The Society of Radiographers
Response to Independent Public Service
Pensions Commission

July 2010
THE SOR RESPONSE TO THE INDEPENDENT PUBLIC SERVICE PENSIONS COMMISSION

INTRODUCTION

The Society of Radiographers (the SOR) is the trade union and professional organisation representing the majority of radiographers and others in the imaging and radiotherapy workforces in the United Kingdom. The vast majority of our members work within the NHS and are therefore in receipt of NHS terms and conditions of service as well as being members of the NHS Pension scheme. The SoR is recognised in every Trust that provides a radiographic service, by the NHS Staff Council and holds a seat on the NHS Pension Scheme Governance Group (NHSPSGG).

The SOR notes that the Chair of the review has been asked to conduct an independent review of public sector pension provision and make recommendations on provision that is sustainable, fair and affordable in the long term.

The chair asserts that in this first phase he will be assessing current provision identifying problems and considering objectives that could set a framework for change.

The chair also wishes to consider:

- Affordability, fairness, impact on mobility and plurality of current public service provision of the current public sector pension schemes and
- The objectives that should guide future public sector pension provision

Additionally, the chair states that he has been asked to consider the case for delivering savings on public sector pensions ahead of the forthcoming Governments spending review and that he would welcome any thoughts or observations for more immediate action in the context of affordability and fairness although he adds that this first round is designed to identify the problem and establish the framework for solutions.

The SOR notes the terms of reference of the review.

The SOR welcomes the opportunity to respond to the interim independent review and is keen to ensure fair adequate and affordable pension provision for its members.

The SOR supports the submission sent by the NHS Pensions Scheme Governance Group (NHSPSGG) and submits specific evidence as below.
DEMOGRAPHICS

Compositional Factors

SOR Membership.

20759 members (excluding overseas and student members)

17232 female members

Female members are 83% of total membership.

3075 members where ethnic origin other than white European

Comprising nearly 15% of total membership.

Age Groups and members.

In key age groups:

40-44 years 2364 members

45-49 years 2745 members

50-54 years 2371 members

55-59 years 1835 members

60-64 years 780 members

As can be seen from these age cohorts a significant % of the SOR membership will already be making retirement plans on the basis of existing NHS Pensions arrangements.

Any changes to the NHS Pension scheme will clearly affect this constituency and also have a potential equalities impact given the proportionately high number of women and ethnic minorities in the radiographic workforce.
BACKGROUND

The chair may be aware that the 1995 section of the NHS pension scheme was closed to new entrants as at 31 March 2008 and a new section of the NHS pension scheme commenced with effect from 1 April 2008 (these sections of the scheme are referred to as the 1995 section and 2008 section respectively). This new section was brought about in partnership recognising;

• Considerable pressure already in the system around the employer contribution rate
• Inland Revenue changes to the tax regime
• Government desire to raise Normal Pension Age (NPA) from 60 to 65
• Age Discrimination & Civil Partnership legislation
• The rising age profile of NHS employees (including) radiographers

The aim of the partners was to bring about a modern, affordable, secure and flexible pension scheme recognising that any solution had to be sustainable in the medium and longer run as well as;

• Ensuring the NHS pension scheme meets the needs of the modern NHS and its staff by making benefits more appropriate for today’s workforce
• Helping make the NHS the employer of choice
• Supporting recruitment and retention
• Providing staff with assured income in retirement
• Keeping employer contributions at 14% - two-thirds of overall cost

The Pension Review group therefore brought in a system that;

• Increased employee contributions (tiered)
• Capped employer contributions at 14% (with an interim cap of 14.2% to be applied in 2012 for the implementation of the 2008 actuarial valuation)
• Reduced costs through giving larger lump sums, closing special class groups, reducing ill health retirement and most importantly raising NPA to 65 for all new entrants

Given the employer cap on contributions any cost pressures over and above those identified in the review would be met by further increases in the employee contribution rate or by a reduction in benefits.

In order to allow for the flexibilities required to encourage working in later life the NHS pension scheme drew up rules that allowed for step down, draw down, pensionable re-employment and recalculation of final salary as the average of the best 3 years in the final 10 years of service rather than the best year in the final three.

All new NHS staff is required to join this new section, existing staff are currently being given a one-off choice as to whether to join the new section or remain in the 1995 section.
RESPONSE

Sustainable, fair and affordable in the long term

The Commission seeks to ensure that Public Sector pensions are "sustainable, fair and affordable in the long term".

The SOR believes that the NHS Pension scheme meets these criteria with flying colours and the review of the scheme was embarked on and finalised with all these points in mind.

