



Q & A

May 2009

GMB Pension News

www.gmb.org.uk/pensions

Q&A – May 2009

Welcome to the May edition of the Pensions Q&A, today we have some comments on the Budget and a pilot of a new section of the Q&A called 'fascinating facts' (please note this title is in no way intended to suggest the facts included will be fascinating). So settle back and I'll get started. You should be aware also that my expenses claim for producing this month's Q&A is on its way to GMB expenses HQ in my new hovercraft kindly donated by an MP who said it clashed with the helicopter the taxpayer also bought for him.

BUDGET - Tax Relief

The biggest story for hard pressed commentators was apparently the end of every defined benefit pension scheme in the country as a result of less than 350,000 people getting less tax back than they have become accustomed to. The 350,000 are those earning over £150,000 a year, the sort who can afford to use the tax relief they get on their pension contributions to line their moats. Tax relief on pension contributions for individuals is assessed on the basis of the highest rate of tax paid. So if you earn a penny over the higher rate tax band you get 40% tax relief on all your pension contributions – rather neat for higher earners you might say. Most people get 20% of their contributions refunded into their pensions, all the budget does is say that in time (apparently this takes years to do) those earning over £180,000 (did I mention it was tapered as well) will receive 20% tax relief too instead of 50%. This is significant for those affected certainly, but in my view is the most ridiculous reason yet for accusing the government of killing pension schemes (although the presentation of this award will be deferred until the General Election, I have faith that some Tory or Lib Dem out there will do better).

BUDGET - Home Responsibilities Protection

A lesser reported story, although one that covers many more people, albeit not of moat owning class, is the extension of HRP to those of working age who care for children under 12 or for a sick or disabled person for more than 20 hours a week. This will enable more people who save the taxpayer millions by undertaking this unpaid work to qualify for a full state pension (a massive £95.25 a week).

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HRP as you'll know having read the GMB guide on the website, is a means by which the number of years of national insurance contributions you need to qualify for a full state pension (currently 44 for those with a state pension age of 65 and 39 for those who can receive theirs at 60 – government has previously announced that this will be reduced to 30 years) is reduced.

BUDGET - Pension Credit Savings Disregard

Another change announced in the budget, one fully in line with GMB policy for once, is the increase in the amount of savings pensioners can have before their Pension Credit is reduced. Currently this is £6,000 but from November this will be £10,000. This is a move that could actually really encourage people to save, a marked contrast to the tax relief system discussed above.

BUDGET - State Pension Indexation

Before everyone gets the champagne out, no the government hasn't restored the earnings link or followed GMB policy of increasing the state pension each year by the higher of average earnings or RPI. It has said though that even if RPI is low in September (it currently stands at -0.4%) the state pension will increase by at least 2.5% in 2010 (taking it to nearly £98 a week). Not great but better than the spectre of 'Pension Recovery Tsars' visiting every pensioner in the land and demanding 38p from them.

FASCINATING FACTS

In September last year the leader of the Lib Dems, Nick Clegg when asked how much the state pension was in the UK answered 'about £30 a week' (real answer at the time, over £90). Despite this the Lib Dems have no noticeable proposals for a cash injection to the state pension.

Fred Goodwin, the former RBS exec and fully paid up member of the moat owning class, gets an annual pension of £703,000 – enough to pay out a state pension to 142 people or a LGPS pension to 177 local government workers.

Including Pension Credit, state pension provision is worth about £130 per week, the official poverty line is £158 a week, or 0.01 of a Goodwin pension.

So there you have it, more amazing information and news on the pensions page of GMB's website: www.gmb.org.uk/pensions

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