GMB Pensions News www.gmb.org.uk/pensions

FEBRUARY 2010 NEWS BRIEFING

This GMB 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.

THIS MONTH:

Occupational Pensions – the raft of pension closures and detrimental changes continues.

Politics and Pensions – a brief analysis of the three main parties' policies on some key pensions issues

Pensions Regulator –is seen to be taking a harder line on pension funding and details of a move to improve scheme record keeping

Pension Protection Fund – an update of aggregate scheme funding, and some interesting PPF statistics

Investments – a request from Fair Pensions on the environmental issue of Tar Sands

GMB's Report on Public Sector Pensions

Civil Service Compensation Scheme – agreement reached on proposed changes

Defined Contribution Statistics

Case Studies Needed

OCCUPATIONAL PENSIONS

We continue to be advised of employers who are proposing to make changes to their pension arrangements. In the last month, we have been advised of the following:

- The AA – who have revised proposals to change the benefit structure and contribution levels to their defined benefit schemes
- Rockwool – who have announced a decision to close their defined benefit scheme prior to consultation
- Indorama – who plan to introduce a salary sacrifice arrangement for pension contributions
- Equity – who are proposing the introduction of a hybrid arrangement to replace their defined benefit scheme
- LFEPA – who are proposing changes to their redundancy scheme
- HJ Berry – who have gone into administration with an underfunded pension scheme
- CIM – who are proposing the closure of their defined benefit arrangement
- CME Sanitary Systems – who are proposing the closure of their defined benefit arrangement
- Bradfords – who are proposing the closure of their defined benefit arrangement
- United Utilities – who are proposing a number of changes to their defined benefit arrangements
- McCains - who are proposing implementing salary sacrifice for pension contributions
- Astra Zeneca – who are proposing to put a permanent freeze on the definition of pensionable earnings

Please keep the Pensions Department advised of any proposed pension changes you are notified of.

POLITICS AND PENSIONS

As the election looms nearer, the parties' views on pensions have become more focussed:

Labour remain committed to their programme of implementing NEST (aka Personal Accounts), which will see almost all employees and employers having to contribute towards pension saving for the first time. The government has also committed to ensure that the Basic State Pension is re-linked to earnings by the end of the next parliament at the latest, but to compensate, State Pension Age is set to rise from 2024. The Chancellor also announced an intention to save £1bn from public sector pensions.

The Conservatives have recently published two documents via George Osbourne and Theresa May which give commitments on pensions. On NEST they intend to review the current system being brought into effect. They intend to review the increase to the State Pension Age with a view to bringing this forward to 2016. They have committed to restoring the state pensions link to earnings. On public sector pensions, they intend to commission an independent audit to assess the “true state” of these pension schemes. They have also committed to a cap on public sector pensions.

The Liberal Democrats pensions policy is not as up to date, but they have also committed to restoring the earnings link. They have announced their intention to review public sector pensions with a view to making savings which would fund an increase to the amount of Basic State Pension.

We will continue to keep the parties’ pensions policies under review.

PENSIONS REGULATOR

The Pensions Regulator has the unenviable, but vital, task of ensuring that defined benefit schemes are adequately funded and that enough money is being put aside to meet the pension promises that employers have made. In the current climate this job is made more difficult with pension fund assets being detrimentally impacted by market performance and actuaries’s revised views on future longevity.

An analysis of the position that has been taken by the Regulator in some notable cases has been given by the FT and can be seen at http://www.ft.com/cms/s/0/892702ea-20bb-11df-9775-00144feab49a,dwp_uuid=6ee835ac-5f1e-11de-93d1-00144feabdc0.html

Elsewhere, the Regulator has focussed recently on the data records held by pension scheme administrators and the quality of these. He is consulting on proposed requirements for minimum standards of data quality and targets for implementing this. More can be seen on this at http://www.thepensionsregulator.gov.uk/whatsNew/pn10-03.aspx

PENSION PROTECTION FUND

The PPF has updated its PPF 7800 index to the end of January 2010. This gives an idea of the funding position of the schemes that qualify for PPF protection. The aggregate position across all schemes shows a total deficit of £51.9bn (up from £32.6bn at December 2009, but down from £183.6bn in January 2009).

The PPF has also produced some interesting statistics:

- 109 pension schemes covering nearly 33,000 members (either pensioners or deferred pensioners) are in the PPF
- About £10m in pensions was paid out in the last year – on average nearly £4,000 for each pension in payment
- The oldest PPF recipient is 104 years old and the youngest is 7 years old
- 363 further pension schemes, covering 203,000 members, are currently being assessed for entry into the PPF.

INVESTMENTS – INVESTOR ACTION

In last month's Pensions News, we highlighted the campaign by Fair Pensions to take action against the environmentally harmful actions of the extraction of tar sands. Fair Pensions have provided the following further information.

"This spring, shareholders in BP and Shell get to vote for – or against – a resolution on one of the biggest single factors driving climate change. We are asking you to make your views known to the powerful investors who have votes to cast.

Tar sands (or oil sands) are among the world's dirtiest fuels: their extraction produces on average three times the greenhouse gases of conventional oil. Tar sands developments could also put pension savings at risk: industry analysts increasingly warn that tar sands could be long-term loss-makers.

The resolutions are already supported by some major investors , not least trade union pension funds, but we need you to use your voice to force a review of this damaging and risky activity. You can take action by expressing your concerns directly to your pension provider or (if you don't have one) by emailing one of BP and Shell's largest shareholders.

It only takes a minute to take action: visit www.countingthecost.org.uk "

GMB REPORT ON PUBLIC SECTOR PENSIONS

GMB has published a report on Public Sector Pensions, which has been widely distributed, and is designed to counter the attacks on decent pension provision. The report can be downloaded at http://www.gmb.org.uk/files/99533/FileName/GMBPublicSectorPensionsReport2010.pdf

CIVIL SERVICE REDUNDANCY SCHEME

GMB has been heavily involved with Government and other unions on reforms to the Civil Service Compensation Scheme. In December 2009, the Government announced that it would press ahead with reforms although it had made some changes in response to consultation.

On 3 February 2010, the Cabinet Office announced that it had reached agreement on a modified set of proposals with five of the six civil service unions, including GMB. Changes since the December announcement included an increase in the maximum amount payable on compulsory redundancy and more generous transitional terms. The trade unions welcomed the changes that had been made, particularly for the lowest paid and those nearest retirement. Legislation to implement the reforms was laid before Parliament on 5 February. More can be seen at http://www.parliament.uk/commons/lib/research/briefings/snbt-05201.pdf

STATISTICS – DEFINED CONTRIBUTION SCHEMES

Members in defined contribution schemes may be interested in a recent report by Watson Wyatt. This shows that the average maximum contribution to such schemes in FTSE 100 companies is 16.5% of salary (broken down as a maximum employer contribution of 10.6% for a corresponding employee contribution of 5.9%). Furthermore some 44% of FTSE 100 companies automatically enrol employees into a pension scheme (ahead of the intended legal duty to do this from 2012).

CASE STUDIES NEEDED

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