FACT
SERVICE

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No financial fears in retirement for fat cats

Company executives continue to enjoy substantial retirement benefits, says the TUC in its latest annual *PensionsWatch* survey.

Now in its 13th year, *PensionsWatch* analyses the latest trends in retirement provision for senior executives by looking at the most recent annual reports of FTSE 100 companies. This year it studied the pension arrangements of 316 top executives.

The average employer contribution to senior executives' pensions in the last year was 34.1% of their salary and in some cases the contribution was more than 50% of the salary. Given how high executive salaries are these payments can be enormous,

By contrast, the typical employer contribution for a worker in a defined contribution pension scheme was just 6.1%. This is the most common type of scheme for workers and it carries more risk than a defined benefit scheme.

While workers rely on these inadequate contributions to risky defined contribution schemes to see them through retirement, just 14% of top bosses have all their pension contributions paid into defined contribution schemes.

Executives have been increasingly taking cash top-ups to their salary in place of formal pension arrangements. More of the UK's top directors than ever (70%) opted to receive cash payments in lieu of contributions to their pension scheme last year. The huge sums going into cash payments totalled £34 million in 2014.

The choice to do this is in part driven by tax rules about pension scheme contributions, but some executives receive the salary top-ups in addition to payments into pension schemes.

The typical cash amount received by senior executives in lieu of a pension contribution is £152,926 (or 29% of their salary).

The top three cash payments in lieu of pension contributions went to Richard Solomons, chief executive of the InterContinental Hotels Group (£3.2 million), Douglas Flint, chair of HSBC bank (£750,000) and António Horta-Osório, chief executive of Lloyds Banking Group (£556,890).

Not only are executives are getting far larger proportionate contributions, it also means they are increasingly disconnected from the realities of the UK's pension system. If fewer of those at the top table have a financial stake in workplace pensions, it raises concerns about boardroom commitment to providing good quality retirement provision, the TUC said.

TUC general secretary Frances O'Grady said: "Everybody deserves security in retirement. But while pension benefits for most workers have been drastically cut back in recent years, FTSE bosses are diverting pension contributions to top-up what are already colossal pay packets.

"Dramatic differences in pension provision mean that pay inequalities are amplified in retirement.

"If senior executives continue to detach themselves from the pension schemes that their employees rely on, they will be less likely to take an active interest in schemes' quality and adequacy."

www.tuc.org.uk/sites/default/files/PensionsWatch2015.pdf

Parental leave at top ranked employers

The annual list of the top 30 employers for working families has been revealed by the Working Families website during National Working Life Week.

Finance and the city dominate the alphabetical list, including American Express, Lloyds Banking Group and EY (Ernst & Young). Other winners include the utility Centrica and, from central government, the Ministry of Justice.

Working Families also publishes a benchmarking report on the employers. This year's report includes a section on the new right to Shared Parental Leave (SPL).

The report found that almost three in five (58%) of those analysed are matching SPL to existing enhanced maternity provisions, while almost three in 10(29%) are providing the statutory minimum. The remaining 13% have yet to formalise policy and are taking a "wait and see" approach.

A positive note is that 0% are cutting back enhanced maternity to fund enhanced SPL entitlements.

The majority are matching SPL to existing maternity provision, a welcome approach that maximises the potential for take-up. Costs may be a factor for those who are offering the statutory minimum, but is encouraging that no employers have taken up the option of clawing back enhanced maternity to fund SPL.

For the majority that have decided to match SPL to existing enhanced maternity provisions, they have configured their leave schemes in the following ways:

- well over half (56%) individually matched and floating: the number of potential weeks enhanced pay available to a partner taking SPL is the same as the number of weeks enhanced maternity pay available to mothers. SPL can be taken at any time during the first year of baby's life/following parental order/placement for adoption;
- around one in six (17%) individually matched and tied: the number of potential weeks enhanced pay available to a partner taking SPL is the same as the number of weeks enhanced maternity pay available to mothers. Weeks of enhanced pay are tied to the date of birth, for example, 18 weeks' enhanced pay must be taken in the 18 weeks following birth;
- around one in 10 (11%) family shared and tied: the number of potential weeks enhanced pay available to a partner taking SPL is the same as the number of weeks enhanced maternity pay available to mothers less any weeks of statutory maternity pay and leave the mother has taken/intends to take, regardless of who the mother is working for. Weeks of enhanced pay are tied to the date of birth, for example, 18 weeks' enhanced pay must be taken in the 18 weeks following birth; and
- 17% – around one in six – family shared and floating: the number of potential weeks enhanced pay available to a partner taking SPL is the same as the number of weeks enhanced maternity pay available to mothers less any weeks of statutory maternity pay and leave the mother has taken/intends to take, regardless of who the mother is working for. Weeks of enhanced pay can be taken at any time during the first year of baby's life/following parental order/placement for adoption.

It is again encouraging, said Working Families, that the majority of employers who have chosen to match SPL to maternity have decided on the option that allows the most flexibility for families by not tying the period of leave to the birth of the child (within the first year of the baby's life or adoption).

Evidence from other countries with similar schemes for families shows that take-up rates and maximum utility depend upon good levels of pay, flexibility in how and when leave can be taken and a culture in which leave-takers are supported.

Over three in five (61%) of matching organisations said that the resulting package is the same for maternity and shared parental entitlement, a significant step in levelling the policy playing field between mothers and fathers.

www.workingfamilies.org.uk/wp-content/uploads/2015/09/WF_A4_16pp-Top-Employers-Benchmark_2015_FINAL_PR_03.pdf

No jail for corporate manslaughter

A building firm and two executives have escaped lightly over the death of a building worker.

In January 2013, Gareth Jones died after a retaining wall collapsed on him as he worked to excavate land in St Albans, Hertfordshire.

