UNISON Derbyshire

FACTSHEET

Legal disclaimer

The information contained within this article is not a complete or final statement of the law.

While Derbyshire UNISON has sought to ensure the information is accurate and up to date, it is not responsible and will not be held liable for any inaccuracies and their consequences, including any loss arising from relying on this information.

If you are a Derbyshire UNISON member with a legal problem, please contact the branch office or your steward as soon as possible for advice.

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PAY AND PENSIONS

THE PAY OF many UNISON members is negotiated either nationally or locally by UNISON. In Derbyshire, these will mainly be local authority workers and school workers.

Derbyshire UNISON also negotiates local rates with other employers in the county. UNISON's ability to negotiate pay depends largely on whether we are recognised by an individual employer. Recognition requires a legal process but it is dependent on membership levels and density. If your pay has been static for a number of years, we may need to hold a recruitment drive with the aim of securing recognition and negotiating higher pay.

National Minimum Wage and National Living Wage

The hourly rate for the minimum wage depends on your age and whether you're an apprentice.

You must be at least:

- **school leaving age to get the National Minimum Wage**
- **23 to get the National Living Wage - the minimum wage applies for workers aged 22 and under**

These rates are for the National Living Wage and the National Minimum Wage from 1 April 2023.

Apprentice	Under 18	18 to 20	21 to 22	23 and over
£5.28	£5.28	£7.49	£10.18	£10.42

Rates change every April.

Apprentices

Apprentices can get the apprentice rate if they're under 19 or in the first year of their apprenticeship.

They're entitled to the minimum wage for their age if they:

- **are 19 or over; or**
- **have completed their first year**

Occupational pensions

An occupational pension is a pension scheme provided by your employer. There are many different types.

An occupational pension is paid on top of your basic state pension and – unless you are contracted out of it – on top of your state second pension as well. The contributions you pay to an occupational pension scheme are separate from and on top of the national insurance contributions you pay for your basic state pension.

In the broadest terms, there are two types of occupational pension commonly available to you.

These are either defined benefit pensions – usually final salary or career average (revalued earnings) schemes – or defined contribution/money purchase schemes.

Defined benefit: this type of pension means you'll get a pension based on a percentage of your earnings. Broadly speaking, the greater your salary and length of service the bigger your pension should be. These pensions offer a more predictable pension. Nearly all public service schemes including the local government pension scheme and the NHS pension scheme are defined benefit schemes.

Defined contribution: Your pension depends on the amount of money put into the scheme, how well the funds have been invested, the level of charges applied to your fund, and then how much pension your money will buy when you need to retire. This is based on the annuity rate at the time you retire. Annuity rates are half what they were 20 years ago which means they buy half as much pension now as they did then. These pensions offer no guarantee of the level of pension to be paid on retirement.

Stakeholder pensions and personal pensions are also available.

While these can be offered on a group basis, they are defined contribution schemes where a member has a direct contract with the provider.

Employers are increasingly turning to such schemes as they offer much less risk to them and instead place it all on the employee.

Contribution limits

Contributions are typically payable by both the employer and employee and qualify for tax relief. Scheme rules will specify members' contribution rates and employees normally qualify for full income tax relief on these.

A member can usually elect to top up their required occupational pension contribution by making an additional voluntary contribution or AVC.

An AVC fund is effectively a separate fund offering additional pension benefits to those earned in the occupational scheme, but in respect of the same employment.

Automatic enrolment

Every employer must automatically enrol workers into a workplace pension scheme if they:

- **are aged between 22 and State Pension age**
- **earn more than £10,000 a year**
- **work in the UK**

This was phased in by October 2018.

If you've been automatically enrolled in a workplace pension...

The law says a minimum percentage of your 'qualifying earnings' must be paid into your workplace pension scheme.

'Qualifying earnings' are either:

- **the amount you earn before tax between £6,240 and £50,270 a year**
- **your entire salary or wages before tax**

Your employer chooses how to work out your qualifying earnings.

The minimum you pay	The minimum your employer pays	The government pays
5%	3%	The government will usually add money to your workplace pension in the form of tax relief

If your employer offers you a defined contribution scheme, the minimum amounts could be higher for you or your employer because of your pension scheme's rules. They're higher for most defined benefit schemes.

In other schemes you and your employer have the option to pay in more than the legal minimum. You can pay in less - as long as your employer puts in enough to meet the legal minimum.

If you're not yet automatically enrolled into a workplace pension...

Your employer decides the minimum and maximum amounts you and they can pay in. If you pay income tax, the government automatically adds tax relief to your contribution.

Occupational pensions do not affect your right to a basic state pension. Remember, currently you must have at least 30 qualifying years of national insurance contributions to qualify for a full basic state pension.

You have a right to draw your pension at your scheme's normal pension age, which for many is at 65. The minimum retirement age for most members is age 55, although benefits will usually be reduced for being paid earlier.

It can be possible for the pension to be paid before 55 in the event of ill health. Your pension administrator will be able to confirm your pension age as well as an annual statement detailing your current entitlement.

You usually have to retire or take a "retirement break" to be able to start drawing your pension.

Changing employers usually means:

- **You can leave your pension in the scheme, where it will usually increase each year in line with inflation, and become a deferred member – normally, you need to have been a member for at least two years for this;**
- **If you are not entitled to a deferred pension, you can claim a refund of the pension contributions you have made, and you will be taxed on this;**
- **If you have at least three months service, you can look at transferring the pension you have built up to another qualifying pension scheme.**

Even if you decide to remain as a deferred member, you are able to join other company pension schemes in the normal manner.