

# PROTECTING RAIL PENSIONS

**The Railway Pension scheme is to undergo some changes, but its structure is so complex that the Railways Pension Commission has a long job ahead of it. Mike Katz explains**

With little proclamation, the Railways Pension Commission published its first report on 11 May. The absence of any detail speaks volumes about the size and complexity of task it faces in recommending a new structure for pensions in the industry.

The three commissioners, representing both employers and employees, have set out the labyrinthine structure of the Railway Pensions Scheme (RPS) and other pensions legislation in a 144-page report.

This is a big beast to tackle. The RPS's assets are currently worth around £18bn and encompass more than 91,000 contributing members, 140,000 beneficiaries and 224 rail industry employers.

The origins of the commission lie in the increasing concern amongst the rail unions about the ongoing viability of the RPS. The scheme has a fragmented structure, with a separate section of the scheme for every employer, past and present, in the railway.

The most recent valuations indicated large deficits in some sections. Aslef, RMT and TSSA feared this would lead to increased contributions for their members.

The unions had some clear demands – keeping contributions and benefits at their current levels, maintaining the pension as a final salary scheme and simplifying the scheme into three sections – train



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operators, infrastructure and 'odds and sods'.

In addition, they argued that the nature of the industry meant there was no real focus for addressing the long-term weaknesses of the scheme. Whilst they could negotiate on current contribution rates with Network Rail, Tocs and other employers, there was nobody to talk to about the scheme as a whole, they claimed.

As a result, the unions took their dispute to Government. The DfT's response? A hefty kick into the long grass, in the shape of the commission, which started work in September last year. It could be argued that the interim report represents yet another punt into the undergrowth, but at least the report does set out some guiding principles for restructuring the scheme. However, these will please the employers more than the unions.

The commissioners say that the scheme needs to be affordable for both sides; sustainable and 'appropriately structured'; equitable and fair for both existing members, beneficiaries and new entrants; and that there should be engagement between the stakeholders.

This is all sensible enough. But there will be concern amongst the general secretaries that the report dismisses their proposals for a new, three-section structure out-of-hand, saying that it 'will not

provide the route' for sustainable long-term provision, nor would it 'address the underlying rise in costs'.

Also, the commission recognises the growing presence of 'defined contribution' (also known as money purchase) schemes in the industry and recommends establishing some

good practice guideline for these schemes.

On the ground, most employees won't object to that. But it could cause concern amongst the trade unions that it further entrenches what they regard as an inferior type of pension in the industry, when they are constantly campaigning to preserve and extend final salary schemes.

At the moment, insiders feel that the commission is loathe to put either side's nose out of joint before it has to. However, they will have to make up their minds come September. When they do, the indications are that the unions won't be happy with the outcome.

*Mike Katz is associate director of the Waterfront Partnership.*

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