



Department
for Work &
Pensions

GUY OPPERMAN MP
Minister for Pensions

Jim Cunningham MP
House of Commons

8th January 2018

Dear Jim,

During the debate on the Finance Bill last month you asked the Financial Secretary to the Treasury whether he would look into the situation concerning certain banks, amongst others HSBC, which reduce the amount of occupational pension payable to the member to take into account any State Pension they receive. The Financial Secretary gave assurances that the responsible Minister would respond to the question and I am now doing so.

The Department for Work and Pensions is aware of this issue because, as you pointed out, both I and officials have received a number of letters concerning what are known as "integrated pension schemes" and I understand the concern this is causing for the members of schemes affected by this arrangement.

You will be aware from my previous response to you dated 28 November 2017 how these integrated schemes work so I will not repeat that detail here again but I attach a copy of that letter for your information.

Whilst I sympathise with the position these members find themselves in, it is important to note that these pensions have been paid in accordance with the scheme rules and within the law. I can only reiterate here that it would not be right for Government to compel schemes to withdraw this integration arrangement as it would amount to a retrospective change imposing significant additional unplanned costs.

Any proposed change in legislation would affect all integrated schemes and would potentially risk their future solvency, particularly those which are not well funded. This could jeopardise future pensioners receiving the entitlements they have worked for and expect to receive. Obviously it is critical for Government that pensioners' accrued rights are protected, they receive what they were promised and the schemes remain open to future employees.

It might be helpful for you to note that the new State Pension, which was introduced for people reaching State Pension age from April 2016, can be very beneficial for those who have been contracted out of the State Pension into an occupational pension scheme (many people who are or were members of integrated schemes are very likely to have been contracted-out). As an example, someone who has been contracted out and has 30 National Insurance qualifying years by April 2016 could build up to around £37 a week more new State Pension than they could have done under the old arrangements.

The following link explains how the new State Pension works and section 3b in particular describes how people can add to their pension.

<https://www.gov.uk/government/publications/your-new-state-pension-explained/your-state-pension-explained>

I realise that this response will come as disappointing news to you and your constituents, but I hope it explains why, in times when salary related pension schemes are struggling to remain sufficiently well-funded, it would be wrong to impose additional unplanned costs which could jeopardise the pensions of a significant number of people. I also hope the additional information I have provided regarding the new State Pension may be of use to any of your constituents who were members of salary-related contracted-out pension schemes.

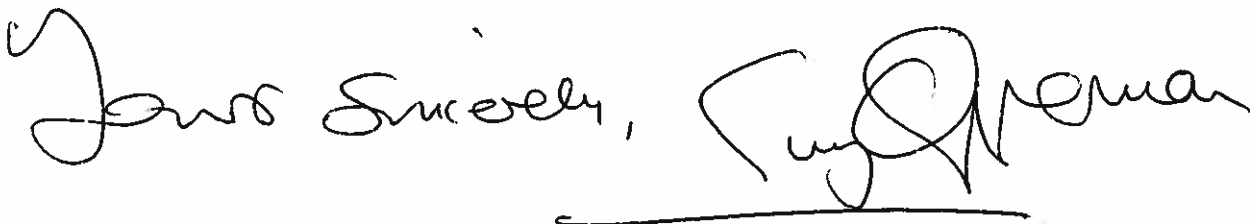
You may be interested to know that on 20 February 2017 this Department published a green paper titled "Defined benefit pension schemes: Security and sustainability" which focusses on striking a fair balance between the interests of scheme members and of sponsoring employers.

<https://www.gov.uk/government/consultations/defined-benefit-pension-schemes-security-and-sustainability>

The Department is expected to publish a white paper setting out its conclusions, following the initial consultation, in the coming months.

I also understand that HSBC plan to provide further communications to its members on this matter in the near future.

I am copying this letter to the Financial Secretary to the Treasury for his information and will place a copy in the Library of the House.

A handwritten signature in black ink, appearing to read 'Guy Opperman', written over a horizontal line.

Guy Opperman MP
Minister for Pensions and Financial Inclusion