



Action for Children pensions

Trade union update

What's happening?

On 4 January 2010, Action for Children began formal consultation about closing the defined benefit pension scheme it currently operates, known as the Action for Children Pension Fund (AFCPF) with effect from 1 April 2010, and offering a defined contribution pension scheme for future benefit accrual instead. The consultation closure date is 4 March 2010. It's our understanding that the consultation material was posted on the intranet on 4 January and that hard copies will be posted to all home addresses, where appropriate, by no later than 22 January.

The driver of these proposed detrimental changes is the March 2009 pension scheme funding results, which have revealed a pension fund deficit of well in excess of £90 million. It's a legal requirement that this funding deficit is cleared within a time agreed by both the trustees of the pension scheme and Action for Children and is approved by the Pensions Regulator.

Action for Children's proposals explained further

You can get more comprehensive details of Action for Children's pension proposals from the intranet and you will also receive full details in the post.

The proposal to move to a defined contribution pension scheme for future pension provision is not one the unions support, particularly in light of Action for Children's proposed contribution structure:

You pay	AFC pays
3%	5%
4%	5%
5%	5%
6%	6%
7% and above	7%

Our understanding is that Action for Children will also make additional payments equivalent to 2% of earnings to cover the cost of death in service benefits and scheme administration.

In addition, Action for Children will still need to pay the necessary monies to the defined benefit schemes they sponsor to ensure that the benefits you have accrued up to 31 March 2010 remain fully protected.

Members that TUPE transferred from public sector employment (and who have accordingly been provided with 'broadly comparable' pension benefits as a result) are excluded from these proposals as they have special protection under Fair Deal.

Action for Children also wish to introduce a salary sacrifice arrangement with effect from 1 April 2010 that, although not compulsory, members may wish to join as this will reduce National Insurance liabilities and increase take home pay.

What exactly is a defined contribution pension scheme?

A defined contribution pension scheme is not linked to salary and is simply a pot of money that grows (or decreases) in line with investment performance. Charges (for example, an annual management charge) are taken from the fund, and the fund is ultimately converted into a pension on retirement by the purchase of an annuity (ie a legally binding contract to provide a specified level of pension for the remainder of the individual's life).

The unions are generally very wary about defined contribution pension schemes and we think it very unlikely that the defined contribution pension scheme Action for Children is proposing would provide similar benefits on retirement to those you would otherwise have accrued in the AFCPF.

Action for Children pensions

Trade union update

UNISON's Pensions Unit has a paper on their website about what UNISON perceives to be the general inadequacies of defined contribution pension provision and you can view this by going to www.unison.co.uk/pensions

Unite also has information on pensions: www.unitetheunion.org/resources/pensions.aspx

The unions' views on Action for Children's proposals and what we've been doing

UNISON and Unite have been involved in a number of pre-consultation discussions with Action for Children about their proposals and have made it perfectly clear that we do not support them.

We believe that Action for Children's proposals represent a significant deterioration in the pension provision offered to our members and although we appreciate the size of the current pension fund deficit and the need to commit funds to clearing this, we remain unconvinced that the current pension provision is unaffordable. Indeed we believe Action for Children is being opportunistic in looking to close the AFCPF to reduce future balance sheet risk and to reduce long-term costs at a time when economic conditions make this easier to justify.

The reality is that the March 2009 valuation was conducted at an unprecedented bad time for such valuations (given the economic conditions at that time) and hence is a distorted view of the real long-term costs of the scheme.

Our view is supported by independent actuarial advice that UNISON commissioned and received, which outlined a series of realistic steps that could be taken to address the pension scheme deficit and yet keep the scheme open to future accrual, while still being affordable to Action for Children.

The unions presented this objective alternative view to Action for Children, which claimed to have considered this in conjunction with the scheme actuary, Hymans Robertson. Unfortunately Action for Children are not prepared to deviate from their current proposals to close the AFCPF to all accrual.

It should be noted that in looking to justify their proposals, Action for Children are pointing to the examples of other companies in the voluntary sector and, in particular, their immediate competitors such as NSPCC, who have already closed their defined benefit pension scheme to all accrual and replaced it with an inferior defined contribution pension scheme. However, the fact that Barnardo's have just recently begun formal consultation about making detrimental changes to its existing defined benefit pension scheme is overlooked as, despite worse funding results from their March 2009 pension scheme valuation, Barnardo's appear committed to keeping its defined benefit pension scheme open to future accrual for existing members.

Play an active role in the consultation process

We urge all of you to use this consultation process constructively and to make your views known directly to Action for Children, particularly at your local Action for Children pensions briefing event (which Action for Children should be making you aware of in due course). Don't be worried to ask questions and make your feelings known!

In addition, please let your trade union reps know what your views are, so we can collate everyone's opinions and get a general picture.

Our advice is to pursue the business case rationale for looking to cease future defined benefit pension provision, as we remain unconvinced that it's necessary for Action for Children to close the scheme and that they are adopting an opportunistic approach.

The consultation process is just that – a means by which you can have an input and have your views properly considered. In other words, it should be meaningful and all stakeholders should be able to make comments and express views that Action for Children should consider. This should not already be a 'done deal', as is implied by certain wording in Action for Children's consultation literature, as this would go against the principles of consultation required by legislation.

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The unions have already expressed our concerns to Action for Children about the need for a meaningful consultation process, and we are potentially prepared to submit a complaint to the Pensions Regulator if we feel that the consultation process was unsatisfactory.

Further questions and salary sacrifice

Although no trade union representative can provide specific financial advice, Alan Fox, Pensions Officer at UNISON, is happy to respond to any common questions that materialise and are presented to the relevant trade union representatives.

We would also like to draw your attention to the UNISON Pensions Unit salary sacrifice paper, which is also available on the pension section of the UNISON website – although slightly outdated, this should give you more reassurance about what salary sacrifice could mean for you. It should be noted that salary sacrifice is not necessarily a bad thing and can lead to take-home pay improvements through the reduction in National Insurance liability, and in most cases should not lead to any loss of benefits such as the Basic State Pension. It should also be noted that members can opt out of it should they wish to do so. This scheme should not be compulsory.

In conclusion

We will continue to make Action for Children aware that we are not happy with their pension proposals and that it's our view (which is supported by independent actuarial advice) that there's no financial necessity for them to close the existing defined benefit pension scheme and offer an inferior alternative.

Clearly it would help our cause if you likewise voice your concerns throughout the consultation process and let us know your feelings and wishes on Action for Children's plans.