

Bromley

Pension Update



Autumn 2013

Bromley pension newsletter

The LGPS in 2014

As you are aware, the Local Government Pension Scheme will be changing from 1 April 2014.

The statutory consultation for the new-look scheme closed in August, and the Government has now laid the Regulations for the basis of the new scheme before Parliament. Additional Regulations covering protections for current scheme members are also currently being prepared.

The main provisions of the proposed new Local Government Pension Scheme (LGPS 2014) are outlined below:

CARE Scheme

(Career Average Revalued Earnings)

The pensionable pay for each year is used to calculate a pension for that year. Each year's pension is then increased to reflect inflation. Each year's increased pension is added together to arrive at the total pension.

1/49th Accrual Rate

The accrual rate is the proportion of pensionable pay that each year of membership adds to your pension. For LGPS 2014 the accrual rate is 1/49th.

This means that for each year of membership, you will build up a pension of 1/49th of your pensionable pay for that year. Under current regulations the accrual rate is 1/60th.

Normal Retirement Age (NRA) = State Pension Age (SPA)

NRA is the age that the scheme will pay your benefits without actuarial reduction or enhancement. NRA in LGPS 2014 will match your individual SPA, with a minimum of age 65. If you retire before your NRA, your pension will be reduced for early payment.

50/50 Option

LGPS 2014 will allow you to pay 50% of the contributions for a 50% pension, whilst retaining the full value of other benefits of the scheme, such as death in service provisions.

Protection

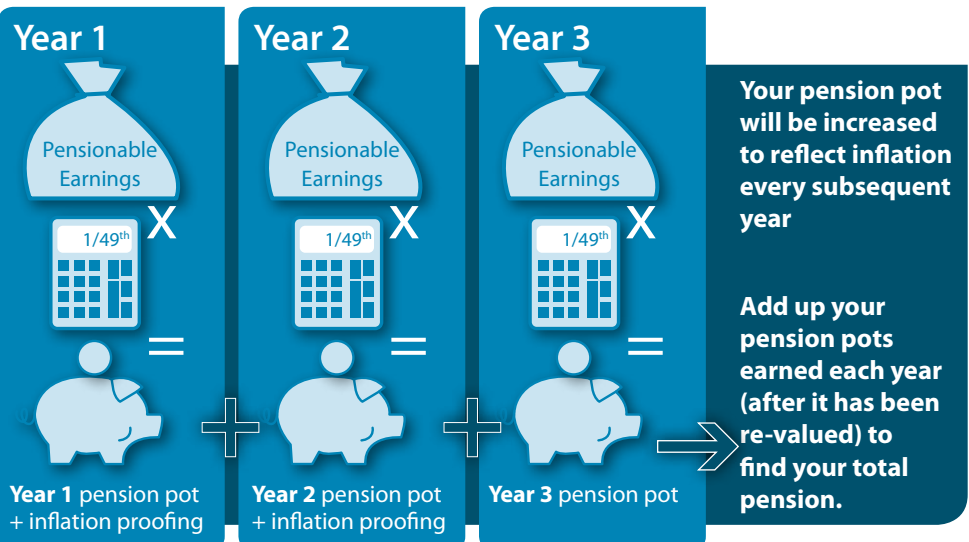
All pensions in payment or accrued before 1 April 2014 will be protected. If you are currently a contributing member of the scheme your pre April 2014 pension will still be based on your final pay at retirement.

It is also proposed that, if you were within 10 years of age 65 as at April 2012, a calculation will be done on retirement at age 65 to ensure that you will get a pension at least equal to that which you would have received under LGPS 2008.

How does a care scheme work?

All pension benefits accrued up to the introduction of the new Scheme will be calculated on a final salary basis.

You can access full details of the proposals on the LGPS website: <http://www.lgps2014.org/>



Pension liberation – beware

An increasing number of companies are targeting pension scheme members claiming that they can help them to take their pension cash early. Individuals may be targeted through websites, mass texting or through cold calls.

What is pension liberation?

Pension liberation is the transfer of a scheme member's pension savings to an arrangement that will allow them to access their funds before age 55.

Pension liberation can be illegal where members are misled about the consequences of entering into one of these arrangements. This could be because they are not informed of the tax consequences, fees charged or how the remainder of their pension savings are invested. It can result in tax charges and penalties of more than half the value of a member's pension savings, and those being targeted are usually not being told about these potential tax implications.

