

MONEY

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Is your company pension in safe hands?

How safe is your company pension scheme? Richard Wadsworth, a chartered financial planner with Carbon Financial Partners, with offices in Aberdeen, Edinburgh and Perth, explains how you can find out

Many people still enjoy membership of a salary-related pension scheme that promises a level of income in retirement.

While most companies no longer allow employees to continue building up further pension, existing benefits can be very valuable and largely protect members from investment risks. But these arrangements are not 100% guaranteed, so how do you judge how safe your pension is and what happens if the scheme can't pay out?

Most salary-related pension schemes – ignoring

UK Government-backed arrangements such as those with the NHS or fire service – do not have enough money to pay out to all members at the same time.

To deal with this, employers put in place recovery plans under which they contribute additional cash to the pension scheme over a period of years.

This underlines the fact that members have to be sure the employer standing behind their salary-related schemes will be around for perhaps another 30 years in order to make good any



RETIREMENT GOALS: Members should ask about the company standing behind their scheme: Is it still around? Is it still making money?

shortfall in the pension fund.

High Street department store chain Bhs was recently sold by retail guru Sir Philip "Topshop" Green and the Pensions Regulator is now looking to him to make good some of the shortfall in its pension scheme. Sir Philip has reportedly offered to pay £80million into the scheme but this is thought not to be acceptable.

What happens to Bhs pensions if he doesn't pay up and Bhs can't make up the shortfall?

The Bhs scheme could fall into the Pension Protec-

tion Fund (PPF), which is funded by the assets of failing schemes and levies on healthier ones.

People whose benefits fall into the PPF may end up not getting as much of a pension as they were promised. So, what should you do if you have a salary-related pension?

Have a look at the funding statement for the pension scheme, which should be available to all members and which will give a snapshot of its financial health.

Members should also be aware of the general health of the company which stands behind the pension

scheme. Is it still around? Is it making money?

Finally, be aware of what would happen to your pension if the scheme were to fall into the PPF.

While salary-related pension benefits are very valuable, don't assume they are guaranteed and will be paid in full.

Find out the position to avoid any nasty surprises and so you can take action to deal with the situation now.



Richard Wadsworth: "what should you do if you have a salary related pension?"

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