



Nottinghamshire  
County Council

# Nest Egg

Issue 24

Nottinghamshire Pension Fund **Winter 2011**



**lgps**  
look forward with confidence





## Chairman's Foreword

Cllr Mike Cox,  
*Chairman of the  
Pensions Committee*

The Pension Fund accounts for 2010/11 are now available within the Fund's latest annual report (see the Fund's website at [www.nottspf.org.uk](http://www.nottspf.org.uk)). The value of the Fund at 31 March 2011 was just over £3 billion with the Fund's main investment managers all continuing to perform well. The audit of the accounts by the Audit Commission found that they had been properly prepared and gave a true and fair view of the pension fund for the year to 31 March 2011.

Employer representatives were invited to the Fund's annual meeting which was held on Monday 3 October 2011 at County Hall. Those who attended heard presentations on the financial and investment performance of the fund, the pensions administration system (AXISe) and the views of the actuary on the likely changes to the Local Government Pension Scheme (LGPS).

There are articles later in this issue that cover both the annual meeting and the accounts and investments in more detail.

The government is currently consulting on proposals for short term changes to the LGPS. A number of options have been outlined to try to mitigate the impact on contribution increases for employees. In addition to the short term changes currently being discussed, there will be further proposals to come on longer term changes to the LGPS resulting from Lord Hutton's reports on public service pensions. This constant change to the LGPS, along with other current issues in the wider pensions arena such as auto-enrolment, will mean continued pressure for the Pensions Office.

We will be responding to the current consultation on behalf of the Fund so look out on the website for more information regarding these, and any future proposals.

Cllr Mike Cox  
Chairman of the Pensions Committee

# Reform of Public Sector Pensions

In this article we take a look at what is happening on the reform of the Local Government Pension Scheme (LGPS) and how this may impact on scheme members and their pension provision.

As reported in previous editions of Nest Egg, the Public Service Pension Commission, headed by Lord Hutton, made a number of recommendations about the future design of public service pension schemes. As a result, the Government is looking to reform the LGPS, along with other public service schemes, so that the cost of providing these pensions is affordable, not just now but in the decades to come.

The Government's position is that public service pension schemes, including the LGPS, will remain among the very best available, providing a defined benefit pension for all employees. However, as people are living longer, and so drawing a pension for longer, the Government is proposing that changes should be made to the LGPS to ensure there is a fairer balance between what employees pay and the cost to employers and taxpayers.

But before we look at what changes are being proposed, let's take a quick look at why the LGPS needs to change.

## Did you know?

### When the LGPS was first set up

- there were restrictive age limits on who could join the scheme
- only certain types of employee were automatically eligible for membership of the scheme
- contribution rates were fixed at 5 or 6%
- to be entitled to a pension on retirement at 60 members had to have at least 40 years service or, for retirement at age 65 they had to have at least 10 years service, and
- a spouse's pension was only payable following a member's death if the member had given up part of their own pension.

**Since then**, there have been significant improvements to the LGPS.

- a wide range of employers now offer membership of the scheme
- any employee under age 75 can be a member of the LGPS no matter how many hours they are contracted to work (provided they are contracted for at least 3 months)
- members only need to have paid into the scheme for 3 months to be entitled to a pension (which can be drawn from age 60, or from age 55 with the employer's consent)
- there's a pension on redundancy aged 55 or over



- a lump sum is payable on death (equal to 3 years pay if a member dies in service), and
- there are automatic survivor benefits payable to a spouse, civil partner, nominated co-habitee and eligible children.

And what's more, life expectancy has increased dramatically. The average 60 year old is living 10 years longer now than they did in the 1970s. More of people's lives are now being spent in retirement – between 40% and 45% of adult life compared to around 30% for pensioners in the 1950s.

**But**, despite the big improvements in the benefits offered by the scheme and in scheme members' life expectancy, the employee contribution rate is still only, on average, around 6.4% of pay (before tax relief).

