



Q & A

October 2009

GMB Pension News

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Q&A – October 2009

The nights are drawing in and scary ghouls are wandering the country (well party conference season wasn't that long ago) so it must be Autumn and time for another Pensions Q&A. The self-same party conferences gave a few rather hefty clues about the plans the major parties (and the Liberal Democrats) have regarding your twilight years. This edition will therefore be dedicated to the view from the top of David Cameron's mountain from where he looks down on those of us without a multi-million pound nest egg to retire on.

OCCUPATIONAL PENSION SCHEMES

1. Personal Accounts

Personal Accounts are supposed to be the saviour of those workers whose employers don't provide them with a pension scheme. There is of course rather a danger that Labour's plan to move all those without an occupational pension into Personal Accounts from 2012 will be reviewed or reformed away by any incoming government but generally the indications are that the mighty brains of the Conservative front bench (and Vince Cable) haven't come up with anything better so they're likely to run with this one. As a defined contribution scheme with less than 8% of earnings being invested, Personal Accounts are not going to provide for a luxurious retirement on the Costa del Pension but it's better than nothing, which seemingly is the alternative.

That, I'm afraid is the end of the good news – yep, you blinked, you missed it.

2. Closing the MPs' Pension Scheme to New Entrants

Now I know this might not give rise to oceans of sympathy for all those new MPs desperate to get their hands on an expenses form but it's a very bad sign. If an ever increasing number of MPs don't have a good quality, defined benefit pension scheme to join, how bothered do you think they'll be about the rest of us having one? Don't get me wrong, a 1/40th accrual fully indexed final salary pension is rather generous these days but moving from that extreme to the other of bargain basement defined contribution scheme isn't going to help anyone.

3. Capping Taxpayer Funded Public Sector Pensions at £50,000 because Tax Relief on Private Sector Pensions is Capped

I've taken this directly from George Osborne's speech as I'm afraid despite his rather expensive education this policy statement (and that's what we've been led to believe this is) makes about as much sense to me as an Ikea instruction guide

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in the original Swedish. Firstly to strip away the complete piffle – the tax relief regime applying to private sector pensions is exactly the same as that applying to public sector pensions, so the stated reason for this proposal is flawed at the outset. Secondly to question the profoundly unclear – what is a taxpayer funded public sector pension? No public sector scheme is funded exclusively by the taxpayer (except technically the armed forces scheme but we'll leave that to one side). Employees contribute for one thing and in local government 27% of the scheme's income comes from investments. Despite this, Ozzy wants to cap pension benefits at £50,000 a year. Again to most this sounds like a faraway figure that won't affect them. Think again. Just like closing the MPs scheme, this is the thin end of a very bleak wedge. If NHS consultants (medical not management), head-teachers and local authority chief executives don't benefit from having a good quality pension scheme, why would they support the continuation of these schemes for nurses, social workers and teaching assistants?

Above all, remember Cameron's words in 2008 – "My vision is to move increasingly towards defined contribution schemes rather than final salary schemes." If that's his view from the summit, I think we'd better all batten down the hatches at base camp.

STATE PENSIONS

Before you sit there thinking, 'oh well it's ok, the Tories are now the party of the poor I'll be able to rely on the state pension' - a couple of flies in that particular ointment. Firstly announcing a raft of policies that are going to create rather than reduce poverty hardly inspires confidence. Secondly, another of Ozzy's great ideas is to increase the state pension age to 66 ten years earlier than is currently planned. We already know that radically different life expectancies between rich and poor make this a seriously regressive way of saving the public purse a few pennies so how this fits in with the new fluffy Tory image I'm not sure. As for the £13bn a year the Tories claim this would save, that figure is disputed by practically everybody with access to a calculator.

To end on a happy note, all political parties are committed to restoring the earnings link to the basic state pension. Obviously this decision is made somewhat easier since the inflation underpin that Labour introduced means that in April 2010 the state pension will rise by 2.5% (to £97.65 a week) while average earnings stands at about 1.6%.

So there you have it, more amazing news and analysis on the pension page of GMB's website: www.gmb.org.uk/pensions

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