



City of Westminster

# The Local Government Pensions Scheme

Councillor Suhail Rahuja

Westminster City Hall  
64 Victoria Street  
London SW1E 6QP  
020 7641 2000  
[westminster.gov.uk](http://westminster.gov.uk)

# Agenda

**1** 5.00pm **Chairman's opening remarks and presentation** – Councillor Suhail Rahuja

**2** 5.05pm **The benefits of being in the pension scheme Speakers:**

- Carolyn Beech, Director of Human Resources
- Sarah Hay, Pensions Liaison Officer
- Councillor Patricia McAllister

**3** 5.20pm **How the scheme is administered** – Jason Bailey, Surrey County Council

**4** 5.35pm **Q&A** – Jason Bailey/ Sarah Hay

**5** 5.45pm **The Pension Fund Investments** – *Kevin Humpherson, Deloitte*

**6** 6.05pm **The Work of the Actuaries** –  
Alison Hamilton, Barnett Waddingham LLP.

**7** 6.15pm **Making additional voluntary contributions to my pension pot** – Frank Meaden, Aegon

**8** 6.30pm **Questions for Deloitte; Barnett Waddingham; Aegon**

**9** 6.40pm **Chairman's closing remarks**





City of Westminster

# The Pension Scheme

Carolyn Beech, Director of HR

Sarah Hay, Pensions Advisor

Westminster City Hall  
64 Victoria Street  
London SW1E 6QP

020 7641 2000  
[westminster.gov.uk](http://westminster.gov.uk)

# Auto Enrolment

- 1 1<sup>st</sup> July 2013 WCC went live with Auto Enrolment
- 2 All existing staff and all new staff automatically joined the scheme
- 3 Opt outs enrolled after 3 years - 1<sup>st</sup> July 2016



# Membership of the Scheme

## Membership of Scheme - WCC Employees

<b>1<sup>st</sup> April 2013</b>	<b>2599</b>
<b>1<sup>st</sup> April 2014</b>	<b>3096</b>
<b>1<sup>st</sup> April 2015</b>	<b>3160</b>

## Admitted and Scheduled Bodies in Addition

<b>Total Members 1<sup>st</sup> April 15</b>	<b>4213</b>
<b>Pensioners</b>	<b>5431</b>
<b>Deferred Members</b>	<b>6396</b>



# New Scheme from 1 April 2014

- **Career Average (CARE)**
- **1/49<sup>th</sup> Accrual rate**
- **Normal retirement age – now linked to State pension age**
- **Employee's contributions – table shown**
- **WCC Employers contribution 22.6%**
- **50/50 option**

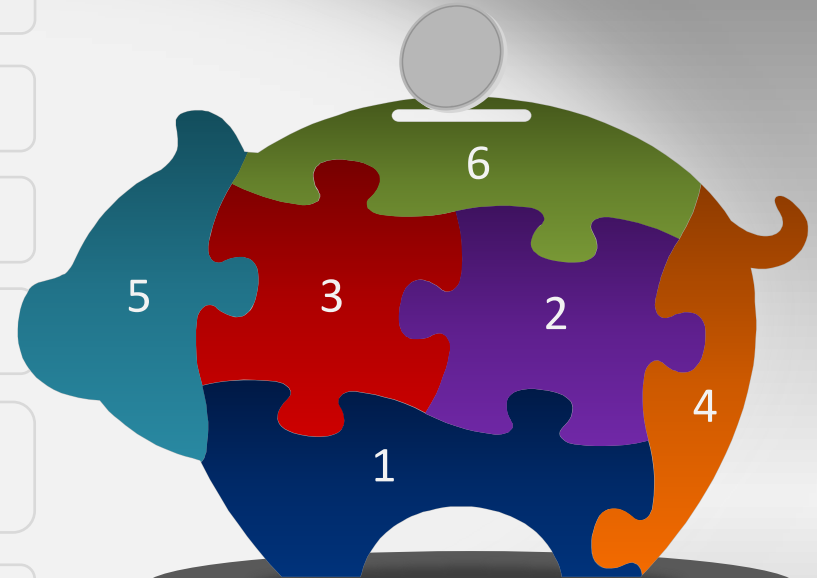
Salary	Contribution %
Up to £13,600	5.5%
£13,601 to £21,200	5.8%
£21,201 to £34,400	6.5%
£34,401 to £43,500	6.8%
£43,501 to £60,700	8.5%
£60,701 to £86,000	9.9%
£86,001 to £101,200	10.5%
£101,201 to £151,800	11.4%
More than £151,801	12.5%



