



Q & A

Dec 2008

GMB Pension News

www.gmb.org.uk/pensions

Q&A – December 2008

Welcome to the snowy season's edition of the Pensions Q&A, you know the drill: slippers on, tiddle of choice in one hand, Q&A in the other ready to throw on the roaring fire in a couple of minutes to provide much needed fuel.

First of all a gold bit of tinsel to those of you who noticed I got the Pension Increase for next April wrong in the last edition. I blame the BBC for quoting CPI as inflation instead of the RPI. The state pension will actually go up by 5% next year...but that's not all...

Pre Budget Report

There were a few stocking fillers for pensioners in the pre budget report this year: £10 Christmas bonus, £60 in January (the Chancellor humbly requests that pensioners use this money to regenerate the economy i.e. spend it), also in 2009 the state pension will increase to £95.25 and the pension credit level to £130. Without meaning to dampen your no doubt deafening cheers for this I should point out that the official poverty level of income is about £151.

Much of the pensions coverage of the PBR sadly focused on misquoting the figures on public sector pensions but more of that later. The other issue that got certain quarters of the press ruffled was the freezing of the lifetime allowance in 2010. I don't want to worry anyone but I'm afraid if your pension pot is worth more than £1.8m by then you're going to have to pay a bit more tax!

There is actually a real issue for mere mortals like us who are unlikely to squirrel away that much, the trivial commutation rate is set at 1% of the lifetime allowance meaning from 2010 fewer people with very low value pensions will be able to convert them into a one-off cash sum instead of a regular pension.

Pension Legislation

The good news is the Pensions Bill 2008 has now become the Pensions Act 2008 since that diligent pensioner in Buckingham Palace put her signature on the paperwork.

The even better news for those of us in need of a break from such things is that when that same overworked octogenarian wandered into Parliament to tell us all what her government have planned for 2009, for the first time in years there wasn't a Pensions Bill on the list. I suspect that doesn't mean no pension legislation in 2009, but a pensions officer can dream...

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Public Sector Pensions – The Source of All Known Ills

“Oh no they’re not” I hear at least half of you cry as everyone gets ready for panto season. You’d be right of course, but in light of the hideously one-sided press coverage of the issue here are ten facts you won’t have read about in the press:

1. Public sector pensions potentially keep 12million people from reliance on state benefits in retirement.
2. Public sector pension schemes, in particular the funded Local Government Pension Scheme, generate billions of pounds worth of investment in the UK economy.
3. Public sector pension schemes encourage retirement saving among 5.75m public sector workers – 85% of public sector workers are members of a pension scheme (compared with 40% in the private sector).
4. Lack of retirement saving in the private sector will lead to more poverty and significant pressure on state benefits in the future.
5. Greater poverty in retirement resulting from inadequate company pension provision in the private sector will lead to greater pressures on the NHS and local care services.
6. All workers pay for everyone’s retirement income. The price of goods and services includes the cost of private sector pension provision, just like tax levels include the cost of public sector pension provision.
7. State benefits are funded by national insurance and taxation paid by everyone and used more by those with lower incomes e.g. those with inadequate pension savings due to poor private sector provision.
8. Public sector pensions account for about 20% of public sector workers’ remuneration packages.
9. Public sector pension schemes are good quality and rightly so, the country needs private sector schemes to be as good. Lower pensions for all means poverty in old age for all.
10. ‘Apartheid’ was the official policy of racial segregation formerly practiced in the South Africa, involving political, legal, and economic discrimination against non-whites; it is not an appropriate description of occupational pension provision.

I shall now decommission my soapbox and get back to writing Christmas cards. Seasonal greetings to one and all from the GMB Pensions dept, we wish everyone peace and solidarity in 2009.

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