FACT SERVICE

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Don't fall for dodgy deals on pensions

Consumers have been warned to steer clear of pension offers that claim to be able to provide loans or release tax-free cash from people's pension pots before they reach age 55.

Three regulators — the Pensions Regulator, Financial Services Authority (FSA) and HM Revenue and Customs (HMRC) — have recently detected an increase in these schemes, with known transferred funds amounting to nearly £200 million by the end of 2011. The organisations are urging individuals not to be taken in by website promotions, cold-calls or adverts encouraging them to transfer their existing occupational or private pension to a new arrangement in order to access a cash payment or loan.

These schemes usually work by transferring some of the member's pension fund into highly risky or opaque investment structures, frequently based overseas — with no guarantee that members will get their money back if something goes wrong. By accessing pension savings earlier than the law permits, individuals are likely to be poorer in retirement — and can face substantial tax charges.

The prospect of immediate cash may seem appealing, but it will leave you poorer in retirement. There are high risks involved, including:

- the possibility that you will lose your entire pension if the arrangement is not genuine;
- paying high fees to the firms making the arrangements for you. These fees may be deducted from your pension fund when it is transferred meaning that you could receive only 70% to 80% of your pension once the firm has taken its fees; and
- significant tax charges. If you take money out of your occupational or personal pension plan early, this will normally be an unauthorised payment. Unauthorised payments will be subject to tax charges — these tax charges can be up to 55% of the value of the payment for a scheme member and at least 15% of the value of the payment for the scheme administrator. If you fail to tell HRMC, you may be charged penalties.

Victoria Holmes, case team leader at The Pensions Regulator, said: "These offers are typically advertised on websites or small adverts in newspapers. If the offer sounds too good to be true, it probably is. It may simply be a scam designed to get hold of your money.

"Transferring your pension to one of these questionable investment models could result in you losing your entire pension. Immediate financial gain may sound tempting, particularly in the current economic climate. But don't be taken in — you are likely to face substantial tax charges and will be poorer in retirement."

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TUC general secretary Brendan Barber said: "Just as dodgy loan deals have been put firmly in the spotlight, the Pensions Regulator is absolutely right to warn against pension sharks too.

"With real wages falling and personal finances stretched it's understandable that some people might be tempted to trade their pension for short-term cash.

"But anyone under the age of 55 who transfers their pension into a loan could end up a big loser. Our best advice is to avoid doing so."

www.thepensionsregulator.gov.uk/press/pn12-05.aspx

www.tuc.org.uk/economy/tuc-20674-f0.cfm

Benefits not reaching people they should

Too many people are failing to exercise their right to claim benefits, either through pride or lack of knowledge. Even though the Department for Work and Pension's (DWP) estimates on the take-up of income–related benefits always have a big time lag in them, they still make for depressing reading.

The latest figures, just released, are for 2009-10 and show that the number of pensioners that were estimated to be entitled to but not claiming Pension Credit was between 1.21 million and 1.58 million. The total amount of Pension Credit unclaimed was between £1.94 billion and £2.8 billion.

The Age UK charity has called for the introduction of a government scheme to help people become more aware of their Pension Credit entitlement and avoid a repeat of this staggering loss in future.

"It is very disappointing that there has been no progress in older people not claiming the benefits they are owed," said Michelle Mitchell, charity director of Age UK.

"There are still 1.8 million people in later life living in poverty and claiming Pension Credit can make a huge difference to someone's income and quality of life.

"The government needs to start an awareness programme and move more towards a system where the DWP pay entitlements rather than an individual having to work their way through the benefits maze."

The number of people that were entitled to but not claiming Housing Benefit was between 0.75 million and 1.14 million. The total amount unclaimed was between £1.85 billion and £3.10 billion.

Meanwhile, the number of people estimated to be entitled to yet not claiming Council Tax Benefit was between 2.34 million and 3.20 million, and the total amount unclaimed was between £1.7 billion to £2.42 billion.

Taking all six income-related benefits together, the DWP said there was between £7.52 billion and £12.31 billion left unclaimed in 2009-10; in 2008-09, the total was between £6.44 billion and £11.77 billion.

http://research.dwp.gov.uk/asd/index.php?page=irb

www.ageuk.org.uk/latest-news/28bn-pension-credit-unclaimed/

BESNA binned

Following months of unofficial walkouts by rank and file construction workers, the Heating and Ventilating Contractors Association has withdrawn its proposal for a Building Engineering Services National Agreement (BESNA). The Unite general union welcomed the decision.

The move sees the withdrawal of controversial contracts which would have led to pay cuts of up to 30% and poorer terms and conditions for key construction staff. The new contract would have also led to the imposition of new semi-skilled grades outside of existing Joint Industry Boards agreements.

Following the news, Unite confirmed that it would not be pursuing further industrial action or protests against the seven construction firms involved in the discredited agreement.

The agreement by five remaining companies follows the earlier withdrawal of the BESNA contracts by Balfour Beatty Engineering Services and NG Bailey.

Unite general secretary Len McCluskey said: "This is a welcome move and is down to the resolve of hard-working construction workers. Disruption in the construction industry is in nobody's interest. We look forward to talking seriously about how we can secure livelihoods and bring stability to the construction industry."

Earlier in February, as part of its opposition to BESNA, Unite reported the seven major construction firms to the Office of Fair Trading for acting in an anti-competitive way to drive down the pay and conditions of their workforces.

The complaint, the first of its kind made by a union, claimed that the companies were breaking competition law by tearing up Joint Industry Boards' agreements and working together to set new pay and conditions which were not agreed by Unite.

www.unitetheunion.org/news__events/latest_news/unite_welcomes_commitment_to_w.aspx

www.unitetheunion.org/news__events/latest_news/unite_reports_construction_fir.aspx

Childcare costs rocket

Inflation-busting increases to childcare costs are putting working families under further financial strain and forcing some parents to leave their jobs, the Daycare Trust charity has claimed.

