RMB Scotland AGM Pensions Report - 25 Nov 2020

Report on activities in PSPC (Public Sector Pensioners Council)

and

NPC (National Pensioners Convention) in 2019/20

I: PSPC NEC

A copy of my report on my activities for 2018/19 can be found on the Branch website at https://www.ucusrmb.scot/downloads/PB-NPCandPSPC-Congress2019.pdf

As members will appreciate, 2019/20 has been disrupted somewhat by the COVID 19 pandemic and consequent lockdowns. Some activities have been able to be carried out via electronic means such as Zoom. Unfortunately, the idyllic rural area in which I live did not have a broadband speed(?) which would allow this, and so I was unable to participate in many activities until my system was upgraded in September. I apologise for this technological deficiency.

I would have given an interim Report to the meeting of Retired Members Branches at Congress in May, but this was postponed and it seemed unlikely that retired members would be able to meet during the virtual Congress in October. As members will now be aware, in the event, that Congress was cancelled in any case.

I hope to receive the Annual Report from the Chief Executive of the PSPC shortly, and will attach it at the end of this document, should it arrive in time.

That said, I can report on the following activities:

1) The General Election.

The PSPC NEC issued a manifesto which comprised the following demands:

i) Retention of the Triple Lock

ii) Compensation for women who had their pension deferred by up to 18 months with only 5-7 years notice. (As demanded by WASPI)

iii) Requirement that at least 15 years notice be given for any future increases in the State Pension Age.

iv) Opposition to any further increase in State Pension Age beyond 68.

v) Assurance that at least one third of adult life span should be State Pensionable.

vi) All UK State Pensioners should receive the same pension regardless of where they live.

We also drafted a letter based on these policies to be sent to all Parliamentary candidates.

Owing to the short notice, it did not prove practicable to arrange an election hustings meeting for party representatives, as had been arranged in previous elections.

2) Government consultation on future modifications to RPI.

For many years the PSPC has campaigned against the replacement of RPI (Retail Price Index) by CPI (Consumer Price Index and/or its variants) and in favour of a better index which fairly compensates consumers and claimants for price increases. We regard the Household Inflation Indices (HII) being developed by Leyland and Astin, under the auspices of the Royal Statistical Society (RSS) as a promising contender which would avoid weaknesses in the RPI, and the serious drawbacks inherent to the CPI and its variants; chief among which is the fact that its use of the Jevons (geometric mean) formula invariable yields a figure for inflation closer to zero than the Carli (arithmetic mean) formula used in the RPI.

The RSS, in a letter to the HoL Economic Affairs Committee on 23 July 2019 have helpfully corrected what they describe as a common misconception about RPI, shared by Lord Turnbull of the EAC, the then Chief Secretary to the Treasury, the Rt. Hon. Liz Truss, Paul Johnson of the IFS and, in my experience, the whole of the press. This misconception is that the version of Carli employed in the calculation of the RPI is prey to the "time reversal" (aka the "strappy top") problem where an item which increases in price, and then falls back to its original price appears to contribute to inflation. As the RSS point out, the version of Carli used in the RPI does not have this problem.

In January 2020 the Government launched a Consultation on how and when the RPI formula might be modified to make it more similar to CPI(H). It was probably no accident that the terms of reference of the consultation were drawn so narrowly that it was impossible to make any challenge to the assumption that the CPI was preferable to the RPI. Cynics might believe that this was rather like "consulting" the condemned regarding the brand of ammunition to be used by a firing squad.

The PSPC response made a number of points including the following:

i) The terms of reference were too limited in scope.

ii) The substitution of the RPI by the CPI was "widely seen as a measure to reduce long-term pension costs rather than to protect the value of pensions relative to inflation." While there are flaws in the RPI methodology, we believe that there are acknowledged flaws in the CPI methodology too.

iii) The deliberate Government policy of applying the higher RPI to regulated price increases, but the lower CPI for public sector pension increases undermines the credibility of the measurement of inflation, and public trust. We urge the Government to press Regulators (such as Ofcom and Ofgem) to require private companies to uprate prices using the same mechanism as the Government uses to uprate benefits such as pay and pensions.

iv) The PSPC believe there should be a single accurate, transparent and consistently applied measure of inflation and the Government should cease "cherry-picking" between CPI and RPI depending on the application of the inflation measure.

