

Know Your Rights

Covid-19 has had a significant impact on all our daily lives, at work and at home.

Pensions and C

Pension types

Q Have all types of pension schemes been affected?

STATE PENSIONS

It may be reassuring to know that the State Pension is not affected by fluctuations in the stock market.

DEFINED BENEFIT (FINAL SALARY) SCHEMES

If you are currently a member of a Defined Benefit (DB) arrangement, where your pension is directly linked to your pay and how many years you have been in a scheme or perhaps you might have benefits in a closed DB scheme, it is important to understand that the investment risk is borne by the employer.

It is your employer's responsibility and that of the Trustees, to ensure that all the promises which have been made, continue to be met.

The Pension Regulator introduced a package of measures to help employers through these unprecedented times, whilst protecting members' interests.

DEFINED CONTRIBUTION SCHEMES

Many DB schemes have now closed so if you are currently contributing to a workplace arrangement it is more than likely that you will be a member of what is known as a Defined Contribution (DC) scheme.



If you are contributing to a DC pension you will have your own pension pot and your contributions will more than likely be invested in line with choices you made when you first joined the scheme.

Many will be invested in what is known as a "default fund" which is offered by pension providers as most people do not feel confident making their own investment decisions. This is

The pandemic has undoubtedly affected our finances including pensions and here we address some of your questions.

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where you leave the investment decisions to the experts.

These pensions will undoubtedly be affected by the current market volatility to some degree, however, regulators are urging savers to keep calm and not rush to make any decisions about their pension in response to the Covid-19 pandemic.

Investments

Q What has happened?

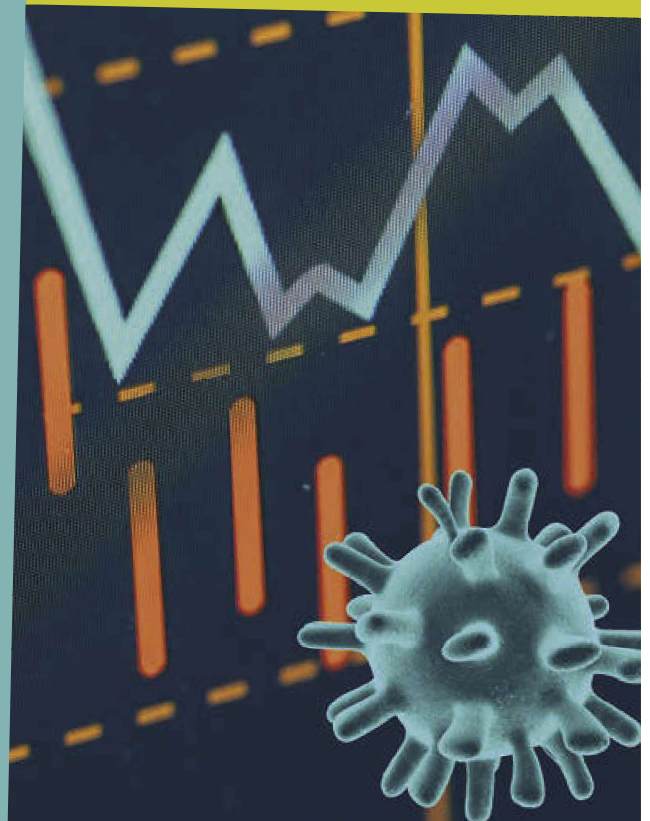
When you are a member of a workplace pension both your contributions and your employer's contributions are invested.

They are invested in a range of assets, these might include stocks and shares (also known as equities), government bonds (gilts) commercial property or foreign currency.

As a direct result of the pandemic, stock markets across the globe have fallen and many other assets have suffered from considerable volatility.

However pensions should be considered as a long term investment, there will always be fluctuations in the stock market and periods of high volatility that occur over the short to medium term.

It is important to understand that big stock market crashes usually recover in the following years.





Take action

Q Do I need to take any immediate action?

As mentioned earlier, it is important to understand that if you're currently paying into a workplace pension and have several years before you're planning to draw on your pension, then there is time for your pot to achieve growth over the long term and recover from fluctuations in the stock market that occur in the short to medium-term.

If you're close to retirement or considering it within the next five years, you may have seen your funds "lifestyled".

This means as you get closer to your retirement age the pension provider will automatically switch your money into lower risk/lower return investments such as bonds and cash. The idea is to try and ensure there are no nasty surprises as you get closer to retirement such as a sudden drop in the value of your pot.

This doesn't mean your pension investment

won't have been affected, but it should be less than if you had remained invested completely in shares.

Not all pension schemes offer automatic lifestyling so it might be worthwhile checking what type of funds your pension is invested in.

You may have chosen to invest your retirement savings yourself and find your pension is still invested mostly in shares or you might be closer to your retirement age and looking to retire soon, the important thing is not to panic. Try to take as much time as you can, markets are likely to recover. Depending on when you are planning to retire however, you may have to consider taking a lower income or retiring later.

If you are in a position to do so you might want to think about increasing your contributions right now. Every contribution you make is boosted by 20 per cent tax relief and your employer may also match any increased regular contribution, please refer to the Usdaw website in the Pension Section for more information www.usdaw.org.uk

Furloughed

Q What happens to my pension if I have been furloughed?

Government announced new measures to support employers on 20 March 2020 in the form of the Coronavirus Job Retention Scheme.

In a nutshell Government agreed to meet 80 per cent of the usual monthly salary costs of employers up to £2,500 per month for each furloughed employee.

Government will also meet employer National Insurance contributions and minimum auto-enrolment employer contributions on this minimum salary.

Employers have had the choice to pay furloughed employees more but this has meant they must also have paid National Insurance and pension contributions on the extra salary.



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Pension transfer

Q I'm tempted to transfer my pension pot, is this the right thing to do?

Fears over the impact of the pandemic on our finances could make some of us more vulnerable into making bad decisions.

The pension regulators have urged pension savers not to panic and take their time when making any decisions about their investments.

Unfortunately not everyone will have your best interests at heart and this will be a perfect opportunity for the scammers to look at how they can increase their fraudulent activity.

If you are an Usdaw member and would like to talk this through with someone contact

**the Usdaw Pension Section
on 0161 224 2804**

Confused

Q I'm really concerned I don't understand pensions, what should I do?

We would recommend that you talk to someone who can be trusted. If you are an Usdaw member and would like to talk through your worries or concerns or even if you would just like to find out more about your pension contact the Usdaw Pension Section on 0161 224 2804

or email us at pensions@usdaw.org.uk