



# Pensions crisis – the slide to poverty

A presentation by *Glyn Jenkins* -  
UNISON Pensions Officer

The Actuarial Profession  
Pensions Convention: 1-3 June,  
Grand Hotel, Brighton




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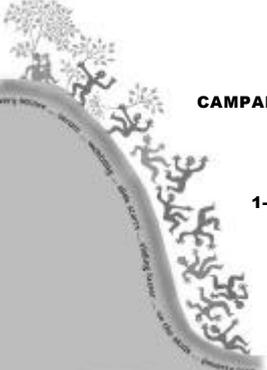
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## CAMPAINING FOR PENSIONS IN AN UNCERTAIN WORLD

**The Actuarial Profession  
2003 Pensions Convention  
1-3 June, Grand Hotel, Brighton**

**Glyn Jenkins**  
*Head of Pensions – UNISON*




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### 1. **Very secure**

MPs and company directors  
in a class of their own - free  
to set their own pensions.




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**2. Secure - for now**  
Public schemes -  
but under review.



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**3. Wobbling -  
under pressure**  
Private sector defined benefit  
schemes many are facing  
reductions or closure.



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**4. Slide starts  
- members falling**  
Private sector money  
purchase schemes no  
guarantees.



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**5. Sliding faster**

Stakeholder/personal pensions low or no employer contributions.



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**6. On the skids**

Eligible employees who don't join a company scheme.



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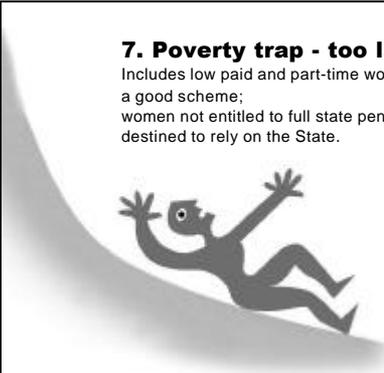
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**7. Poverty trap - too late**

Includes low paid and part-time workers without a good scheme;  
women not entitled to full state pension destined to rely on the State.



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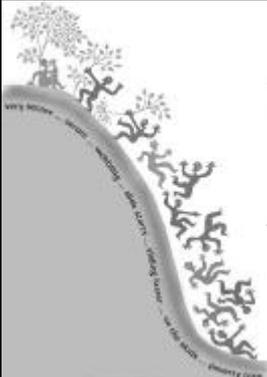
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**GOOD DEFINED BENEFIT SCHEMES**  
**are sustainable.**  
**are relevant.**  
**are the minimum acceptable level.**  
**But they do need to reflect social change.**

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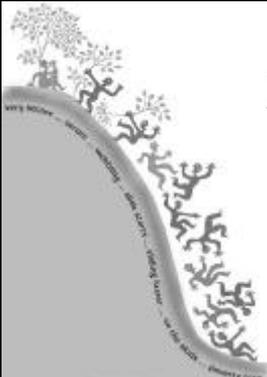
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**Good DB Schemes are sustainable.**

Pensions are a long term and expensive business - and always have been.

Twenty years ago actuarial advice was that a good scheme would require 20% combined contribution.

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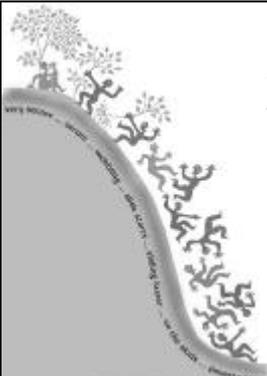
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**Good DB Schemes are sustainable.**

Fifty years ago it was accepted that over the course of 40 years scheme membership the employer was likely to need to pay into an adequate pension scheme £2 for every £1 paid by the scheme member.

The average employer contribution is only now marginally higher than this target.

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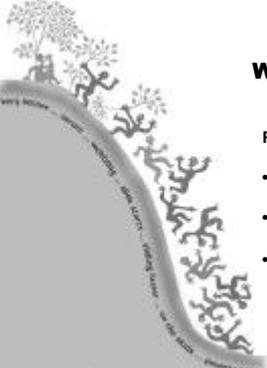
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**What has changed?**

Past 'underfunding nature'

- Contribution holidays
- Past Government inaction
- Recent inflated investment returns




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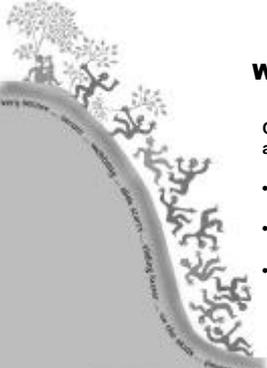
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**What has changed?**

Changing assumptions/calculations

- we might live longer
- low interest rates
- changing accountancy standards




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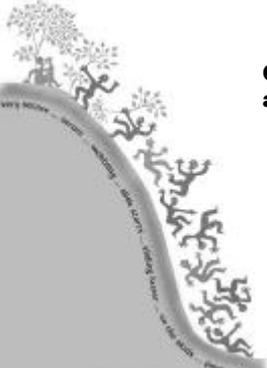
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**Good DB Schemes are relevant.**

Yes for part-timers.

Yes for temporaries.

Yes for stepping down towards retirement.




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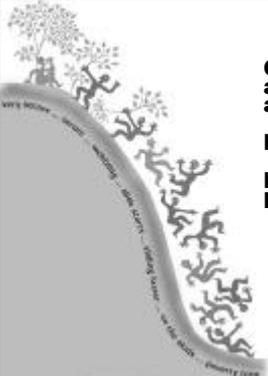
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**Good DB Schemes are the minimum acceptable level.**

**For example in the Local Government Pension Scheme**

Average pension in payment  
£3,800 p.a.

Minimum income guarantee  
£5,300 p.a.

