



## **DECEMBER NEWS BRIEFING**

This News Briefing aims to give an overview of recent developments in the Pensions World for Trustees, Activists, Officers and anyone with an interest in pensions news. It incorporates the Member Nominated Trustee News.

Your feedback on this Update would be appreciated.

### **THIS MONTH:**

- **Pension Changes – More employers are changing or closing pensions**
- **Investments – Walker review recommends strengthened shareholder engagement**
- **Pensions Regulator – launches campaign to improve the governance of pension funds**
- **DWP – consults on the new Personal Accounts regime**
- **Legal Issues – a groundbreaking age discrimination case relating to redundancy and pension entitlement**
- **Statistics – Intentions to retire are put off, and winter deaths on the rise**
- **Pension Protection Fund – publishes its annual report**
- **Case Studies – GMB needs help in finding members:**
  - **With experience of the detrimental effect of compulsory retirement ages**
  - **Who have gone through an ill health retirement application process in the Local Government Pension Scheme in England and Wales**
  - **Who are covered by a public sector pension scheme.**

## **OCCUPATIONAL PENSIONS**

GMB Pensions Dept are routinely advised of employers who are proposing to make changes to their employees' pension schemes. The below gives some of our more recent notifications:

- AGA Rangemaster – putting a cap on the level of salary which is considered as pensionable towards a defined benefit scheme
- Chivas Bros – increasing member contributions
- Compass – closing a defined benefit scheme to future accrual
- Tarmac – closing a defined benefit scheme to future accrual
- Emcor – closing a defined benefit scheme to future accrual
- Tate & Lyle – closing a defined benefit scheme to future accrual
- PPG – closing a defined benefit scheme to future accrual
- AA – increasing member contributions and imposing a cap on salary increases in the final salary scheme
- Royal British Legion – closing their defined benefit scheme to future accrual
- BMI – closing a defined benefit scheme to future accrual
- Burtons – amending future accrual levels
- Lafarge – are consulting on making some changes to future pensions

Please keep us advised of any pension changes you are notified of.

In addition to these, Ofgem are continuing with their consultations setting out their intention to interfere in the running of occupational schemes in the energy sector.

The National Association of Pension Funds recently published survey results which show that more and more pension schemes are planning changes in the near future. More at <http://www.napf.co.uk/News/Index.cfm>

## **INVESTMENTS**

Did you know that, prior to Sir Fred Goodwin's excessive payoff from Royal Bank of Scotland; their executive remuneration policy (including payoffs and pension provision) was passed by 88.8% of shareholders, primarily pension funds? Following the banking crisis and publicity behind failures of corporate governance of these institutions, the government commissioned Sir David Walker to review the position.

Walker's review was published in November and makes a series of recommendations including proposals to strengthen the role of shareholders (in all holdings, not just those held in banks).

It is likely that the outcome of this will be that all institutional investors will have to implement a policy to monitor investee companies, how they will exercise their right to vote and how they might intervene with companies.

More on the Walker Review can be seen at [http://www.hm-treasury.gov.uk/walker\\_review\\_information.htm](http://www.hm-treasury.gov.uk/walker_review_information.htm)

### **PENSIONS REGULATOR (tPR)**

The Pensions Regulator has recently launched a campaign aimed at encouraging good governance and administration of pension schemes as well as better management of pension scheme risks. In the coming months tPR will aim to improve standards by revising its guidance on internal controls, trustee knowledge and understanding and winding up.

The campaign is launched soon after the publication of the results of the Regulator's survey into Pension Scheme Governance. Highlights of the survey are that larger schemes tend to implement better governance procedures (although the economic climate has had an adverse affect on this), management of conflicts of interest is thought to be improving and use of the Regulator's Trustee toolkit is increasing.

