

# Bromley

## Pension Update



**Autumn 2012**

# Bromley pension newsletter

## Pension scheme reform

The Local Government Association (LGA) and local government unions have now reached agreement on proposals for a revised Local Government Pension Scheme (LGPS) to be implemented from 1 April 2014. Between June and August this year, formal consultation took place between the LGA and local Council employers on the proposals, and included individual ballots for trade union members. The consultations resulted in the proposals being supported by the majority of the employers and the trade unions with members in the LGPS.

A statutory consultation process will now be undertaken by the Government in order to implement the proposals.

Key elements of the proposals include a move to a career average scheme, with a retirement age in line with the state pension age.

### How the schemes work:

#### CARE Scheme

The example below is of a CARE scheme with a 1/60 accrual rate over a seven-year period, and based on the assumption that the annual pay increase will be 2%, and that earnings will be revalued at the rate of 3% (compounded).

Year	Annual Pay	Accrual rate	Pension earned for year	Revaluation	Revalued Pension
1	£24,000	1/60	£400	19.41%	£477
2	£24,480	1/60	£408	15.93%	£473
3	£24,969	1/60	£416	12.53%	£468
4	£25,459	1/60	£424	9.27%	£463
5	£25,978	1/60	£432	6.09%	£458
6	£26,497	1/60	£441	3.00%	£454
7	£27,027	1/60	£450	-	£450
Total pension at the end of year 7					£3,243

#### Career Average Revalued Earnings (CARE) scheme

From April 2014, pension benefits earned in the Local Government Pension Scheme (LGPS) will still be linked to pay, but the Scheme will change from a final salary scheme to a Career Average Revalued Earnings (CARE) scheme.

In a final salary scheme, pension benefits are calculated using the scheme member's final year's pensionable pay. Members who have high salary increases towards the end of their careers benefit more from a final salary scheme than members whose salary increases gradually throughout their career.

A CARE scheme addresses this imbalance, as the annual pension is based on a proportion of the salary received during each year of scheme membership. The annual pension earned each year will be increased (revalued) to maintain its value.

You earn a percentage of your salary as pension each year you work

For example, Tom earns £24,000 so his pension in Year 1 is worked out as:  $£24,000 \times 1/60^{\text{th}} = £400$



This is then revalued until you retire to maintain its value

The £400 that Tom earns in Year 1 is revalued at the end of the next year so at the end of Year 2, Tom's pension for year 1 is worth  $£400 + 3\% = £412$

Revalued by 3% each year



The pot continues to be revalued until you retire

Tom's pot for Year 1 is worth £477 after 7 years' service



Year 1 retirement pot

You receive a new retirement 'pot' for each year you are a member

Adding your other years' pots



Add up the pension you earned each year (after it has been revalued) to find your total pension

If Tom has a 2% salary rise each year, by adding all of the other years' pension pots together, he could expect a pension of £3,243 a year after 7 years' service



Annual pension at retirement

How CARE works

## Final Salary Scheme

The annual pension payable under a final salary scheme based on a seven-year period and final year's salary of £27,027 would be as follows:

Total years	Final Pay	Accrual rate	Total Pension
7	£27,027	1/60	£3,153

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 [www.lgps.org.uk](http://www.lgps.org.uk)

# Bromley pension newsletter

## Automatic enrolment

Workplace pensions law has changed, and every employer in the UK will soon be required to help more of their workers to save for their retirement. Employers will need to enrol staff aged between 22 and State Pension Age who earn more than £8105 a year (this limit to be reviewed each year) in a pension scheme and make contributions towards the scheme. Employees who have previously opted out of their employer's scheme may, therefore, be automatically enrolled back into the scheme, although they will have the right to opt out again.

Different employers have been given different dates, known as "staging dates", from which to implement the changes. The initial staging date for the London Borough of Bromley is 1 March 2013, although there may be a transition period after that date. Other employers with members in the London Borough of Bromley pension fund have later staging dates. Nearer the time, the Council and the other Pension Fund employers will write to all their eligible employees concerning the implementation of automatic enrolment, and its impact on their pension provision.

**If you are already in the LGPS, you will continue to pay your contributions and accrue pension rights as you do now. You will only be affected by Automatic Enrolment if you opt out of the Scheme at any time.**

**If you are not a member and wish to consider joining now, please contact Liberata for further information.**

## Retirement before or after age 65

Normal retirement age in the Local Government Pension Scheme is 65. If you retire voluntarily before that age, your retirement benefits may be subject to actuarial **reductions** (although some long-standing members of the Scheme retain protections against the reductions), to take account of the fact that the pension will be paid to you for a longer period. In the same way, if your retirement takes place after age 65, your benefits will receive actuarial **increases**, because the pension will be paid to you for a shorter period than if you had retired at 65.