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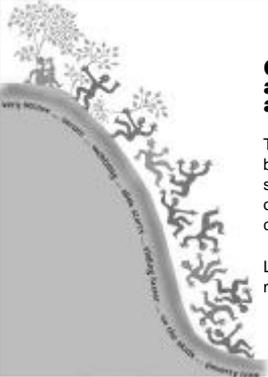
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**Good DB Schemes are the minimum acceptable level.**

Two tier work force the employer will be able to get away with a stakeholder scheme of 6% employer 6% employee contributions for new employees.

Low paid will head for means-tested benefits.

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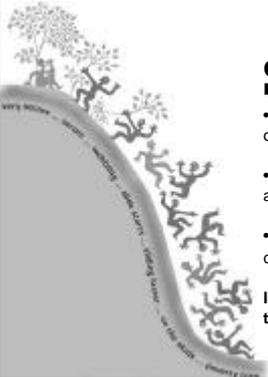
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**Change radical or reactionary?**

- Simplification always a good idea but often more losers than winners
- Flexibility important but who will pay and who advises.
- Portability good but it always costs to chop and change.

**Important not to go backwards to the future.**

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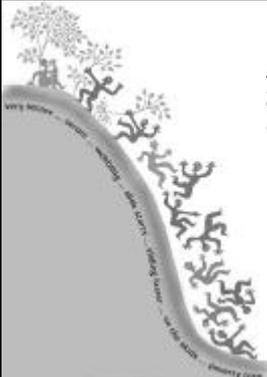
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**All pension arrangements needs to reflect social change.**

End discrimination against unmarried partners and adult dependants

Embrace the flexibilities offered by changes to the tax regime.




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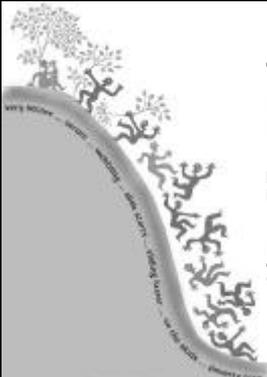
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**The DWP Paper- Extending the working life!**

how the government believes pension schemes can help

**No pension before age 55- coming in by 2010 (except special groups)**




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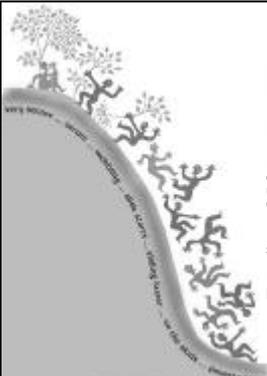
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**Extending Working lives?**

**Public Service Schemes**

- Increasing the age members can retire on an immediate unreduced pension from 60 to 65 by 2006
- This would effect future service after date of change
- Could be part of a benefit package




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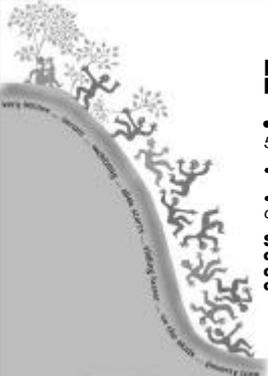
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**Is a Signal Good Enough**

- *No redundancy before age 55?*
- *Career structure to age 65?*
- *Will changes increase or decrease scheme flexibility?*

**Shouldn't demographic changes come before changing a scheme- not the other way round?.**




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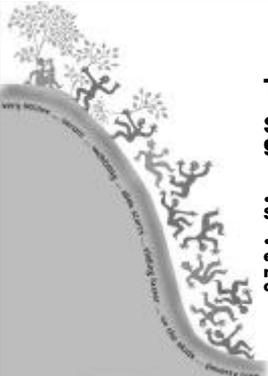
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**The DWP Paper**

**Some negatives are a good thing!**

- **No proposal to increase the State Pension Age above 65**
- **Does not propose to allow employer schemes to reduce minimum inflation protection or spouses cover**




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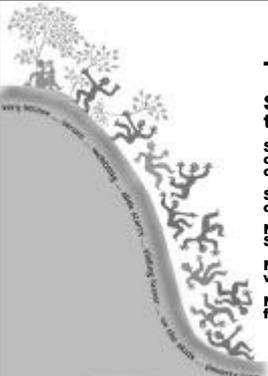
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**The DWP Paper**

**Some negatives are a bad thing**

- **Still no commitment to introduce compulsory minimum employer contributions**
- **Still no timetable on pension being covered by TUPE**
- **No endorsement of Defined Benefit Schemes**
- **No special help for low paid and women**
- **No date for strengthening regulations for Member Nominated Trustees**




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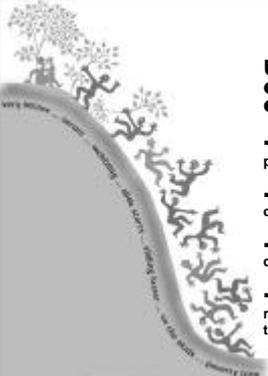
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**UNISON :in conclusion  
our headings for  
change would be:**

- \*encourage Defined Benefit Schemes, particularly 'Industry wide schemes'.
- \*Increase protection by making it more difficult for employers to wind up schemes
- \*Introduce a timetable to bring in realistic compulsory employer contributions
- \*Reward the very low paid who save for retirement by easing the means testing on the pensions Credit

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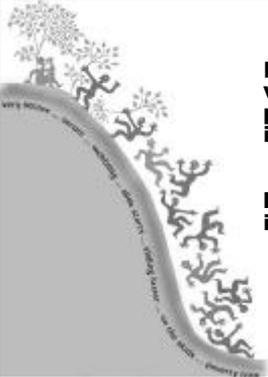
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**In an 'interesting'  
world keeping a  
pension promise  
is radical -**

**breaking it  
is reactionary**

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