone at or over the female State Pension Age and at £300 for households with someone aged 80 or over.
- The Inheritance Tax Allowance will go up by 1% in 2015/16 from £325,000 to £329,000 for individuals and at £658,000 for couples. In the last year this raised around £2.9bn. However, the Chancellor now appears to have changed his mind and will freeze the tax trigger in order to help pay for limited care reforms.

National Pensioners Convention (NPC) Response

The Chancellor largely ignored the concerns of older people in his statement, but most significantly refused to change his plans to freeze the age related personal tax allowances. Following the statement, a number of media commentators and think-tanks have again been suggesting that pensioners have been relatively unscathed by the government's austerity drive and should now be targeted for cuts. This dangerous and ill-informed assertion is clearly aimed at means-testing the universal pensioner benefits such as the winter fuel

allowance and the concessionary bus pass. However, it is necessary to recognise the changes that have already had an impact on the country's older population, such as:

- A cut to the winter fuel allowance of £100 for the over 80s and £50 for those under 80, at a time when fuel bills are rising and every year over 24,000 older people die from cold related illnesses.
- A change in the indexation of state and other pensions from the Retail Price Index to the usually lower Consumer Price Index, which over time will compound the loss of income.
- A state pension that for decades has been one of the least adequate in Europe and results in 1 in 5 older people, living below the official poverty line, whilst millions more struggle on incomes that are just above.
- The proposed freeze in the personal tax allowances of the over 65s.
- Changes to housing and disability benefits, which will reduce the quality of life for those affected.
- A 20% cut to the bus operators grant which has led to a decline in bus services, routes and community transport schemes.
- Cuts to local authority budgets which have resulted in closures of day care centres, rationing of care services and the withdrawal of other concessions, such as access to adult education.

The NPC has criticised the Chancellor for failing to address the main concerns of millions of older people in the December Statement. Dot Gibson, NPC general secretary said: "George Osborne might gloat about how he intends to give older people a guaranteed 2.5% increase in the state pension next April – but that guarantee was only put in place to avoid a repeat of the 75p debacle that happened 12 years ago. What he didn't make clear was that this is just £2.70 a week extra and only £1.60 a week more for millions of older women who don't get a full pension. Even with this increase, one in five older people continue to live in poverty, 3m pensioner households are in fuel poverty and millions more are struggling just to make ends meet."

"He also said nothing about scrapping the freeze on the age related personal tax allowances which he's planning for April, reversing his earlier cut to the winter fuel allowance or making a decision on the future of social care funding – all of which are really important to older people. His refusal to address these issues signals another twelve months of belt tightening amongst Britain's pensioners – at a time when the super-rich are still getting a 5% reduction in their tax rate.

[NPC news release](#)

4. Attack on pensions Not just bad; it's even worse

A devastating analysis of the extent of the attack on [public sector pensions \(PSPs\)](#) has come from a surprising source. The [Pensions Policy Institute \(PPI\)](#) is respected for its technical expertise but is firmly in the camp of the right-wing bloc that seeks to weaken [PSPs](#) and provides some of the intellectual backing for such rampant ideologues as John Ralfe. Ralfe is an accountant who has appeared many times on the BBC programme "Today" under the unwarranted label of a "pensions expert". But more of him later.

“The implications of the Coalition Government’s reforms for members of the public service pension schemes” is a research project carried out by the Pensions Policy Institute and funded by the Nuffield Foundation. The analysis covers the four largest public service schemes: the NHS, Teachers, Local Government and Civil Service pension schemes which account for around 85% of public service pension scheme members. The PPI’s analysis suggests that the Coalition Government’s proposed reforms to the NHS, Teachers, Local Government and Civil Service pension schemes will **reduce the average value of the benefit offered across all scheme members by more than a third**, compared to the value of the schemes before the Coalition Government’s proposed reforms. Across the four largest public service pension schemes the value of the schemes reduces, on average, from 23% of a scheme member’s salary before the “reforms” to 15% of a scheme member’s salary after the changes.

The impact across all members of the **Teachers’ scheme** is to reduce, on average, the value of the pension benefit from 23% of a member’s salary before, to 14% of a member’s salary after the Coalition’s proposed “reforms”, a reduction of more than a third. The cut is due to the **numerically equal** impacts of the increase in contributions, the change of moving to a career average scheme, and the linkage of the scheme’s normal pension age to state pension age. In addition, when the pension is being paid it is indexed by the lower **Consumer Price Index (CPI)** rather than **Retail Price Index (RPI)** which hacks out more value.

