



# FOCUS ON MARITIME PENSIONS

## Auto-Enrolment is essential for members

**As previously reported in the August/September 2021 Maritime Pensions Newsletter, RMT believe that our members occupational pensions are an important element of their terms and conditions and therefore should be at the top of the negotiating agenda.**

While we strive to improve all our members retirement expectations, we recognise that, unless you engage and educate members in respect of pensions, it will be difficult to gain improvements we believe they are owed at the end of their employment journey.

In this addition of the Maritime Pensions Newsletter we want to explain what Auto-Enrolment is and why it is important that members are contributing as much as possible and that employers are paying more than the minimum statutory contribution.

### **What is Auto-Enrolment (AE) and why is it important?**

Under the Pensions Act 2008, every employer in the UK must enrol eligible workers into a workplace pension scheme and contribute towards it. Even if an employer has only one



employee, they still have a legal duty to enrol that worker.

While employees have a right to opt-out of AE they will still be re-enrolled every three years by their employer. However, even if an employee decides to opt-out, they can still opt back in anytime they want and receive the employers' pension contributions.

**Who is an eligible worker?**

- **An eligible worker must be between age 22 and up to state pension age (SPA)\***
- **They must earn over £10,000 per year, or £833 per month or, £192 per week**
- **They must work, or ordinarily work in the UK and have a contract of employment (i.e. they are not self-employed)**

*\*Please note that if a worker is under the age of 22 or over (SPA) but under age 75 you can still join your employers' pension scheme and receive the employer's pension contributions.*

**Pension Contributions**

Under AE rules, employers must make a minimum contribution of 3% of qualifying earnings and employees must contribute 5% (total 8%) of qualifying earnings (pensionable pay). Qualifying earnings for 2021/22 tax year is between an employee's salary of £6,240 and £50,270 a year (£520 and £4,189 a month, or £120 and £967 a week). These figures are reviewed each year by the government.

**Why AE is important**

RMT wish to make it clear that AE is far

from perfect, in fact we would go as far to say that in its present form it is inadequate to provide workers with a decent pension in their retirement. As we reported in the previous Maritime Pensions Newsletter, a total contribution of 8% is only half of what is needed to give a worker any chance of building up a decent pension in a Defined Contribution (DC) AE scheme.

**PENSION FACT**  
**As a general rule of thumb, if total contributions of 16% per annum are paid into a DC arrangement over a 40-year period then the individual might expect to get around 50% of their salary as an annual income.**

Below are some illustrative examples of what a member could expect to receive if they were to have a joint contribution rate of 8% (the minimum AE requirement), 10% (5% from the employer and 5% from the member), 13% (7% from the employer and 6% from the member) and 16% (9% from the employer and 7% from the member).

8%	Total Pension Pot	Drawdown Pension	10%	Total Pension Pot	Drawdown Pension
<b>20 Yrs</b>	£46,801.85	£3,849.43 pa	<b>20 Yrs</b>	£58,502.31	£4,811.79 pa
<b>25 Yrs</b>	£61,610.17	£5,067.41 pa	<b>25 Yrs</b>	£77,012.71	£6,334.26 pa
<b>30 Yrs</b>	£78,247.86	£6,435.85 pa	<b>30 Yrs</b>	£97,809.82	£8,044.82 pa
13%	Total Pension Pot	Drawdown Pension	16%	Total Pension Pot	Drawdown Pension
<b>20 Yrs</b>	£76,053.00	£6,255.33 pa	<b>20 Yrs</b>	£93,603.70	£7,698.87 pa
<b>25 Yrs</b>	£100,116.53	£8,234.54 pa	<b>25 Yrs</b>	£123,220.34	£10,134.82 pa
<b>30 Yrs</b>	£127,152.77	£10,458.26 pa	<b>30 Yrs</b>	£156,495.72	£12,871.71 pa

**Key:** Pensionable pay of £25,000pa  
 Investment return of 6% pa before and during retirement. Return on investments can go up or down so is not guaranteed.  
 Retirement income based on a Drawdown Pension (see below) paid for 20 years.

Source: Which

While RMT are not trying in any way to give financial advice, it is clear from the results that the more you save the more you will potentially have as income during retirement. Simply, the bigger the pension pot the larger the pension in retirement.

As you will note, the type of pension vehicle we have used is an Income Drawdown Pension which allows

members to take separate lump sums from their pension pot over their retirement lifetime whilst leaving the remainder of the pot invested. While there are other options as to how an individual would take their pension, this is currently the most popular method but it does very much depend on the individual on how they take their pension.

While we need to improve the minimum AE occupational arrangement across the Maritime section of the union, we recognise that without AE many workers across the industry would have no workplace pension provision. We also recognise that employers have to contribute at least 3% of qualifying earnings and whilst this is clearly not enough, which we have demonstrated in our



examples, we see this as a starting place to improve our members retirement provisions.

We would also like to add that AE does not in any way replace decent Defined Benefit (DB) schemes employers may offer. In line with RMT policy, if our

members are contributing to a DB arrangement these schemes must be protected, not only for existing members but also for future members.