Linley Development Limited, the company Gareth was working for, pleaded guilty to corporate manslaughter on 7 September, but on the 24 September the firm was fined just £200,000 and ordered to pay costs of £25,000.

Managing director Trevor Hyatt, and project manager Alfred Barker, pleaded guilty to contravening health and safety regulations on two counts, which had been found to be causative to the death. They both received six month prison sentences, suspended for two years. Hyatt was fined £25,000 and made to pay costs of £7,500, with Barker told to pay costs of £5,000.

During sentencing, Judge Bright said of Hyatt: "The aspect of your involvement which makes your culpability particularly high is that two days before the fatal accident you instructed your staff to carry out excavation work at an even lower level despite being advised that precautionary measure might need to be taken before doing so. I am satisfied that you chose to ignore that and that had you taken it, it is likely that Gareth Jones would still be alive today."

www.bbc.co.uk/news/uk-england-beds-bucks-herts-34188386
www.mynewsmag.co.uk/sentencing-following-the-death-of-a-man-in-st-albans/

Factors in measuring gender pay gap

The gender pay gap stands at 19.1% in the UK in terms of median pay rates for all employees (full-time and part-time), higher than the EU 2014 average of 16.4%.

On a full-time basis, women in the UK receive 9.4% less than male workers.

The different figures are an important factor to bear in mind when considering the government's plans to introduce gender pay gap reporting for organisations with more than 250 employees, according to Duncan Brown of the Institute for Employment Studies think tank.

The kind of information that should be reported — mean or median comparative figures, base pay, bonuses, overtime, hourly rates or annual earnings — is one of the issues on the agenda for the government's gender pay gap reporting consultation.

Other factors to be established before the reporting regulations come into effect include where the information should be published, when and how frequently, how the data collection process would work in practice and how it would be enforced.

Brown urged employers to take a proactive approach to the gender pay gap ahead of impending legislation on pay data reporting. Addressing the gender pay gap sooner rather than later could provide cost and time savings, as well as foster a sense of internal fairness and improve employee engagement within an organisation.

Brown said: "Let's hope that 20 years down the road having an almost 20% pay gap will be seen as totally ridiculous."

www.employeebenefits.co.uk/home/uk-median-gender-pay-gap-higher-than-eu-average/107599.article

Employment law changes from October

There are only a few changes to employment law that come into effect on 1 October or sometime during the month.

National Minimum Wage On 1 October, the National Minimum Wage rises by 20p an hour to £6.70.

The youth rate for 18- to 20-year-olds the rise is 17p an hour to £5.30, while the youth rate for under 18s rises by 8p an hour to £3.87.

The apprentice rate rises by 57p an hour to £3.30 an hour. The rate applies to those apprentices aged 16 to 18 and those aged 19 or over who are in their first year. All other apprentices are entitled to the National Minimum Wage for their age.

Turbans From 1 October, a health and safety exemption that was originally designed to allow Sikhs to wear a turban in place of a safety helmet on construction sites is to be extended to all workplaces.

Employers that normally require staff to wear protective headgear in environments where there is a significant risk of head injury will have to exempt Sikhs employees who wear a turban from the requirement.

Employment tribunals From 1 October, the 2015 *Deregulation Act* removes the power that allows employment tribunals to make wider recommendations — that may benefit others, and not just the claimant — in discrimination cases.

Slavery From October 2015, under the *Modern Slavery Act 2015*, UK commercial organisations with an annual turnover of £36 million or more will have to publish a modern slavery statement each year. These employers must state the steps they have taken to prevent modern slavery existing in any part of their business or supply chain.

www.gov.uk/government/organisations/low-pay-commission
www.legislation.gov.uk/ukpga/2015/20/section/6/enacted
www.legislation.gov.uk/ukpga/2015/20/section/2/enacted
www.linklaters.com/pdfs/mkt/london/GC4332_Modern_Slavery_FS_FinalSCREEN.PDF

Supermarket to pay above Living Wage

Supermarket chain Morrisons is the latest retailer to announce a tidy pay rise, following on from the likes of rival Sainsbury's and IKEA.

Morrisons has announced that it will pay staff a minimum of £8.20 an hour from March 2016. This is up from Morrisons' current minimum of £6.83 an hour and will benefit more than 90,000 staff; the increase will apply to staff of all ages.

It means that the supermarket will be paying above the voluntary Living Wage outside of London. The present rate is £7.85 per hour across the UK while in London it is £9.15. These rates are due to rise during Living Wage Week in November.

Rhys Moore, director of the Living Wage Foundation, said: "We encourage other retailers to follow suit, and join more than 1,800 other businesses that recognise the Living Wage as a mark of responsible business."

At the firm's annual general meeting in June, Morrisons chair Andrew Higginson agreed to meet with campaigners ShareAction and Citizens UK on the issue of pay and the Living Wage.

www.livingwage.org.uk/news/morrisons-increase-hourly-pay

Economy expands

The UK economy grew in the second quarter of the year, official figures show.

The economy, as measured by gross domestic product (GDP), increased by 0.7% in the second quarter of the year compared with the previous quarter, the Office for National Statistics (ONS) said. The increase is unrevised from the second estimate produced at the end of August.

Production output (manufacturing mining and utilities) posted a 0.7% quarterly increase, unrevised from the previously published estimate, but manufacturing decreased by 0.5%.

The service industries, which account for over three-quarters of the economy, grew by 0.6%, a revision downwards of 0.1 percentage points from the previous estimate.

GDP increased by 2.4%, on the same quarter 2014, a revision downwards of 0.2 percentage points from the previously published estimate.

The ONS also revised the annual growth figure for 2014 down by 0.1 percentage point to 2.9%.

www.ons.gov.uk/ons/dcp171778_417863.pdf

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