

Members Bulletin No. 3

The Fight To Save Our Pension

PENSION UPDATE 3

Dear Colleague

Royal Mail have now announced the legal consultation process needed in order to close the Defined Benefit Scheme.

Royal Mail have confirmed in their communication that they wish to close the Defined Benefit Scheme and either transfer all Defined Benefit members into the current Defined Contribution Scheme or set up a new Defined Contribution Scheme.

Royal Mail have confirmed that in the future they will only pay in the future 10% into the Defined Contribution Scheme. This is a reduction of 7.1% on what they currently pay into your Pension Scheme.

This will mean from 1st April 2018 that the following sums of money which makes up your basic pay will not count towards your pension. Royal Mail's decision to reduce the percentage that they pay into your pension from 17.1% to 10% equates to the following amounts:

National pay	£28.86 = £1,500.72
Outer London	£34.27 = £1,782.04
Inner London	£36.20 = £1,882.40

SHIFT PAYMENTS NO LONGER PENSIONABLE

In addition, the new Defined Contribution Scheme will no longer include the following pensionable allowances.

All shift payments include Dawn £27.94, Early 1 £14.68, Early 2 £7.33, Evening £20.95, Late £44.31 and £44.31 on a night allowance.

Ex PHG allowances 20% above OPGs, Advanced TPM £25.14 per week, MGV driving of vehicles plated 3.5 tonnes to 7.5 tonnes (outside of the professional driving grade) £32.13, Leadership allowance £34.94, Coaching allowance £36.04, Additional pensionable payment for

Sunday conditioned hours £5.25 per hour. PHG UPAP payment £20.00.

The non inclusion of pensionable allowances will save the business millions but will cost those currently in receipt of those allowances a huge reduction in their pension.

Royal Mail's decision not to include pensionable allowances will threaten the future of pay protection under MTSF. Pay protection is only currently paid on the basis of loss of pensionable pay.

THIS IMPACTS ON US ALL, NOT JUST SENIOR PEOPLE

Royal Mail have proposed a new Defined Contribution Scheme in the full knowledge that it is inferior to the current Defined Benefit Scheme and that individuals under a Defined Contribution Scheme would have to work longer in life to achieve a reasonable pension return.

Remember, Royal Mail's strategy is to automate and thereby reduce indoor workload, meaning for delivery staff potentially longer spans to work the hours that they are contracted to do. In addition, parcel automation will reduce jobs in Mail Centres and RDCs.

There are currently 90,700 members in the Defined Benefit Scheme. Of that number 72,000 are between 40 and 59 years of age. Even more stark, is that 42,000 are between 45 and 54 years of age.

In terms of length of service, 50,000 of the 90,700 in the Defined Benefit Scheme have less than 20 years service. Only 13,000 have more than 30 years service.

Whilst we all lose from the Royal Mail's pension attack, the fact is that Royal Mail have an ageing workforce with the majority of staff under 20 years of service who will potentially have to work later in life on a far more labour intensified job without knowing what their pension will be.

WHAT ARE THE IMPACTS ON SECTIONS A, B AND C PENSION SCHEMES?

There are less than a dozen members in the Section A Pension Scheme which was the old Civil Service Scheme pre 1971.

There are 13,100 employees in the Section B Scheme who earn less than £30,000 per annum, including pensionable allowances. These employees would have been in the post prior to 31st March 1987.

However, the biggest majority are those who earn less than £30,000 per annum and are in the Section C Scheme, which was set up from 1st April 1987. There are 70,000 members in this Scheme.

All Sections A, B, and C members will see a reduction in total pension after the proposed changes which demonstrates that the average pension loss of the current Defined Benefit Scheme members is 19% of their total pension, if they were to retire at 60. If they were to retire at 65 the average loss would increase to 28%.

The scale of the loss is dependent on the individuals age and their closeness to retirement. Those closest to retirement will see smaller losses but those who are further away will see the biggest losses.

For those in Section C there is a further sting in the tail as not only will they see a reduction in their future pension, they will also have to pay a slightly higher contribution rate due to the lower earning reduction. Based on £20,000 pensionable pay you would have to pay an additional £8 per month into your pension. The higher your pensionable salary the bigger the increase.

In the booklet Royal Mail sent you, they provided examples which include the State Pension within. Below are real examples without State Pension added:-

Section B Member

Pay £25,000 and retirement at 60.

Age 55 with 35 years pensionable service in 2018.

Before Changes

Pension of £12,198 p.a. – £234.57 per week.

After Changes

Pension of £11,362 p.a. – £218.50 per week.

Total annual loss of £836 and £16.07 per week.

Section B Member

Pay £25,000 and retirement at 65.

Age 60 with 35 years pensionable service in 2018.

Before Changes

Pension of £13,138 p.a. – £252.65 per week.

After Changes

Pension of £12,002 p.a. – £230.80 per week.

Total annual loss of £1,136 (9%) p.a. – £21.84 per week.

Section C Member

Pay £25,000 and retirement at 60.

Age 50 with 20 years pensionable service in 2018.

Before Changes

Pension of £10,216 p.a. – £196.46 per week.

After Changes

Pension of £8,128 p.a. – £156.30 per week.

Total annual loss of £2,088 (20%) p.a. – £40.16 per week

PS You will also pay an increase in pension contributions.

