



CAMBRIDGE UNIVERSITY BRANCH NEWSLETTER

March 2012

PENSIONS SPECIAL EDITION

Unite the Union statement to members

In early 2010 the University approached the support staff Unions with proposed changes to the CPS pension scheme. Current legislation does not allow the University to reduce benefits already gained, so any proposed changes would apply to benefits earned after the implementation date. They said that their proposals were not set in stone and that they welcomed discussion.

The University's reasons for proposing these changes were listed:

- People are living longer, meaning that pensions are paid over a longer period and therefore cost more.
- The CPS investments made by the scheme had not done well in recent years, and were not expected to do well in the near future.

In later discussions it was explained that there were increased running costs applied to the scheme due to an increase in Government legislation and regulations.

We were given the following outline of the proposals:

The CPS would become a hybrid scheme; one very much like that being introduced to new members in the University's current proposal. This would be introduced to all assistant staff who are members of the scheme, both existing and new.

The proposed scheme would consist of three parts:

50% of the scheme would remain Defined Benefit with an accrual rate 1/160ths. Members would pay 3% of pensionable salary to this.

25% of the scheme would rely upon members opting back into the 2nd State Pension (S2P) at a cost of approximately 1% of salary, but could be higher depending on how much an individual earns.

25% would become a Defined Contribution scheme, with a 5% contribution overall.

Increases to deferred pensions and pensions in payment from the scheme would be linked to the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). (CPI is the new means of measuring inflation preferred by the Government. It is currently about 1.4% lower than RPI).

All staff would retire at 65. The pensions of those retiring before 65 would be subject to an actuarial reduction – a reduced pension. (This is a major change. Current CPS members who joined the scheme before 1 December 2009 can retire at 60 without an actuarial reduction).

Throughout the early consultation the University always stated that the emphasis was on reducing its risk. They proposed that 50% of future risk would be shared between the members of the scheme, through the Defined Contribution element (if investments fall, so does that part of your pension) and the Government, through the State Second Pension (S2P), thus reducing the risk to the University by 50%.

Unite saw several difficulties with this proposal. We considered that the University was asking CPS members to take on too much of the risk and asked the University to consider increasing its share. We also pointed out that members approaching retirement, 50 years and older, would not have enough time to accrue a decent pension in the Defined Contribution part of the scheme.

There was little movement in the early months of discussion, so Unite asked through the University and Assistants Joint Board (UAJB), that a Special Joint Negotiating Committee (SJNC) be formed as set out in University Statutes and Ordinances.

After some deliberation, the University agreed and negotiations began proper in December 2010.

SJNC Negotiations

We asked that the Unite National Pensions Advisor, Bryan Freake, and the Regional Officer, Ian Maidlow, attend these meetings alongside local negotiators. The University agreed to this.

For the first time the discussions became meaningful. Unite pointed out that whilst we understood the University's aversion to risk, it, as an institution, was far better placed to deal with that risk than were individual members of the scheme, whose pension on retirement could be greatly reduced should the economy take a fall. We explained that many members of the CPS were long serving and that they had reasonable expectations that under the new proposals looked unlikely to be met.

Also, negotiations between sister union UCU and the employers over proposed changes to the Academic Staff pension scheme (USS) had not yet concluded. We would be seeking parity, or better, with this scheme. There was some disquiet also about opting back into S2P.

It soon became clear that the University negotiators had been given a clear remit: Future risk to the University would be no more than 50% of total risk and that any concessions made would not involve an increase in total risk or a reduction of the proposed savings to the University.

But, successful Union negotiation eventually resulted in the following significant changes being made to the proposal;

The proposed accrual rate for the CARE part of the scheme was increased from 1/160th to 1/100th for existing employees – still far short of the 1/60th long serving members currently enjoyed, but an improvement in the proposal none the less.

The proposed Defined Contribution section of the Hybrid Scheme would be removed for existing employees.

The scheme, again for existing employees, would be linked to RPI inflation rather than CPI inflation.

Members would be able to retire at 63 without an actuarial reduction rather than the proposed 65.

Unfortunately we could only win these concessions for existing members of the scheme. For new members, i.e. those starting after the proposals are implemented, the scheme does not alter a great deal from the University's original proposal: the main concession given being higher death benefits than originally proposed.

