



Irish National Teachers' Organisation
Cumann Múinteoirí Éireann

Consultation - Proposals for implementation of the reformed NI Teachers' Pension Scheme in 2015

INTO Response

By e-mailing: PensionsPolicy@deni.gov.uk

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INTRODUCTION

1. The Irish National Teachers' Organisation (INTO) is the largest teachers' union in Ireland with approximately 7,000 members currently in Northern Ireland. The INTO has members in nursery, primary, post-primary and special schools, including teachers at all stages of their career, from student teachers through to principals, and across all sectors of education in Northern Ireland.

2. The INTO, along with the other recognised teacher unions in the Northern Ireland Teachers' Council (NITC) meet regularly with the Department of Education and the employers at the teachers' Superannuation Consultative Committee, TSCC.

3. From February 2013 the trade unions, including INTO, through NIC ICTU, have been meeting with the Department for Finance and Personnel and the Assembly Committee for Finance and Personnel. INTO represented the NITC on the NIC ICTU/DFP Public Services Pensions Bill Collective Consultative Working Group. This group continues to meet to look at aspects of the Public Service Pensions Act NI which are common to all public sector schemes.

4. The INTO wishes to reiterate our firm belief that further review of the teachers' pension scheme in Northern Ireland is neither necessary nor appropriate and regret that, in the consultation document, reference is made throughout to issues of clarity rather than whether the reforms of the NITPS are necessary or justified. There should have been a further formal opportunity to comment on the principle of the reforms, not just the detail.

5. INTO also rejects the premise that there is a case for further structural reform of public service pensions. The Union consider that this is based on the Coalition Government's ideological antagonism towards public sector pensions, not the evidence available. It is simply not good enough that the Government have yet to complete and publish the valuation of the current scheme as at 31 March 2008 in order to establish the true financial position of the NITPS.

6. It was the clear view of the Unions, the Department of Education and the employers at the time that the agreement reached on changes to the NITPS for implementation in 2007 resulted in 'a good and fair balance between the interests of teachers and taxpayers' while 'ensuring the long-term sustainability and affordability of the NITPS'.

7. The INTO notes that the Reports of the Independent Public Service Pensions Commission (IPSPC), chaired by Lord Hutton, found that these past reforms, the current freeze on public sector pay, and planned workforce reductions will reduce the future cost of pensions to such an extent that 'the gross cost of paying unfunded public service pensions is expected to fall from 1.9 per cent of GDP in 2010-11 to 1.4 per cent of GDP by 2060' and, as the Commission's own projections show, the net cost (after taking account of employee contributions) will reduce from 1.5 per cent of GDP in 2010-11 to below 1.1 per cent of GDP from 2050 until 2060.

8. The INTO is profoundly opposed to the changes to teachers' pensions over which the DE is consulting, which alongside the reforms to other public sector pension schemes are not only unjustified but represent a cynical seizure of the pensions of public sector workers to pay for an economic crisis which is not of their making.

9. The INTO opposes the provision that normal pension age should equal state pension age in the proposed NITPS. It is unreasonable to expect teachers to be forced to work into their late 60s for a full pension. It would be completely unacceptable for teachers to be expected to work past their 70th birthday, as is perfectly foreseeable under the proposal for future reviews of the state pension age included in the current Pensions Act. That inclusion means that teachers will not be able to plan for the future with any certainty, as a Government decision to increase the state pension age would have a knock-on effect on all of their post-2015 occupational pension rights as well as their state pension rights.

10. The INTO also continues to oppose the average 3.2% increase in employee contribution rates prior to 2015. This has nothing to do with pension scheme funding. Instead, it is a levy on teachers to pay for the costs of the recession.

11. The INTO is responding to the questions in the consultation solely to attempt to secure members' interests as fully as possible. The INTO will continue to fight for a fair, living pension for all teachers and will continue to have as our aim the replacement of the 2015 Teachers Pension Scheme with a fair and just Teachers Pension Scheme.

