

# BBC

## BROKEN PROMISES

# What future for BBC pensions?

The BBC is planning huge changes to your pension scheme and that of future employees at the corporation

The scheme will be closed to new joiners in September 2006. For them, a new, inferior scheme will be put in place. Called a "career average salary scheme" it will pay out significantly less - up to half the amount in some cases - than members can expect from the present scheme. This is the direct equivalent of a big pay cut for new members of staff.

Experience in other workplaces shows that where schemes are closed to new entrants there are fewer people paying in, costs rise and eventually the future of the scheme is put in jeopardy. The cost to the BBC of providing the new inferior scheme will be half that of the current scheme. As a result, there is a real possibility the BBC may, in due course, close the existing scheme to current members as well.

### BROKEN PROMISES

The BBC's decision is a disgraceful example of an employer going back on a promise – and a recent promise at that. In July 2003 the BBC wrote a special

letter to all staff about a valuation of the scheme for the corporation's own annual report.

This concerned an apparent deficit calculated under an accounting policy known as FRS17.

The BBC sought to reassure members by saying:

"The Executive Committee of the BBC are committed to retaining the BBC pension scheme in its current form as a defined benefit (i.e. final salary) scheme. This is despite the fact that many companies have chosen to close their defined benefit schemes. We see it as a key part of the overall remuneration package and it is one of

the benefits of working for the BBC which we wish to maintain."

The BBC added: "We decided to write because we wanted to reassure everyone before the (BBC) annual report is published so that these messages are not lost."

In this letter the corporation added "The maximum members' pension contribution under the pension scheme rules is 7.5% and the BBC stands behind its commitment to make up any difference."





## BROKEN PROMISES

Members will now pay this amount from 1 April 2007.

The BBC wants members to pay even more, for instance pushing up contribution rates to 9% in 2008.

This would mean staff paying, collectively, more than £10 million a year extra to the scheme than if contributions were capped at their promised level of 7.5%.

Earlier in 2003, the pension scheme sent its own annual report to all members.

Explaining the then decision to start gradually raising contributions, the BBC and the trustees said:

"When the surplus runs out, the BBC's contribution rate will have to rise to meet the full costs of the Scheme. This is likely to be over 20% of pensionable salaries."

But they stressed: "members' normal contribution rates will never be more than a maximum of 7.5% of pensionable salary."

So much for a promise from the BBC.

### LATER PENSION AGE

The BBC is planning to raise the normal retirement age to 65. Everyone under the age of 50 on 1 April 2006 will have to work an extra 5 years or be left with a reduced pension from 2016 when the normal retirement age will increase.

The BBC claims this is simply acknowledging the fact that people are living longer.

What the BBC has not told you is that longer life expectancy has always been factored into the scheme's long term financial calculations.

The extra five years of contributions that will be required to gain the same pension are simply a way of getting staff to pay more, much more, for the same amount of pension.

If staff choose to retire early, for instance between 60 and 65, they will be hit with reductions in the pensions accrued after 2016, the date when the new pension age comes in.

This is simply a way for the corporation to shift the burden of financing the scheme away from itself and on to the staff.

### WHAT HAS CHANGED?

There is no "pension crisis" at the BBC.

The 2005 valuation of the scheme shows it still has a small surplus.

Unlike many other large employers, it has avoided running up a large deficit.

But, as the BBC fully expected three years ago, the time has now come for full contributions to be paid by both employer and employee.

Its plans are just a blatant attempt to pass the buck and to get staff to pay for something that the BBC had always promised it would pay for.

The BBC has been paying only partial contributions since 1988.

Along with the staff it paid at a rate of 4.5% between 1992 and 2003, when contributions started to rise gradually. In that time the BBC has saved well over a billion pounds in contributions.

There is a simple lesson in all this – the BBC pension scheme is not safe in the hands of the current management. If they are allowed to get away with these changes unopposed they will come back for more.

The BBC joint unions are now in the process of extensive consultation with members and reps. Reps will meet shortly to plan a joint union response.

