THE NHS PENSIONS DISPUTE, AN ISSUE FOR ALL?

A CSP briefing for members working outside the NHS

CSP members working outside the NHS cannot fail to have noticed the recent widespread publicity around the public sector pensions review and the fact that the CSP has called for a ballot on industrial action of members who work in the NHS.

This review and subsequent discussions has provoked considerable concern amongst our members who belong to the scheme and a call to take a stand against what are widespread and significant cuts planned by the Government to the terms and benefits of their NHS pensions.

As part of the process we want to make sure that those members who work outside the NHS or who are not directly involved in the dispute are aware of the issues and are better informed around why members and the Chartered Society have taken the decision to ballot for industrial action.

It is also important that you understand the reasons why the ballot is confined to current employees of the NHS and related social enterprise companies and does not include members who may have worked previously for the NHS, but no longer do so.

The background

When looking at the situation we face today with regard to the NHS pension scheme it is useful to have an understanding of the agreement that preceded it. After long and difficult negotiations that started in 2004, agreement was reached in 2008 that dealt with a number of issues and concerns around the viability of the scheme.

Part of the 2008 agreement was to cap employer contributions at the current level of 14% and increase employee contributions. Both sides in the negotiations realised that, like many current schemes, there could be a potential financial risk to the scheme because of increasing life expectancy. The agreement resolved those issues and dealt with that risk: if the cost of the
scheme were to rise in the future, this cost would be met by employee contributions rising to meet any shortfall. This removed the risk from NHS employers, and indirectly the taxpayer. **Therefore the widely reported view that the scheme is unaffordable due to increasing life expectancy and demographic changes is simply inaccurate.**

Equally important is the fact the current NHS Pension Scheme generates a significant surplus each year i.e. more is paid in each year in the form of employee and employer contributions than is paid out in pensions to retired NHS staff. **In 2009-10, the NHS pension scheme generated a £2 billion profit which was paid straight back to the Treasury.** The last set of Government projections in 2008 indicated that the renegotiated NHS pension scheme would remain in surplus in the future.

**The issues now in dispute**

The changes to public sector pension schemes, including the NHS scheme, that are now being driven through by the coalition government are:

1. **An indexation change from the Retail Price Index (RPI) to the Consumer Price Index (CPI)**
   This change has already been imposed by the government without negotiation and affects the value of public sector pensions in payment. Given that CPI is usually lower than RPI, this one change alone could have the impact of reducing the pensions CSP members receive after retirement by 10-15%.

2. **An increase in contribution rates**
   Contrary to some of the views stated in the popular press, the NHS pension scheme is a scheme funded by both member and employer contributions. Most NHS employees currently pay 6.5% of their salary into the scheme. The government are proposing that this member contribution be raised from 6.5% to an average of 9.7%. This means that members are being expected to pay almost 50% more into the scheme in future than they do at present.

3. **Linking retirement age to the state pension age**
   This would mean that members would have to work up to age 68 dependant on the current state pension age at the time. This is an unrealistic aim for staff working in a physically demanding role. Members who feel they have no option but to retire before the state pension age would see an actuarial reduction in their NHS pension of circa 4.2% for each year they retire earlier than the applicable state pension age.

4. **Basing pensions on career average earnings rather than final salary**
   Physiotherapy is a profession where most employees can expect to have some form of promotion during their NHS career, as they work hard
to develop their skills and experience. Changing the NHS pension scheme away from a final salary basis will reduce the pension rights of most CSP members. For many the drop will be significant and for some who receive promotions much later in their working life, the change could see a catastrophic drop in the value of their pension compared to the current final salary scheme.

Each of the above individual changes will damage the pension prospects of CSP members working in the NHS. **Taken together, they represent a huge attack on pension rights that is neither justifiable, nor acceptable.** At a time when the government is saying that we all need to save more for our retirement, to force through changes to public sector pension schemes that will inevitably increase opt-out rates seems nonsensical. To make matters worse, the government is trying to rush through the changes without proper, genuine negotiations with the recognised trade unions.

### Some commonly asked questions

**What is the position of CSP members who no longer pay into the NHS pension scheme but have a retained (frozen) NHS pension?**

Although all members will be affected by the government’s decision to worsen the arrangements for uprating pensions in payment, this change has regrettably already been introduced. The current dispute over NHS pensions only affects employees who are working in the NHS or a related social enterprise company and are either current contributing members of the NHS pension scheme, or eligible to join the scheme. The government has said that it is not intending that the further changes it is seeking will apply to pension rights/benefits already accrued.

