

Newsletter

Local Government Pension Scheme

June 2010

Dear Colleague,

Welcome to the latest edition of our annual pensions newsletter for active members of the Local Government Pension Scheme. As with all publications we aim to update you on various aspects of the scheme in addition to providing you with useful information on pension related matters.

The interest in public sector pension schemes continues to increase and will certainly be kept under the microscope for many months to come. It is all the more important for LGPS members to have an awareness of the Scheme and its benefit provisions. With this in mind the pensions team will be running seminars in September to aid your understanding of the Scheme as well as providing information on the wider government agenda for public sector pension schemes.

By now you will have received your 2010 annual benefit statement (ABS). Please remember that queries relating to your state pension forecast (for those employees who have opted for a state pension forecast) should be referred to the Benefits Agency on 0845 3000 168 as the pensions team will not be able to assist with these queries.

As always, I hope you find this edition interesting. If you would like to comment on the content or have any suggestions for improvement, please feel free to contact the pensions team. Contact details can be found on page 13.

Yours sincerely



Linda D'Souza
Service Manager – Shared Services



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ANNUAL BENEFIT STATEMENT 2010

COMPREHENSIVE DEFENITIONS

Final Pay

The benefits quoted in your Annual Benefit Statement are directly related to the elements of pay on which you have paid pension contributions over the period of 1st April 2009 – 31st March 2010. For the most part:-

a) Full Time Employees - Pay has been based on the aggregate pay plus whole-time additional pensionable payments (i.e. leased car (as notified on your P11D in June 2009), contractual overtime/standby, first aid allowance etc.).

b) Part Time Employee - The whole-time equivalent pay plus additional pensionable payments.

(NOTE: We are aware that other authorities have, when producing annual benefit statements, restricted the calculation of pensionable pay to basic pay excluding additional pensionable payments. Given that a number of colleagues have additional elements that significantly increase overall pay, we have attempted to reflect this in the calculation. It must be accepted that in applying this methodology, it is possible, as a result of fluctuating elements, for final pay to vary significantly from one year to the next).

When calculating 'Benefits payable from age 65', it has been assumed that you will continue to work your current hours and service has been projected accordingly.

Total Membership

This is the total membership used for the calculation of your benefits and will include any membership purchased by a transfer value from another pension scheme. Periods of part-time membership are reduced in proportion to the actual hours worked.

For example assume Mr J Bloggs' service is as follows:-

Membership

20 years whole time at 36 hours per week	20 years
5 years part time at 18 hours per week (18/36)	2 years 183 days
2 years part time at 10.5 hours per week (10.5/36)	<u>0 years 213 days</u>
Total Membership for Mr J Bloggs is:	<u>23 years 31 days</u>

The process of transferring – in service from your previous employer may not be complete, in which case the figures quoted will be less than expected.

Benefit Structure from 1st April 2008

For each year of membership from 1st April 2008 you will receive a pension of 1/60th of your final pay and have the option to convert part of your annual pension to a lump sum. All service up to 31st March 2008 will continue to be calculated with a 1/80th pension and a 3/80ths lump sum for each year of membership.

EMPLOYEE CONTRIBUTION RATES

April 2009 saw the first revision of the earnings bands used to determine how much members pay in pension contributions. The revision, which was based on the Retail Prices Index, reflected the 5% annual increase in the index up to September 2008. As a result of the negative (RPI) inflation (-1.4%) suffered by the economy in the 12 months up to and including September 2009, the earnings bands, from April 2010 remain unchanged from those used during 2009/10.

The rate at which you currently pay contributions relates to your pensionable pay (on a full time equivalent basis).

Band	Employee Contribution Rate	Pensionable Pay Range 1st April 2009
1	5.5%	£0 to £12,600
2	5.8%	£12,600.01 to £14,700
3	5.9%	£14,700.01 to £18,900
4	6.5%	£18,900.01 to £31,500
5	6.8%	£31,500.01 to £42,000
6	7.2%	£42,000.01 to £78,700
7	7.5%	£78,700.01 and over

If you were paying a contribution rate of 5.50% into the scheme prior to 1 April 2010 because you are a protected “manual worker”, your contribution rate will increase to 6.5% or, where lower, the amount corresponding to the earnings band, shown above.

If you have more than one job with the Council, each job will be treated separately. This could mean that you have different contribution rates applying to each of the jobs that you have. The pay ranges in each band will be reviewed each April in line with the cost of living.

