

GMB PRESENTATION

**Ofgem Seminar
8th October 2008**



Why are we here?

- **Ofgem consultation – August 2008**
- **Pension panic**
- **Need for sector reform**

GMB View

- **Core employee terms and conditions should be areas for collective bargaining**
- **Balanced scheme trustee boards with 50% member nominated trustees**
- **Ofgem involvement?**

Six Principles 2003

- Licensees can recover economic and efficient salary and pension costs
- Licensees can recover the attributable regulated fraction only
- Ex-ante adjustments to allowances may be made where there has a failure in stewardship
- Pension costs will be assessed using actuarial valuation
- Adjustments will be made to allowances for under / over funding
- The additional cost of Early Retirement Deficiency Contributions will be borne by the licensee

Fit for Purpose?

- **Ofgem's challenges to existing approach**
 - ◆ Over cautious trustees
 - ◆ Lack of buy out exploration
 - ◆ Surplus
- **Advantages of flexibility**
 - ◆ Long term approach
 - ◆ Meets business needs of employers
 - ◆ Reactionary approach is costly

Regulatory Collision

- Ofgem – ‘Protecting consumers is [the] first priority. We do this by promoting competition, wherever appropriate, and regulating the monopoly companies which run the gas and electricity networks.’
- Pensions Regulator – ‘The Pensions Act 2004 gives tPR a set of specific objectives:
 - ◆ to protect the benefits of members of work-based pension schemes;
 - ◆ to promote good administration of work-based pension schemes; and
 - ◆ to reduce the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund.’

Consequences of Outlined Proposals

- **Conflict with employees**
- **Conflict with trustees**
- **Conflict with licensees**
- **Conflict with the Pensions Regulator**

- **Would this benefit consumers?**

Whose Scheme is it Anyway? I

■ Surplus

- ◆ Ofgem – “we are duty bound to consider how (or whether) the benefits of this surplus may be released to the consumers who have funded the surplus”
- ◆ Pension Regulator – trustees’ responsibility
- ◆ GMB – surplus should be used to aid the long term sustainability of pension provision

■ Contributions

- ◆ Members contribute too, why this is ignored in Ofgem consultation?

Whose Scheme is it Anyway? II

- **Trustees**

- ◆ Investment policy
- ◆ Surplus handling
- ◆ Assumption setting
- ◆ Deficit strategy
- ◆ Independence
- ◆ Regulatory obligations

- **Other Interested Parties**

- ◆ Pension Protection Fund
- ◆ Parliament

Remember the Members

- **Occupational pensions are a core part of the remuneration package**
- **GMB members throughout the economy have responded robustly to threats to their pension schemes, whether from employers or government**

Fiddling While Britain Freezes?

- **No evidence that any consumers will see reduced bills as a result of these proposals**
- **Cause anxiety and anger among scheme members**
- **Destabilise perception of schemes when PPF and investors demand security**