Having won these concessions for existing members Unite were still not happy. In 2011, the Government announced its intention to potentially remove ("review") the Second State Pension(S2P); and we were still uncertain how the CPS, even with the proposed concessions, measured up against the USS pension scheme.

At an extraordinary meeting of the UAJB in early 2011, two members of Unite voted against the proposal of going forward to consultation with members of the CPS. Unfortunately we were outnumbered and the Consultation Period was announced. It ended in November 2011.

Consultation

Many of you will have attended the meetings organized by the University, and all should have received the lengthy Consultation Document.

During the consultation it became clear to us that our members were concerned with the following major issues:

The opt in to S2P: Given the Government's review and the possible intention to replace it, what would the University do to ensure that CPS pensions were protected?

The reduction of the accrual from 1/60th and 1/80th to 1/100th.

The comparison to the USS scheme: Many believe that the USS, with its higher accrual rate, is the better of the two schemes. It was also noted that current members of the USS will retain a final salary pension, whilst CPS will move to a CARE, career average revalued earnings scheme.

The University identified that:

- Current members were concerned at the proposed removal of the availability of an AVC facility after the implementation date.
- Pre December 2009 members were concerned about the

loss of the right to retire at 60 with unreduced benefits, and did not want to lose that right.

In response to the consultation feedback from CPS members the University propose that:

- A Defined Contribution AVC scheme is made available to members who start paying AVC's after the implementation date.

The age at which current members will be able to retire without actuarial reduction will remain at 63, but pre December 2009 joiners will have the option to pay a contribution of 3.5% of pensionable salary to retain the right to retire at 60 and receive an unreduced pension.

The University actuary, Jonathon Seed, met with Unite representatives to discuss the USS in comparison to CPS. The University view is that, because the CPS is linked to RPI, and the USS to CPI (which is expected to be around 1% lower than RPI over the long term), the CPS benefits will increase at a faster rate than USS benefits. Under certain economic conditions, this could be true. However RPI only applies to existing members of the CPS, new members will be linked to CPI. In addition, we understand that current members of CPS would have to be in the scheme a further ten years from the implementation date under current conditions before their benefits are equal to that of a new member of the USS. Through discussions with the University we understand that the average length of time a member stays in the CPS is less than 10 years.

Also, as mentioned above, current members of the USS remain on a Final Salary Defined Benefit scheme. The Defined Benefit part of the proposed new scheme for current members of CPS will become Career Average.

The University informed us that those members of the CPS whose salaries grow faster than RPI will be better off in a final salary scheme, but members whose salary does not keep up with RPI inflation will be better off in a CARE scheme.

Given that University pay scales are incremental, rising in 3% increments over a period of years and that the Government's stated aim is to lower inflation, Unite have suggested that members of a CARE scheme are unlikely to see any great advantage when compared to a Final Salary scheme and what advantage there is could be negated should a member accept promotion, especially if that promotion was towards the end of their career.

It should be noted that currently the basic employee contribution rate in USS is higher than in CPS and that a large percentage of any future increase in contributions will fall upon USS members rather than on the employer, so monthly contributions for members of the USS scheme could rise significantly should the economy fall. However, we understand that our sister union, UCU, is contesting this and that, should further negotiations ensue, the employee contribution rate to the USS may be subject to change.

Contribution to the CARE section of the CPS scheme should not get higher. However S2P is not within the control of the scheme, or of the University, but is controlled by the government. Individual contributions to S2P vary

depending on earnings. It is expected that most members of the CPS scheme will pay around 1% - 1.2% of pensionable salary. We have no guarantees that this won't change in the future. S2P benefits will be paid at state pensionable age so most members of the CPS who retire at 63 or before will not receive S2P payments until they are 65 or older, depending on future Government legislation.

Unite asked that, given the uncertainty which surrounds S2P the University put in place guarantees to ensure members of the CPS will not be disadvantaged should the Government remove, or change, it. The University fell short of this; they acknowledged our concerns but said that they could only commit to a joint "review" of the situation, possibly reconvening the SJNC through the UAJB, when the changes to S2P are known.

