

29 July 2010

Lord Hutton
Independent Public Service Pensions Commission
1 Horse Guards Road
London
SW1A 2HQ

Dear Lord Hutton

ATL's SUBMISSION TO THE INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION INTERIM SEPTEMBER REPORT

1. The Association of Teachers and Lecturers (ATL) welcomes this opportunity to respond to the Commission and is encouraged by its independent status.
2. ATL contributed to the submissions of the Public Service Pensioners' Council, the TUC and the teachers' side of the TSWP and takes this opportunity to fully endorse and reiterate the arguments made in those submissions.
3. ATL is an independent, registered trade union and professional association, representing approximately 160,000 teachers, headteachers, lecturers and support staff in maintained and independent nurseries, schools, sixth form, tertiary and further education colleges in the United Kingdom. ATL represents the largest number of staff working in the independent sector.
4. Most of our members are in the Teachers' Pension Scheme (TPS) and our support staff members are largely in the Local Government Pension Scheme (LGPS). ATL supports decent pensions for education staff at all levels, both in recognition for the vital work they undertake and as a means to independence and dignity in retirement.
5. Around eighty-five per cent of independent schools have chosen to participate in the TPS. This demonstrates the importance placed by employers in having good pension provision for their employees. Independent school employers view the TPS as a valuable recruitment and retention tool; and our members employed in the independent and state sector recognise the importance of saving for retirement and the value of a good occupational pension scheme in doing so.
6. The Coalition Government has promised to protect front line services from job losses when it comes to reducing the number of public sector employees. Therefore, it is not expected that there will be a huge drop in the number of teachers, which would automatically have a detrimental affect on the income from contributions received by the TPS. However, any attempt to cut the value of teachers' pension benefits would damage trust in the scheme and may lead teachers, who are eligible, to retire early in order to escape a perceived raid on

their pension rights, placing unnecessary pressure on the scheme. The consequence of scare-mongering among public sector workers is damaging to the morale of a workforce very committed to their public service, and who often devote their working lives to it.

7. Similarly, attempts to cut the value of benefits would harm the trust in the Government to honour its commitments. It may discourage younger members from joining the scheme, if they believe the scheme they join will not be the same scheme when the time comes for retirement. Inevitably, this would only end up harming the current and necessary drive to encourage everyone to save more for their retirement.
8. Ideological opponents of public service pensions are keen to present teachers' and other public service pensions as unreformed. The TPS underwent a thorough process of modernising reforms in recent years, culminating in the changes to the scheme effective from January 2007, which included an increase in the employee contribution rate, a raised retirement age and a change to the benefit structure. These reforms are still bedding down and must be allowed to show their effects. Any recommendation at this stage would be premature.
9. Like the TPS, LGPS reforms have also been put into place with effect from April 2008. Changes included a tiered contribution rate and the abolishment of early retirement under the 85 Year Rule. Again, the effects of these reforms must be given time to show before serious and informed decisions can be made about any changes.
10. The actuarial valuation of the TPS as at March 2008 is underway and we look forward to its publication later this year. It would be unfair to make judgements about the short-term savings that can be made when pensions are a necessarily long-term and, indeed, on-going project. ATL believes it is punitive of the Government to demand immediate savings on pension payments and could be counterproductive further down the line if medium and long-term considerations are not taken in to account. ATL urges the Hutton Commission to take account of the pending valuation of the TPS. If the Commission is going to make any recommendations, they must be based on sound actuarial reasoning and not because of political pressure or at the whim of Government; otherwise the scheme covenant becomes meaningless.
11. Support staff members are the lowest paid in the education sector, made up chiefly of women working part-time. The LGPS is extremely important to their standard of living in retirement, as this category of pensioner may not have a full basic state pension. Nearly fifty percent of pensions in payment from the LGPS are below £3000 a year. ATL members will undoubtedly react very strongly to any attempt by the Government to worsen the retirement situation of low paid workers through cuts to their long-held pension expectations.
12. Furthermore, ATL expects that the Commission will view the recently announced switch from RPI to CPI as the measure by which public sector pension will, by their link to SERPS/S2P increases, be increased, as an immediate saving. This change makes an immediate and significant saving to pensions in payment, as well as on future and deferred pensions. It also reduces the salary on which a person's pension is based as the factor by which past salaries are indexed. ATL would not like to see this measure overlooked when the Commission considers immediate savings. Notwithstanding, ATL does not wish to

condone the introduction of this measure by the Government, which lacked any consultation whatsoever.

13. It has been deeply disappointing to read the comments in certain publications about the cost of public service pensions and the huge sums quoted which only serve to frighten an already misinformed public. The debate surrounding public service pensions has been conducted exclusively in a negative atmosphere. In the majority of these publications, the costs of providing pensions in the public sector have been based on unsound statistical analysis. There are costs implications for providing public service pensions; however, the question that one must consider is how these costs should be presented accurately and responsibly. Critics of the public sector schemes have sought to present these costs in a way which puts them in their worst light. In seeking to secure greater clarity and some form of consensus around the costs of the schemes, we believe it is important that the Commission offers a view on how to present these costs in such a way as to assist informed discussions on affordability.
14. ATL welcomes a Government that is encouraging us to save more for retirement and we would be disappointed if the best area of pensions provision were to be attacked. We urge the Commission to look beyond the inaccurate and misleading figures in the press that are designed to scaremonger and to exploit the fears of the public during a period of financial hardship. We urge the Commission to agree that public sector pensions are desirable, affordable and sustainable and that the erosion of private sector pension provision is the real problem for retirement saving in this country.

ATL strongly believes in full, co-operative and constructive consultation and looks forward to working closely with the Commission in the coming weeks and months. ATL is willing to answer any questions arising from the Commission's study of our submission and can provide further written or oral evidence on request.

Yours sincerely