

**BY EMAIL – CCMConsultation@HMTreasury.gov.uk**

Workforce, Pay and Pensions

HM Treasury

2/Red

1 Horse Guards Road

**LONDON**

SW1A 2HQ

19 August 2021

Dear Sir/Madam

**Public Service Pensions: cost control mechanism consultation - Proposal to reform the mechanism**

I am responding on behalf of all public sector pension schemes in Northern Ireland via the Central Consultative Working Group which represents all public sector pension schemes in Northern Ireland to the above consultation. In doing so I am also copying this to the Grade 5 in the NICS, Grace Nesbitt who has overall responsibility for public sector pension schemes in Northern. This is on the basis that public sector pensions in Northern Ireland is a devolved matter. It may be that individual unions may also respond directly to HMT on this important issue.

There are two over-riding issues for CCWG in addition to the specific questions within the consultation which we believe HMT need to take cognisance of in considering the responses to the above consultation.

**Cost Cap**

As the initial cost cap outcome was abandoned without consultation why is there a need to revisit it and would this have been the case if it had been a ceiling rather than a floor breach. With low to zero public sector pay increases and a stagnant if not reducing life expectancy employer costs are in real term reducing. Therefore, CCWG Trade Unions would again query why the need for the review.

**SCAPE Discount Rate**

The last major review was almost a decade ago and twice since then the UK Chancellor unilaterally changed the discount rate to favour UK debt and adding costs to public sector pensions fuelling the media to attack public service pensions. What trust and faith can HMT give to assure that such gerrymandering of the SCAPE discount rate will not happen again?

**Question 1:** Do you agree that a reformed scheme only design would achieve the right balance of risk between scheme members and the Exchequer (and by extension the taxpayer), and would create a more stable mechanism?

No, the CCWG Trade Unions do not believe that a reform scheme only design would achieve the right balance of risk. This proposal is would mean that scheme members would always be expected to pay the cost of their pensions. When Hutton proposals were first put forward there was a commitment that there would be no changes to public sector pensions for 20 plus years – this was obviously a false promise.

**Question 2:** Do you agree with the Government's intention to widen the corridor. If no, why not?

No, the CCWG Trade Unions do not believe a widening of the corridor would be appropriate. The reality of the situation is that the government did not expect the floor to be breached (which delivers benefits to scheme members) therefore we believe this is a potential detriment to scheme members.

**Question 3:** Do you think that a corridor size of +/-3% of pensionable pay is appropriate? If not, why not?

It is not appropriate to widen the corridor size particularly given the low or zero pay increase of public sector workers.

**Question 4:** Do you agree with the proposal to introduce an economic check?

Itg appears from the consultation document that the only rationale of introducing an economic check is to protect the government and not the scheme members. Therefore, on this basis CCWG Trade Unions do not agree to the introduction of an economic check.

**Question 5:** Do you think that the SCAPE discount rate, as it currently stands, is an appropriate economic measure for the cost control?

CCWG have no comment to make on this proposal.

**Question 6:** If the SCAPE methodology changes, and the Government considers that the SCAPE discount rate is therefore not an appropriate measure for the cost control mechanism, then do you think that a measure of expected long-term GDP should be used instead? If not, why not, please set out any alternative measures that may be appropriate in this scenario. Please consider in the context of the separate review of SCAPE methodology currently being undertaken by Treasury.

The current SCAPE methodology should be maintained.

**Question 7:** Do you envisage any equalities impacts from the proposals to reform the cost control mechanism that the Government should take account of?

In Northern Ireland it is the employer's responsibility to conduct a Screening Exercise and Equality Impact Assessment (EQIA) for separate consultation. Therefore, it is necessary for the NI Assembly/Government to conduct a screen and EQIA. Therefore, the CCWG Trade Unions await a formal EQIA for separate consideration.

Yours sincerely

**ALISON MILLAR**  
**Interim Chairperson CCWG Trade Unions**