

What pension can I expect to get when I retire?

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What do trade unions want when talking about pensions ?

There are three guiding principles that trade unions want from pensions:

1. Workers to be able to retire at a decent age (Not work till you drop).
2. Workers to retire safe in the knowledge that their pension is secure.
3. Workers to retire in a good standard of living.

Trade unions would advise that you take an interest in your pension, so that you know what you will be entitled to.

The idea of a pension is simple, but see list below:

Pensions from the government:

- Single Tier Pension Scheme (STSP) – the New State Pension
- Basic State Pension (BSP) – now closed
- State Earning Related Pension also known as the State Second Pension (SERPS or S2P) - now closed

Private pensions, these include:

- Defined Benefit also known as final salary or career average (DB)
- Defined Contributions also known as Money Purchase (DC)
- Collectively Defined Contributions scheme (CDC)
- Auto enrolment

How much do I need (ball part estimate)

One of the key concerns is how much does someone need?

That will depend on circumstances, including, health, standard of living, where you might live in the country, type of occupation and if you are female.

Expected that through auto enrolment workers will have £125K-£150K pension pot.

Pension pot in a private pension of £100,000

will get you between £3,500 and £4,300 approx.

The younger you are, the more time to build up a pension pot.

	LUXURY RETIREMENT	COMFORTABLE RETIREMENT	BASIC RETIREMENT
	Frequent travel incl. European trips and long haul travel	European Travel	Occasional UK short breaks or day trips
	Regularly eat out at nice restaurants	Occasionally eat out at cheaper restaurants	Occasional inexpensive takeaway
	Owning a new car Every 5 years	Owning an older, less reliable car	No car, or if you have one, it will be a struggle to afford repairs
	Afford nice wine	Occasionally buy nice wine	No alcohol at all
	Good Clothes	Reasonable clothes	Basic Clothes
	Regularly take part in a range of leisure activities and afford a gym membership	Take part in regular leisure activities	Only taking part in free or low-cost activities
Cost (couple)	£39,000	£26,000	£18,000

Source: Which?

Single Tier State Pension Scheme (STSP) – The New State Pension

Current value £168.60. Flat rate. Started April.

You need 35 years of National Insurance Contributions (NICs) to get the above.

To know how much you get as a pension, divide the current value by 35 and then multiply by the number of years of NICs contributions. You need a minimum of 10 years of National Insurance Contributions or else you get nothing.

It goes up every year but the Triple Lock means 2.5 per cent or Average wages or Consumer Price Index (CPI). The highest of the three.

Expected that by 2029 over 80 per cent people get full amount.

Basic State Pension (BSP)

April 6, weekly payments will increase by £3.65 from £122.30 to £125.95 or £6,549.40 per annum – it's a flat rate.

It applies to those who claimed BSP before 6th April 2016.

You would have needed 30 years of National Insurance Contributions (NICs) to obtain the full amount (changed in 2010, used to be 44 for men and 40 for women).

Or been credited as having paid, this could be through Lower Earning Limit (LEL) or Home Responsibilities Protection (HRP from 1977 onwards) now called carer's credit or by claiming income support.

If you earned less than the LEL you would not be credited for this pension.

No early retirement entitlement.

State Earning Related Pension scheme (SERPS)/ Second State Pension (S2P)

Started in 1978 and now closed since April 2016.

That maximum you could depended on earning but the maximum you could get is £172.28.

This was an additional pension to the Basic State Pension (BSP)

Automatically enrolled, if you were not contracted out i.e. in another private pension scheme that provides the same as SERPS.

If you were paying in to SERPS before 2002, only people who were working qualified for it.

After 2002, S2P was introduced which was designed to help people who are unable to work or on low incomes, the following people qualified: employees earning at least £113 a week, people caring for one or more children under age 12 for whom they are claiming child benefit, people claiming carer's allowance, people claiming certain disability-related benefits.