TRIENNIAL VALUATION - 2010

2010 is an important year in the LGPS world as all the Local Government Pension Scheme Funds are subject to an Actuarial Valuation. This is where the Scheme actuary values the Pension Fund in terms of its assets and liabilities and subsequently sets an employer contribution rate that will ensure all liabilities will be met.

Harrow Council is traditionally the first authority nationally to submit data to the actuary in order for the valuation to be carried out. This year was no different as we are pleased to say that our data was sent to the Actuary on 1 April, the earliest possible submission date.

The contribution rates determined as a result of this valuation process will take effect from April 2011.

SURVIVOR'S BENEFITS

Civil Partnerships - Survivors Pensions (effective 1 April 2008)

Before the amendment to the regulations, if a Scheme member who had registered a civil partnership, died, only their membership from 6 April 1988 would be used to calculate the value of the pension paid to an eligible Survivor.

Now all membership before 6 April 1988 is to be taken into account in the calculation with no additional cost.

Nominating Cohabiting Partners - Survivors Pensions

Similarly to civil partners, when calculating the survivor's pension for those members with an eligible cohabiting partner, only membership since 6 April 1988 is used.

However the regulations now allow members living with a partner, to choose to pay additional contributions to make any Scheme membership they have before 6 April 1988 count. Of course, if additional payments are not made, only membership from 6 April 1988 onwards will be used in the calculation of an eligible survivor's pension.

The deadline, should you wish to start paying these additional contributions is **31 March 2011**, so if you would like to know how much it could cost, please contact the Pension section on 0208 424 1186

DATA PROTECTION ACT AND HUMAN RIGHTS ACT

The authority is under a duty to protect the Public Funds it administers, and to this end may use information you have provided (currently stored on the HR/Payroll SAP system and Pensions AXISE system) within this authority for the prevention and detection of fraud.

The authority may also share this information with other bodies responsible for auditing and administering public funds for the purposes of preventing and detecting fraud. All data handled by Shared Services staff is processed in line with established principles of good practice and is only accessed to allow the designated Data Controller (Harrow's Shared Services Divisional Director) and Shared Services staff to carry out legitimate processing.

For more details, see www.harrow.gov.uk/fraud/nfi

GUIDES AND LEAFLETS

In association with the Local Government Pensions Committee (LGPC), we have recently produced a number of helpful leaflets and guides relating to the LGPS.

You may notice that some of these publications have been replicated elsewhere in this newsletter but for ease of reference they are all listed below. You can view these by clicking on the relevant link or by visiting our Internet or Intranet site.

Internet: www.harrow.gov.uk – Advice & Benefits – Local Government Pension Scheme

- [Brief guide to the pension scheme](#)
- [Is the LGPS for me?](#)
- [Rejoining the LGPS](#)
- [Topping up your pension](#)
- [Information for high earners](#)
- [Dependants' benefits](#)
- [Implications of transferring employees to an external provider](#)

PENSION SURGERIES

Pension Surgeries are an opportunity for employees to get together in groups of six or more and discuss pensions in detail with a member of Harrow's pensions team. This type of forum has proved to be both extremely popular and beneficial to those employees who are not based at the Civic Centre.

If this is of interest to you, please contact the Shared Services Pensions Team on 0208 424 1186 where a convenient time for an officer to call to your site will be arranged.

THE PENSIONS ADVISORY SERVICE

The Pensions Advisory Service is an independent and voluntary organisation established for the purpose of giving help and advice to all members of the public on all matters concerning pension schemes (other than state schemes) including Personal Pensions.

The service is available to all those who think they have pension rights including scheme members, pensioners, those with deferred pensions and dependents: -

The Pensions Advisory Service
11 Belgrave Road
London SW1V 1RB
Tel: (Pension Helpline) 0845 601 2923
Fax: 020 7592 7000
Email: enquiries@pensionsadvisoryservice.org.uk

THE PENSIONS REGULATOR

The Pensions Regulator is the regulator of work-based pension schemes. It has powers to protect members of work-based pension schemes and a wide range of powers to help put matters right, where needed. In extreme cases, the regulator is able to fine trustees or employers, and remove trustees from a scheme. You can contact the Pensions Regulator at:

Napier House, Trafalgar Place, Brighton BN1 4DW
Telephone 0870 606 3636
Fax 0870 241 1144
Email customersupport@thepensionregulator.gov.uk

THE PENSION TRACING SERVICE

If you think you may have an old pension, but are not sure of the details, the Pension Tracing Service can usually help by tracing it for you. It can be easy, for instance, if you have changed jobs a number of times through your working life to have lost contact with a previous employer and their pension scheme.

