



ASLEF Response to the Railway Pension Scheme Actuarial Valuation Assumptions 2013

The Associated Society of Locomotive Engineers and Firemen (ASLEF) is the UK's largest train driver's union representing approximately 18,000 members in train operating companies and freight companies as well as London Underground and light rail systems.

ASLEF supports the vast majority of the assumptions the actuary has made in the discussion paper. The one substantial area of disagreement however is over the assumption on salary increases. ASLEF feels that the assumption that salary will increase by an average of RPI + 1.0% excluding promotional increases is far too high.

Firstly, caution must be taken when looking at historic pay rises, particularly since privatisation. The pay for many grades during the era of British Rail was often very complex in structure. Since privatisation, many salaries have become far cleaner. This means what may appear to be pay increases historically are simply restructuring. These have often come with Pension Restructuring Premiums meaning that the apparent increases in salary have not counted for pension purposes for benefits already accrued.

Looking forward, ASLEF would suggest that pay rises (excluding promotion) of RPI + 1% are highly unlikely. We would point to recent pay deals to highlight this fact.

We have agreed multiple year day deals with Lorol, First Tram Operations, Greater Anglia, Southern, South West Trains, Arriva Trains Wales, c2c First ScotRail, DRS and Freightliner Heavy Haul. Where these are RPI + pay increases, the highest is RPI + 0.5% Where they are expressed in percentage terms, the highest possible increase is 4.0%, below the assumption of 4.2% (assumed RPI + 1%).

We would therefore suggest that assumptions for future pay increases are reduced so they reflect a far more likely scenario and in doing so, stop upward pressure on contribution rates.

ASLEF's recognises that the actuary has an obligation to make assumptions as accurate as possible and must look at the long term pattern for salaries. ASLEF feels that the assumption of 1% above RPI is far too high. The Union also recognises that the actuaries have an opportunity to reconsider this in three years at the next valuation and can change this assumption if it is found to be incorrect. Therefore, based upon the multiyear deals the union has signed, ASLEF feel that to reduce this assumption allows for a far more accurate reflection of the economic picture going forward.

Please find attached the details of the multiyear deals that ASLEF have agreed.