**And**, unlike employees in defined contribution (money purchase) schemes in the private sector, benefits are guaranteed. The amount of pension from those schemes can be affected by share prices and stock market fluctuations. All the risk falls on the employee. But in the LGPS benefits are guaranteed and it is the employer who has to pay more into the scheme, when necessary, to ensure the cost of the benefits that have been promised is met. All the risk falls on the employer (and, ultimately, on the tax payer).

## What is being proposed?

There are two strands to the reform of the public service pension schemes.

**In the short term** the Government is proposing that public service workers should pay more towards their pensions. **In the longer term**, and in response to the recommendations made in Lord Hutton's report, the Government is proposing to redesign public sector pension schemes.

Let's look at the **short term** changes first. The Government is proposing that employees in the **other** main public service pension schemes (except in the Armed Forces' Pension Scheme) should pay an average 3.2% more in pension contributions, but with protection for the lower paid.

**However, unlike the other main public service pension schemes, the LGPS is a funded scheme, backed up by assets and investments, and this puts it in a different position to the other public service pension schemes.**

The Government recognises this and has subsequently issued a consultation paper on how the equivalent of 3.2% could be delivered.

## Key elements in the Government's consultation:

The Government has put forward two alternative approaches.

### ■ Option 1:

A phased increase in employee contributions for those with full-time equivalent pay of £15,101 or more, starting from April 2012. There would be no increase in the employee contribution rate for those with full-time equivalent pay of less than £15,101 a year and no more than a 1.2% increase by April 2014 for those earning between £15,101 and £21,000 a year. Higher earners would pay progressively more than those on lower pay (i.e. an increase of between 1.8% for those earning £21,001 up to a maximum increase of 5% from April 2014 for those earning £150,001 or more).

#### *And*

A reduction in the rate at which the pension builds up (reducing from the current rate of 1/60th of final pay for each year of service to 1/64th for service between April 2013 and March 2014, and to 1/65th for service after March 2014).

### ■ Option 2:

A phased increase in employee contributions for those with full-time equivalent pay of £15,101 or more, starting from April 2012. There would be no increase in the

employee contribution rate for those with full-time equivalent pay of less than £15,101 a year and no more than a 0.3% increase by April 2014 for those earning between £15,101 and £21,000 a year. Higher earners would pay progressively more than those in lower pay bands, but the level of increase for all but the most highly paid employees (those earning £150,001 or more) would be less than under Option 1.

#### *And*

A reduction in the rate at which the pension builds up (reducing from the current rate of 1/60th of final pay for each year of service to 1/67th for service after March 2014).

The second option delivers most of the changes via a reduction in the rate at which benefits build up in the future, coupled with a marginal increase in employees' contribution rates. The first option achieves the changes more by way of the increase in scheme members' contribution rates, whilst impacting less on retirement income.

You can find more information on the Government's consultation paper and examples of the impact of the proposed changes on scheme members on the LGA's website at <http://www.lge.gov.uk/lge/core/page.do?pagelid=13931474>

Responses to the Government's consultation have to be submitted by 6 January 2012 and it is expected that a decision will be taken early in 2012 on which of the proposals mentioned above will be taken forward (or any other proposal that interested parties may have put forward to the Government during the consultation period).

### **Now let's have a look at the longer term.**

In the longer term, and in response to the recommendations made in Lord Hutton's report, the Government is proposing to redesign public sector pension schemes, with the reformed schemes being in place from April 2015. The detailed design of a reformed LGPS, how much is paid, and exactly how the pension will build up in the scheme is still being discussed. However, in general terms, the Government is proposing that, from April 2015, public service workers should:

- **Move to a career average scheme as the fairest basis to calculate pension benefits**

This would give a defined benefit pension based on average **revalued** earnings over a member's career rather than one based on final salary as now. The current final salary scheme tends to benefit certain scheme members more than others,

particularly those who get a promotion towards the end of their time in the scheme.

- **Have a later retirement age**


To keep in line with changes to life expectancy, the Government proposes to link the normal retirement age in most public service pension schemes (including the LGPS) to the age the State pension can be drawn. The State pension age is currently due to increase in stages to age 66 by April 2020. This means that as the State pension age increases, so would the age members can draw their LGPS pension in full. However, members would, as now, still be able to retire early with a reduced pension.