*(Employees can retire from age 55 but reductions may apply)*

# 50/50 Pension Scheme

- 1 50% contributions
- 2 50% service accrual
- 3 100% death cover
- 4 Enrolled into full scheme after 3 years
- 5 Brought back into full scheme if assumed pay needed if due to ill health
- 6 Employer pays full contribution



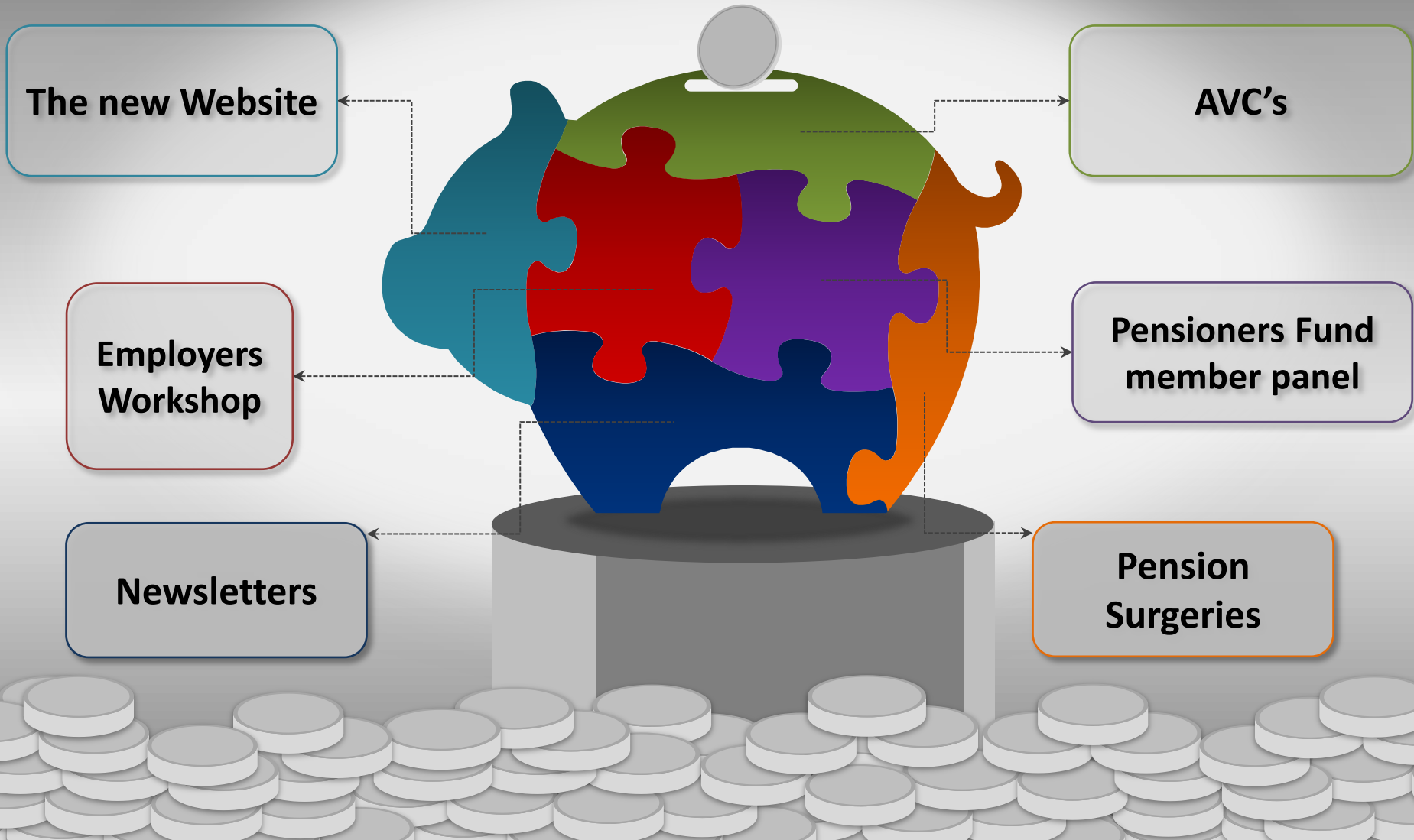
# Age 65 before 1 April 2022

- All retirees within 10 years of age 65 at 31 March 2012 referred to as the 'underpin guarantee'
- 2 calculations to pay the better of the 2