The Service may be able to provide you with an up-to-date contact address for a pension scheme free of charge and you can then use this information to contact the pension provider to pursue any financial entitlement.

The Pension Tracing Service can carry out a pension trace over the phone or you can request an application form:

Pension Tracing Service
The Pension Service, Tyneview Park, Whitley Road,
Newcastle upon Tyne, NE98 1BA
Tel: 0845 600 2537 (Textphone 0845 300 0169)

GOLD PLATED PENSION SCHEMES

...Is how the Local Government Pension Scheme has recently been described in the media. Yes - the Scheme is guaranteed. Yes - pensions paid from the Scheme are inflation-proof. But 'gold plated'? This would suggest the Scheme is luxurious and better than all other schemes.

Of course the Scheme is a very good one and yes, better than others, but it's not free – members pay regular contributions and the pensions are taxable just like any other regular income. However, other organisations like Tesco, John Lewis and the forces also provide good pension schemes – they just don't get the 'bad press'.

Other than for Councillors, whose pensions are based on a career average, the Local Government Pension Scheme is a final salary based, contracted-out, funded pension arrangement, which means that those staff who join are guaranteed to receive at least the pension they would have received had they not joined but paid the higher, contracted-in rate of National Insurance to receive some Second State Pension (or S2P - formerly SERPS) instead.

More than 30 years ago, because of the spiraling cost of the State Earnings Related Pension Scheme, the Government of the day offered the working population various incentives to 'contract-out' and make their own pension arrangements rather than rely on the State. So it could be argued that the LGPS has actually helped the Government's finances by reducing the number of people to whom they have to pay SERPS/S2P benefits.

The Local Government Pension Scheme works differently to most other public sector pension schemes in that there is actually a pension fund that has been built up over many years, made up of employer and employee contributions and returns from various investments. Other public sector final salary pension schemes, such as the Health Service, rely on contributions being paid in by existing staff to pay the pensions of the former employees, however, in times of deficit, 'top up payments' are required from the Government to fund the benefits they pay out.

So, when articles in the press report public sector pensions being 'gold-plated' as they are 'bailed-out' by the Government during times of pension shortfalls, they should be referring to the other 'non-funded' public sector schemes, not the LGPS.

IS YOUR LUMP SUM NOMINATION UP TO DATE?

Have you thought about whom the lump sum life cover of three years' pay would go to if you died? There's an easy way of letting us know your wishes, **by filling in a lump sum nomination form.**

Even if you have already filled in a form, please do remember to keep it up to date - this is especially important if your circumstances change, or the person you've nominated has died. If you want to change a nomination, all you need to do is fill in a new one, and that replaces any earlier ones. Get your lump sum nomination by phoning the Pension Section on 0208 424 1186 or follow the link to download from our website: [Death Grant Nomination Form](#)

REDUCTIONS TO PENSIONS TAX RELIEF FOR HIGH EARNERS

In his Budget statement of April 2009 the Chancellor of the Exchequer announced a number of changes to tax rates and allowances for taxpayers with income over £100,000.

The Chancellor's Pre Budget Report (PBR) 2009 was presented to Parliament on Wednesday 9th December 2009. The PBR sets out the direction of Government policy in the run up to the 2010 Spring Budget statement and includes planned changes to taxes, including their impact on pension schemes and their members.

Anti-forestalling measures in place from April 2009 prevent people making substantial additional pension contributions, taking full tax relief, before changes in April 2011.

Broadly, the measures apply to individuals whose relevant income is over £130,000 and whose total pension savings exceed £20,000. These measures anticipate the tapering away from April 2011 of tax relief on pension savings for those earning over £150,000.