The Government has confirmed that:

- **The reformed schemes for public service workers will continue to provide defined benefit pensions**

That means that, as now, a guaranteed amount will be paid in retirement – not an uncertain amount based on the value of an investment fund or cash pot.



- 
- **The pension rights earned up to the date of the scheme change (i.e. up to March 2015) will be honoured in full**

This means that the current retirement age would still apply in respect of the pensions built up prior to the move to the new scheme, and those accrued pension rights would still be calculated on the final year's pay. **Only benefits for future service would be based on career average revalued earnings and have a new retirement age linked to the State pension age.**

**And the Government has made an additional commitment** that low and middle earners working a full public service career will receive broadly the same pension at normal pension age as they do under their current public service pension scheme.

### **And finally ....**

Whilst we know that there will be changes to the Scheme, we don't yet know exactly what these will be. However, it is reassuring that Government has said it is committed to retaining a defined benefit scheme, with full protection for benefits built up to the date the new scheme is introduced, and that public service pensions will remain among the very best available.

## **Pension Estimates**

The Notts LG Pensions Office has implemented changes to the provision of voluntary retirement estimates to contributing members of the Local Government Pension Scheme.

In order to provide a more focused service for those members who are age 55 or over and are planning for their retirement, we are asking members who are under this age to only request an estimate when absolutely necessary and in the first instance to either:

- use the information provided on their annual benefit statements or,
- use the on-line pension benefits calculator on the Pension Website ([www.nottspf.org.uk/index/online-calculator.htm](http://www.nottspf.org.uk/index/online-calculator.htm)).

If you'd like an estimate for one of the following reasons for retirement, please contact your employer directly:

- ill health
- redundancy
- efficiency
- voluntary early retirement with employer's consent
- flexible retirement with employer's consent.

In our drive for efficiency, this will help us to reduce unnecessary or duplicated work.

Thank you for your support.

Prudential is an authorised AVC provider for Nottinghamshire Pension Fund and has provided the following article.



**PRUDENTIAL**

## Please can I have some more?

**We all look forward to a happy and comfortable retirement but have you considered paying a bit extra now to make your retirement even more secure? Paying extra contributions is a tax efficient way of topping up your income and tax free lump sum in retirement. Additional Voluntary Contributions (AVCs) are one of the ways you can do this.**

The LGPS changed in April 2008 to a 60ths pension scheme. So for service after this date, there's no automatic lump sum. Instead you have the option to convert part of your pension into a lump sum. Every retiring member of the LGPS has to decide how much pension and lump sum to take. The points to consider are:

- What level of lump sum and pension do you want?
- Do you want to give up some of your pension at the rate of 12:1?
- Once converted, that part of the LGPS pension is given up for life. This also includes any yearly increase the pension would have earned to keep pace with inflation.

**However, there is an alternative with AVCs.**

The pension scheme has a provision for increasing your tax free lump sum without giving up pension and it's called Additional Voluntary Contributions (AVCs). It's important to remember that the AVC arrangement is part of the pension scheme and gives more flexibility to retirement benefits.

**The facts:**

- AVCs offer a tax benefit as tax relief is given through payroll deductions.

- For a basic rate taxpayer £100 of extra saving only costs £80, the other £20 comes from the taxman. For higher rate taxpayers the extra saving can be as much as £40 per £100 of saving but this depends on the amount of income.
- In most cases it is possible to take the AVC Fund as a tax free lump sum subject to certain tax rules.
- AVCs allow you to keep the full local government pension and use AVCs for a tax free lump sum.
- You can use your AVCs for more pension in the local government scheme if you wish.
- Any local government pension bought is increased each year in line with the cost of living.
- The AVC Fund can be used for a mixture of a tax free lump sum and pension.
- You can pay whatever amount you like up to a maximum of half your pensionable earnings every month.
- You can change, stop and restart your contribution at any time.
- There is a choice of funds to invest in, from very low risk to high risk, including a deposit fund that protects your payments and guarantees any interest received.
- **This is a way of paying less tax and taking your AVC fund as a lump sum even if retirement is only a few months away.**

To find out more about AVCs please call the dedicated local government team, Pension Connection, on Freephone 0800 731 0466 for an immediate response. Alternatively email [notts@prudential.co.uk](mailto:notts@prudential.co.uk) providing your daytime telephone number and you will be contacted. This service is free.



