First Actuarial briefing for trade unions
Q3 2022

In this briefing we discuss how trade unions can influence company policies through their investments. We look at The Pensions Regulator's latest efforts to stop pension scams. And we explain how all lower-earning members will benefit from tax relief from 2024.

Voting choice is here

In the past few years, First Actuarial has been petitioning to give trade unions a greater voice at company meetings through scheme investments.

At one point, we designed a fund which would invest passively in global equities. Votes were to be cast by Pensions & Investment Research Consultants (PIRC) – who will be familiar to many trade unions – in a way that the trade union movement could support.

Although this fund will no longer be launched, the good news is that funds with similar voting policies are coming to market. For example, AMX offers a choice of voting providers via its investor stewardship service, described by one ESG investment awards judge as a "hugely important initiative to unlock the power of member voting and voice".

BlackRock has recently followed suit by offering a choice of voting policies for investors, across most of its pooled funds. These choices include the ISS Taft Hartley policy, which was designed with US trade union-negotiated pension plans in mind.

We are still reviewing the policies to see which is most appropriate for BlackRock clients. Our initial view is that the Taft-Hartley policy is more supportive of workers than BlackRock's standard policy.

We expect other fund managers to follow suit. Until recently, it was easy for a fund manager to dismiss requests for voting choice because they didn't risk losing business to competitors if they refused. However, the threat of losing business is now real.

We believe that demanding a voting choice will be effective. When choosing between policies, trustees should review their track record on relevant votes.

Regulator unveils plan to combat pension scams

Pension scams are a serious threat with victims experiencing devastating losses averaging £75,000 in 2021 – with some in the millions. During the cost-of-living crisis, scammers are targeting those trying to make ends meet by accessing their pension early.

The Pensions Regulator (TPR) has announced a three-pronged plan to combat pension scams by:

- Educating pension providers and savers
- Stopping potentially harmful practices
- Pursuing and punishing criminals.

The plan also encourages the consolidation of poorly run schemes and the continuation of TPR's *Pledge to combat pension scams* campaign, which TPR estimates has protected around 16 million pension pots since its launch in late 2020.

Trustees are encouraged to complete the pension scams module in **TPR's Trustee Toolkit** to get up to speed on the warning signs of scams and new guidance for pension transfer requests.

Regulator opens to CDC applications

From 1 August 2022, employers can apply to launch Collective Defined Contribution (CDC) schemes. CDC is currently only available to single-employer schemes, with Royal Mail expected to be the first employer to adopt the model. The Department for Work and Pensions (DWP) will consult later this year on extending CDC to multi-employer arrangements.

CDC incorporates aspects of both Defined Benefit (DB) and Defined Contribution (DC) schemes. Members' contributions are pooled into a single 'pot', which is used to pay members' benefits. This pooling of investments gives the potential for lower costs and higher returns, and sharing and reducing risks. Members can plan for retirement with an income for life, without employers facing deficits as in a DB scheme.

Find out more about CDC schemes and request a free training session here.

Tax relief to be granted to low earners in 'net pay' schemes

Government has announced that it will introduce top-up payments from April 2024 for lower-earning individuals saving in a Net Pay Arrangement (NPA) scheme. Payments will be made directly to individuals reflecting tax relief they would receive if they were in schemes with Relief At Source (RAS) arrangements.

When a member contributes to their pension, they receive tax relief. The income tax that the member would have paid on their pension contribution goes into their pension rather than to the Treasury.

For most members, the system their scheme uses does not affect tax relief received. However, those with income below the personal allowance for income tax will not benefit from tax relief, if they are in an NPA arrangement. Members in RAS arrangements receive a 20% top-up on contributions though.

Lower earners in NPA schemes will need to liaise with HMRC to receive their top-up – it won't be paid automatically. To make sure affected members get this top-up when it becomes available, education and promotion will be key.

Government will not reimburse women over State Pension age hike

Women born on or after 6 April 1950 have seen an increase in their State Pension age in recent years. Many have struggled financially due to receiving their pension later than expected, with limited notice.

In 2021, the Parliamentary and Health Service Ombudsman (PHSO) ruled that the DWP failed to communicate these changes adequately in 2005 and 2006 to those women affected. The PHSO is now investigating the DWP's communications and complaint-handling at the time and will consider appropriate remedies for the injustice.

A recent update from the PHSO states that individuals will not receive their State Pension earlier than the date permitted by law, and there will be no reimbursement for the loss of pension between individuals' former and new State Pension age.

'Mid-life MOT' initiative expanded

Government has announced plans to expand its 'mid-life MOT' initiative. Those in their 40s and 50s will be offered free support in assessing their employment options and personal and financial wellbeing needs.

A significant part of the initiative is ensuring that workers are on track to save enough money for retirement. It also aims to improve people's understanding of their pension options, helping them enjoy a financially secure retirement.

Plans are for both online and in-person appointments following the success of private sector pilot schemes.

Pensions fun fact!

In our last briefing, we asked…

Which of the following countries had the highest proportion of working age adults to pensioners of all OECD member countries in 2020?

UK USA Mexico Turkey Greece

Answer: Turkey

Question for Q3 2022:

When was the basic state pension first introduced?

1922 1948 1930 1960 1972

How First Actuarial can help

First Actuarial is a nationwide firm of pensions actuaries and consultants, helping trade unions with all their pensions issues.

We help trade unions negotiate with employers, lobby government, resolve problems within specific schemes, and explain any changes or choices members have to make. We also provide administration, actuarial and investment services to a large number of trade unions' own schemes.

If you or any of your colleagues would like to receive future briefings but are not on our circulation list, please **visit our preference centre** to sign up and select 'Pensions for Trade Unions' under 'Topics of particular interest'.

We welcome feedback on any of the issues covered and suggestions for issues to be covered in future.

If you'd like more information on any of the issues contained in the briefing, please contact:

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