Section C Member

Pay £25,000 and retirement at 65.

Age 50 with 20 years pensionable service in 2018.

Before Changes

Pension of £14,532 p.a. – £279.46 per week.

After Changes

Pension of £10,140 p.a. – £195.00 per week.

Total annual loss of £4,392 (23%) p.a. – £84.46 per week.

PS Section C members will pay a slightly higher pension rate under the new Scheme.

IMPORTANT – THESE FIGURES DO NOT INCLUDE THE STATE PENSION

WHAT IS THE UNION'S POSITION?

The CWU have made it crystal clear that it wants a united Defined Benefit Scheme for CWU members in Royal Mail.

In 2010, Royal Mail imposed by executive action a new Defined Contribution Scheme for new employees. There are currently around 40,000 members in the Defined Contribution Scheme. That number includes new starts from 2010 and those who have been auto-enrolled into a pension scheme due to the Government changing the law on workplace pensions. Within the 40,000 are 14,000 individuals who have either taken their pension at 60 or taken their pension early with a 5% per year reduction.

The CWU wants to ensure all those in the current Defined Contribution Scheme are not condemned to live in pension poverty in retirement.

The Defined Contribution Scheme comes a very poor second to the current Defined Benefit Scheme and needs to be rejected.

The CWU's position is to persuade Royal Mail to have a new Defined Benefit Scheme for all those in the current Defined Benefit Scheme as well as those in the Defined Contribution Scheme.

The CWU has one of the leading pension experts in the UK advising them and they believe that the CWU proposal for a United Defined Benefit Scheme has enough safeguards for Royal Mail concerning their ability to afford the Scheme moving forward. The new United Scheme will also set Royal Mail's pension contributions at 17.1%.

The United Scheme is affordable for Royal Mail. Their decision to either accept or reject the union's proposal will demonstrate if they really are concerned with safeguarding our pension or is this really just another cost cutting exercise?

It is strange that whilst our pensions are under attack Moya Greene's and the Company Directors could not be in a better position.

Last year Moya's salary rose from £510,000 to £548,000. Her annual cash bonus (lucky for some!) rose from £433,000 to £448,000, additional benefits were £31,000 and her long term incentives were £302,000. Moya's pension contributions remain at £200,000.

The last thing Moya will worry about is pension poverty.

In contrast, Royal Mail have offered a £750 one off carrot to staff for them to accept a worse pension. For part timers it is pro rata.

STATE AGE RETIREMENT

The current state pension age is:-

- 65 for men born before 6 December 1953;
- Between 60 and 65 for women born between 6 April 1950 and 5 December 1953.

It will change to:-

- 66 for people between 2018 and 2020 and will affect people born between 6 October 1954 and 5 April 1960;
- 67 for people born between 6 March 1961 and 5 April 1977;
- 68 for people born on or after 6 April 1978.

The above is subject to Government review.

WHAT HAPPENS NOW?

It is important that members do not panic. Your pension is safe up to 2 April 2018. No changes will be introduced until then.

The pension consultation is still in play and closes on 10 March 2017.

The union is, and will be negotiating with Royal Mail covering four headings which are Pensions, Pay and shorter working week, Extension of legal guarantees and changes to the pipeline.

It is important you support the CWU in getting the best agreement.

If you are not a member, you do not have a collective voice at the negotiating table on things which will impact on your future. For just £3.56 per week, pro rata for part timers, you can have the security of knowing your union is fighting for you.

WHAT IF THE CWU AND ROYAL MAIL CANNOT REACH AGREEMENT?

Whilst we should hope for the best, the CWU must also prepare for the worst. While strike action and industrial action ballots should always be a last resort, it is a fact that Royal Mail over many years often only listen to its workforce when we mobilise for a fight.

In February 2007 when Adam Crozier wanted to close the Final Salary Scheme it was only the threat of strike action which ensured that all your service up to 2008 would continue to be paid based on your Final Salary. That was not on the table prior to strike action.

In addition, in 1994, prior to the Employee Agenda discussions, basic pay stood at just £10,000 (£192.30 per week) and 86% of employees were on a 6 day week.

Today the national rate with the delivery supplement of £23.96, the processing and collection supplement of £9.30 and the RDC supplement of £12.79, stands at:-

National rate	£21,439 = £412.30
Outer London	£25,428 = £489.00
Inner London	£26,893 = £517.17

Yes we have seen change, but we have fought for a bigger slice of the cake.

Whether it is pensions, pay, paid annual leave, sick

leave, MTSF, paid meal reliefs, shift allowances, delivery supplements, RIS payments, all of these have been improved and protected as a result of union negotiation and industrial struggle.

If we are to once again have to fight for a better future, then make sure you support the CWU.

In 2012 when the union last balloted for strike action a strike was not needed as the power of the ballot was enough to achieve what is viewed as one of the best agreements to defeat the impact of privatisation.

Every single Branch in the UK achieved a yes vote in 2012, so if we organise, we will deliver.

IN THE WORDS OF BOB CROW

***“If you fight you might lose.
If you don’t fight you will
always lose.”***

**Support the CWU.
Support the fight to stop
Royal Mail condemning its
workforce to pension poverty.**

**A communication by the
Fight to Save Our
Pensions Committee**