The "cap and share" arrangements ensure that no additional monies beyond the 14% employer contribution allowed for in the scheme rules will ever be called upon allowing for short, medium and long term financial planning and sustainability. The Commissioner should also bear in mind that the NHS pension scheme has in any case never been a drain on the taxpayer (notwithstanding the fact that radiographers are taxpayers too) and has, since its inception received more in contributions than it has paid out in benefits. A recent valuation showed it has received £7bn in contributions and paid out £3bn in pensions.

We ask the commissioner to bear in mind that radiographers make no call on this money until retirement age and we expect the government to maintain its NHS pension account wisely to ensure the deferred earnings of our members are paid when necessary.

However there is an element of unfairness in the current cost sharing scheme in that 100% of savings are retained by the government whilst 100% of additional costs are borne by pension scheme members. We made representations at the time that we considered this to be unfair.

Overall given new and existing arrangements the SOR believes that the NHS pension scheme could not be anything other than sustainable, fair and affordable in the long term and we would not wish it any other way. We commend the NHS scheme to the rest of the Public Sector.

Identifying problems and considering objectives that could set a framework for change

The Commission asks for assistance in 'identifying problems and considering objectives that could set a framework for change'.

There is no doubt that there is a case for change. 'Fit for the Future, the National Association for Pensions Funds vision for pensions' states "12 million people are either not saving or not saving enough and defined benefit schemes are in decline". The report continues that the UK state pension is among the lowest and least adequate in Europe with means tested benefit (Pensions Credit) only reaching 70% of those who are eligible for it. The recent publicity around occupational pensions and public sector pensions in particular has caused a lack of focus on the state system and the paucity of private sector pension provision.

The pensions agenda also includes levels of funding, pensions of high earners, auto enrolment and compulsory contributions as well as poverty in retirement and reliance on state benefits for those beyond the (rising) state retirement age.

This is an immensely complex area not helped by the additional pressures of emotive media and political interest. Nevertheless we stress the underlying message of under – provision and the prospect of very widespread poverty in old age. In this context we urge the commission to avoid a “race to the bottom” for public sector workers, particularly radiographers, who will rely on their occupational pensions for income in retirement over and above the
state pension.

Increasing longevity and the impending retirement of the “baby boomer” generation are contributing to rising cost pressure within the system. The demographic figures are widely available and the SOR emphasises that most single pensioner households are headed by a woman adding to the imperative to protect and enhance pension provision for our members.

The commission may not be aware that the average female pension in the NHS IS about £3800 for women and £9000 for men.

In conclusion there is a clear problem of poverty in retirement especially for women and absolutely for that not in receipt of an occupational pension.

Affordability, fairness, impact on mobility and plurality of current public service provision of the current public sector pension schemes

The SOR states once again that there is not a problem regarding affordability as far as the NHS pension scheme is concerned. Figures available from the NHS Pensions Agency show that it has since its inception consistently provided more money to the treasury via employer and employee contributions than it has paid out in benefits, this was confirmed at the last Actuarial Valuation (2008) (see above).

Further where there are issues of affordability the NHSPSGG will address these in partnership and, subject to the employer cap, either raise contributions or reduce benefits. Thus there will never be a future call on additional funds from the taxpayer.

As to whether the taxpayer can afford this current provision the answer - according to the figures of the Office for Budget Responsibility (OBR) - is a resounding yes not just for the NHS but for the entire Public Sector. In its recent report the OBR exposed the future costs of public sector pensions to be steady, predictable and sustainable.

In Table 5.1 of the OBR's lengthy report we see that public sector pensions currently cost the taxpayer the equivalent of 1.8 per cent of GDP; that will rise, the OBR calculates, to 1.9 per cent over the next 20 years, before returning to 1.8 per cent and then, by 2049/50, falling below current levels to 1.7 per cent of GDP. So, over nearly the next half-century, the burden of paying for public sector pension schemes will remain pretty much static.

With regard to fairness the SOR believes this point is adequately covered in the NHSPSGG joint submission as are any potential impacts on the mobility and plurality of current provision in the public sector

The objectives that should guide future public sector pension

The SOR shares the comments in the NHSPSGG submission

CONCLUSION

The SOR believes that NHS pension provision is fair, affordable and flexible enough to accommodate change.
We do not believe that pension costs are rising per se but as a consequence of more pensioners living longer. Nor do we believe that existing provision for radiographers is excessive.

The NHS pension scheme has already been reformed and radiographers have increased their contributions, raised their retirement age, and agreed to accept any potential future cost increases through higher contributions or reduced benefits and as stated the reformed NHS scheme could form a model for future pension provision.

Pensions are a recruitment and retention tool, critical if we are to address the shortage of radiographers; they are also a method of alleviating poverty in retirement and reliance on state benefits which is also good for the taxpayer.

In reality, most public-sector workers, and the NHS workforce in particular, will retire on modest pensions, achieved only by decades of service.