# Engagement Plan 2015 / 16

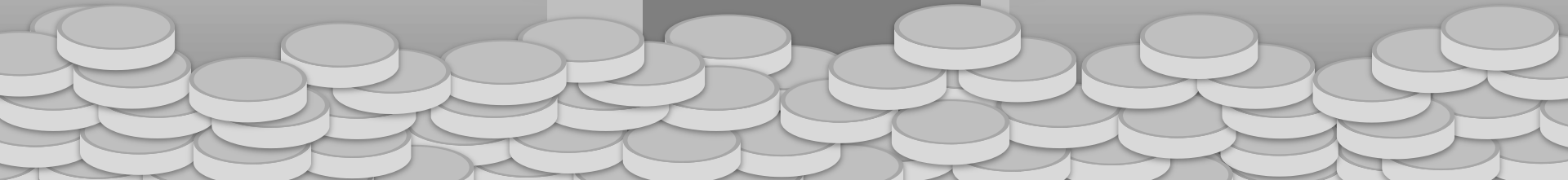


# Contacts

Dedicated Pensions website:  
[www.wccpensionfund.co.uk](http://www.wccpensionfund.co.uk)



Surrey Pensions support team:  
[wccpensions@surreycc.gov.uk](mailto:wccpensions@surreycc.gov.uk)  
020 8541 9293





## How the scheme is administered

Jason Bailey, Pension Services Manager  
Surrey County Council

Westminster City Hall  
64 Victoria Street  
London SW1E 6QP  
020 7641 2000  
[westminster.gov.uk](http://westminster.gov.uk)

# Administration Update covering:-

- A reminder of who we are!
- Working with you as Scheme Members and Employers
- A brief look at this year's Annual Benefit Statement
- Overview of some LGPS changes in 2015
- What's on the Horizon

