

The logo for GMB Union, featuring the letters 'GMB' in white on an orange square background, with the word 'UNION' in white on a black rectangular background below it.

December 2023

## Pensions Bulletin

### **Pensions Can Be Confusing – Here are Some Simple Answers to Some Simple Questions**

Some people can find Pensions confusing; they have a language of their own and there are countless systems and methods of payment all of which need detailed consideration. In order to help a very useful Pension FAQs has just been made public by the House of Commons library and it can be accessed here free of charge.

[CBP-9628.pdf \(parliament.uk\)](#)

The questions GMB most often receives are answered below.

#### **What is a pension?**

A Pension is a regular payment made during a person's retirement from a fund to which that person and/or their employer has contributed to during their working life. This is normally referred to as an occupational or workplace pension.

A Pension is also paid by the state to people of or above the official retirement age and to some widows and disabled people. This is normally referred to as the State Pension.

#### **How do I get one?**

**Occupational:** Your employer is obliged to provide a pension scheme that you and they contribute to. You can opt out of it if you wish but GMB strongly advises you not to. If your employer does not run its own scheme it will automatically enrol you into the national NEST.

**State:** You can claim the new State Pension if you are:

- A man born on or after 6 April 1951
- A woman born on or after 6 April 1953

The earliest you can get the new State Pension is when you reach State Pension Age. The level of State Pension is determined by your National Insurance contributions. You will usually need at least 10 qualifying years on your National Insurance record to get any State Pension (they do not have to be 10 qualifying years in a row). You will need 35 qualifying years to get the new full State Pension.

#### **Why does it matter?**

How will you pay your bills and expenses when you have stopped working? Most people will not win the lottery, they will be too old or too ill to continue working and they will not be able to rely on an inheritance or a part time job. So you need to put away money whilst you are working to supplement the state pension you may receive. If you do not, you will likely live out your days in relative poverty.

As Pensions are a workplace issue, it is important that you campaign in the workplace to secure improvements to your pension fund as often as possible to achieve the dignity in retirement that you deserve.

## What does it Pay?

**Occupational:** How long is a piece of string? Some workplace pensions give an amount based on salary and length of service. Other workplaces facilitate investments into pension funds for you to build up a pension pot and buy an annuity (or other financial product) at retirement. Whichever it is GMB always recommends that you join a pension scheme, stay in it till you retire and campaign to improve it via your Trade Union throughout your working life.

**State:** The full new state Pension is £203.85 per week. It increases in April each year by whichever is the highest of the previous September:

- earnings – the average percentage growth in wages (in Great Britain)
- prices – the percentage growth in prices in the UK as measured by the Consumer Prices Index (CPI)
- 2.5%

## How much does it cost?

**Occupational:** Employer and Employee contributions are determined by scheme rules which can take into account all factors including e.g. stock market returns, profitability, retirement age, level of benefits, affordability etc.

**State:** If you are employed you pay Class 1 National Insurance Contributions. The rates for most people for the tax year 2023 to 2024 are:

Your Pay	NI Rate
£242 - £967 per week	12%
Over £967 per week	2%

You pay less if:

- You're a [married woman or widow](#) with a valid 'certificate of election'
- You're [deferring National Insurance](#) because you've got more than one job

Full details about the New state pension can be found at [The new State Pension: What you'll get - GOV.UK \(www.gov.uk\)](#)

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