

Across the Pond

The Pension Benefit Guaranty Corporation (PBGC) has been mentioned in Pension Snippets several times. The US pensions safety net is often a good guide to what we can expect in the UK in the coming months and years. The PGBC [web page](#) has some quite stunning news in respect of the month of May –

- The Chrysler Chapter 11 bankruptcy on 30th April, but perhaps more importantly the \$600m cash injection from Daimler from a few days previously, ending the \$1bn guarantee from their 2007 sale.
- Acting director Vince Snowbarger's report on the \$33.5bn deficit at 31st March 2009.
- An escrow account funding arrangement for LandAmerica to catch 30% of planned asset sales.
- A mere \$62m hit in respect of the latest bankruptcy, Circuit City (an electronics company not a town!)

The credit crunch, banking crisis and recession will take time to filter through to the pensions area. Whilst solvent and viable companies will just be expected to pay more (eg. BT) or provide valuable security (eg. Tesco and Whitbread) further casualties can be expected to follow Woolworths, Lehman Bros and Nortel.

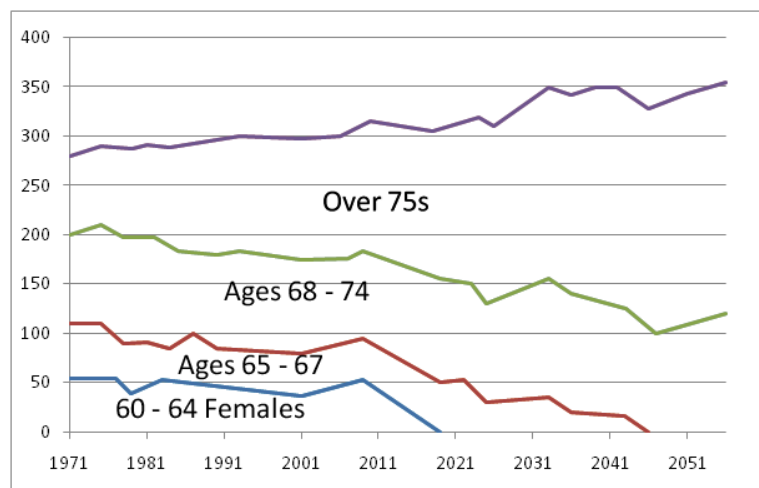
Free Advice

[State Pensions Reform](#) – a Briefing Pack for Advisers; is 35 pages of excellent free advice. It was issued on 30th April (very bad timing for monthly Pension Snippets!) and covers all the important changes to state benefits from 6th April 2010. It will be of particular interest to people approaching state pension age, spouses or civil partners approaching state pension age and those with caring responsibilities. The key elements are –

- The increase in state pension age from 60 to 65 for women (phased in from April 2010).
- From 2024 the gradual increase in state pension age for men and women from age 65 to 68.
- Reducing the number of qualifying years (from 40 to 30) to get a full basic state pension.
- Uprating the basic state pension in line with earnings and flat rate state second pension (S2P)
- Numerous valuable changes in respect of carers, additional NI contributions and partner benefits.

The Pack will also be of interest to HR personnel. I predict big future problems around employees being able to afford to retire. According to a recent but small [BBC survey](#), a lot of people haven't saved for retirement. They will not want to retire into relative poverty. They will want to stay in their jobs. Is your company prepared?

The significance of the changes to state pension age can be seen in the graph opposite showing the number of pensioners per 1,000 of working age. From the 2006 Government [projections](#), (page 15) you will see that taking out the early retiring females and then all those under age 68 greatly reduces the numbers relying on tax payers. Without the change this dependency ratio would be much higher. Who would bet against further adjustments as longevity increases? Perhaps our current teenagers should be warned that they may have to work to age 75 – after all most of them deserve it!



And finally; Rules are important; I therefore commend to you a read of the [rule book](#) for MP expenses. It is green and guess who wrote it! There are several sections outlining appropriate expenditure (extensive, albeit not excusing in my view), however the real gem is the italics addition that -“*Whilst these are not exhaustive, they are designed to indicate the type of costs that are appropriate and so guide Members for other expenditure they wish to incur which is not on the list*”. Incidentally there was no list of inappropriate expenditure. P.S. Am I alone in wondering why the value of MP's pensions has not been mentioned yet?

As always, for further comment, assistance, advisory or trustee services, contact me on **07714 064964** or via allan@acmca.co.uk Feedback on Pension Snippets is always welcome. For further details, the full CV, occasional lecture notes and published articles and previous Snippets - visit the web site at www.acmca.co.uk