

From The Times
September 7, 2009

Unison forced to cut final salary schemes

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(Clara Molden)

Unison has campaigned against the cutting of public sector pensions, only to find their own staff pensions under threat

One of Britain's biggest unions — which has campaigned fiercely against government cutbacks to public sector pensions — is to cut back its scheme for its own staff, *The Times* has learnt.

Unison, which represents 1.3 million local government and NHS workers, can no longer afford its final-salary scheme for employees and has set out initial proposals to cut costs.

Unison officials accused their bosses of “sheer hypocrisy” as the union has been so aggressive in opposing similar cuts in public sector pensions.

“Only a year ago the union launched a massive campaign and staged two days’ strike action to protect local government pensions. Now they are preparing to sacrifice their own staff benefits,” one official said yesterday.

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Papers seen by *The Times* show that the union’s pension funds are facing a deficit that has more than doubled in the past year. In December last year Unison had assets of about £268 million and a deficit of £58 million. But a letter from Dave Prentis, Unison general secretary, said that the deficit was now at least £120 million, as the value of pension funds had plunged after “turmoil in the financial markets”.

Confidential proposals to curb costs sent to senior Unison officials are to be discussed by pensions trustees next week, and the recommendations will be put to the 1,400 pension scheme members in a ballot this autumn.

Unison has launched a series of campaigns to protect public sector pay and pensions and in the past two years has staged several days of strike action against proposed cuts. Only last week the union vehemently opposed government proposals to reduce town hall final-salary pensions.

The papers show that Unison is looking at raising retirement age from 60 to 65, possibly even for current members. “If the Unison scheme retirement age was increased immediately to 65 years, it would reduce immediately the cost of the scheme by some 3.6 per cent of salaries each year,” the document says.

“Given the seriousness of the deficit, it is unlikely that a recovery package is going to be possible without an increase in employee contributions,” the paper also says.

Senior union officials claimed that there had also been informal discussions about scrapping the Unison final-salary pension scheme, based on an employee's salary over the past three years, and replacing it with the much less generous career average scheme. The Civil Service has already introduced this system for fresh entrants and town hall employers are considering the proposal.

Mr Prentis said that, because of the recession, the income received from the fund's investments had dropped significantly. "It is just not possible to ignore the current deficit and just hope it will go away. It won't, and if ignored it is likely to get worse," the document said.

Last night Mr Prentis admitted that the scheme had to be overhauled to help meet the growing deficit, but he hoped that the final-salary scheme would remain in some form. "Our joint aim is to maintain a viable final-salary pension scheme for all our employees," Mr Prentis said.

"There is a deficit in the Unison pension scheme as a result of the current crisis, caused by the greed and irresponsibility of some in the financial and banking sector.

"We are in discussion with staff unions on a recovery plan and details of the options being considered are confidential at this stage," he added.