# Strike Action

## Pension Implications under the Local Government Pension Scheme

If you are away from work, without the permission of your employer, as a result of strike action, that period of action will be deducted from your LGPS membership. A reduction in membership will be recorded for all days that you are absent unless you decide to pay the relevant contributions to avoid the reduction. If you do choose to repay the contributions, you must pay 16% of the pay you would have received if you had not taken the industrial action. The 16% rate is set out in the LGPS regulations and because a strike period is unauthorised leave, your employer does not have to pay their contributions.

If contributions are not paid, the period will not count for pension purposes which would marginally reduce the eventual benefits due from the scheme as the membership used to calculate benefits would be reduced by the number of days absent.



If a member who leaves or retires has a strike day (for which they haven't paid contributions) in the Final Pay period used to calculate their benefits, then, so that the member is not disadvantaged, the pay used is adjusted so that it still represents a full year of pensionable pay.

Any scheme employers affected by strike action will write to all affected scheme members to give them the opportunity to pay pension contributions for any absent days due to strike action. Timescales for repayment of contributions would be indicated in their letter.

If you have any queries on the pension implications of strike action, please contact either your employer directly or the Pensions Office (contact details at the end of this newsletter).



# Pension Fund Annual Meeting 2011

This year's pension fund annual meeting was held on 3 October 2011 at County Hall and was attended by representatives from employers within the fund as well as Members and officers of Nottinghamshire County Council.

The first presentation was given by Neil Robinson, Group Manager (Investments), who gave a brief overview of the management and financial performance of the Fund during 2010/11. The accounts show the fund above £3 billion at the year end, an increase of £276 million from the previous year. The major contributor to this was the investment income and increase in market value of

investments. However, net additions from members (i.e. the excess of contributions over pensions) reduced from £48 million to £24 million, largely as a result of a substantial increase in pension lump sum payments.

The Fund has been able to take a long term approach to investment strategy because of the excess of income over expenditure. This excess is likely to be lower over the next few years as a result of changes to the scheme and measures taken by employers to meet budget deficits, but the Fund is still expected to remain cash positive. The investment strategy will continue to be monitored.



John Pearson, Investments Manager, then presented the 2010/11 investment performance. All the main asset classes recorded positive performance over the year although this varied by market. The Fund's investment managers continued their strong performance with the main equity and property managers performing above benchmark and the fixed interest manager performing only slightly below. The fund as a whole shows excess returns over 1 and 10 years and has recovered the losses incurred in 2007/08 and 2008/09.

(Further information on the 2010/11 financial performance can be found in the article on 'Pension Fund Accounts and Investment')

Next, Chris Bailey, Systems Team Leader at the County Council's Pensions Office in Ruddington, gave a presentation on the computerised pensions administration system (AXISe). This system helps to administer the LGPS and the police and firefighters' schemes through the use of document management, workflow processes, interfacing from external systems and generating reports. These allow staff at the Pensions Office to deal with the complex requirements of the various schemes.

The final presentation was given by Graeme Muir, a partner at Barnett Waddingham, the Fund's Actuary, who



focused on the likely changes to the LGPS. The background to the changes are Lord Hutton's interim and final reports on public service pensions. The government has required short term savings from the LGPS of the equivalent of a 3.2% increase in employee contributions. Various proposals are being consulted on as to how this can be met without risking large numbers of members opting out. The danger of opt outs is the possible effect on cash flow and consequently on investment strategy. Though even fairly drastic opt outs are unlikely to lead to negative cash flow overall for the LGPS for at least 10 years and the Nottinghamshire Fund is in a better position than the LGPS as a whole.

More details on the government's consultation are available on the fund website at [www.nottspf.org.uk](http://www.nottspf.org.uk).