New figures from the trust show that the hourly rate at nursery for a child under two has jumped by 5.8% this year, while the increase for a child aged two and over is 3.9%.

The figures revealed that in many parts of Britain the average childcare cost now exceeds £100 for a part-time nursery place of 25 hours a week, with the average yearly expenditure for under-twos standing at £5,103.

The most expensive nursery recorded by trust's 2012 survey charged £300 a week for 25 hours' care – or £15,000 for the year.

At the same time, new HM Revenue and Custom figures reveal the impact of the government's cut to financial support for childcare costs in April 2011. By cutting the maximum level of support available through the childcare element of Working Tax Credit (WTC) from 80% of costs to 70%, the average claim has fallen by over £10 a week costing the low-income working families that receive it more than £500 a year. Furthermore, 44,000 fewer families are receiving this help with childcare costs.

The survey also revealed significant gaps in childcare availability across Britain with a worrying lack of childcare for disabled children and parents who work outside normal office hours. Over half of local authorities said that parents had reported a lack of childcare in the previous twelve months.

Anand Shukla, chief executive of Daycare, said: "At a time when family and government finances are so stretched, and the Treasury is looking to maximise tax revenues and reduce benefit expenditure, it is sheer folly that any parent has to leave work because they cannot afford to pay for childcare."

The trust has called on the government to increase the proportion of costs which can be claimed under the childcare element of WTC (and Universal Credit) to 80%, with a higher rate of 100% for families on the lowest incomes and those with disabled children.

www.daycaretrust.org.uk/pages/childcare-costs-survey-2012.html

Proportion of staff in pension schemes down

In April 2011, the proportion of employees who belonged to a workplace pension scheme was below half (48%) for the first time since 1997, according to the Office for National Statistics.

The pension results section of the 2011 *Annual survey of hours and earnings* showed that 83% of public sector employees and 33% of private sector employees were members of a workplace pension scheme.

The proportion of employees with defined benefit (DB) pension schemes continued to fall. In 2011, 30% of employees had this type of pension, compared with 46% in 1997.

Membership of defined contribution pension schemes also fell slightly, from 9% to 6%. However, membership of group personal pension plans and group stakeholder pension schemes was 10% in 2011, compared with 1% in 1997 (before stakeholder pensions were introduced).

www.employeebenefits.co.uk/item/14497/23/5/3

Who got biggest slice of economic pie?

It may come as no great surprise that since the financial crisis of 2008 many of us have experienced a wage squeeze, while the cost of living has gone the other way. However, as Duncan Weldon of the TUC pointed out in a special programme he's produced for BBC Radio 4's *Analysis*, wages for most people in the UK began stagnating years before the crisis.

The early 2000s tend to be thought of as a time of relative wealth: house prices were rising, credit flowed easily, the government introduced a generous tax credit scheme and people generally felt better off. But these masked the reality of what was going on.

There was almost no wage growth for middle earners and below during the five years leading up to 2008 and yet the economy grew by 11% in that period, according to Weldon. The overall share of the national income which goes into wages, as opposed to profits, has been decreasing since the mid-1970s.

Less of the economic pie is going into the pockets of ordinary workers. And of course, this means that a disproportionate amount of the economic wealth has been going to those at the top.

http://touchstoneblog.org.uk/2012/02/profits-before-pay-duncans-analysis-podcast/

Pay settlements back up to 3%

Pay settlement figures are rising according to an analysis of figures from the Labour Research Department's Payline database.

The median increase of 3.0% for three months to January, as published in *Fact Service's* sister publication *Workplace Report*, is the highest rise since the first half of 2011. With inflation under the Retail Prices Index falling to 3.9%, the gap between pay and prices is down to 0.9 percentage points.

The rise is also 3.0% in the private sector, but only 2.0% in the public sector.

Workplace Report said hourly-paid workers at Ford look certain to agree a 6% rise, while the rises at two other car manufacturers — Jaguar Land Rover and Rolls-Royce — were 6.1% and 5.5% respectively.

Under existing long-term deals, Nissan's January increase was 3.5%, while workers at Leyland Trucks and radiator manufacturer Calsonic Kansei UK got 3%.

Vauxhall settled on 5% last September, but there are now concerns about the prospects for GM Europe, of which the company is a part, after the division reported large losses last year.

Details of recent pay settlements can be accessed by following the link below.

www.lrd.org.uk/index.php?pagid=18

Renewable energy agreement signed

RenewableUK, the trade association for the wind, wave and tidal industry, and the Unite general union have signed a memorandum of understanding committing both organisations to campaign together to ensure that the development of the renewable energy industry provides significant benefits to UK businesses and the workers they employ.

Over 12,000 people are already working in the sector and both bodies recognise the potential of the sector to create long-term skilled jobs in the UK. Major companies have already identified the specific sites they want to develop into the wind turbine factories of the future, and have submitted planning applications to turn their vision into reality.

Unite national officer for energy Kevin Coyne said the union was "exceptionally mindful of the massive potential for growth and employment the renewable energy sector provides", and was "committed to support the UK wind, wave and tidal industries to ensure that they create long-term skilled employment opportunities".

RenewableUK chief executive Maria McCaffery said that the expansion of the wind, wave and tidal industry has the potential to generate up to 120,000 jobs over the next 10 years, both directly and through the UK-based supply chain that is growing alongside the industry.

"Many of the new opportunities the offshore wind industry in particular will generate will be in the old industrial areas along our coastline — areas badly in need of new employment," she said.

www.unitetheunion.org/news__events/latest_news/britain_s_biggest_trade_union.aspx

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