2011 Pension Increases & Contracting out

GMB PROTECTING PENSIONS

GMB Pension News

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2011 PENSION INCREASES

Increases to pensions are traditionally applied in April based on the statistics available in the previous September. The September 2010 figures were:

Retail Price Index (RPI)	4.6%
Consumer Price Index (CPI)	3.1%
Average Weekly Earnings (AWE)	2.2%

The April 2011 increases (and increased amounts were relevant) are shown in the table below.

	APRIL 2011 INCREASE	*APRIL 2011 INCREASE HAD LABOUR POLICY CONTINUED*	2011/12 AMOUNT	2012 INCREASE
STATE PENSIONS				
- Basic State Pension	4.6%	*4.6%*	£102.15pw	Best of CPI, AWE and 2.5%
- Additional Pensions (SERPS, S2P)	3.1%	*4.6%*		CPI
- Pension Credit	£4.75	*£6.10*	£137.35pw	CPI
PUBLIC SECTOR PENSIONS	3.1%	*4.6%*		CPI
PRIVATE SECTOR DEFINED BENEFIT PENSIONS	In line with scheme rules, statutory increases will be 3.1% (*4.6% if CPI policy not adopted*)			
PENSION PROTECTION FUND/FINANCIAL ASSISTANCE SCHEME	3.1%	*4.6%*		CPI
DEFINED CONTRIBUTION, STAKEHOLDER AND PERSONAL PENSIONS	In line with the contractual terms when pension was purchased			

For example, someone receiving a public sector pension of £2,000pa in 2010, would see this increase to £2,062pa in 2011 (*it would have been £2,092pa if the coalition government had not changed the method of indexation*).

More information on pension increases is at http://www.gmb.org.uk/docs/11021_CPI%20vs%20RPI.doc

CONTRACTING OUT REBATES

Members of pension schemes can contract out of the State Second Pension, meaning that a refund (or rebate) of part of their and their employer's National Insurance contributions are paid back to their pension scheme. The pension scheme will then make up the State Second Pension that is lost.

Government has announced that the rates of rebate are set to reduce from April 2012. The rebates will decrease from 1.6% to 1.4% (employee rate) and 3.7% to 3.4% (employer rate). This reduction in money being paid into schemes is likely to put increased pressure on the funding of defined benefit schemes. For example, for one employee earning £20,000, the pension scheme is likely to receive £71 less per annum.