



JANUARY 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 schemes face detrimental changes, while pensions managers question the benefit of closing defined benefit schemes altogether, and actuaries claim employers would support more hybrid arrangements

NEST – the re-branded name for the Personal Accounts framework which will see (nearly) every employee receive a mandatory employer pension contribution in the future

Pensions Regulator – has been issuing revised requirements for trustees, warning against pension inducements, and publishing analysis of pension risks

Pension Protection Fund – has indicated that pension funding levels have increased significantly in the last month of 2009, whilst the Tories have refused to stand behind the PPF

Investments – 2009 sees a large return on investments for pension funds, and Fair Pensions call for a resolution at Shell AGM

Government Policy – Financial Assistance Scheme is improved, the government cracks down on tax relief for high earners and discusses improving pension protections in TUPE situations

Public Sector – GMB works to refute the ongoing attacks on the public sector pension schemes

Statistics – the centenarian population explosion and some pension facts

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:

- Tensar – closing a defined benefit scheme to future accrual
- Lloyds TSB – who are seeking to cap salary increases to their defined benefit scheme, but also to increase contributions to their defined contribution arrangement
- DUCO – closing a defined benefit scheme to future accrual
- JC Bamford – changing their defined benefit scheme from a final salary arrangement to a career average scheme
- Johnson Matthey – replacing a final salary scheme with a low level career average scheme with a defined contribution top up arrangement
- Marstons – reducing the accrual rate in their defined benefit scheme
- The Police Federation of England and Wales – closing their defined benefit scheme to future accrual
- Whyte and Mackay – closing their defined benefit scheme to future accrual
- British Airways – are consulting on making changes to their defined benefit schemes.

Please keep the Pensions Department advised of any proposed pension changes you are notified of. We are able to analyse information on these pension schemes and assist with information provision and contributions towards consultations.

Perversely, against the backdrop of widespread closures of defined benefit schemes, a survey from Professional Pensions has shown that 71% of pension scheme managers do not believe that closing such a scheme to future accrual is not necessarily the best way to deal with scheme deficits (something GMB has been saying for years!). More at <http://www.professionallpensions.com/professional-pensions/news/1568051/managers-scheme-closures>

The Association of Consulting Actuaries has published a survey which it says indicates that employers are supportive of middle way schemes (i.e. somewhere between defined benefit, in which employers shoulder risks, and defined contribution, in which employees shoulder risks). GMB has been promoting such hybrid arrangements ahead of defined contribution for some time to employers and have not met the same level of support. The survey contains some useful statistics and can be seen at http://www.aca.org.uk/files/ACA_pension_trends_survey_statistics-29_December_2009-20091224101342.pdf

NEST

NEST (National Employment Savings Trust) is the new name for what was previously known as Personal Accounts (and before that as the National Pensions Savings Scheme). The process of re-branding this new low-cost savings vehicle, for all employees who don't have access to a better pension scheme, cost £363,000.

The Department for Work and Pensions are continuing to consult on the details of NEST, how employees will be automatically enrolled into pension saving and how to introduce compulsory pension contributions (for both employees and employers).

More at

<http://www.dwp.gov.uk/policy/pensions-reform/latest-news/#milestone>

PENSIONS REGULATOR (tPR)

The Pensions Regulator issued a revised Code of Practice setting out Trustee Knowledge and Understanding (TKU) requirements. Trustees should be familiar with these new requirements. More can be seen at <http://www.thepensionsregulator.gov.uk/whatsNew/pn09-19.aspx>

The Regulator has also issued a statement on offering incentives for members of defined benefit schemes to give up pension rights. In the welcome statement he said that in general it is unlikely to be in members' interests to transfer out of a DB scheme. More can be seen at <http://www.thepensionsregulator.gov.uk/whatsNew/pn09-20.aspx>

Finally, the Pensions Regulator, in conjunction with the Pension Protection Fund has issued this year's PURPLE Book, which gives a detailed analysis of the risks faced by Defined Benefit schemes. The Book (weighing in at 156 pages and not for the faint hearted) can be seen at http://www.pensionprotectionfund.org.uk/DocumentLibrary/Documents/Purple_Book_2009.pdf

PENSION PROTECTION FUND

The PPF has updated its PPF 7800 index, which gives an update of the funding position for the defined benefit schemes who would be eligible for PPF protection.

The most recent monthly index, confirms the volatility of pension deficits which is driven by market movements. The funding level of all of the schemes combined (when calculated on the PPF's basis) showed a deficit of £32.6bn at the end of December 2009. This compares with a deficit of £92.5bn in November 2009, and an even larger deficit of £190.6bn in December 2008.

More can be seen at

<http://www.pensionprotectionfund.org.uk/news/pages/details.aspx?itemID=151>

The Conservative's shadow Pensions Minister has indicated that the Conservatives would not bail out the PPF in case of difficulty. The PPF was set up by the Labour government following their rescuing of underfunded schemes through the Financial Assistance Scheme; and was intended to be self sufficient. More at <http://www.guardian.co.uk/money/2010/jan/12/conservatives-pension-protection-fund>

INVESTMENTS

BNY Mellon (Asset Managers) released some detail of the investment performance seen by pension funds. They estimate that the average pension fund saw a return of 14% in 2009 (compared with a fall of 13.6%). The average return for pension funds over the last five years has been 6.4%pa. More at <http://bnymellon.mediaroom.com/index.php?s=43&item=980>

Fair Pensions, the campaigning group for responsible investment, is mustering support amongst investors to file a resolution to Royal Dutch Shell's AGM calling for answers to questions about their involvement with tar sands (the "dirtiest possible fuel"). More can be seen at <http://www.fairpensions.org.uk/Shell>

GOVERNMENT POLICY

FAS

The Government has recently laid Regulations which herald the completion of the implementation of the Financial Assistance Scheme (the forerunner to the Pension Protection Fund), a significant achievement on the back of trade union campaigning. More can be seen at <http://www.pensionprotectionfund.org.uk/FAS/FASNews/Pages/FASNews.aspx>

Pre-Budget Report

Further to the introduction of a further tax band of 50% applicable to those earning over £150,000pa, December's Pre-Budget Report, also outlined proposals to restrict the unfavourable tax relief given to pension contributions made by anyone earning over this level from April 2011. More at http://www.hm-treasury.gov.uk/prebud_pbr09_consult_pensions.htm

TUPE & Pensions

The Government has engaged in useful discussions with trade unions with a view to improving pension protection for employees involved in TUPE transfers.

PUBLIC SECTOR

GMB Report

GMB is publishing a report on Public Sector Pensions, which is being distributed in the coming weeks. It is designed to counter the attacks on decent pension provision in the sector which have continued. This is at <http://www.gmb.org.uk/files/99533/FileName/GMBPublicSectorPensionsReport2010.pdf>

Attacks

The attacks have continued, with the Liberal Democrats attacking the cost of the Local Government Pension Scheme. GMB along with other unions has refuted these attacks in the press and produced joint material aimed at presenting a more balanced view.

STATISTICS

Centenarians

The Office for National Statistics have been putting their calculators to use in projecting the number of people who would receive telegrams from the Queen on reaching 100 years young. They estimate that there will be 12,000 people in the UK aged 100+ in 2012, rising to 281,000 by 2051.

Pensions Policy Institute Facts

The PPI has issued a document of Pensions Facts covering demographics, state pensions, private pensions and working & retirement. This will be perfect reading material ahead of your next pub quiz. See more at https://www.pensionspolicyinstitute.org.uk/uploadeddocuments/PFs/PPI_Pension_Facts_Dec2009.pdf

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