In addition to these points, to which I was able to make a direct input, I was also in correspondence with the inestimable Douglas Dean of the Thames Valley Pensioners' Convention (a Regional body of the NPC). Douglas is a retired mathematician who does not subscribe to any form of electronic communication. This is normally a bit of a problem, but during the first six months of the lockdown, when my own internet connection was too slow to allow zoom meetings, I found that communicating with Douglas by letter was extremely useful. Since Douglas is a member of the NPC Pensions and Income Working Party, whose Chair (Brian Sturtevant) is, by coincidence also Chair of the PSPC NEC, I was able also, to get some input into the submission made by the NPC. It must be said that the principal influence on that submission was undoubtedly Douglas Deans to whom we must be very grateful.

Some of the additional points made by Douglas and the NPC are, in my view, so cogent, that I take the liberty of mentioning them here.

i) An important contribution to the ongoing debate is to be found in the judgement handed down in the High court on 19 January 2018 (upheld on appeal on 4th December, 2018) in BT plc v BT Pension Trustees. This judgement includes the statement that "any index can do no more than provide an estimate of the increase in cost of living as experienced by any given household or even type of household. Thus it is impossible to say that RPI is wrong and CPI is right, or even that RPI is more wrong (or right) than CPI, as an estimate of the likely increase in the cost of living for pensioners under the scheme."

ii) In 2014, the ONS stated that "CPI is not a suitable measure of inflation experienced by the median household." "The RPI is noticeably closer in practice to a household weighted index than the CPI." In 2015 they said "the CPI was compiled solely for comparison between EU countries… It was not designed to measure inflation from a household perspective". Furthermore "Nearly all EU countries, and all the major ones, used their own national indices as their main operating index. The UK would therefore be out of line with most international practice if it adopted the CPI or a close derivative such as CPIH as its main operating index." Therefore, the case for the CPI is very insecure.

iii) There is a fundamental weakness in the Jevons methodology employed in the CPI. When we consider a large number of items; each having a non-zero value, it takes only one item with a zero value to generate a geometric mean of zero, thus wiping out the contribution to the index of all of the other items. A zero value for the price of an item is not unrealistic. Consider, for example, the BOGOF offers frequently made by supermarkets.

iv) In 2010, the new Chancellor of the Exchequer stated that the RPI did not reflect changes in purchasing practice, and because CPI always gave a lower value than the RPI, it would better reflect these changes in purchasing practice. The example he used was that if the price of Kellog's Cornflakes increased, shoppers would switch to Tesco cornflakes if these were cheaper. The fallacies in this argument are that many pensioners do not have full access to all available products. My village shop does not stock "own brand" cornflakes. In addition, while I could switch cornflakes (by driving 30 miles (return) to my nearest supermarket, or taking 3hrs 20 mins (return) by public transport, including 50 minutes walking) there are some purchase that I couldn't switch. For example, if shoes in my size increase in price, I cannot switch to shoes that are smaller or larger. Moreover, when demand for Tesco cornflakes increases, market forces will surely induce an increase in price. One is disappointed that the Chancellor didn't seem to realise these problems with his argument.

v) It is clear from the judgement in BT Plc v BT Pension Trustees that there is a wealth of evidence to support the need to question the use of CPI and RPI (and their derivatives) as valid measures of inflation. When an important mathematical relationship is proposed, one should try to check its validity by comparison with empirical data drawn from past experience. The ONS must have all the required data to test the CPI and RPI values against a set of historic actual inflation values calculated by both (and other) methods. This would be analogous to a peer review of the ONS's own work and should be undertaken without reference to their current preferences.

We would therefore suggest that the Treasury commissions the ONS to undertake and publish such a review to compare past values of CPI and RPI with actual historic inflation values.