## Also in the news.....

**Pensions have rarely been out of the news over the past year. Here's a brief look at other pension headlines hitting the news recently.**

### Auto Enrolment

Many individuals are not making any retirement provision beyond relying on the basic State pension provision. As this places a burden on the tax-payer, the Government is introducing an element of compulsion into pension saving through the process of auto-enrolment.

Auto-enrolment will mean all eligible workers will have to be automatically enrolled into their employer's qualifying pension scheme without any active decision on their part. Each qualifying scheme must meet minimum standards in respect of the benefits it provides or the amount of contributions paid to it. At present, many workers fail to take up valuable pension benefits because they do not make an application to join their employer's scheme. Auto-enrolment is meant to overcome this.

A new pension scheme, NEST (National Employment Savings Trust), has been established and is available for employers to use. All employers will be able to provide a pension scheme for their workers either using NEST, their own scheme or another pension provider.

Auto-enrolment is to be introduced in stages over a period of four years, depending upon the size of employer. Very large employers are doing it first, in late 2012 and early 2013. Other employers will follow during 2013 - 2016.

According to Iain Duncan Smith, Work and Pensions Secretary: "Auto-enrolment is good for the country, it is good for people who save and it is good ultimately for growth because it puts people on a firm footing based on savings."

The full impact on the LGPS is not yet clear. We will report if there are any changes that will directly affect you in future editions of Nest Egg.

More detailed information on auto-enrolment is available on the DWP website at:  
[www.dwp.gov.uk/docs/auto-enrol-and-wprthe-facts.pdf](http://www.dwp.gov.uk/docs/auto-enrol-and-wprthe-facts.pdf)





## State Pension Reform

The State Pension is currently made up of a basic state pension, based on years of national insurance contributions, and a range of secondary 'top-ups', including pension credits.

On 4 April 2011 the Department for Work & Pensions (DWP) published a Green Paper detailing two potential routes for state pension reform in line with the principles of personal responsibility, fairness, simplicity, affordability and sustainability.

The first was a proposal to keep two state pensions, but to move forward the planned flat rating of the State Second Pension (S2P) scheme to 2020 from the original target date of 2030. The second proposal would see the introduction of a single-tier State Pension, for those who retire after a yet to be determined date in the next parliament, of £140 a week (in today's prices).

The DWP received around 1,700 responses to the consultation. Over three-quarters of the organisations that responded favoured the single-tier pension approach.

The Minister for Pensions Steve Webb said: *"A simple, decent state pension, that is easy to understand would give people more clarity and certainty about what they will get from the state. It is this clarity and firm foundation that will help people make decisions about saving for retirement..."*

## Amendments to the proposed increase in State Pension Age

The government is looking to delay plans to increase the state pension age to 66 by six months due to concerns the original plans would unfairly impact on women. Under the coalition government's original proposals the pension age was due to rise from 60 to 65 by 2018 before increasing to 66 for both men and women by April 2020.

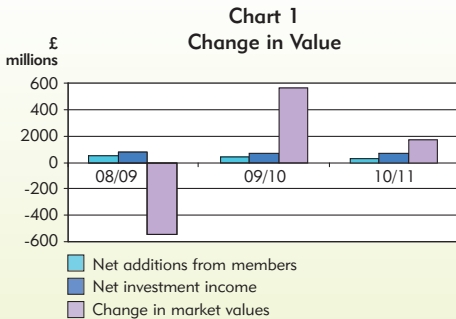
The change to the timetable proposed in the Pensions Bill, which has passed its third reading in the House of Commons, will see the increase to 66 pushed back until October 2020.

The amendments will now be considered in the House of Lords one last time before the bill becomes law.

Still under consultation is the most appropriate mechanism for determining future changes to State Pension Age. It has been suggested that there should be a link between pension age and life expectancy.

