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European court considers equalising annuity rates

Insurers have warned that men could lose out if the European Court of Justice (ECJ) backs its Advocate General's view that it is wrong to provide men with greater annuity payments than women because they live shorter lives.

The ECJ is currently considering the Advocate General's opinion, issued on 30 September. If the court decides to adopt the opinion, it could mean that annuity rates in the UK for men fall in line with those of women.

Alasdair Buchanan from the Royal London insurance company said: "Women, on average, live three to four years longer than men and this means that, when it comes to calculating how much annuity income they are paid, men will receive more."

But he warned: "If the Advocate General's proposal is adopted, and we will no longer be able to price annuities according to sex, this could potentially be much more damaging than an adjustment to car insurance premiums."

Malcolm Tarling, from the Association of British Insurers said: "A 65-year-old man can expect to live another 17 years, compared with another 20 for a woman. The average annual annuity payment on a £100,000 pension fund would be £6,510 for a man and £6,111 for a woman.

"So currently, for the same lump sum, females will on average receive a lower amount per year, but over more years. Females may gain from unisex pricing. However, this increase would come at the cost of the majority of male annuitants (and their dependants), who would see their annuity income fall to subsidise the higher female benefits."

The advisory opinion sent to the ECJ says that life expectancy is influenced by many factors aside from gender, including economic and social conditions, drug use and eating habits.

1.6m jobs at risk, say personnel experts

Around 1.6 million jobs could go in the UK by 2015-2016, according to estimates from the Chartered Institute of Personnel and Development (CIPD).

The CIPD released its estimates in November, following the government's 20 October Spending Review that outlined plans to slash public spending by £81billion. Its figures also take into account the 2.5 percentage point hike in VAT rates in January 2011 to 20 per cent.

Dr John Philpott, chief economic adviser at the CIPD, said: "The CIPD estimate, based on soundings from public sector managers, is that from the end of 2009-10 to 2015-16 the public sector will shed a total of 725,000 jobs.

"The combined direct and indirect effect of public spending cuts will result in the loss of 650,000 private sector jobs. And the rise in the standard rate of VAT to 20 per cent will result in the loss of a further 250,000 private sector jobs, as reduced demand for many goods and services hits company revenues and profits."

The government had already suggested in the Spending Review that 490,000 public sector jobs would go as a result of the cuts.

Dr Philpott said the CIPD considered the private sector capable of adding more than 300,000 new jobs per year by 2015-2016 if the economy grew by around 2.5 per cent a year.

But he added: "If the coalition government completes its planned fiscal consolidation with unemployment no higher in 2015-16 than it is today it will have made a significant achievement."

The cost of making employees redundant varies widely between organisations but it costs more, on average, for public sector organisations to make someone redundant than in the private sector, according to the latest quarterly Labour Market Outlook survey from the CIPD and KPMG, which was released in August.

In the public sector, 23 per cent of organisations say the average cost is more than £17,500, with just one in ten having an average cost of less than £5,000. In contrast, only 14 per cent of private sector employers say the average cost is more than £17,500 and 30 per cent report an average cost of less than £5,000.

Average pensioner couple 'on £29,000 a year'

Pensioners are becoming more prosperous in comparison to the rest of the population, according to new figures.

The latest Pension Trends update, issued by the Office for National Statistics (ONS) in September, said that in 2008-09, the average pensioner couple had a weekly income of £564, or just over £29,000 a year.

However, the ONS said that while those with the highest incomes increased their share of the total, retired households at the bottom of the income scale saw their share fall.

In 2006-09, the top 20 per cent of pensioner couples had an average net weekly income of £755. In comparison, the income of the bottom 20 per cent was just £197.

Around 25 per cent of the income of pensioner couples came from earnings, 25 per cent from occupational pensions and 35 per cent from the state pension and benefits.

About 4.6 million pensioner households gained a substantial boost to their incomes from private, or occupational, pensions.

"Pensioners with private pensions were more likely to be in the higher income groups in comparison to those relying on state pensions and related benefits (such as Pension Credit and Carer's Allowance) and on other sources of non-pension income," the ONS said.

Despite the improving position of pensioners in general, around 1.8 million pensioners are estimated to be living in poverty, down from 2.8 million in 1999-2000.

Company pensions 'important to employees'

Scottish Widows' Workplace Pension Report has highlighted the importance of pensions from an employees' perspective.

The report, published in the summer, shows that 44 per cent of employees view the company's pension scheme as an important employee benefit when searching for potential employers.

Almost two-thirds (63 per cent) of employees surveyed said that they would stay in their current job rather then look for new employment if their employer increased their contributions into the pension scheme.

Financial education was also a key factor for employees, with 40 per cent of the employees surveyed saying that their employer should offer financial advice if there was access to a pension scheme. A total of 55 per cent would like general information on pension benefits.

The survey also identified that 42 per cent of respondents who were in a defined contribution (money purchase) scheme were not aware of the contributions that their employer paid into the pension pot.

Scottish Widows spokeswoman Ann Flynn said: "As the face of UK workplace pension provision continues to change, it is important for employers to engage with their employees to help their understanding of the benefits available to them as the individual has to take responsibility and make the correct decisions about their short, medium and long-term financial planning needs."

£5,000 can buy happiness…

Having savings of up to £5,000 would bring happiness to four out of five people, according to new research, even though only a third would be able to clear non-mortgage debts with the money.

A study of 1,000 adults for investment company Skandia found that the financial turmoil of the last few years has affected the way people feel about money. The survey, published in October, revealed that:

- 82 per cent of people would be happy with savings of £5,000 or less, up from 66 per cent in 2004
- 33 per cent would be able to clear their non-mortgage debts with £5,000 or less, down from 44 per cent in 2004
- seven per cent of people would spend all £5,000 on enjoying themselves, down from 14 per cent in 2004

A total of 76 per cent of people today have debts over and above their mortgage and, in addition to the 33 per cent who would require up to £5,000 to pay off these debts, 13 per cent would need between £5,000 and £10,000, eight per cent would require £10,000 to £15,000 and 12 per cent would require £15,000 plus.

Colin Jelley, financial expert at Skandia, said: "The catalogue of financial upsets over the past few years – from the credit crunch, stock market volatility and current belt-tightening that the government and individuals are doing – seem to have re-based peoples' expectations of how much they need to be happy.

"The great thing is that many people will be able to put themselves in a position of happiness relatively quickly and simply. Even putting aside the amount you could easily spend on a coffee each day would build you up a lump sum of nearly £5,000 in five years – and that's without even considering the interest or investment growth you could get along the way."

In brief…

- Research by annuity specialist Just Retirement suggests that up to 65 per cent of eligible retirees could be missing out on bigger annuity payouts because they do not realise that their medical conditions qualify them for an enhanced or impaired life annuity.

  Nigel Barlow, head of retirement at Just Retirement said: "The sophistication of underwriting by enhanced annuity providers has improved dramatically over the past six or seven years to take into account more combinations and lower levels of conditions. Many people might now qualify if only they knew about it."

- Government plans to restrict pensions tax relief for high earners are sound in principle but need fine-tuning, say experts at the National Association of Pension Funds (NAPF).

  The association said that the proposals risk unfairly penalising those who are promoted or made redundant, or who have to retire early because of illness. The government is currently considering the results of consultation on its proposals, which include a much-reduced annual investment allowance and taxing contributions above that as a top slice of the contributor's income, instead of at a flat rate 40 per cent.

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