Converting a pension into cash may sound very attractive to people in urgent need of money. However, if something seems too good to be true, it usually is:

- **A member may be poorer in retirement** – A member can only use their pension fund once. If they liberate their pension, there will be much less (or no) income from the fund when they retire.
- **A member may be charged unexpectedly high fees** – As part of the liberation transaction, a member will probably have to pay the organisers a 'commission' or 'arrangement fee', which can typically range from 10-30% of the fund.
- **A member may be misled as to the consequences of the transfer** – the member may not be informed, or may be misled, for example about the tax consequences of making the transfer.
- **A member may be hit with significant charges by H.M. Revenue and Customs (HMRC)** – If a member has liberated their pension, they need to tell HMRC and will have to pay tax. If they fail to tell HMRC and HMRC contacts the member first, they may be charged penalties and interest in addition to the tax.

What to be aware of

Scheme members should ensure that they take appropriate financial advice before considering pension liberation, and be aware of the potential for charges being imposed by HMRC. Members should consider taking advice from an Independent Financial Adviser, and make sure that they have unbiased advice from someone who is not associated with the proposal that they have received.

Further information and advice on avoiding pension liberation fraud is available from the Pensions Advisory Service (TPAS) website shown on page 6 of this Update.



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Reductions to the annual allowance and lifetime allowance

In 2006, the Government introduced new tax controls for the treatment of pension contributions and pension benefits. These include the Annual Allowance and the Lifetime Allowance:

The Annual Allowance controls the amount of pension savings that a person can make **in each tax year** without incurring tax charges.

The Lifetime Allowance controls the amount of pension savings that a person can make **in their lifetime** without incurring a tax charge.

From 6 April 2014, the Annual Allowance will reduce from £50,000 to £40,000, and the Lifetime Allowance will reduce from £1.5 million to £1.25 million.

Both of these changes will have implications for high earners, but Her Majesty's Revenue and Customs (HMRC) has announced two new forms of protection to help those affected by the reduction in the rate of the Lifetime Allowance: Fixed Protection 2014 and Individual Protection 2014.

Fixed Protection 2014 (FP2014)

Scheme members who apply for this protection will retain a Lifetime Allowance of £1.5 million, subject to certain conditions. The form for applying for FP2014 is available on the HMRC website (details shown below). Completed forms for FP2014 must be received by HMRC, either online or by post, before 6 April 2014.

Individual Protection 2014 (IP2014)

This is still under consultation, but it is proposed that members will be able to apply for a personal lifetime allowance, up to £1.5 million, based on the value of their pensions at 5 April 2014.

Further information

You may find further information on the Annual Allowance, Lifetime Allowance and the new protections on www.hmrc.gov.uk.

An online tool to help you decide whether you should apply for Fixed Protection 2014 and/or Individual Protection 2014 can be found at <http://www.hmrc.gov.uk/pensionschemes/fp14online.htm>.

Should you decide you want to apply for FP2014 you should notify HM Revenue & Customs (HMRC) by completing this online form <http://www.hmrc.gov.uk/pensionschemes/fp14online.htm> on or before 5 April 2014.

Scheme webpages

The web pages for the London Borough of Bromley Pension Fund can be found at: www.bromley.gov.uk/lgps

The site provides information for active members, deferred members and pensioner members of the Local Government Pension Scheme:

- Updated Scheme Guide to the current LGPS
- Fact sheets and Forms to download
- Annual Report and Accounts and other policy documents
- Links to other pension sites and the new LGPS 2014 Scheme

Death grant expression of wish forms

Why should I complete an expression of wish form?

From the moment you join the Scheme through to when you leave or retire, and sometimes even beyond, you have valuable life cover in the form of a lump sum death grant. As an 'active' contributing member, if you die whilst paying into the Fund, we will pay out a death grant equal to three times your final years' pay.

Although the amount of death grant is governed by the Scheme rules, the Council has absolute discretion in deciding on who to pay any death grant to. The Council may pay the money in one sum or split it among a number of beneficiaries. The LGPS allows you to nominate one or more beneficiaries to whom you would like any death grant to be paid. You can do this by completing and returning an Expression of Wish Form which is sent out with the Annual Benefit Statements each year or can be downloaded from www.bromley.gov.uk/lgps. The Council will normally follow your wishes, but may not do so if your circumstances have changed since you completed the form, for instance if your marital status has changed, or the person you have nominated has died. It is therefore extremely important that you keep your nomination up to date.

Does this form cover cohabiting partner pensions for members?

The death grant nomination form is for your death grant payment only. If you wish to nominate a cohabiting partner to receive a pension in the event of your death you must complete a Nominated Partner form. More information and explanatory notes on the qualifying conditions can be found on the form which can be downloaded from www.bromley.gov.uk/lgps. (If you are a Councillor member, the Scheme rules do not allow you to nominate your cohabiting partner to receive a pension.)

A survivor pension for a widow, widower or civil partner is automatic in the Scheme.

The Bromley pension fund

Bromley's Pension Fund is administered by the London Borough of Bromley's Pensions Investment Sub-Committee, whose primary role is to oversee the investment of the Fund and monitor its financial position.