# Pension Fund Accounts 2010/11

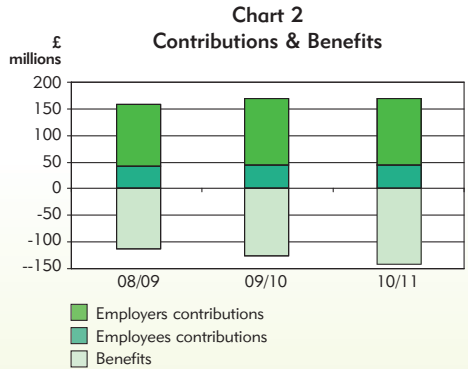
The latest annual report of the Fund can be found on the website at [www.nottspf.org.uk](http://www.nottspf.org.uk). The report includes information on the performance of the Fund during 2010/11 as well as the audited accounts and the various policies approved by Pensions Committee. The accounts show that the Fund increased by £276 million to finish the year above £3 billion. Chart 1 shows how this change in value has fluctuated over the last 3 years. The major contributor is clearly the change in market values and this reflects the volatility experienced in recent years.



Investment income (dividends, interest and rental income) has been relatively constant and contributes over £70 million each year. The net additions from members is the excess of contributions from both employees and employers over the pensions paid and this halved in 2010/11 to £24 million.

These elements are important as the positive cash flow generated from contributions and investment income enables the Fund to take a long term approach to its investments.

Chart 2 demonstrates that contributions from employees and employers continue to exceed benefit payments but also shows that benefits increased significantly in 2010/11.

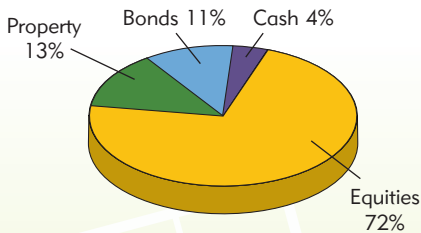


This was largely due to an increase in pension lump sums of around £10 million. This is likely to be a result of measures taken by employers to meet budget deficits and is not likely to be repeated to the same level. However, this does mean that there will be fewer active members over the next few years and so reduced net income from members is likely to continue for the short term. This will be monitored carefully in order to inform discussions on investment strategy.

The Pensions Committee, advised by the Investment Sub-Committee, is responsible for deciding the Fund's investment strategy and the types of investment management to be used. The agreed asset allocation ranges remain:

Equities	55% to 75%
Property	5% to 25%
Bonds	10% to 25%
Cash	0% to 10%

The actual asset allocation at 31 March 2011 is shown below.



The equities are split 35% UK and 34% overseas with 3% in private equity investments. The listed equities are managed both passively (tracking indices in the various markets such as the FTSE All Share in the UK) and actively where managers seek to choose stocks that will perform well.

The Fund has been a long term advocate of property investing and has substantial direct holdings in the UK as well as unutilised vehicles for UK and European property.

The Fund's bond portfolio is made up of 7% UK, 2% overseas and 2% index linked bonds, from a mixture of government and corporate issuers. Cash is invested with a number of banks and money market funds in line with the County Council's treasury management policy.

The annualised returns from the various asset classes:

To 31 March 2011	1 year	5 years	10 years
	%	%	%
UK Fixed Interest	5.2	5.1	5.7
Overseas Fixed Interest	-1.6	8.8	6.5
UK Equities	11.3	3.0	4.6
Overseas Equities	9.1	6.0	5.5
Europe	10.3	6.5	5.8
US	9.5	4.9	1.1
Japan	-2.2	-4.4	-1.3
Pacific Basin (ex Japan)	14.0	15.0	13.3
Emerging Markets	12.5	13.3	15.0
Property	9.6	-0.5	6.6
<b>Total Fund</b>	<b>9.4</b>	<b>4.2</b>	<b>5.5</b>



**SCOTTISH WIDOWS**  
preparation is everything

Scottish Widows is an authorised AVC provider for Nottinghamshire Pension Fund and has provided the following article.

## Are you saving enough for retirement?

Enjoying life doesn't end when you retire. Save today and it could be the best part.

With the State Pension providing just £102.15\* per week it is important for us all to ensure we are saving enough for when we retire.

Life expectancy is increasing and this means we'll likely need more money to hopefully enjoy a longer retirement.

The Local Government Pension Scheme offers you the opportunity to increase your retirement income by paying Additional Voluntary Contributions (AVCs). Here are some reasons why you should consider making AVCs:

- AVCs are an easy and effective way to top-up existing pension arrangements.
- The sooner you start paying in, the longer your AVC fund has the potential to grow.