Question 1: Should the Department adopt any of the four Potential Adjustments to the Reference Scheme?

Adjustment	Yes	No
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1. Reduction of Early Retirement Factor from 3% to 0% for the period (maximum of 3 years) from age 65 to Normal Pension Age.		X
2. Deferred revaluation at CPI+1.6%.		X
3. Transitional protections starting in 2015		X
4. Allowing re-joiners to bridge service up to 10 years after leaving		X

Question 2: Are the proposed arrangements clear, and, if they are not, what further guidance or support would be helpful?

The arrangements in a CARE scheme are inevitably complicated - even more complicated than the final salary arrangements in the current Teachers' Pension Schemes, which teachers struggle to understand. The INTO remains fundamentally opposed to the key scheme reforms and the clarity, or otherwise, of the illustrations of those reforms is not the issue.

Question 3: Will the proposals help employers and scheme members to do more to ensure the accuracy of pension-related data and thus benefits?

There is no reason to believe that the accuracy of pension-related data, and thus benefits, will improve as a result of the reforms. The section 'Improving understanding and accuracy – scheme member and employer roles' does not contain one proposal to improve the standard of employer record keeping. Instead the onus is on members to check their own records, which is unacceptable given the complexity of the scheme(s). The annual pension statement being introduced is welcomed but it needs to include details of all pension earned to date in each scheme. There are also issues here for INTO members in Voluntary Grammar Schools, who will be relying on their individual bursars for the accuracy of their statements.

Question 4: Are the proposed arrangements for death grants and dependants' benefits clear and, if not, what further guidance or support would be helpful?

The main issue for INTO with regard to these arrangements is that they will - like the rest of the proposed changes to the NITPS - lead to lower payments in most cases. With regard to the proposals in the consultation document, we believe that these arrangements should be widely publicised through the DE website and other channels in order to enable members to better understand their pension scheme. The current enhancement formula to enhance dependents' benefits in the event of death-in-service is not displayed prominently on the Pensions section of the DE website. There is also no example of how those who die nearer retirement age will be affected by the proposals.

Question 5: Do you agree that the Department should amend the arrangements for enhancing dependants' pensions where a scheme member dies in service to better target them to those in most need, in line with the ill health retirement arrangements?

INTO is content with the recommendation to change the system of enhancement for dependents' pensions to match the current ill-health arrangements where a total incapacity benefit is awarded. We have been assured that this change is revenue-neutral.

Question 6: Will the Department's proposals for calculating ill-health benefits and short-service serious ill-health grants ensure scheme members continue to be appropriately supported, or is there anything else the Department needs to consider?

INTO welcomes the measures to protect the position of members who step down in order to attempt to stay within the profession by use of the higher of FTE earnings or the revalued FTE equivalent salary from the point at which the member stepped down. Administrative procedures will have to be put in place to log these arrangements so that members are not disadvantaged.

Question 7: Will the Department's proposals for extending the time limits for making an in-service ill-health retirement application be sufficient to appropriately help those with difficult-to-diagnose or degenerative illnesses?

Even though the overall context of the pension reforms is unacceptable, the INTO welcomes the change to allow teachers to make an in-service application for ill-health benefits for up to two years after the ending of pensionable pay. The INTO considers that this is fairer towards teachers with hard to diagnose or degenerative medical conditions. Applications for ill-health retirement are stressful events for members, especially for those suffering from mental ill-health. The time limits should be such that all reasonable treatment options can be explored, medical evidence can be obtained in reasonable time, and the application considered on its merits.

It is not guaranteed that a two year period will be sufficient to encompass all those cases involving difficult to diagnose or degenerative illnesses and we reserve the right to return to this issue in future - either collectively or in individual cases - if this time limit proves insufficient.

Question 8: Are the proposed arrangements sufficiently clear to help ensure that scheme members and employers can effectively manage the transition to the new arrangements?