More can be seen at <http://www.thepensionsregulator.gov.uk/safe/>

### **DEPARTMENT FOR WORK AND PENSIONS**

DWP has recently consulted on proposals around the Personal Accounts pension system (which will for the first time ensure that the vast majority of the workforce will have a mandatory employer contribution to a pension arrangement). The proposals involve the "staging" the timeframe over which employers must enter the Personal Accounts regime and "phasing" the time over which employers must meet the full contribution requirement (3% of qualifying earnings) meaning that some employees are unlikely to benefit in full before 2016, rather than 2012 as had been hoped.

More on DWP's plan for pension reform can be seen at <http://www.dwp.gov.uk/policy/pensions-reform/>

GMB has met with DWP officials on a number of occasions to express our concerns with this move and other aspects of proposed Personal Accounts legislation.

### **LEGAL ISSUES**

London Borough of Tower Hamlets recently lost a Tribunal case taken by an employee claiming age discrimination against his redundancy selection. He was made redundant months before his 50<sup>th</sup> birthday (at which age he would

have qualified for an unreduced pension on redundancy). It was found, amongst other things, that Tower Hamlets sought to bring about a redundancy before the age of 50 in order to avoid the pension cost. They look set to be hit with the biggest age discrimination payout to date.

More can be seen at <http://employment.practicallaw.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1247483922750&ssbinary=true>

## **STATISTICS**

### **Retirement Age**

The Chartered Institute of Personnel and Development has released the findings of a survey which show that 71% of respondents aged 55 and over intend to work past their state pension age to make ends meet. They also revealed that 46% of respondents had a pension with their current employer. More at [http://www.cipd.co.uk/pressoffice/\\_articles/EOPensions241109.htm](http://www.cipd.co.uk/pressoffice/_articles/EOPensions241109.htm)

### **Pensioner Deaths**

National Statistics have recently reported that the number of winter deaths in 2008/09 has increased by 49% from the previous year. The 40% increase to fuel bills is clearly having an adverse effect on the health of many of Britain's pensioners. More at <http://www.statistics.gov.uk/cci/nugget.asp?id=574>

## **PENSION PROTECTION FUND**

The PPF published its annual report recently which showed that by 31 March 2009, more than 12,000 people were receiving pension payments from the PPF, with more than 30,000 having an entitlement (either at present or in the future) to pension benefits. A further 179,000 people were in pension schemes that were being assessed by the PPF, meaning that they would have their pension payments guaranteed by the PPF if necessary.

The fund itself was valued as being in deficit by £1.23bn (the difference between the fund value and the estimated value of the pension liabilities), which reflects a funding level of 88% (the fund would cover 88% of the liabilities if they became payable today).

More on the PPF's annual report can be seen at <http://www.pensionprotectionfund.org.uk/news/pages/details.aspx?itemID=137>

## **CASE STUDIES NEEDED**

### **Retirement Age**

The government is reviewing the Default Retirement Age (DRA) in the UK which allows employers to forcibly retire workers over the age of 65 providing the appropriate procedure is followed. As GMB responded to the earlier consultations on the issue we have been asked to contribute to this latest review.

As outlined in this press release <http://www.berr.gov.uk/whatwedo/employment/Default%20retirement%20age/index.html>, the Department for Business, Innovation and Skills is looking for evidence and experience of the DRA in practice. If you have specific experience that may be relevant for GMB's submission please email the Pensions Department at [pensionsdeptwi@gmb.org.uk](mailto:pensionsdeptwi@gmb.org.uk) no later than 31<sup>st</sup> December 2009.

### **Local Government Pension Scheme Ill Health (England and Wales)**

We are trying to monitor the application of the ill health retirement rules in the LGPS. If you are aware of any recent ill health retirees, we would be grateful if you would complete and return the form which can be found at <http://www.gmb.org.uk/Templates/PublicationItems.asp?NodeID=89684&PublicationNodeID=98077>

### **Public Sector Pension Scheme Members**

We are always on the lookout for members who would be happy to be identified as real life examples of those who rely on a public sector pension scheme. Please get in touch if you are aware of any willing volunteers.

**That's all for this month. More information on our website**  
[www.gmb.org.uk/pensions](http://www.gmb.org.uk/pensions)

**Wishing all readers a very Happy Christmas and a peaceful 2010**