As we have discovered, some maritime employers will often offer more than one arrangement. Some will offer a

default AE pension scheme, offering the basic contributions mentioned above and also one or two other DC arrangements.

**Members should check with their employer to see which pension arrangements are on offer.**

# Merchant Navy Rating Pension Fund (MNRPF) Update



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**As many of you will be aware, the MNRPF for the past 21 months has had a temporary trustee board in place. This was a result of action carried out by the Pensions Regulator (TPR) at the beginning of 2020 following a report into the alleged dysfunctionality of the previous trustee board.**

We are conscious that many of our members will have benefits in the fund, and no doubt would have read of the regulatory action mentioned.

Understandably, some members of the fund may have concerns in respect of the security of their benefits following the action mentioned. Whilst we would like to reassure all MNRPF members that their benefits are 100% safe, we believe that it is appropriate that we update you on recent developments in respect of the future structure of the trustee board.



RMT and the Merchant Navy Ratings Employer Group (MNR EG) are jointly responsible for appointing the trustees of the fund. Both parties are known as Nominating Bodies (NB's). Despite the regulatory action mentioned, the TPR was unsuccessful in removing RMT as a NB and following a Determinations Panel pension hearing in early 2020, RMT nominated two trustees on a temporary basis onto the board until members of the fund could be asked to put their names forward to be Beneficiary Trustees.

Following a nomination exercise carried out by the fund in late 2020, three members came forward but all three

candidates were the former Beneficiary Trustees who were in office when TPR took action against the trustee board.

Despite the regulatory action carried out in 2020, RMT supported two of the three nominations. However, the MNR EG were unhappy with RMT appointments as they felt that it would lead to further issues on the trustee board which had allegedly already cost the fund in excess of £1m.

The MNR EG therefore decided that unless RMT reversed their decision to appoint the former Beneficiary Trustees then they would refuse to appoint their trustees and as consequence the trustee board would then be unable operate effectively which could put members benefits in jeopardy. TPR was informed of this situation and as a result called a number of meeting of all parties involved.

Despite RMT's strong protests, the MNR EG refused to move from its position and made it clear they would prefer to see the MNRPF Trustee Board move to an independent sole trustee board rather than have any of the former trustees back on the board.

TPR made it clear that if a solution was not found quickly, they would use their emergency powers and appoint an independent trustee board which would result in both NB's having no influence in respect of the MNRPF. TPR made a proposal which would allow RMT and the MNR EG to remain as NB's of the MNRPF. The proposal was that both NB's would each nominate one independent trustee (IT) and the Maritime Pensions Forum, which is a body set up due to the above

regulatory action and consists of both NB's, would jointly nominate the IT Chair. In total there would be three IT's all appointed by the NB's.

Despite the reservations of RMT, it was reluctantly agreed, following legal advice received by the Union, that TPR's proposal was the best option under the circumstances to best protect members benefits. Whilst RMT could have potentially challenged TPR, it was felt that such a challenge could result in a sole independent trustee board being put in place with RMT having no influence in protecting members' benefits.

I can report that RMT has appointed experienced pension trustee and trade unionist Lionel Sampson as its

independent trustee and the MNR EG has appointed its own IT. The third IT continues to be the previous chair who was put into office when TPR took its regulatory action in early 2020.

It is anticipated that the MNRPF trustee board will move to three IT's by the end of March 2022 but currently the board consists of three RMT appointees, which includes Lionel and three employer trustees. The board continues to be chaired by the IT mentioned above. **We will keep you updated on developments.**



## Life Cover

As we previously advised in the previous pension update, life cover is an important element of being a member of a pension scheme. **Put simply, if you are not in an occupational pension scheme it is almost certain that your family is not protected financially in the event of your death unless you have your own personal cover.**

While it is important that members are in their employer's pension scheme in the first place it's just as important that members are aware of the level of life cover available to them by being a member of an occupational pension scheme. This is because we are aware that some employers will offer, as an example, two-years basic salary lump

payment to dependants in one pension scheme and three-year basic salary in another, if the employer has more than one arrangement.

However, while we urge our members to check with their employer on the level of life cover offered, we would advise that RMT will be directly approaching all employers who don't offer at least three times death in service cover to increase it to at least three times basic salary. We will also be demanding, where an employer has more than one pension arrangement, that the level of cover is again at least three times basic pay regardless of the arrangement offered. **We will keep you updated on developments.**

## RMT Maritime Pensions Course

We would remind you that RMT are determined to put the spotlight on pensions but we know this can only be achieved by our members and representatives engaging and being constructively involved in the Maritime Pensions Campaign.

Therefore, as previously advertised, in 2022 RMT is planning to arrange a three-day pensions course at the Bob Crow Education Centre, Doncaster, purely focused on Maritime Pensions.

**If you would like to attend this course or indeed have some views, comments or questions in relation to pensions please contact RMT Pensions Officer, Paul Norris, at [p.norris@rmt.org.uk](mailto:p.norris@rmt.org.uk) or on 020 7529 8806**