Recently, the Government Actuary has been revising many of the age-related factors used in pension calculations, because of the gradual rise in life-expectancy.

For all voluntary retirements from 29 March 2012 onwards, the actuarial **reductions for early retirement** have been revised. For instance, if you retire up to five years early, and choose to receive immediate payment of your benefits, the benefits may be reduced by the following percentages:

Years Early	Pension Reduction		Retirement Grant Reduction
	Males	Females	All Members
1	6%	5%	3%
2	11%	11%	6%
3	16%	15%	8%
4	20%	20%	11%
5	25%	24%	14%

For all retirements from 14 February 2012 onwards, the actuarial **increases for late retirement** have been set at 0.014% increase on the pension and 0.007% increase on the retirement grant, for each day that retirement has been delayed past age 65.

## Survivors' pensions and death grants

When a scheme member dies in service, or after retirement, the Scheme provides survivors' benefits for the member's widow, widower or registered civil partner, and for eligible children. It is also possible, in certain circumstances, to nominate a cohabiting partner to receive a survivor's pension after your death. If you wish to consider this, please contact Liberata for more information and a nomination form. **A pension can only be paid to a surviving cohabiting partner if a nomination form has been completed and registered in your pension records.**

Members who have nominated cohabiting partners now have a further opportunity to increase survivor pensions. Membership prior to 6th April 1988 is not included in the calculation of these pensions. Previously, members who contributed to the Scheme on or after 1 April 2008 and nominated a cohabiting partner have been allowed to elect to pay additional pension contributions to enable some or all of their pre 6 April 1988 membership to be included in the calculation of their cohabiting partner's pension, if this election was made by 31 March 2011.

This deadline has now been reopened for all active members with nominated cohabiting partners, and elections may now be made in the 12 month period starting on the date a member first nominates a particular partner or, if later, by 31 March 2013.

There may also be a lump sum death grant payable. The amount of the Death Grant is governed by the Scheme rules, but the Council has discretion in deciding who receives the money. The Council may pay the money in one sum or split it among a number of beneficiaries. You may make an Expression of Wish in respect of any death grant that may be payable in the future, so the Council is aware of your wishes. An Expression of Wish form is sent out every year with the annual benefits statements, but you can request a form from Liberata at any time – as your circumstances may change, it is important to keep the details up to date.

## Pensions on-line

You can now access your own pension records online, through AXISe Internet Member Self Service (AIMSS). This service allows you to view your record, and carry out your own pension benefits calculations, such as:

- deferred benefits
- pension predictions
- lump sum commutation options
- redundancy estimates

You also have the option of updating your Expression of Wish record (by downloading and submitting a signed Form), Co-habiting Partner details (if applicable) and personal details such as change of address or name. This service is available 24 hours a day, 365 days a year.

Details of how to use AIMSS are available from Liberata by emailing your request to [pensions@bromley.gov.uk](mailto:pensions@bromley.gov.uk). You will need to have a password, which you can obtain by emailing your request to the same address or by accessing <https://bromleyselfservice.bromley.gov.uk>.



# Bromley pension newsletter

## 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 the fund's financial position.

For many years, the Council has employed two investment managers: Fidelity Pensions Management and Baillie Gifford & Co, although, following a review of the Fund's Investment Strategy, this will be changing in 2012/13.

The net assets of Bromley's Pension Fund totalled £502m as at 31st March 2012 and comprised:

- UK Equities – £121m
- Overseas Equities – £140m
- Pooled Investments – £226m
- Cash/other – £15m

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) will take place during 2013/14.

### Income and Expenditure for the year ended 31st March 2012

Income	Expenditure
Employer contributions £22.3m	Pensions £20.5m
Employee contributions £5.8m	Lump sum benefits £6.5m
Transfer Values received £4.3m	Transfer Values paid £1.8m
Investment income £8.5m	Administration £0.6m
Net gain on investments £2.0m	Fund management expenses £1.2m

## 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 638 pieces of correspondence in the last year, of which 99.17% were within the performance standard
- **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 98.79% of 164 transfer-in quotations and 96.83% of 82 transfer-out quotations 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 100% of 284 retirement grants within the performance standard
- **issue a benefit statement annually to all active and deferred members** – statements were issued to all active members in September, and all deferred in August
- **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](mailto:pensions@bromley.gov.uk)

Website [www.liberata.com](http://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**

Resources Directorate

Civic Centre

Stockwell Close

Bromley

BR1 3UH

Telephone 020 8464 3333

Website [www.bromley.gov.uk](http://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](http://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](http://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](http://www.lgps.org.uk)**

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