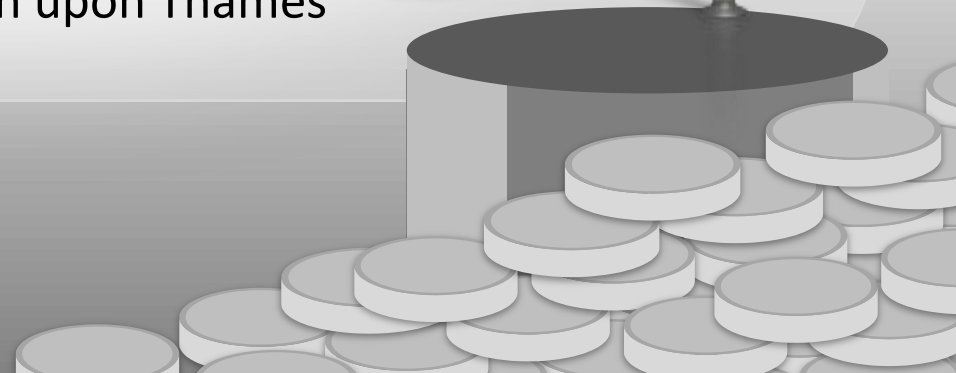


# Who and Why?

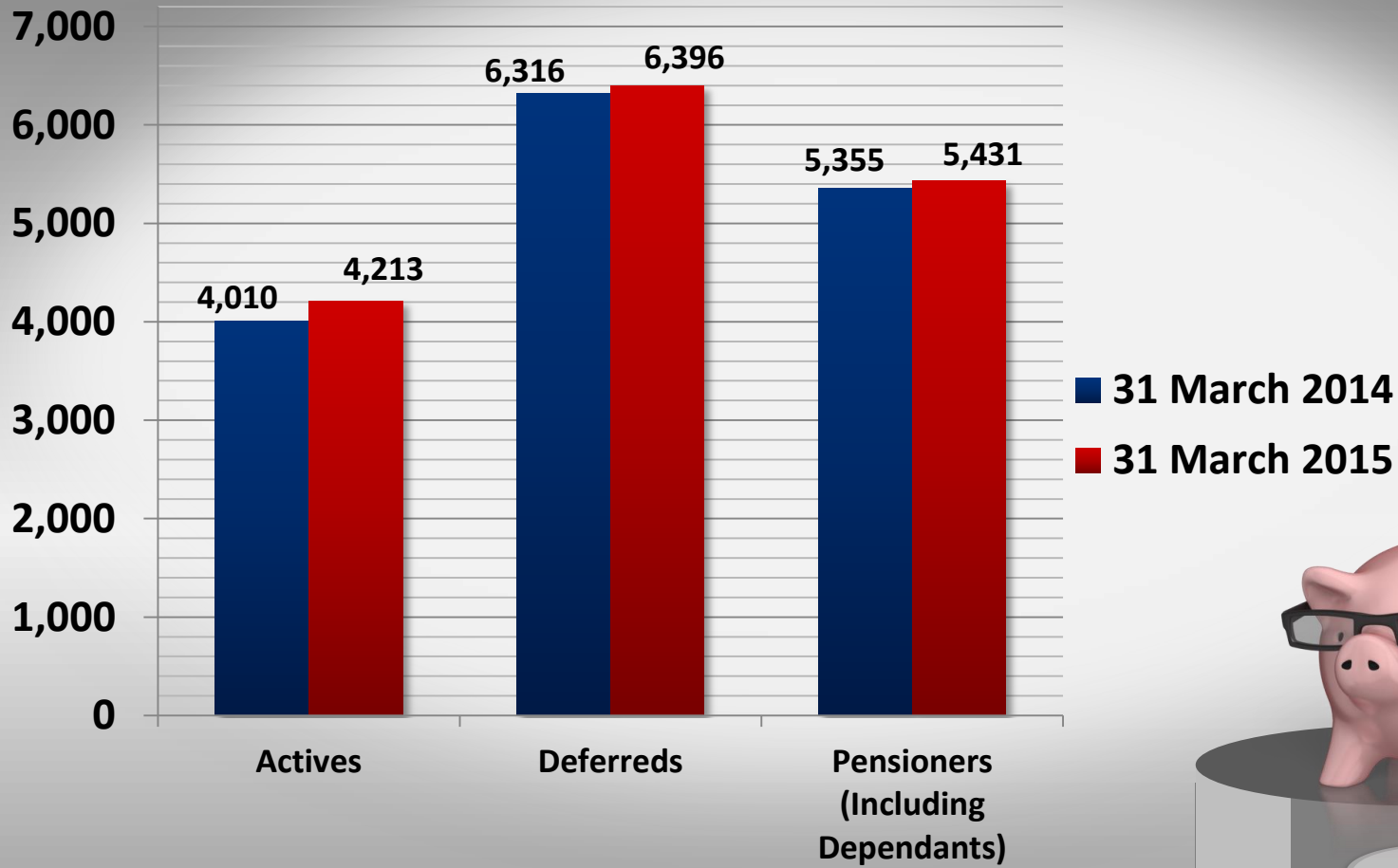
- Public Sector Ethos – transparent and accountable
- Not for Profit partnership
- Administer LGPS for total membership circa 200,000

Surrey CC Pension Fund	
East Sussex Pension Fund – 01/04/2013	London Borough of Hammersmith & Fulham Pension Fund – 01/09/2015
City Of Westminster Pension Fund – 01/09/2014	Royal Borough of Kensington & Chelsea Pension Fund – 01/09/2015

- >55 dedicated pensions staff, average 15 years experience
- WCC administration based in Kingston upon Thames