For many years, the Council has employed just two investment managers: Fidelity Pensions Management and Baillie Gifford & Co, but, following a review of the Fund's Investment Strategy, a further manager, Standard Life Investments, was appointed in December 2012. Further appointments will be made in 2013/14.

The net assets of Bromley's Pension Fund totalled £584m as at 31st March 2013 and comprised:

UK Equities	£121m
Overseas Equities	£174m
Pooled Investments	£281m
Cash/other	£8m

Income and Expenditure for the year ended 31st March 2013

Income	Expenditure
Employer contributions £22.0m	Pensions £22.0m
Employee contributions £5.5m	Lump sum benefits £5.5m
Transfer Values received £1.9m	Transfer Values paid £2.5m
Investment income £8.4m	Administration £0.5m
Net gain on investments £77.0m	Fund management expenses £1.4m

Pension Regulations require an actuarial valuation of the Fund's assets and liabilities every three years to ensure that the Fund is able to meet all its present and future commitments.

The last full valuation as at 31st March 2010 found that the value of the Fund's assets represented 84% of the value of its liabilities, up from 81% in 2007, mainly due to better than predicted investment returns. That valuation set employer contribution rates for the following three years aimed at increasing the fund's solvency level to 100% over a period of 12 years. The next full valuation (as at 31 March 2013) is taking place during 2013/14 and will set employer contribution rates for the three years commencing on 1st April 2014.

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Pensions key performance standards

Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for London Borough of Bromley. Performance standards are used to monitor and improve performance. Performance is reported regularly to the Council and will be published annually for the information of members of the Scheme.

Liberata's commitment to Scheme members is:

As Administrators of the Local Government Pension Scheme we aim to provide you with good quality service and to communicate effectively. We will:

- **respond to e-mails and written enquiries within 10 working days of receipt -**
We have responded to 668 pieces of correspondence in the last year, of which 99.55% were within the performance standard (99.17% in 2011/12)
- **process each stage of a transfer of pension rights (to or from the Scheme) within 10 days of receiving the required information -**
We have issued 97.80% of 91 transfer-in quotations (98.79% in 2011/12) and 97.39% of 115 transfer-out quotations (96.83% in 2011/12) within the performance standard
- **process retirement grants (lump sums) within 10 working days of retirement, provided that we have all the necessary information -**
We have paid 99.59% of 245 retirement grants (100% in 2011/12) within the performance standard
- **issue a benefit statement annually to all active and deferred members -**
Statements were issued to all active and deferred members in September
- **advise pensioners, each April, of the annual increase to their local government pension -**
Pensions Increase letters were issued to all the Council's pensioners in April.



Enquiries and Complaints

If you are not sure which benefits you are entitled to, or if you have a question concerning your benefits, please contact the Liberata Pensions Team. They will try to deal with your query as quickly and efficiently as possible, and it may be possible to arrange a meeting in order to resolve any issues.

In case you are dissatisfied with the way the Council or your employer has interpreted or applied the pension Regulations, then in order to protect your interests the Council is required under the Scheme Regulations to set up a two-stage appeal procedure. Full details of this can be obtained from the Liberata Pensions Team.

Their full address and telephone details are shown below. In addition to the internal dispute processes you also have access to a number of external advisors or regulators who are there to assist you with any issues you may have relating to your pension.

Further details of these organisations are given below.

Liberata UK Ltd

P O Box 1598, Croydon, Surrey CR0 0ZW

Telephone 020 8603 3429

E-mail pensions@bromley.gov.uk

Website www.liberata.com

**NOTHING IN THIS NEWSLETTER CAN
OVERRIDE THE PROVISIONS OF THE
LOCAL GOVERNMENT PENSION SCHEME
REGULATIONS OR RELATED LEGISLATION**

Useful Contacts

London Borough of Bromley

Chief Executive's Department
Civic Centre
Stockwell Close
Bromley
BR1 3UH

Telephone 020 8464 3333

Website www.bromley.gov.uk

Pension Tracing Service

This is a tracing service for ex-members of schemes with pension entitlements, who have lost touch with their previous employers.

The Pension Service

Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA

Telephone 0845 600 2537

The Pensions Advisory Service (TPAS)

This service is available to assist members with any difficulties that they cannot resolve with their pension schemes.

11 Belgrave Road
London
SW1V 1RB

Telephone 0845 601 2923

Website www.pensionsadvisoryservice.org.uk

For the Pensions Ombudsman

The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme, or matters of fact or law.

Telephone 020 7834 9144 at the above address

Website www.pensions-ombudsman.org.uk

Large Print Version Available

The text of this newsletter is available in a large print format from Liberata Pensions on 020 8603 3429.

Further information about the Scheme is available on www.lgps.org.uk

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