- AVCs are arranged as a group policy, but plan-holders are allocated their own pension plan. This means that if you are a member of the AVC scheme and you leave employment with local government you can leave the plan with Scottish Widows or transfer the value of your AVC plan to another pension arrangement. AVC transfers are only possible if the member's main scheme benefits are transferred too.
- AVC scheme members can't access the plan until they retire, so there's no temptation to dip into the plan.

And, of course, there are the tax benefits (for tax year 2011/12):

- For a basic-rate taxpayer (someone who pays tax at 20%), a contribution of £100 into your AVC Plan will reduce your take-home pay by only £80.
- Currently, for a higher-rate taxpayer (someone who pays tax at 40%), a contribution of £100 to your AVC Plan will reduce your take-home pay by only £60.



- There are also likely to be tax benefits for additional rate tax-payers (someone who pays tax at 50%).
- Contributions are made by deduction from gross pay before the deduction of income tax.

And finally, at retirement age:

- Scheme members can use their plan value to provide a taxable income for life

Or

- Use some or all of the accumulated AVC fund to provide a tax-free lump sum in accordance with the scheme rules, with any balance being used to provide a reduced taxable income for life.

Remember, the income you receive from your pension plan will depend on a number of factors, including the final value of your plan. The value isn't guaranteed and can go down as well as up. Tax treatment depends on your individual circumstances and may change in the future. Tax rules may change.

### Scottish Widows

In the 2010 IPSOS annual survey, consumers rated us as one of the top financial organisations they most want to deal with. IPSOS run these surveys across the financial services sector. IPSOS is an independent company whose sole focus is survey-based market research.

To find out more about our Additional Voluntary Contribution Pension Scheme for members of Nottinghamshire LG Pension Fund please visit your microsite:

**[www.scottishwidows.co.uk/nottinghamshire](http://www.scottishwidows.co.uk/nottinghamshire)**

Alternatively, you can call: **0845 600 0481**

Lines Open 9am – 8pm Weekdays and 9am – 12.30pm on Saturday

\*£102.15 per week is the Basic State Pension for a single person who has a full National Insurance contribution record. (Source: Direct.gov, tax year 2011/12).

As part of the Lloyds Banking Group, Scottish Widows is proud to be an Official Provider of the London 2012 Olympic and Paralympic Games.

Scottish Widows plc. Registered in Scotland No. 199549. Registered Office in the United Kingdom at 69 Morrison Street, Edinburgh EH3 8YF. Telephone: 0131 655 6000.

Scottish Widows plc is authorised and regulated by the Financial Services Authority. Our FSA Register number is 191517.

# Lifetime Allowance: Fixed Protection

## Important information for those with substantial pension savings

In recent editions of Nest Egg we have reported on changes to pensions tax relief. With effect from the tax year 2012/13, the Lifetime Allowance (LTA) will reduce from £1.8 million to £1.5 million. The LTA is the total amount of pension savings that can be provided to an individual without incurring any extra tax charge.

To retain an LTA of £1.8 million, individuals may apply for Fixed Protection. If pension savings are expected to be more than £1.5 million when they become payable on or after 6 April 2012, fixed protection can be used to help protect those savings from the lifetime allowance charge. But members will lose this fixed protection if, on or after 6 April 2012, they break one of the conditions attached to fixed protection. In brief, to retain fixed protection, LGPS members:

- cannot start a new arrangement other than to accept an inward transfer of existing pension rights;
- cannot have a continuing benefit accrual of an amount greater than the consumer prices index; and
- will have restrictions on where and how they can transfer benefits.

It will be an individual's responsibility to inform HMRC that they have lost fixed protection and they will then revert to the Standard Lifetime Allowance.

If an individual wishes to benefit from fixed protection, then HMRC must receive an application from the member by no later than 5 April 2012. Applications can not be made online. Instead, a form can be accessed from the HMRC's website for printing and completion. If an individual already has enhanced protection then, if they apply for fixed protection, their application must be accompanied by a separate notification that they are giving up their enhanced protection. Once HMRC have received and processed an application, they will issue a certificate which confirms fixed protection has been applied. The LTA for that individual is then set at £1.8 million.