INTO is firmly of the view that the transitional protection should commence from the date of implementation of the new scheme, i.e. 1 April 2015, NOT 1 April 2012. The transitional protections taken from the 1 April 2012 mean that there is in reality only 7 years protection NOT 10, with an additional 3.5 year linear tapering.

The INTO regrets the position that the Government has chosen to take over abatement of pension following re-employment. While career average benefits accrued from 2015 are not themselves subject to abatement, they will be included in the calculation to assess whether final salary benefits should be abated. These final salary benefits will be abated if the total of pension payments (both final salary and career average) plus re-employment earnings exceed the indexed salary of reference. This decision means that abatement will potentially continue on until the last member with final salary benefits has fully retired.

If abatement is not to be abolished altogether, career average benefits should be excluded from the calculation to assess whether final salary benefits should be abated. It will then wither on the vine as the percentage of members with career average benefits increases.

INTO notes that abatement will not apply to benefits payable on an actuarially reduced basis, or payable through phased retirement. In the latter case, it will be important to clearly transmit into detailed regulations that this will not apply whether the phased retirement is taken before or after the individual's NPA.

We understand that members will be able to use online tools to assess their position. This will include whether, and if so, when, they will be moved into the career average scheme and when. It is essential that these tools and other communication processes are established and work effectively so members can understand their underlying pension position.

Question 9: Do you agree that transitional scheme members who have passed their final salary NPA and move within the public service should have the option to transfer their benefits provided their new pension scheme is within the Public Sector Transfer Club?

INTO believes that the Transfer Club is important as it encourages the movement of employees within the public sector and agrees with this proposal.

Question 10: Do the Department's proposals for the operation of faster accrual provide scheme members with sufficient flexibility whilst also being practical to administer by employers and payroll providers?

In the context of no general pay increase for two years and increased pension contributions in 2012, 2013 and 2014, teachers have suffered significant pay cuts in real terms. It is not realistic or acceptable to expect teachers to pay significant additional amounts each month for a better accrual rate, so that they can receive a better pension or even to receive the pension to which they would have been previously entitled. The INTO does not regard this flexibility as an improvement. Lower paid teachers (who are disproportionately likely to be women, disabled, and black and minority ethnic teachers) will be unable to make use of such "flexibilities".

Question 11a: Should the option to buy-out the actuarial adjustment feature in the reformed scheme?

Question 11b: Do you agree with the Department's proposals for the operation of this option?

The INTO considers that the inclusion of this provision constitutes recognition by the DE of the unacceptability of a normal pension age of 68 (or higher) for teachers. The proposal that teachers should pay additional pension contributions to those already imposed for the whole of their careers, to buy out any actuarial adjustment so that they can take their pensions at a reasonable pension age, does not make the NI Teachers' Pension Scheme reforms

acceptable to us. INTO considers that there should be no need for the NI Teachers' Pension Scheme design to include a series of "flexibilities", all of which involve teachers paying more or receiving reduced benefits, to enable teachers to retire at an acceptable pension age.

Even if the INTO agreed with the provision to buy out the actuarial reduction, we would be concerned at the proposal that the additional contributions required should be revalued on a potentially annual basis. In the context of a career average scheme, there is no immediately apparent reason why the same percentage contribution would not cover the cost of buying out the actuarial reduction on the pension earned in future at the higher salary. We would not wish to see contributions revalued between valuations for reasons such as more recent longevity data. When valuations occur, the most likely outcome is that scheme benefits would be reduced in response to increased cost pressures and, if these comprised e.g. a higher NPA or lower revaluation factor, this would cut the value of scheme benefits for the whole of the member's post 2015 service including the period for which the actuarial reduction had already been "bought out". In such circumstances, an overpayment would have been made and a commitment would therefore be needed that a refund of contributions would be given. Given the complexities and risk involved, the INTO therefore opposes the option to buy-out the actuarial adjustment factor in the reformed scheme.