**What about CSP members who work outside the NHS but for an employer who is in the NHS pension scheme?**

There are a small number of non NHS employers who have been allowed to link to the NHS pension scheme and whose employees therefore remain in the scheme. However the current pensions ballot only covers those members currently employed either in the NHS or in one of the recently formed and related social enterprise companies.

**Isn’t the NHS pension scheme gold plated and unaffordable?**

No, the average pension paid out last year to NHS employees was £7000 a year and the average paid out to women employees was under £4000. Neither of these could be described as huge sums of money. It should also be remembered that employees who make their own pension provision do not receive the same state pension top ups and pension credits that they would receive if they had not saved towards their own pension. The savings to the exchequer of public sector
employees having saved for their pension is significant, yet this is never mentioned when discussing the cost and viability of these schemes.

It's true though that the country simply cannot afford to pay out for these pensions isn't it?

No it is not true. As mentioned above, NHS employees and employers paid over £8 billion into the NHS pension scheme last year, yet only £6 billion was paid out as pensions. This is a surplus of £2 billion. The scheme has generated a significant surplus each and every year. The sensible approach of government would be to take the surplus generated by the scheme and put that aside for later years when that money may be needed. Instead, the surplus from the scheme is simply spent by the exchequer every year as another form of taxation.

Industrial action at this stage is wrong - aren't you still in negotiations?

The government proposals affect most public sector staff, including the NHS, teachers, higher education, local government, civil service, fire and police. The TUC and public sector unions would be only too happy to be involved in genuine negotiations around these proposals. The reality is that the Government negotiators are (so far) refusing to negotiate on any of the substantive changes to the public sector schemes. They are only willing to talk about when and how their changes will be implemented. The whole idea of a ballot for industrial action is to put pressure on the government to enter into real and meaningful negotiations. An agreement can be reached, but not without a willingness on the part of the Government to negotiate on their demands for radical changes to the value of, and contributions required, for the NHS Pension Scheme.

I don't have access to a scheme like the NHS pension scheme so why should I support others to keep something I can't have.

We have to recognise we are in difficult financial times and in every sector of healthcare, members will be facing difficult decisions and financial constraints. For everyone working in the world of physiotherapy, there will be differences/benefits of the contract or income that are not enjoyed by other members. We would hope that members understand that drastic cuts to NHS pensions and a drift to the lowest common denominator helps no one and devalues the professional work that is undertaken by all.

NHS employees like many others have already had many recent challenges. There has been a 2 year public sector wide pay freeze. We have seen widespread reorganisations that have resulted in job losses or downgrading for NHS physiotherapy staff and enforced changes to on-call rotas and systems that have meant a further loss of pay. Members are not asking or expecting there to be no change to the pension scheme simply that the:
• Change from RPI to CPI
• Change in the normal retirement age to mirror the state pension age
• Change from a final salary scheme to a career average scheme
• Change in member subscriptions so they pay 50% more for a much worse pension

……….all of these things together are a step too far and cuts in the value of NHS pensions will not help anyone in the private sector.

**What will happen to physiotherapy patient care if the result of the ballot is for industrial action in the NHS on 30th November?**

Guidance is being drawn up by the CSP and will be published shortly. In summary, the guidance will ensure patient safety and that critical care physiotherapy for patients is maintained on 30th November.

**Even though I don’t work in the NHS could this affect me?**

If you have at some time worked in the NHS and have a preserved pension this is likely to be negatively impacted by the change from RPI to CPI. If at some time in the future you seek work within the NHS you would be offered the NHS pension that exists at the time and therefore would be directly impacted by the changes. If there is an erosion in terms and conditions of employment for NHS employees, this may well have an impact on those employed in the charitable and private hospital sector as these employers often use NHS terms as a benchmark for their own terms and conditions of employment.

**So what do we want you to do?**

We simply want our members working outside the NHS to be informed about the reality of what is being proposed for our NHS members.

Hopefully in light of the information we have provided you will feel better informed and will feel able to support NHS members in trying to defend their own terms and conditions of employment. We are not asking you to do anything other than to simply understand the issues around the proposed changes and the reasons your NHS colleagues feel so strongly about the proposals. We would urge you to support these colleagues in any way you can.

*1st November 2011*