Two remarkable facts emerge. Despite the separate negotiations undertaken by the unions associated with the different schemes, the deterioration in pension benefits is virtually identical for each scheme. For members of the Local Government Pension Schemes (**LGPS scheme**), the impact of the Coalition’s proposals is to reduce, on average, the value of the pension benefit from 22% of a member’s salary before, to 14% of a member’s salary after the Coalition’s “reforms”, a reduction of more than a third. This has now been agreed by a majority of the unions involved. It could be argued that the unity achieved by the magnificent 30th November joint union action was sacrificed for separate and divisive negotiations that produced remarkably similar nugatory results.

The second shock relates to the extent of the cut. Several unions assumed that the deterioration would be in line with the 15% cut outlined in Hutton. The PPI calculates a cut over twice as large! So far the trade unions have not given their members this bad news.

The PPI’s allies on the political right are not pleased. John Ralfe has gathered together a group of 30 co-thinkers to attack the PPI report (Professional Pensions 3rd Dec. 2012) since it lets the cat out of the bag on the extent of the PSP cuts. His thread worn argument is that the discount rate used to value the cost in today’s money of public sector pension payments in the future is wrong. His preferred figure produces significantly higher costs and big scary numbers. Both the National Audit Office and the Hutton report argued that this is not a useful measurement. The reason for the fury is that the report suggests that the gap between PSPs and private sector pensions (but not those paid to top executives) is narrow, and it reveals the true extent of the attack.

Julian Atkinson

5. New pension bill – always read the fine print

The opposition to the Coalition proposals to change the Teachers’ Pension Scheme has inevitably centred upon the losses in pension income that are involved. But the fine print of the proposal is just as worrying. The often repeated claim of the Coalition is that the Bill would be a settlement that would last 25 years. The actual text is far less clear.

Clause three gives powers given to HM Treasury to amend any legislation, including primary legislation, without restriction and to make retrospective changes in future. The Bill as drafted opens the possibility that HM Treasury may make retrospective changes to public service pension schemes, potentially worsening the level of pension provisions and denying the accrued rights of teachers and other public service employees.

Clause five of the Bill is not specific about how Pension Board is established. Furthermore, the draft Bill leaves open the question of how a Pension Board may be constituted to ensure there is appropriate representation of scheme members on the Board.

Clause seven in the Bill gives express new powers to HM Treasury to define and redefine at will the arrangements for public service pension provision in future on the basis either of ‘defined benefit’ schemes or on the basis of a ‘defined contribution’ scheme or ‘a scheme of any other description’ as may be determined at any time by HM Treasury. This opens the way for inferior defined contribution schemes, possibly even run by private providers, to be introduced.

Clause eight deals with the annual revaluation of pensions entitlements earned by serving members. The Bill provides HM Treasury with extensive powers to control and change the basis for pensions indexation with reference to the general level of prices or earnings or any other measure. This provision of the Bill could make a nonsense of the proposed CPI + 1.6% revaluation rate.

Clause ten says that schemes must be actuarially valued in accordance with HM Treasury directions on how and when a valuation is to be carried out. There is no requirement for the valuation to be carried out at specified intervals, e.g. **every four years as at present**.

Clause twenty states that the Government has said that the reforms are designed to last for at least 25 years. But if there is consultation with TPS members or their representatives, the 25-year protection can be circumvented simply by making changes to the protected elements of the scheme. The protected elements, the **Career Average Revalued Earnings (CARE)** arrangements, members’ contribution rates and the accrual rates, so this would make the guarantee meaningless, provided that the Government consults (though not necessarily to reach agreement). Consultation must only be with a **view** to reaching agreement, then it can be imposed.

This clause allows the Government (provided that it consults) to make retrospective changes to scheme benefits and accrued pension rights. Public service pensions would **have less protection than private sector schemes**, where benefits can only be changed if the alternative benefits provided are actuarially equivalent. One might argue that the above is an ungenerous reading of the draft Bill and assumes that the Government is prepared to further cut the benefits of those who loyally work for it. That is indeed the assumption.