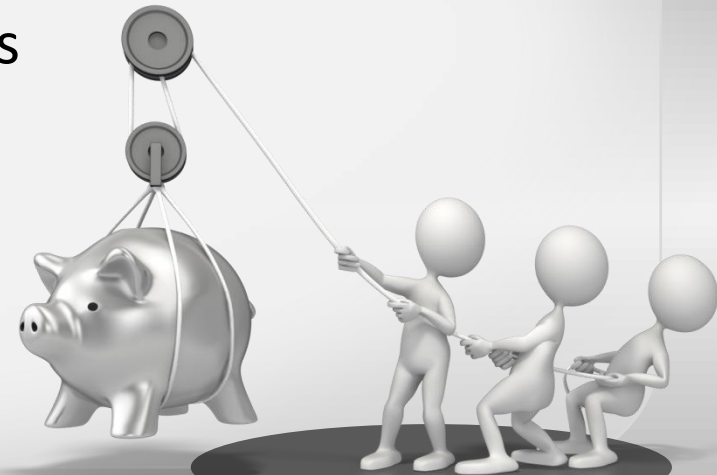


# WCC Membership Numbers



# Working with you – Scheme Employers

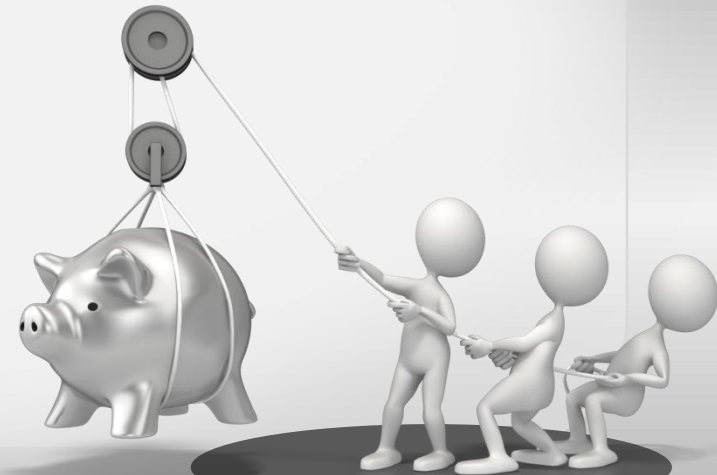
- Importance of understanding your statutory responsibilities
- Employers Forum – November 2015
- Email Briefings and Updates from Orbis
- Come and Visit us if you would like ‘refresher’ training
- Development of Employer Portal



# Working with you – Scheme Employers

- Annual Benefit statements and newsletters
- Pension “Surgeries” and Open House sessions at City Hall / Lisson Grove
- **WCC Pension Fund website**  
<https://wccpensionfund.co.uk>
- **Member Self Service**  
<https://wccpensions.surreycc.gov.uk>
- Contacts: - [wccpensions@surreycc.gov.uk](mailto:wccpensions@surreycc.gov.uk)

Tel: 020 8541 9292/93





# Annual Benefit Statement - extract

## Your summary of total benefits as at 31 March 2015

2



### Standard benefit option

Annual Pension      ▶    £    4,182.90

Lump Sum Retirement  
Grant For membership before      ▶    £    2,197.50  
01/04/2008

OR

### Maximum lump sum option

Reduced Annual Pension      ▶    £    2,806.74

Increased Lump Sum  
Retirement Grant      ▶    £    18,711.42

These figures **DO NOT** include any reductions that would apply if your benefits are paid before your Normal Pension Age (NPA).

## How your pension is calculated

3



**Please note:** The benefits calculated in this statement are based on the pay figures below, which have been supplied by your employer. It is important that you check these figures and contact your employer if you think that any of these pay figures are wrong.

Your Final Salary Pensionable Pay      ▶    £    29,300.00

Your CARE Pensionable Pay Main Section      ▶    £    21,300.00

Your CARE Pensionable Pay 50/50 Section      ▶    £    8,400.00



# Annual Benefit Statement - extract

Your summary of total benefits on page 1 is made up of:

4



## Your Final Salary (FS) Pension Scheme

For membership to 31/03/2008 of 2 yrs 0 days	➤	£	732.50
For membership from 01/04/2008 of 6 yrs 0 days	➤	£	2,930.00
<b>Total FS Annual Pension</b>	➤	£	<b>3,662.50</b>
Lump Sum Retirement Grant based on membership to 31/03/2008	➤	£	2,197.50



## Your total CARE account

per year

Opening balance at 01/04/2014*	➤	£	0.00
Adjustment for cost of living at 01/04/2014*	➤		0
2014/15 build up	➤	£	520.40
<b>Total CARE closing balance **</b>	➤	£	<b>520.40</b>

\* As 2014/15 is the first year of CARE these figures are intentionally zero.

