



APRIL 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 – more proposals to change pension schemes

Risk Sharing Pension Schemes – guidance from Government published

National Employment Savings Trust – the Pensions Regulator publishes employer guidance

Pension Protection Fund – gives an update of UK scheme funding

Pension Overpayments – information on the rights of pension schemes to claim overpaid monies

General Election – the main UK parties' pensions policies under the spotlight

Case Studies Needed

OCCUPATIONAL PENSIONS

Following the recent surge in proposals to change pension plans, many consultations are ongoing. In addition, we have been advised of the following new proposals:

- Cookson – who are proposing the closure of their defined benefit plans
- Sterilin – who are seeking to reduce employer costs by reducing life insurance and other related benefits
- Kingston Communications – who are proposing the closure of their defined benefit pension schemes
- DS Smith – who are proposing measures to reduce the costs of their defined benefit pension scheme.

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

GOVERNMENT GUIDANCE ON RISK-SHARING PENSION SCHEMES

Many of the proposals we see involve the closure of defined benefit pension schemes, with many employers claiming that they cannot manage the risks associated with pension saving. GMB has long argued that rather than simply move to defined contribution arrangements, which shift all of this risk on to employees, there are “middle way” options available which would better share the risk between employer and employees. Take-up of these types of schemes, however, has been low, despite our promotion of them. We have made this point to the Department of Work and Pensions, who have recently published a useful [guide on Risk-Sharing Schemes](#).

This guide quotes some useful real life examples. We would seek to bring it to the attention of employers who are considering moving away from defined benefit pension schemes, and indeed as a way of improving upon many defined contribution arrangements.

NATIONAL EMPLOYMENT SAVINGS TRUST (NEST) ANNOUNCEMENTS

The Pensions Regulator has recently posted a guide for employers which outlines what they should expect from the new regime of compulsory occupational pension saving (formerly known as Personal Accounts). The guide can be downloaded [here](#).

PENSION PROTECTION FUND (PPF)

Regular readers will now that the PPF publishes a monthly update on the aggregate funding position of the 7800 (or so) defined benefit schemes that can be covered by the fund – called the PPF 7800 index. You may also be

aware that the funding position in recent months has made for terrifying reading with total deficits running into the hundreds of billions.

The most recent update of March 2010 shows that the aggregate position is that these pension schemes are in surplus, albeit to the small (!) tune of £0.3bn. This compares with a deficit of £15.bn in February 2010, and a deficit of £242bn in March 2009.

All this goes to show is the volatility of funding rates and the exceptional sensitivity of these to market movements. The same applies to individual funds, and can be used to bolster the argument that we have made throughout the recession: that we expect such deficits to be temporary and market improvements will work to restore pension schemes towards full funding. The long term view of scheme funding is much more important than a snapshot taken on one day.

PENSION OVERPAYMENTS

GMB's Pensions Department is frequently advised of pensions that have been overpaid or instances of members who have received incorrect information about their pension and made decisions on the basis of this incorrect information.

These cases are often distressing and can cause suffering for members. It is almost inevitably not the fault of members that an overpayment of misquote has occurred. However despite this the legal protection for higher levels of pension is exceptionally weak.

The incidences of these cases seems to have increased recently and we are aiming to issue some guidance in the near future. However in the meantime, a cautionary tale has emerged from the Pensions Ombudsman.

The full determination can be seen [here](#). Due to an administrative error the pension paid to a member of the Teacher's Pension Scheme (TPS) was seriously overpaid by nearly £40,000 over 7 years. The Ombudsman ruled that although the error was made by the TPS, the member should have been aware of the error (even though he wasn't a pensions expert); and that the TPS were justified in seeking to reclaim the overpaid monies. This comes despite the fact that overpaid money had been spent and that that the member's standard of living was based on the higher amount.

GENERAL ELECTION – PENSION POLICIES

Ahead of the General Election, we have put together a table summarising the main UK political parties' policies relating to pensions (see next page). We hope it will be useful in campaigning/canvassing/grilling candidates and making your decision on May 6th!

