



## **MARCH 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** – a slowdown in proposals to change pension schemes?

**Minimum Pension Age** – a reminder that this is set to increase to 55 from April

**State Pensions** – outline of the changes that are set to take effect from 6 April 2010

**Increases to State Pensions** – a court rules on a challenge to bring about increases for some pensioners living abroad

**Contracting Out of the State Second Pension** – is set to be abolished for Defined Contribution Scheme members in 2012

**National Employment Savings Trust** – the administrator of this national pension scheme is announced along with more information that will be charged on members' pensions

**Pension Protection Fund** – gives an update of UK scheme funding and advises on how PPF insurance levies can be minimised

**TUC Trustee News** – Spring 2010 issue published

**Public Sector Pensions** – The National Audit Office publishes a report setting out the costs of unfunded public sector schemes

**Budget 2010** – main pension points

### **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:

- JLR – who are proposing to close their pension scheme to new entrants
- The Police Federation – who are proposing the closure of their final salary pension scheme
- Nestle – who are proposing to replace their final salary schemes
- Imperial Tobacco – who are proposing closing their pension scheme to new entrants
- Capper & Co – who are proposing closing their defined benefit scheme to future accrual
- Kingston Communications – who are proposing closing their defined benefit schemes

This may be in line with a [recent survey from PriceWaterhouse Cooper](#) that suggests that many employers have been waiting for the Budget before progressing any decisions on pensions.

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

## **CHANGES TO THE MINIMUM PENSION AGE**

The earliest age at which pension scheme members can draw on their pensions (excluding ill health retirees) is set to increase from 6 April 2010. This change results from legislation laid in 2004, and will see the minimum pension age increase from 50 to 55. A protection does exist whereby members who had a historic right to retire (without needing any consent) can retain an earlier minimum pension age. Experience shows such rights (and therefore the protection) are rare. HMRC has issued [guidance](#).

## **CHANGES TO THE STATE PENSION FROM 6 APRIL 2010**

Several important reforms to the state pension are set to take effect from this date:

- An increase in the age from which women can receive their state pension. Currently this is a woman's 60<sup>th</sup> birthday, but from 6 April, this will start to gradually rise until it is equalised with a man's state pension age (65) by April 2020. GMB's [guide to state pension ages](#) can be downloaded for more information. Recent legislation will also mean that state pension ages will increase further starting in 2024 with the intention of increasing the state pension age for all to 68 by 2046. The Tories have announced an intention to bring forward this further increase to state pension age.

- A reduction in the criteria needed to qualify for a basic state pension. The current National Insurance requirement is that a man must have paid National Insurance for 44 years, and a woman for 39 years, in order to receive a full basic state pension (currently £95.25 per week). This is set to reduce to 30 years for all for those who reach state pension age on or after 6 April 2010. For each year of National Insurance paid (or credited) individuals would receive 1/30<sup>th</sup> of the full basic state pension.
- The system of crediting National Insurance to carers of children under 12, or a sick or disable person is set to be simplified meaning that these credits will be applied more regularly and should be automatically credited for parents receiving Child Benefit or Carers receiving Income Support. More can be seen at the [Government's website](#).

### **STATE PENSION INCREASES FOR EX-PATS**

The Basic State Pension tends to increase in line with price inflation each year, although there is a commitment to improve the level of increases to earnings related by the end of the next parliament. Pensioners living abroad may also receive increases to their state pension depending on where they live – the UK has agreements in place that means that pensioners living in some countries (e.g. EU countries) but not others (e.g. Australia or Canada) will receive annual increases to their pension. A recent legal challenge to this arrangement has been defeated, meaning that this practice will continue. More on state pensions for ex-pats can be seen at the [Government website](#).

### **CONTRACTING OUT OF THE STATE SECOND PENSION**

Staying with state pensions, the government has recently confirmed their intention to abolish the facility whereby members of defined contribution pension schemes can contract out of the State Second Pension. This will take effect from 6 April 2012.

### **NATIONAL EMPLOYMENT SAVINGS TRUST (NEST) ANNOUNCEMENTS**

Two main announcements have been made regarding NEST (aka Personal Accounts) this month. This is the pension scheme which should be the default pension scheme available to all employees who don't have a similar or better pension scheme available, from April 2012. Most importantly, NEST will result in mandatory occupational pension contributions from employers, for the first time. The announcements are:

- That Tata Consultancy Services has been awarded the 10 year contract to run NEST administration services. This result did not come as a

surprise as the other candidates ruled themselves out of the bid before the final decision was made.

- That the charges that will be levied on scheme members pension savings have been announced by the Government and are as follows:
  - 0.3% of the value of members' funds will be taken each year as a permanent annual management charge (as originally expected)
  - Around 2% of the value of contributions that are paid towards NEST will be deducted to extinguish the costs associated with setting up the scheme. This charge will continue until these costs are met. The Pensions Minister advised that the current estimate is that this will take 20 years. This means that for this time the approximate total management charge levied will be above 2%, which is higher than most personal pensions and than the level of charge that a stakeholder provider can levy.

## **PENSION PROTECTION FUND**

The PPF has updated its PPF 7800 index to the end of February 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 £15.1bn (up from £51.9bn at January 2010).

The PPF is part financed by a levy on all schemes that are covered. The PPF, in conjunction with the CBI has issued a [guide](#) for employers and trustees offering tips on how the levy can be reduced. The good news is that these tips basically say that the ways to reduce the levy are to improve pension scheme funding and the strength of the sponsoring employer.

## **TUC TRUSTEE NEWS**

TUC has published the [Spring 2010 edition of its Trustee News](#). There are particularly interesting articles on Longevity Swaps, Stock Lending and an article highlighting the importance of trustees acting in accordance with the trust deed and rules. **NB** I am told that the TUC's Trustee Conference is scheduled for 16 November 2010, and NOT 2 December 2010 as indicated on page 2.

## **PUBLIC SECTOR PENSIONS**

The National Audit Office has published a [report into the cost of the unfunded public sector pension schemes](#) (including NHS and Civil Service Schemes). This intended to inform the raging debate into the fairness and affordability of these schemes. This report focuses on the projection of the current payments made by these schemes. The NAO will report later on the impact of the recent reforms to these schemes to future payments. GMB issued a [press release](#) welcoming the report.

As a reminder, 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>

## **BUDGET 2010**

The Chancellor's Budget contained no massive surprises (that have been identified as yet!). The main points are:

- The proposal to reduce tax relief on pension contributions for high earners is to proceed.
- Changes to the default retirement age of 65 are to be consulted upon.
- As expected, the basic state pension will increase in April by 2.5% to £97.65 per week, and the means tested Pension Credit will increase by 2% to £132.60. However no increase will be applied to SERPS, State Second Pension or additional state pension elements.

## **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](http://www.gmb.org.uk/pensions)