

CENTRAL OFFICE

Date: 9th March 2022

Dear Colleague,

Unite Pension Scheme – Changes to your Benefits (UPDATE)

We are writing to provide you with an update on the consultation that the Union is currently conducting with members, including prospective members, of the Unite Pension Scheme. It is important that you understand how the proposed changes might affect your pension rights. The Union has met with your representatives since the letter dated 28th January 2022 was sent to you in order to discuss and consider amendments to the proposal. You may also be aware that the General Secretary has expressed her commitment to retaining a flagship final salary pension scheme.

This letter describes proposed changes, as part of the formal consultation with all employees who might be affected by the proposed changes, and provides you with an update on discussions between the union and your representatives. We have listened carefully to the concerns of your representatives. We now want you to have the opportunity to learn about the amended proposal in more detail, to understand the impact of the amended proposal on your contributions & benefits, and most importantly to advise that you are still able to provide feedback to the Union.

Any pension rights which you have under the Scheme will remain subject to the legal rules that govern the Scheme.

Proposed benefit changes

You will have been contacted by your Bargaining Unit and provided with information related to the discussions that have been ongoing since the original proposal was shared with all members, including prospective members, on 28th January 2022. After these meaningful discussions we are now able to share with you with an updated proposal. The headline points are that:

1. The pension remains as a Final Salary Pension Scheme.
2. The Union will fund the current outstanding deficit.
3. Employer contributions will go up from 20.4% to 25.2% with effect from 1st January 2023. This will be funded through a reduced pay increase for 2022 (from 7.5% RPI to 4.2% - the 3.3% balance pays for an additional pension contribution of 4.8%)
4. This still leaves a shortfall of 2.3% of savings needed to cover future pension costs.

The proposed changes to make these savings are set out below, **with all accrued benefits being preserved:**

- Partner's benefit earned after the effective date of the change would be reduced from 50% of pre-commutation pension to 30%, giving a saving of 1.3%.
- This leaves a shortfall of 1%.

Employee contributions will cover that 1% in the same way as we set out in our letter dated 28 January:

Grades	Employee contribution increase	Total employee contribution (70ths accrual)	Total employee contribution (60th accrual)	Employer contribution
1-5 (or equivalent)	0%	8%	11% (remains the same)	25.2%
6-9 (or equivalent)	1%	9%	12%	25.2%
10 and above (or equivalent)	1.3%	9.3%	12.3%	25.2%

Our proposal only affects active members of (and those eligible to join) the Unite Pension Scheme and only affects benefits in respect of your future service with the Union. It will **not** affect deferred or pensioner members.

We are proposing that the changes take effect from 1st January 2023.

Past benefits will be protected and unchanged.

Should you wish to feedback any comments or queries to your reps the bargaining groups during the consultation they can be contacted as follows:

- Officers: ONCpensions2022@unitetheunion.org
- Unite Staff: UNSCpensions2022@unitetheunion.org
- GMB Staff: GMBNSCpensions2022@unitetheunion.org
- Organisers: NOCpensions2022@unitetheunion.org

Proposed changes in detail

Partners Pension

If you die after you have taken your retirement benefits, a pension of 50% of the pension at retirement (plus increases), before any reduction in exchange for additional tax free lump sum, would be payable to your partner. It is proposed that for future service this is reduced to 30% of the pension at retirement (plus increases), before any reduction in exchange for additional tax free lump sum.

The definition of 'Partner' in the Unite Pension Scheme Trust Deed & Rules will not be changed.

Employee contribution rates

Currently, employees contribute 11% of Pensionable Salary if their chosen build-up rate is 1/60th and 8% of Pensionable Salary if their chosen build up rate is 1/70th.

The proposed changes include increasing the average employee contribution rate by 1% of Pensionable Salary.

It is proposed that:

- Employee contribution rates for those on grades 1-5 do not increase
- Employee contribution rates for those on grades 6-9 increase by 1%
- Employee contribution rates for those on grades 10+ increase by 1.3%

A good pension scheme is an important part of our reward package and we do not want colleagues opting out of the Scheme because they cannot afford to participate. Our pension scheme opt-out rate is extremely low and the proposals have been designed to maintain that.

We believe it's also right that higher earners, who benefit from higher rate tax relief, pay more into the Scheme. The modeller will be helpful for you to understand the impact on your monthly take home pay.

The rationale for the proposed changes

The rationale for the proposed changes remains the same as set out in the letter dated 28th January 2022. Every three years, the Trustee of the Unite Pension Scheme is required to conduct a financial assessment of the pension scheme. The most recent valuation has revealed that the cost of benefits building up in the Scheme has increased significantly. These increases are largely due to lower future expected investment returns (in a low interest rate environment).

Furthermore, inflationary pressures have not reduced and there is concern they may increase.

In light of this, regrettably, the Union is consulting with employees around potential changes to benefits to ensure the sustainability of the Scheme.

The latest actuarial valuation revealed that the annual cost of benefits members are building up had increased to 38.2% of pensionable salaries (to which members, on average, contribute 10.7% of salaries). If no changes were made to benefits, there would be a requirement to increase contributions by 7.1% of pensionable salaries.

Historically the Union has paid a contribution rate of 16% of pensionable salaries as a consequence of balancing between what is paid into the Scheme and what is available to allow the Union to support its members

Pension consultation

The consultation opened on Friday 28th January 2022 and will close on Monday 28th March 2022.

Consultation is your opportunity to ask questions, find out more and provide any feedback.

If you want to ask a question, you can do so by email to unitepension2022@unitetheunion.org or at one of the online meetings (see below) which will be hosted by First Actuarial.

Additionally if you want to provide feedback by contacting your bargaining group (emails detailed above) or you can e-mail to unitepension2022@unitetheunion.org

Online roadshow / webinars and further information

We remain committed to helping you understand the proposal and will take on board all relevant feedback throughout the consultation. Answers to FAQs will be posted on Unite Connected and we will also be providing a modeller so that you can see how the increase to contributions may impact your take home pay.

As previously outlined, we will be hosting a number of online webinars so that you can find out more details about the proposed changes. Please see the table below and please do attend one of these sessions if you can. To book on a webinar, please follow this link: <https://unite.firstactuarial.co.uk/>

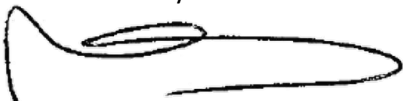
Day	Date	Time
Monday	14 th March	11:00
Tuesday	15 th March	11:00
Tuesday	15 th March	14:00
Wednesday	16 th March	11:00
Wednesday	16 th March	14:30
Friday	18 th March	11:00
Monday	21 st March	10:00
Monday	21 st March	13:30
Tuesday	22 nd March	10:00
Tuesday	22 nd March	14:00
Wednesday	23 rd March	11:30
Thursday	24 th March	11:30
Friday	25 th March	10:00

Further sessions can be arranged according to demand.

After the consultation closes we will consider all responses before deciding whether or not to make the proposed changes. Any changes will be subject to the agreement of the Scheme's Trustee with whom we will discuss the proposal. We will confirm the outcome of the consultation process once the consultation period is over.

Finally, we appreciate that employees value their pension rights and so the Union's decision to review benefits under the Scheme was not taken lightly. I wish to assure you that the Union remains committed to offering you and your colleagues a valuable and competitive benefits package, including the opportunity to build up attractive defined benefit pension, while providing security for the benefits which you have already built up.

Yours faithfully



Peter Hughes
Acting Head of Administration
Unite the Union