Further guidance for scheme members who believe may be affected by the changes is supplied in the document 'Pension Implications for High Earners in the LGPS' which can be found on the Harrow Website: [Information for high earners](#)

NINE GOOD REASONS WHY YOU SHOULD BE IN THE PENSION SCHEME

- 1) Your Employer shares the cost – and in fact is currently paying more than you do.
- 2) Life cover of 3 year's pay – which could be expensive to replace.
- 3) You get tax relief on all your contributions – even on extra payments you make to top up your benefits.
- 4) No hidden fees or charges – you simply pay a percentage of your pay. Most working people have to pay into some kind of pension, and the LGPS is a great choice to make.
- 5) No investment risk – you get a guaranteed package of benefits, which are backed by law.
- 6) All members can take a tax free lump sum as part of their benefits package.
- 7) Protection to you in case you have to draw your benefits early through ill health.
- 8) Protection for your loved ones in the form of pensions for dependents if you die.
- 9) Pension benefits, which go up in line with prices when you're drawing them.

CHANGING YOUR BANK OR ADDRESS DETAILS

This office receives a lot of calls from members wishing to inform us about a change of bank or address details. For security reasons, we cannot, at this time, make any of these changes from information provided over the telephone or via email, you must inform us in writing.

PAY DATES

Friday 23 July 2010	Wed 25 August 2010	Friday 24 September 2010
Monday 25 October 2010	Thursday 25 November 2010	December Not yet known
Tuesday 25 January 2011	Friday 25 February 2011	Friday 25 March 2011

PAYROLL CLOSEDOWN DATES

Employees often enquire why an instruction issued to this office at some date prior to the monthly salary payment (normally 25th of the month) is not actioned in the same month. The explanation is quite simple, in order to process the monthly payments payroll staff work to a very tight timescale and data changes need to be with the payroll office by the dates listed below. This means that any information submitted beyond the deadline will not be processed until the following month. (e.g. if you changed your bank details on 1st June 2010 and informed Shared Services on the 9th June 2010, the first salary payment that will be credited to your new account will be the July 2010 payment. Please therefore ensure that this office is informed of any change of circumstances as soon as possible. Listed below are the closedown dates up to March 2011: -

7th July 2010	6th August 2010	7th September 2010
7th October 2010	5th November 2010	3rd December 2010
7th January 2011	7th February 2011	7th March 2011

RE EMPLOYED PENSIONERS

There is a legal requirement for any re-employed pensioner to notify this office of any period of employment with a Local Authority or an employer that has access for employees to the Local Government Pension Scheme. Please note that re-employment may have a material impact on both present and future retirement benefits paid by this authority.

Performance Monitoring 2009/10

SERVICE	Performance Target %	Actual Performance %	National Benchmarking Target	Actual Performance %
PENSION				
Issue letter notifying of dependent's benefit in 3 days	95	98.07	5 days	100
Provide transfer details to member in 5 days	95	99.24	10 days	100
Calculation and notification of retirement benefits estimate in 7 days	95	99.46	10 days	100
Process refund of pension contributions and issue payment in 5 days	97	97.29	5 days	100
Issue letter to new pension provider detailing transfer-out quote in 9 days	97	100	10 days	100
Calculation and notification of deferred benefits in 8 days	97	97.80	10 days	100
Calculation and notification of retirement benefits in 3 days	95	99.03	5 days	100
Payment of retirement lump sums in 3 days	98	99.03	5 days	100
Contact next of kin on notification of death in 3 days	99	100	5 days	100
Issue statutory notification on receipt of transfer funds in 5 days	95	96.36	10 days	100

Pension Fund Annual Report 2008 - 09

This section gives a summary of the Pension Fund's activities during the financial year 2008-09. Both staff and the Council contribute to the Fund, from which pensions and other benefits are paid.

Staff contributions and the level of pension entitlements are clearly set out in Government regulations. The scheme is a "defined" benefits scheme, where no matter what happens to the economy and financial markets your pension benefits are guaranteed and do not depend on the performance of the Fund's investments.

Investment Management

The management of the Harrow Pension Fund was split between six fund Managers, Black Rock, UBS Global Asset Management, Baillie Gifford, Mellon, Pantheon and Record. All the managers have full discretion in making investment decisions whilst working within Council guidelines. The relative performance of the managers is closely monitored by Council officers and is also subject to review by Councillors on the Pension Fund Investment Panel.

Statement of Investment Principles

The Government requires that all Pension Funds issue a statement giving information on the various factors that the Pension Fund will take into account when making its investments.

Funding Strategy Statement

Part of the statement covers social, environmental and ethical issues. The Council expects that when exercising their delegated duties the fund managers will take into account any financial impact on the portfolio these issues may have. The fund managers are asked to positively engage and seek to influence companies in which the Fund invests to take account of key social, environmental and ethical considerations.

