

PENSION UPDATE

Introduction

Pensions can come across as a minefield of confusion and uncertainty for many people, but we hope that from this and following Bulletins, you may gain some insight into how your scheme works whilst also learning about some of the changes that may affect your pension.

Results of MaPS survey of pension scheme members

The Money and Pensions Service (MaPS) is an arms length body that is sponsored by the UK Government's Department for Work and Pensions.

Each year MaPS runs a "Talk Money Week"¹ in preparation for which it conducts a survey of adults aged 18 to 65 regarding their pensions. In the latest survey, the results of which were published in November 2024, it found that:

- over one third of contributing pension scheme members never engaged with their pensions scheme
- only one in three members checked their pension annually, either by reading their yearly statement from their scheme or

by logging into their pension fund's online platform.

- only just under one in five adults are talking about their pensions with friends and family, but those who do talk about money reap the rewards of doing so.

If you are one of the people who do not engage with their pension scheme, why not change that in 2025?

Many of TSSA's members are also active (contributing) members, either to the Railways Pension Scheme or the TfL Pension Fund, both of which operate online platforms which can be accessed from the appropriate website:

- MyRPS in the Railways Pension Scheme:
<https://member.railwayspensions.co.uk/login>
- Member Web Portal in the TfL Pension Fund:
<https://www.tflpensionfund.co.uk/member-self-service-info/>

The MaPS publicity about its survey uses an example of someone they spoke to who had never checked his

¹ <https://maps.org.uk/en/media-centre/press-releases/2024/maps-reveals-only-one-in-three-check-pension-annually#>

pension but when he did, he discovered that his pension pot was worth a lot more than he thought it was!

The lesson is that each of us has to know what is in our pension as it grows – either as a pot of money if we are a member of a Defined Contribution (DC)² scheme – or, for members of Defined Benefit (DB) schemes like the RPS or TfL Fund, how much our pension is estimated to be worth when we decide to retire.

With this sort of insight, you can be more in control because you can ask questions and learn about how your scheme operates, whether you can pay more in to bolster your pension or simply be assured it is growing as you had hoped it would do.

MaPS also has a Pension Calculator that you may find useful.³

How much do I need to live on when I retire?

One of the big questions about thinking about retiring from work is how much will I need to live on? This can then inform how much pension you think you will need, bearing in mind that you should also have a State Pension as well as the pension from where you have worked (eg, an occupational pension) or any private pension you may have been paying into.

The Pensions and Lifetimes Savings Association (PLSA) annually update a page on their website called

² See definitions of DC and DB schemes at the end of the Bulletin.

³ See: <https://www.moneyhelper.org.uk/en/pensions-and-retirement/pensions-basics/pension-calculator>

“Retirement Livings Standards” (at: <https://www.retirementlivingstandards.org.uk/>) which can be a guide to the things you should consider, how much they cost currently as well as an indication of whether that amounts to a Minimum, Moderate or Comfortable standard.

But please note, the amounts quoted are for 2024-25 and do not capture costs associated with rent or paying a mortgage.

Progress with the Pension Dashboard Programme

Many people in their working lives will have had different employers, each of which may have offered different pension schemes.

Estimates⁴ from the Department for Work and Pensions (DWP) suggest some people may have as many as a dozen different employers by the time they retire.

The consequence of this situation is that a lot of people can lose touch with pension schemes they have contributed to in the past, especially if their former employer no longer exists or has become part of another organisation.

The idea behind pension dashboards is to remedy this problem. They will do this by providing clear and simple information about an individual’s multiple pension savings, including their State Pension, securely and all in one place, online.⁵

⁴ Page 8 in: <https://researchbriefings.files.parliament.uk/documents/CBP-8407/CBP-8407.pdf>

⁵ <https://www.pensionsdashboardsprogramme.org.uk/about>

Work on the Pensions Dashboard Programme (PDP) has been progressing with an announcement in December 2024 that it remains on course for digital connection with wider industry in 2025.

A previous announcement in March last year had set out a monthly timetable by when pension schemes have to connect to the MaPS pension dashboard during 2025.

Schemes of less than 100 members are not currently legally required to be connected but can do so voluntarily.

What this means for you is that once it is up and running (the statutory deadline is 31st October 2026 at the latest) you should be able to access all your pension saving information in one place, including your State Pension.

The potential effect of drawing pensions into Inheritance Tax

The tax rules around inheritance tax are complex but currently the general rule of thumb is that if an individual's estate (property, money and possessions) in total is worth below £325,000, no inheritance tax is due. Anything over that amount could attract the tax.

The Chancellor of the Exchequer presented her Autumn Budget to Parliament on 30th October 2024 and included in her many announcements was one in connection with how certain aspects of pensions would potentially attract inheritance tax which they currently do not.

The Government are carrying out a technical consultation (closes 22nd January 2025) which explains the situation:⁶

“When a pension scheme member dies, the pension scheme rules will determine who receives any unused pension funds or death benefits:

- In DC schemes, any unused scheme funds are normally able to be passed on and paid out to beneficiaries in the form of death benefits.
- DB schemes do not have a dedicated fund which can be inherited, but there may be specific death benefits which become payable, such as a lump sum death benefit or a set amount of pension to a dependant.”

What the Government is proposing is that from 6th April 2027 when a pension scheme member dies with unused funds from their DC pension or with death benefits becoming payable from their DB scheme, those payments will be treated as being part of that person's estate and counted towards liability for Inheritance Tax.

