

# Railways to close DB to protect its members

## David Rowley

The Railways Pension Scheme is planning to close its final salary offering to new employees and raise contributions for existing members.

A report produced by the Railways Pensions Commission sets out a proposal for an average career revalued earnings scheme for new employees, and the raising of contribution levels for existing scheme members.

Unlike other final salary scheme cutbacks and closures, the new arrangements are proposed to help employees, as the current scheme has a unique risk-sharing contributions schedule.

The report states: "Preliminary indications are that, following the 2007 actuarial valuation, the joint future service contribution rate will be around 30% of section pay. Deficit contributions will be payable in addition."

However, the commission says it will cap employee contributions at 10%.

The average career revalued earnings scheme will take 12% in contributions from employers and 8% from employees.



Thompson: improving mortality to blame for final salary closures

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Cutbacks to existing provisions include limiting the generosity of ill-health early retirement pensions, and raising the normal retirement age from 60 to 65 for employees who joined after privatisation in the mid-1990s.

The commission, which includes Jeannie Drake, ex-

president of the Trades Union Congress, and Peter Thompson, former chairman of the National Association of Pension Funds, blames the cutbacks on improving mortality.

Its recommendations are not all bad news for employees. It wants service providers for the rail network to provide a pension scheme that offers a minimum 7.5% employer contribution and a 5% employee contribution.

The commission also argues that the new average career revalued earnings scheme will be more equitable for employees who retire on lower incomes.

The proposals would come into force in early 2009 if approved.

A lawyer, who has worked with the Railways Pension Scheme over the last four years, praised the new report.

David Gallagher, partner at Field Fisher Waterhouse, said: "If its proposals can be accepted by the unions and employers involved in the industry, it has the potential to be a model for pensions settlements in many other large industries with traditional final salary schemes."