The next step

It is now clear to the Unite negotiators that they have gone as far as they can through negotiation without further support from the Unite membership. They have recommended to the branch executive that Unite members be presented with the facts and that they arrange a consultative ballot, allowing members to vote as to whether or not to accept the changes after negotiation to the CPS as proposed by the University.

It is now up to you to have your say.

In accordance with union rules and under recommendation from our negotiators, we are asking you to complete and return the enclosed ballot paper. Please note that this is a consultative ballot. Should the majority of Unite members vote not to accept the proposal, Unite would ask the University to return to negotiations, knowing that they have the support of the membership. Should the University decline we would then return to the branch membership for guidance on what further action they would be prepared to take.

Will Smith

Unite Cambridge University Branch Secretary

The current proposal:

A summary of the University's current proposal is set out below

For existing members this is a contracted-in defined benefit scheme providing

An RPI linked pension of 1/100^{ths} of revalued average earnings for each year of pensionable service

plus

A lump sum of 3/100^{ths} of revalued average earnings for each year of pensionable service

plus

State Second Pension (S2P)

Pre December 2009 joiners can retire at age 63 without reduction and have the option of paying additional

contributions to enable them to retire at age 60 without any reduction (at a cost of 3.5% of pensionable salary).

The employee contribution rate to CPS is 5% for existing members

Average expected increase in National Insurance contributions as a result of opting back into S2P is approximately 1%- 1.2% of salary.

For new entrants the proposal is a hybrid scheme providing:

A CPI linked pension of 1/150^{ths} of revalued average earnings for each year of Pensionable Service

plus

A lump sum of 3/150^{ths} of revalued average earnings for each year of pensionable service

plus

State Second Pension (S2P)

plus

5% University contribution to a defined contribution account

The employee contribution rate to CPS is 3% for new entrants

Compared to the current benefit structure for new entrants the average expected increase in National Insurance contributions as a result of opting back into S2P is approximately 1%- 1.2% of salary.

For employees with internet access, full details of the University's current proposal can be found at: <http://www.admin.cam.ac.uk/offices/pensions/>

Diary Dates

14th March - Unite organised march to UCEA offices at Tavistock Square in London.

A protest against last years derisory pay rise for Higher Education staff.

All Members welcome, please contact Will Smith for further details; ws103@cam.ac.uk/T. 34444

Any Member interested in becoming a Workplace Representative can get details from the Branch website;

<http://www.unite.cam.ac.uk/>

The training is informative and surprisingly good fun.

Your Employer has a duty under Law to allow time off for Trades Union activities: <http://www.nidirect.gov.uk/index/employment/trade-unions/time-off-for-trade-union-duties-and-activities.htm>

The Cambridge Science Festival is taking place from 12th -25th March, this years theme is 'Breaking Boundaries'.

More details at: <http://www.cam.ac.uk/sciencefestival/>

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For national news and issues please visit
the *Unite the Union* website at:

<http://www.unitheunion.com/>

More information and links

Information on the branch including details of working groups, branch structure and Minutes of monthly branch meetings can be found at:

www.amicus.cam.ac.uk

It is imperative that Unite members who have changed their place of work, job title, home address or contact details inform the Branch Secretary of their new situation.

The Unite / Amicus web pages are available at: <http://www.amicus.cam.ac.uk>
Website coordinator : Cathy Salkield.
Items for inclusion - please contact:
webmaster@amicus.cam.ac.uk

Use your website: copies of draft Minutes from monthly Branch meetings can be downloaded from the website and taken along to Branch meetings: this will help cut down on photocopying costs for the Branch. You can also find details of Unite representation on Partnership Working Group (PWG) and University and Assistants Joint Board (UAJB) meetings.

Branch Newsletter

Please display a copy of the Newsletter in your workplace. If you need additional copies please contact Will. Please pass copies of your Newsletter to colleagues who may not be Union members to show them what Unite can do for them. Any items for inclusion in the Newsletter to Will Smith at: newsletter@amicus.cam.ac.uk

Branch Meetings

Branch meetings take place on the first Monday of the month (except when a Bank Holiday occurs) at 12.45 in the Bramwell Lounge, University Social Club (USC), Mill Lane.

Branch Officials and Organisation: contact details

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