Pensions Week

Unions unlikely to win inflation concessions from Tesco

By Pippa Stephens | 18 March 2012 |

Unions in consultation with Tesco over the two-year increase in its retirement age are unlikely to succeed in reversing it.

The supermarket giant has proposed changes to the way its defined benefit scheme is calculated, due to be imposed from June 1, which will affect the 172,000 active workers in the scheme.

The plan's retirement age will increase to 67 from 65, and CPI will be used to track inflation, in place of RPI.

Jennie Kreser, partner at Silverman Sherliker, said unions could contest the changes on the grounds of either the employee's contract, section 67 of the Pensions Act 2004, or member expectation.

A victory may also be difficult, as if RPI is not hard-wired into the rules it should in theory be possible to adopt CPI, and recent case law supports this, she added.

And she claimed the changes could pave the way for either more private sector schemes following suit, or a greater move towards closure of defined benefit schemes.

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Martin Scott, partner at Mayer Brown, said Tesco's changes could be difficult to implement due to "knotty legal problems" involved in dividing the workforce.

Consultations are running with the Union of Shop, Distributive and Allied Workers.