Julian Atkinson

6. News from the UCU Equality Unit

In the report from the UCU Women Members' Conference in November, I commented that it is not easy to see what happens to the motions enthusiastically supported by the conference. However, exploring the UCU website, I found the Equality Unit Newsletter November Edition. While not answering my specific points, this contains information on various issues of concern and interest:

Government Plans to Repeal the Equality Act 2012 highlight some serious issues such as abolishing the extended power of employment tribunals to put pressure on employers found guilty of unlawful discrimination to reform their practices. They also propose making cuts to the Equality and Human Rights Commission. This is an important, independent body responsible for enforcing equality legislation and compliance with the Human Rights Act. These and other changes are contained in the Enterprise and Regulatory Reform Bill which is currently passing through the Commons, the Lords and committee stages.

<http://services.parliament.uk/bills/2012-13/enterpriseandregulatoryreform.html>

The issue of **Sustainable Working Lives** comes from a motion passed at UCU Congress 2012 and involves the setting up of a UCU working group to look at social sustainability in work. This is felt to be particularly important after the removal of the default retirement age and should help thinking around less traditional working patterns, including access for all to benefits such as flexible working. As for many women, my personal experience was in sometimes working part-time including after official retirement age which was personally and financially beneficial. Equality Reps are being sought to participate in this group and as I felt retired members would have experience to contribute, with the support of the committee I have therefore put my name forward. Watch this space for further news.

The Stephen Lawrence Fund: The TUC is calling on trade unions and trade unionists to help protect the legacy of Stephen Lawrence in raising the awareness of the wider community about institutional racism and racial injustice in the UK. Their work is threatened by the lack of funds for voluntary organisations that has resulted from public spending cuts and the recession. **The trust supports young people and aims to combat social injustice, by promoting equality of opportunity, and surely must not be allowed to fail for lack of funding.**



Rowena Dawson, Woman's officer

7. Chesterfield Trades Union Council

I attended meetings as a delegate for East Midlands UCU Retired Members Branch on 8th Oct and 5th Nov.

The Government's attack on work place safety

The Trade Union Safety Team's contribution is a set agenda item. They reported that the undermining of health and safety at work in all its guises is a particularly unpleasant aspect of the present government's austerity measures and one against which union branches need to campaign.

Prevailing attitudes to people in receipt of benefits and pensions in an era of austerity

Colin Hampton, as a member of GMB and manager of the Chesterfield Unemployed Workers Centre, gave a talk on the perceptions of the general public about unemployed people and how this had changed over the last 18 years he had been in the job. He stated that union members should be concerned about the myths perpetuated by the media about unemployment. He referred to benefits which have actually significantly reduced. Colin will be speaking to our next UCU Retired Members branch in March.

The fight-back against cuts in local services. The plight of the ambulance service in Derbyshire

Petitioning against the local attack on the ambulance service in Derbyshire was planned in the centre of Chesterfield and in Ripley, where a considerable number of jobs are to be lost, and will be an ongoing activity. In Derbyshire there are 18 ambulance stations under threat with 'efficiency' closures of all but two large 'hubs' in Chesterfield and Derby. Not only will this lead to fatalities before people reach a hospital, there are a huge number of jobs going to be lost.

The fight against austerity; Unite the Resistance Conference, London 17th Nov

We agreed to support the 'Unite the Resistance Conference' in London on 17th Nov. Several delegates, including myself, attended. This was a very interesting conference, with many national and international trade union speakers.

Preparations for May Day 2013

Chesterfield Trades Union Council is instrumental in organising the traditional May Day celebrations, which we attended as a branch in 2012. It is important that we continue to support, particularly as the present government has indicated that it wishes to change the international labour day aspect of this holiday, to a national St George's Day, which would not be celebrating the achievements of the working class. Preliminary May Day plans were discussed including of a prominent Trade Union speaker and a woman speaker.

Lucretia Packham, delegate from East Midlands
UCU Retired Members branch

More information

A lot more information and news can be obtained from these websites. We recommend that you have a browse.

UCU National Website: <http://www.ucu.org.uk>

AgeUK: <http://www.ageuk.org.uk/>

68 is too late: www.68istoolate.org.uk

National Pensioners Convention: <http://npcuk.org>