This means that it could have the effect of tipping the person's estate over the £325,000 nil (ie, no inheritance tax liability) bar because death in service benefits from DB pension schemes are typically paid at four times the individual's pensionable pay.

⁶ Paragraph 2.2, “Technical consultation - Inheritance Tax on pensions: liability, reporting and payment” at: <https://www.gov.uk/government/consultations/>

[inheritance-tax-on-pensions-liability-reporting-and-payment/technical-consultation-
inheritance-tax-on-pensions-liability-reporting-and-payment](https://www.gov.uk/government/consultations/inheritance-tax-on-pensions-liability-reporting-and-payment/technical-consultation-inheritance-tax-on-pensions-liability-reporting-and-payment)

Liability for Inheritance tax would occur whether or not the pension scheme was discretionary and non-discretionary.

Discretionary and non-discretionary refers to a provision in the rules of the pension scheme:

- The majority of pension schemes are **discretionary** which means in their rules the trustees have discretion in deciding who will receive the death benefits. Scheme members are often able to nominate who they would like to receive any death benefits, but the scheme trustees are generally not obliged to follow the member's wishes.
- **Non discretionary** means that the scheme member chooses who should receive their death benefits and the trustees or manager implement that decision, having no discretion to alter it.

The distinction is important because currently unused pension funds or death benefits from:

- most discretionary schemes do not count towards a person's estate and are therefore outside the scope of inheritance tax.
- non-discretionary schemes, like the NHS' Pension Scheme, do count towards inheritance tax.

The Government propose to remove the current distinction in treatment meaning that unused pension funds and death benefits would count towards inheritance tax.

Paragraph 2.1.3 and Annex B of the consultation document stipulates what will and won't count towards inheritance tax in more detail. This is where we learn that Dependent Scheme Pensions (eg, for a deceased member's spouse) will **not** be counted towards the value of the estate for inheritance tax purposes.

The Government's rejection of WASPI ruling

WASPI (Women Against State Pension Inequality) has campaigned for a number of years for compensation for women born in the 1950s and adversely affected by the decision in the 1990s to rise the state pension age for women from 60 to 65.

In March 2024, WASPI had secured a Parliamentary and Health Service Ombudsman ruling of maladministration by the Department of Work and Pensions on the basis that the Government department had failed to adequately communicate changes to the state pension which had left thousands of women born in the 1950s adversely affected by the decision made to raise their state pension.

Just before Christmas, however, the Government rejected the Ombudsman's ruling, citing the cost of compensation payments (estimated as between £3.5 and £10.5 billion) and that most women knew the state pension age was going to change.

TUC Pensions Conference

The TUC hold an annual one day Conference on Pensions at their Head Office at Congress House (28 Great Russell Street, London (nearest Tube Station is Tottenham Court Road).

The event in 2025 will be held between 0930 and 1700 on Wednesday 2nd April.

This is not an individual members advice event but very much about policy and what is occurring in pensions. It is particularly aimed at union reps, officials, pension fund trustees – and anyone interested in pensions.

The agenda is yet to be finalised but Emma Reynolds MP, the Government's Pension Minister, will be speaking.

To register for a place on what is usually a very informative event, please use this link:

<https://www.tuc.org.uk/events/tuc-pensions-conference-2025>

State Pension increase in April 2025

In accordance with the Triple Lock, the UK State Pension will increase by 4.1% from April 2025.⁷

This will have the following effect:

Financial Year	2025/6	2024/5
New State Pension	£230.25	£221.20
Basic State Pension	£176.45	£169.50

NOTE: These amounts are weekly

Definitions – DC or DB?

There are two main types of – defined contribution and defined benefits. The differences:⁸

Defined Contribution: A scheme in which a member's benefits are

determined by the value of the pension fund at retirement.

The scheme does not provide a pension but a pot of money that the member can decide to use to:

- purchase an annuity (a regular payment) from an insurance company
- a lump sum, or
- smaller sums

The fund, in turn, is determined by the contributions paid into it in respect of that member, and any investment returns.

The DC pension may be:

- a workplace pension arranged by your employer with the employer also making contributions
- a private pension arranged by the member but without an employer payment.

DC pension schemes are often known as 'money purchase' schemes.

Defined Benefit:

A scheme in which the pension benefits are defined in the scheme rules and accrue independently of the contributions payable and investment returns.

Most commonly, the benefits are related to members' earnings when leaving the scheme or retiring, and the length of pensionable service.

Examples: Final Salary or CARE (Career Average Revalued Earnings)

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[https://commonslibrary.parliament.uk/research-briefings/cbp-10105/#:~:text=The%20basic%20and%20new%](https://commonslibrary.parliament.uk/research-briefings/cbp-10105/#:~:text=The%20basic%20and%20new%20State,relevant%20benefits%20from%20April%202025.)

[20State,relevant%20benefits%20from%20April%202025.](https://www.gov.uk/pension-types)

⁸ Information taken from:

<https://www.gov.uk/pension-types>

In both types of pension, you can usually take up to 25% of the amount built up in any pension as a tax-free lump sum. The most you can take is £268,275.

Reps Action

Reps are asked to make this Reps Bulletin available to members.

Acknowledgements

In producing this Bulletin, TSSA wishes to gratefully acknowledge the use of the publications that appear in the footnotes.