The 'Funding Strategy Statement' (FSS) is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues. The Department for Communities and Local Government (formally named The Office of the Deputy Prime Minister) has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible;** and*
- *to take a **prudent longer-term view** of funding those liabilities."*

The Council's Pension Fund Investment Panel approved the Fund's FSS in March 2008.

Pension Fund Accounts

The audit of the accounts has been completed and the external auditor has confirmed that the accounts as presented in the Statement of Accounts give a true and fair view of the financial position of the Pension Fund at 31 March 2009, along with the income and expenditure for that year.

Income and Expenditure 2008 – 9

Income	£m	Expenditure	£m
Employees' contributions	6.52	Pensions paid	16.70
Employers' contributions	17.89	Retirement Grants	4.00
Transfers from other Schemes	2.25	Death Benefits	0.32
Capital contributions	0.10	Transfers to other Schemes	2.09
Investment income	8.81	Return of contributions	0.00
		Fund Management expenses	2.11
Total	35.57	Total	25.22

Membership of the Fund

	March 2008	March 2009
Employees	5,483	5,624
Pensioners	3,949	4,076
Deferred Pensioners	4,088	4,908

A deferred pensioner is an ex-employee who has chosen to preserve their entitlements until he or she reaches pensionable age

Performance

At the end of March 2009 the Pension Fund totalled £307.4m, £107.0m less than the value at the end of 2007-8.

The Council uses the investment performance services of the WM Company. Their report for the year ending 31 March 2009 showed that the Fund achieved an overall return of 11.4% (2007-2008 -5.2%) from its investments. For comparison purposes WM have estimated that the average return achieved among other local authority pension fund portfolios in 2008-2009 was -6.3% (2007-2008 -3.4%)

Independent Review

The Council's actuary, Hymans Robertson, undertakes an independent evaluation of the Pension Fund every 3 years. Amongst other things, this exercise reviews the pension payments the Fund will have to make and future levels of income.

The 2007 valuation came into effect on 1 April 2008, setting a rate of 18.1% for Council contributions in 2008-9 and 18.35% in 2009-10.

INVESTMENT DISTRIBUTION

The Funds are invested in a wide range of stocks, which reflects a policy of diversification aimed at minimising risks. The following table shows how the Fund was invested at 31 March 2009.

	£m
Fixed Interest Securities	2.6
Equities	167.4
Pooled Investment Vehicles	133.7
Derivatives	(4.8)
Cash	<u>4.6</u>
Total Investments	303.5
Debtors and Creditors	3.9
Fund Total	<u>307.4</u>

Fund	£m	% of Fund		£m	% of Fund
Glaxo SmithKline	6.9	2.1	Tesco	5.0	1.5
HSBC	6.6	1.9	Royal Dutch Shell	4.7	1.4
Vodafone	6.4	1.9	BG Group	4.5	1.3
BP Amoco	5.3	1.6	Imperial Tobacco	4.1	1.2

The Funding Strategy Statement, the Statement of Investment Principles and the full statement of accounts are available on request, or can be viewed on the Council's web site, www.harrow.gov.uk > **Advice and Benefits** > **Local Government Pension Scheme** > **Pension Fund Policies/Statements**. Should you have any queries relating to the Pension Fund's investments please contact **Hasina Shah on 020 8424 1573 or e-mail Hasina.shah@harrow.gov.uk**.

The Harrow Pension Fund is registered with the Occupational Pensions
Regulatory Authority, reference 10051244

CONTACTING US

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TRANSLATION AND INTERPRETING



The Newsletter has been formatted in Arial 12 (with the exception of the front page which is in Arial 11) as this is recognised nationally as the most appropriate FONT/SIZE for those with visual impairment. In addition, the Newsletter can be made available in hard copy, **LARGE PRINT**, audio cassette, translated into all Asian languages, Eastern European languages, European languages and Far Eastern languages.

Please note that a portable Royal National Institute for the Deaf Loop System is available when attending interviews with Shared Services staff. The system has been designed specially to aid communication with people with hearing difficulties who wear a hearing aid with a “ T ” facility. If you wish to use this service when attending a meeting with a member of the Shared Services team just let them know either at the time you make an appointment or when you arrive at the enquiry office. It is also possible to have a trained signer where appointments are booked in advance.