Is the state pension any good?

It meets one of the union's criteria it is secure.

At present it is going up under the triple lock this means more money in your pocket.

However, under SERPS/S2P workers could have earned more.

The 1995 Conservative Government's State Pension Act included plans to increase women's state pension age from 60 to 65 so that it was the same as men's. This has increased faster under the coalition government in 2011.

State pension age increases to 66 by Oct 2020, then 67 between 2026 and 2028, and then 68.

Workers who have contracted out from SERPS/S2P may not get full amount of the New State Pension.

What do I need to do with my state pension/s?

Go to Dept. of Work and Pensions – Get your state pension and log in. Once in check the following:

- your details
- your years of National Insurance Contributions
- amount you will receive

Then decide are they correct?

Are the years of NICs correct? Do I need to buy NICs – only go back 6 years.

Remember you now need 35 years of NICs to obtain the New State Pension.

Private Pensions:

Occupational Defined Benefits Pensions

Schemes set up by employers.

Paid via your wages and the contributions are tax-free.

Described as “deferred pay” - you earn whilst working for the employer and receive payment when retired.

Known as “final salary” – this means final salary before retirement is used to calculate pension.

Calculation used is a fraction: $\frac{1}{60}$ or $\frac{1}{80}$. Divide final salary by 60 or 80 and then multiply by years of contributions.

May also have an automatic lump sum (typically 3 times the pension).

Plus other benefits.

Private Pensions: Occupational Defined Contribution Schemes

Also known as, money purchase schemes.

You contribute via your wages, and so does the employer.

Your contributions are tax free

Stocks and shares are cashed in and money used to buy an annuity or you can now take out your pension in full (pensions freedom).

You know how much money is going in.

But no guarantee at the point of retirement.

Charges to your pension may be lower as the employer may have negotiated better terms with the pension provider.

Private Pensions:

Occupational Collectively Defined Contribution

You pay via your wages, and the employer also contributes.

Your contributions are tax-free

Allowing savers predictable, and possibly better off retirement to pool their money, these pensions could help many to a more .

At Royal Mail, employers and the CWU trade union agreed to establish a CDC scheme – if the government put the rules in place.

Private Pensions: Auto-enrolment

Employers now have to enrol a worker into a pension scheme.

The minimum requirements and payment are as follows:

- Need to earn min. £6,032 to contribute.
- You will pay 4 per cent, the employer 3 per cent and tax relief 1 per cent (April 2019).

Pension pot is invested, and no guarantees at the end.

You can nominate someone to receive your pension pot in case of death.

Charges are capped: management charge and contribution charge.

Are private pensions any good?

Trade unions would argue that Defined Benefit schemes provide security, and the opportunity for a decent standard of living. Many schemes have closed to new employees, except in the railways and most of the public sector.

They would argue that Defined Contribution schemes provided by employers means that there is employer contributions which increases the pension pot. DCs have their funds invested in the stock market. DCs have become the norm in many private sector employers.

What you should do next?

If you have a DB scheme:

- Check personal details are correct including home address
- Check salary details are correct.
- Check years of contributions are correct.
- Check that family details are included.

If you have a DC scheme:

- Check that your details are correct
- Check that family details are correct
- Check amount in the pension pot.
- Check the charges that a made to your pension pot.
- Decide if you want to contribute more.
- Make sure next of kin details are up to date.

- If you think you have a missing workplace pension from an old employer you can contact the Pensions Tracing Service who might help. The service is free.

Useful Organisations

- Age concern search “pensions advice”
- The Pensions advisory service helpline 0800 011 3797
- Money Advice Service
- Citizens advice
- TUC Pensions materials: <https://www.tuc.org.uk/research-analysis/pensions-and-benefits>
- National Pensioners Convention <https://www.npcuk.org/>
- Women against pension inequality <https://www.waspi.co.uk/>
- Back to 60 campaign <https://www.backto60.com/blog>

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