Question: 12 Do you agree that the proposed PRC arrangements will appropriately assist employers and members where early termination of employment is being considered?

The INTO welcomes the decision to maintain the current premature retirement arrangements, however these require funding by DE on a fixed basis for at least three years with potential to review. This would take away the uncertainty and confusion year on year in dealing with redundancy and retirement situations in schools.

INTO does not believe that there is a need for greater 'flexibility' within the system. Allowing greater 'flexibility', such as by allowing employers to pay a percentage of the mandatory compensation (with the rest effectively falling on the employee) would potentially encourage scheme members to accept proposals that they might later regret accepting.

Question 13: Will the proposals ensure that the NITPS continues to help employers to help scheme members manage effectively their careers and retirement?

INTO strongly believes that the proposals will not ensure that the NITPS 'continues to help employers help scheme members manage effectively their careers and retirement.' In fact they will have exactly the opposite effect and will encourage mistrust and ill feeling between employers and employees. The proposals have spread uncertainty amongst teachers at best and despair at worst. Employers now face having to manage teachers who will have to work for up to eight years longer to receive a full pension. There will be significant problems of motivation and morale for these teachers.

The new system does not have protection for teachers 'stepping down'. Under career average, every payslip that a teacher gets will count towards their pension. It is very possible that teachers will seek to hoard responsibilities for as long as possible to maximise their pension position. Employers will not be able to trust that older teachers are likely to step back, or even that they are likely to leave by their early to mid-60s.

Question 14: Will the proposals help scheme members to manage effectively their pension savings and plans?

The INTO does not believe that these proposals are intended to 'help' employees with their pension planning. Instead, they will cut their income in retirement. Teaching is an extremely demanding profession and teachers have planned their working lives, family and financial commitments so that they are consistent with the normal pension ages of the schemes of which they are members. These teachers now face the prospect of having to work for far longer to receive an adequate and sufficient pension.

Teachers with an NPA of 68 in the reformed scheme would lose around a third of benefits if they took their pension at 60. For those teachers who wish to retire before a normal pension age of 60, both their accrued pension under the current scheme and their service in the reformed scheme will be actuarially reduced, with a reduction for a teacher taking a pension at age 55 of at least a scheme pension. The teachers' pension "reforms" therefore give many teachers – particularly those with a greater proportion of total benefits in the post-2015 scheme - the prospect of poverty after they have finished teaching and for the remainder of their lives.

In addition to this, the INTO finds it completely unacceptable that, if the pension age is raised above 68, all of the pension earned in the new scheme before the change in normal pension age will become payable at the new, higher pension age. Teachers will not be able to take the pension they have accrued at the previous pension age unless they accept an actuarial reduction in the whole of their pension benefits. Any future increase in NPA should only affect future accrual from the date of the change. Otherwise, any Government, could, in the future, worsen teachers' pensions further to meet the cost of other Government expenditure.

The detailed proposals also seem to pass new responsibilities to employees. The proposals effectively force employees to superintend their own career average pension records. This is completely unacceptable particularly in the context of a multiplicity of schemes which are increasingly complex in nature.

Question 15: Are there any additional administrative, equality or practical issues that the Department needs to consider in implementing the new arrangements?

The Union stands by their view that the changes proposed have significant adverse equality implications regarding age, sex, ethnicity and disability status. Women teachers and disabled teachers will be discriminated against, or at a serious disadvantage, as a result of the teachers' pension changes. These teachers tend to be the lowest paid members of the profession and the "flexibilities" which the DE has built into the scheme will be unaffordable. Furthermore, the age profile of women teachers is younger than the generality of teachers and the Government's pension reforms impact most detrimentally on younger teachers. INTO will address the equality issues further in the response to the DE Draft EQIA on the Proposals for the Reform of the NI Teachers' Pensions Scheme 2015.