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Understanding Pension Loss



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Why Consider Pension Loss?

- About half of the UK workforce is in an occupational pension scheme (Source – Harvey on Industrial Relations and Employment Law, B-1171)
- Pension loss claims can be relatively large as they may span many years
- Failure to consider – professional negligence – under-settlement of claim





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How does this affect my Client's Claim?

- Pensions Act 2008
- Work Based Pension
- Adding Value



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Types of Pension Scheme

- State Pension and Pension Credit
- Final Salary Pension Scheme
- Group Personal Pension, Stakeholder Scheme
- Individual Personal Pension, Stakeholder
- Work Based Pension Scheme – QWPS or NEST



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Proposed New State Pension


- Commencing April 2016
- Single tier - £144 per week
- Minimum Qualifying Period 7 -10 years
- Qualifying period for maximum pension – 35 years
- To include self employed for the first time
- Not changing pension rules for Existing Pensioners

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The New Legislation




- Personal Accounts introduced between October 2012 and October 2018
- Employer contributions set at 3% minimum will be (phased in until 2018)
- Employee contributions of 4%
- Tax Relief of 1%
- Earnings more than £9,440 for auto enrolment
- Minimum age 22
- Band earnings of £5,668 to £41,450
- Basic Provisions in Section 20 (1) Pension Act 2008
- Scheme details updated in Pensions Bill 2011

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State Pension Age




- Planned increases brought forward
- 2018 – Age 66
- 2026 – Age 67
- 2046 – Age 68

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State Pension Age



- Linked to longevity
- Continual review of state pension age
- 5 yearly intervals
- 10 years notice of further increases?!?!
- 69, 70.....

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Personal Accounts (NEST)

- Legitimate claims for employer contributions throughout working life
- Known loss for claims where the claimant is a child (life expectancy beyond 22)
- Existing Employer Pension Schemes must meet minimum requirements

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Benefits in Kind

- Important to remember the members of employers pension scheme often have other Benefits in Kind which have been lost:
- Death In Service
- Private Medical Insurance

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Final Salary Pension Schemes

- Benefits are based on a the accrual rate, claimants final salary and the number of years membership in the pension scheme:

Therefore: Pension Income = Final Salary x $\frac{\text{Years of Service}}{\text{Accrual Rate}}$

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Money Purchase Pension Schemes

- Benefits are based on the contributions made by the member plus basic rate tax relief (20%), plus any employer contributions. These are invested throughout the members working life to produce a fund which is used at retirement to provide an income in retirement either by way of Annuity or Pension Fund Withdrawal. Up to 25% of the fund can be drawn as a tax free lump sum:

Therefore: Pension Income = Member Contributions + Tax Relief + Any Employer Contributions + Fund Growth x Annuity/GAD

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Loss Of Dependency Pension Claim

- The financial dependants of the deceased have a claim under the Fatal Accidents Act 1976 Section 4
- Disregard of payments from a pension scheme which were made as a result of death to beneficiaries i.e. Widows Pension.
- Unfair?
- What about state pension?

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Which Cases Should I Consider?


Applicable to those:-

- Unable to ever return to work
- Who will be unable to work for an extended period
Who will have a reduced earning capacity
- Minor cases where the child may never work or will have a reduced earning capacity, where life expectancy takes the child beyond age 22 years
- Fatal accident cases even where the deceased had a pension that has paid out a widows pension and/or a lump sum death benefit
- Catastrophic cases where a carer or carers will be employed by the claimant

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Conclusions





- Not every case will have Pension Loss
- Significant increase in applicable cases
- TBA????
- Can add considerable value
- Viability assessment

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Pension Loss Flow Chart






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From April



Proportionality
Cost Budgeting

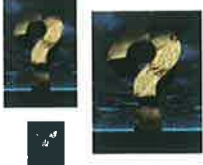
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and Finally ...

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- Any Questions?



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