PARTY POLICY

COMMENT

<p>Labour</p> <p>Introduction of a national minimum occupational pension scheme (NEST)</p> <p>Capping public sector pension liabilities through current reform process</p> <p>Ensure that pensions for the public sector workforce are secure and sustainable in the long term</p> <p>Independent authority to set MPs' pay and pensions</p> <p>State pension age set to increase to 66 from 2026</p> <p>Restore the earnings link for the basic state pension from 2012</p> <p>Energy bill discounts for pensioners in addition to Winter Fuel Payments</p> <p>National Insurance credits for grandparents caring for children</p> <p>Pension Credit will be available to more pensioners as the capital disregard will be increased from £6,000 to £10,000</p> <p>Conservative</p> <p>Work with employers and industry to support automatic enrolment</p> <p>At some point reverse the effects of abolishing ACT</p> <p>End obligation to annuitise personal pensions by age 75</p> <p>Increase inheritance tax threshold to £1m</p> <p>Fair and transparent payments to Equitable Life policyholders through independent payment scheme</p> <p>Work with business and unions to reduce public sector pensions to the level of the private sector provision</p>	<p>Extends workplace pension provision for 10million working people</p> <p>Continuing measured reforms currently being discussed by unions and employers</p> <p>Managing the ongoing costs and ensuring public sector workers have good quality pension provision</p> <p>Ensuring a fair approach to MPs' remuneration not politicising T&Cs</p> <p>A manageable delay to enable people to plan ahead</p> <p>Fixing the Tory break in 1980</p> <p>Ensuring the most vulnerable do not have to choose between heating and eating</p> <p>Recognising the contribution working grandparents make to childcare</p> <p>Increasing the number of pensioners eligible for the Pension Credit</p> <p>No member involvement and schemes will be worse due to levelling down</p> <p>Yielded £2.5bn from pension funds, remarkably little in the context</p> <p>Creating pensions as an inheritance tax haven but only available to the richest in society</p> <p>In case the rich don't manage to utilise the new pension scheme loophole</p> <p>Government is progressing the review into this scandal which dates back to failure to regulate under Tory Government</p> <p>No ambition to improve occupational pension provision in the UK just to attack public sector workers</p>
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Cap public sector pensions at £50,000	No parallel policy for private sector executives
Close Parliamentary Pension Scheme to new entrants	Illustrative of intention for all occupational pensions
Increase state pension age to 66 for men from 2016 and for women from 2020	Only gives six years' lead in time and is likely to be contrary to EU law
Restore the earnings link and protect Pension Credit and other pensioner benefits	No date for restoration so could be 2015, no commitment to maintain the real value of pensioners' benefits
Liberal Democrats	
Apply pension contribution tax relief at basic rate only	Continues Labour's trend of a more progressive approach to tax relief
Increase the personal tax threshold to £10,000	Currently £9,490 for 65-74 year olds and £9,640 for over 75s with income less than £22,900
End obligation to annuitise personal pensions by age 75	Creating pensions as an inheritance tax haven but only available to the richest in society (see Tory policy above)
Early access to pension savings	Defeats the purpose of saving for retirement
Fair and transparent payments to Equitable Life policyholders through new payment scheme	Government is progressing the review, into this scandal which dates back to failure to regulate under Tory Government (see Tory policy above)
Reform public sector pensions with an independent review to agree a settlement that is fair for all taxpayers as well as for public servants...This review will focus particularly on savings that can be made across government – such as on pay, public sector pensions	Despite the fact that very little can be saved in the short term and the schemes have recently been reformed to ensure stability, this policy seems to be intended to fund a lot of other pledges
Restore the link for the basic state pension immediately indexing the BSP to the higher of RPI, earnings or 2.5%	As many of their policies weaken occupational provision, this would do very little to mitigate the pensioner poverty LD policies would create
Reduce access to Winter Fuel Payments for under 65s	Regressive measure affecting a core benefit

CASE STUDIES NEEDED

Local Government Pension Scheme III 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