In my opinion, the final point hits the statistical nail (and the occupants of The Treasury) firmly on the head, and should be unequivocally endorsed by UCU.

I suggest that we hold ourselves ready to respond as soon as the Government publishes the results of its review.

Further information about the PSPC and its activities may be found on its website: www.publicservicepensioners.org.uk

II The NPC Finance Working Party

As ever, our principal aim has been to keep NPC's finances under constant review, to try to think of ways of controlling expenditure, and to increase income.

We have drawn up forms which require organisers of events (and proposed events) to account fully for costs and seek to defray those as far as possible. I suppose one could say that we have achieved rip-roaring success in this respect since, during the lockdown, there have been no such events and therefore no overspends. However, this state of affairs is neither sustainable nor desirable.

We have invested in facilities for Zoom conferences and a Zoom Webinar package. Since this is more expensive, we will review how cost-effective this is at the end of the year. We have also purchased a card-reader to facilitate payments.

On the revenue side, we decided to set up a Fundraising Sub-group to explore ways in which we could increase income. The FWP invited me to chair this sub-group. We have been constantly looking for new affiliates. Perhaps the recruitment of the Professional Footballers' Assn. has been our greatest breakthrough. We had planned to approach the unions of several other sports but, unfortunately, the pandemic intervened.

We are also exploring various sources of grants and sponsorship, and an application to the Rowntree Reform Trust has already been made. If anyone can suggest other sources, that would be helpful.

One further possibility, which we will invite the NPC NEC to explore, is the creation of a new concept of a "Corporate Friend of the NPC". As colleagues will know, we have formal Affiliates (who are mainly Trade Unions) who have full participation and voting rights in all of the NPC structures. Individual people can, for a small fee, sign up to be "friends of the NPC". However, this does not raise very much income for us (less than £1,000 in the last year). If we were to create a new status of "Corporate Friend of the NPC", then such Friends would not be affiliates, and would have no voting rights. There would be an annual fee, which could be quite substantial in view of the fact that we would be seeking to recruit relatively large organisations and businesses who might be willing to contribute to a worthy cause without being formally affiliated. At present, such organisations are invited to pay for stalls at the Pensioners' Parliament but it has become increasingly difficult to persuade them to do so. Clearly, this is a complex issue, with important ethical ramifications. We can all think of businesses that we would not fancy as "friends". However, it seems to me to be an avenue worth exploring with our eyes wide open. I would welcome comments and suggestions from colleagues so that I can pass them on to the NPC NEC when this issue is up for discussion.

We are, as ever, trying to encourage NPC members and friends to make their internet purchases via Easyfundraising whenever possible, since this raises a steady income for the NPC. We will approach Easyfundraising to try to persuade them to recruit more organisations into the scheme, and to re-recruit any which have dropped out. As it happens, travel and hotel companies have always tended to offer the most favourable donations and, of course, few pensioners are managing to take holidays at the moment.

Finally, I would like to make my traditional and annual appeal to UCU members to help to keep the NPC going:

i) By joining NPC groups
ii) By becoming "Friends of the NPC" (https://www.npcuk.org/contact)
iii) By using the "Easyfundraising" mechanism to garner a donation whenever they make an online purchase from one of the many participating businesses. You can do this by going to the website www.easyfundraising.org.uk and registering with a username and password. You then nominate the NPC as your "good cause". Thereafter, before buying anything online, you go to the easyfundraising website, login and search to see if the firm from which you are making your purchase supports the scheme. If so, easyfundraising will take you to their website and you make your purchase in the normal way. The donation to the NPC is made automatically at no cost to yourself.
It was noted at one of the NPC NEC meetings that only about 30 NPC members use "Easyfundraising". If we could persuade 3,000 people (at no cost to themselves) to participate, then the finances of the NPC would be given a phenomenal boost and we would no longer need to keep coming back to our friends in the trade unions with a begging-bowl.

Further information about the NPC and its activities may be found on the NPC website: www.npc.org

Philip Burgess

November 2020.