Further explanation can be found on HMRC website at:  
[www.hmrc.gov.uk/pensionschemes/lifetime-allowance/savings.htm](http://www.hmrc.gov.uk/pensionschemes/lifetime-allowance/savings.htm)



## Nest Egg Distribution

Would you like to change the way you receive your copy of Nest Egg?

For those of you with access to email, why not register your email address so we can send you the link when a new edition of Nest Egg becomes available?

We would encourage all our members to do this to help us keep costs down whilst still providing a valuable resource of information to everyone.

Whichever method you'd prefer, whether it be:

- a paper copy by post,
- an email link, or
- just checking the website now and again,

all available formats are open to every-one.

A page dedicated to the distribution method of Nest Egg is available on our website. If you would like to change how you receive your copy, please visit [www.nottspf.org.uk/index/members/nestegg](http://www.nottspf.org.uk/index/members/nestegg) and complete the simple online form. Alternatively, you can email us at [lgpensions@nottsc.gov.uk](mailto:lgpensions@nottsc.gov.uk) or telephone our helpline on 0115 846 3333.

## Change of Details Notification Form

(Only to be completed if you have changed your details)

Mr  Mrs  Miss  Ms  Dr

Other  \_\_\_\_\_

Surname \_\_\_\_\_

Previous Surname\* \_\_\_\_\_

Forename(s) \_\_\_\_\_

Employer  
(or Former Employer) \_\_\_\_\_

Date of Birth  
(dd/mm/yyyy) \_\_\_\_\_

National Insurance Number \_\_\_\_\_

Employee or Pay Number \_\_\_\_\_

\*For changes other than address please provide photocopies of appropriate documents (e.g. marriage).

New Address

Postcode

Previous Address

Postcode

email \_\_\_\_\_

Signature \_\_\_\_\_

Date \_\_\_\_\_

**Return to: Notts LG Pensions Office,  
Nottinghamshire County Council,  
Employee Services Centre,  
c/o County Hall, West Bridgford,  
Nottingham NG2 7QP**

# Contacting the Pensions Office

## For Pensioners

If you already receive a pension from us, it is very important that you keep in touch. If:

- you have a query concerning the non payment of your pension, or
- you change your address, or
- you have any questions about tax

please email [external.payroll@nottsc.gov.uk](mailto:external.payroll@nottsc.gov.uk) or telephone the

**Pensions Payroll on 0115 977 2727**

Should you have any changes in bank details that you want to tell us, then please write to Pensions payroll quoting your Pension Pay number at the address stated below.

## For Everybody Else

If you have any queries or questions, please email [lgpensions@nottsc.gov.uk](mailto:lgpensions@nottsc.gov.uk) or telephone the **Pensions Helpline** on **0115 846 3333**. In order to help the Pensions Helpline to provide you with a speedy, secure and efficient service, please have your National Insurance number available when you call.

You can also contact us by letter, fax, or e-mail (see below).

## Who should my next of kin notify if I die after retirement?

The person dealing with your Estate should immediately inform the Pensions Office Helpline (0115 846 3333) of the death to reduce the possibility of an overpayment occurring.

We will require the following information regarding the deceased pensioner:

- the name, address and date of death
- the pay and National Insurance number - this can be found on the pensioner's latest pay slip
- the name and address of the next of kin
- the name and address of the person dealing with the Estate, if different from the next of kin.

## For All Members

Everybody may access the Fund's website ([www.nottspf.org.uk](http://www.nottspf.org.uk)) for the latest information on the Local Government Pension Scheme.



Notts LG Pensions Office, Employee Services Centre,  
Nottinghamshire County Council, c/o County Hall, West Bridgford, Nottingham NG2 7QP.  
Helpline: 0115 846 3333 Fax: 0115 846 3300  
Website: [www.nottspf.org.uk](http://www.nottspf.org.uk) E-mail: [lgpensions@nottsc.gov.uk](mailto:lgpensions@nottsc.gov.uk)