

Consultation on Proposed Changes to Contributions for Members of the NI Teachers' Pension Scheme (NITPS) 2015

INTO Response

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. 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.
5. 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'.

6. 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.

7. 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 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.

Q1) Do you agree to the change in member contribution rates determined with reference to actual earnings for a particular employment, rather than the FTE rate?

The INTO 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.

INTO supports the introduction of the use of actual salary in the Northern Ireland Teachers' Pensions Scheme (NITPS). Career average provides an explicit link between salary paid in a particular year and pension earned at retirement. Part-time members, of whom the majority are women, will in future be paying a contribution rate which directly reflects their earnings and ability to pay. This will discourage part-time members from opting-out of the scheme.

Q2) Do you agree to the reduction in the number of tiers from 8 to 6 with effect from 1 April 2015?

However well this type of tiered contribution is designed, it cannot change the underlying fact that teachers continue to be asked to pay an average 9.6 per cent towards their pensions. The primary cause of the increase in the total contribution rate in the 2012 valuation is the Government's unilateral decision to cut the discount rate which, we see as a political decision not one related to a proper consideration of scheme funding. We believe that the average contribution rates of almost 10 percent could lead to increased opting-out particularly if they cannot be justified by reference to scheme finances.

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INTO also believes that these increased contributions In the context of no general pay increase for two years and increased pension contributions in 2012, 2013 and 2014, have led to teachers suffering significant pay cuts in real terms.

The Government should recognise the pressures that teachers, especially new teachers, face. For each pound that a new teacher in 2015-16 earns above the M1 starting salary, the following deductions will be made (assuming no change to the planned employee contribution rates):

- Income tax: 20 per cent
- National Insurance: 12 per cent
- Student loan repayment: 9 per cent
- Pension contribution: 7.4 per cent

The new teacher would therefore lose either 48.4 per cent of the marginal pound earned. The pension contribution is the only part of this which is optional. The INTO is therefore concerned that the high level of pension contributions may encourage new teachers to opt out of the NITPS.

The raise in National Insurance Contributions (1.5% for employees) being introduced in 2016 will be a further pay cut for teachers and will place even greater pressure on already overstretched salaries, potentially given rise to further opt outs. Although currently there is not a significant number of opt outs in Northern Ireland, INTO is very concerned that all these combined increases will cause the numbers to rise significantly and thereby destabilise the NITPS. This must be avoided at all costs.

by emailing: pensionspolicy@deni.gov.uk

or by down loading a response form which should be completed and sent to:

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DEADLINE FOR RESPONSES 30 SEPTEMBER 2014