\*\* If you were over 65 on 31/03/2015 this figure includes the late retirement increase as at that date

Your total CARE '2014/15 build up' is made up of:

## Scheme year April 2014 to March 2015

per year

Your CARE Pensionable Pay Main Section / 49	➤	£	434.69
<b>+</b> Your CARE Pensionable Pay 50/50 Section / 98***	➤	£	85.71
<b>+</b> Additional Pension Purchased***	➤	£	0.00
<b>+</b> Transfers in***	➤	£	0.00

\*\*\* If applicable



# Changes in 2015 – Freedom and Choice

- Government agenda to provide greater flexibilities
- Minimal Impact on the LGPS
- Option to Transfer Benefits away from LGPS to use freedoms BUT:-
- Importance of (and requirement to take) independent financial advice
- Impact on Additional Voluntary Contribution (AVC) funds
- Proceed with caution!



# Changes on the Horizon

- A period of calm for the LGPS?
- The end of **contracting out** in April 2016:-
  - Employee NI contribution increase (1.4% of affected pay)
  - Employer NI contribution increase (3.4% of affected pay)
  - Not all bad news - increased state pension in future
- Government consultation on tax relief – who knows!
- Consultation on Early Retirement restrictions for High Earners
- Reduction in Lifetime Allowance April 2016 (£1.25m down to £1m)



# Questions - Jason Bailey / Sarah Hay

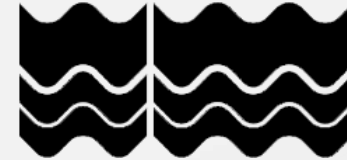


City of Westminster



orbis

East Sussex  
County Council



SURREY



# The Pension Fund Investments

Kevin Humpherson, Deloitte

Westminster City Hall  
64 Victoria Street  
London SW1E 6QP  
020 7641 2000  
[westminster.gov.uk](http://westminster.gov.uk)

# The Fund's Investments Overview

Asset Class	Investment Manager	Valuation (£m)	Allocation (%)
Global Equity	Baillie Gifford	170.6	15.9
	Longview	150.2	9.8
	Legal & General	275.5	25.7
UK Equity	Majedie	255.6	23.8
UK Bonds	Insight	170.1	15.9
UK Property	Hermes	47.1	4.4
	Standard Life	48.9	4.6
<b>Total</b>		<b>1,073.0</b>	<b>100</b>



# The Fund's Investments Equities

## Baillie Gifford

- Global Equity.
- Target is to outperform the global equity market by 2% p.a.

## Longview

- Global Equity.
- Target is to outperform the global equity market by 3% p.a.

## Legal and General

- Global Equity.
- Target is to replicate the performance of the global equity market.

## Majedie

- UK Equity.
- Target is to outperform the UK equity market by 2% p.a.



# The Fund's Investments Bonds

## Insight – Government Bonds

- Target is to replicate the performance of the Gilts market.

## Insight – Non Gilts

- Target is to outperform the bond market by 0.9% p.a.
- Can invest across the following securities:
  - UK Government Bonds.
  - Overseas Government Bonds.
  - UK Corporate Bonds.
  - Overseas Corporate Bonds.
  - Emerging Market Debt.
  - High Yield Debt.
  - Cash.

# The Fund's Investments UK Property

## Hermes

- Target is to outperform the UK property market by 0.5% p.a.
- Will invest in UK property such as industrials, offices, shopping centers, food stores, retail warehouses and leisure.
- Returns are generated from capital appreciation and rental yields.

## Standard Life

- Target is to outperform the market by 2% p.a.
- Will invest in UK property with the aim of letting properties out on long term lease agreements generating inflation linked income.
- Returns are predominantly generated from the income component.

# Deloitte Investment Consultancy Services



# Deloitte Manager Research and Monitoring

- Search the universe for particular product / asset class
  - Use an externally provided manager search database as well as own knowledge and contacts
- In depth research meetings with key individuals
- Review the product's investment guidelines and structure and produce a suitability note specific to a client's investment objectives
- Conduct formal quarterly calls to review the business, staff, outlook and performance attribution of the product, as well as continual dialogue throughout the quarter to ensure instant notification of any issues

Asset Class Search

Research Meeting

Due Diligence

Ongoing Monitoring

# Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.

Deloitte Total Reward and Benefits Limited is a subsidiary of Deloitte LLP, the United Kingdom member firm of DTTL. Deloitte Total Reward and Benefits Limited is authorised and regulated by the Financial Conduct Authority.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte Total Reward and Benefits Limited would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte Total Reward and Benefits Limited accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2015 Deloitte Total Reward and Benefits Limited. All rights reserved.

Registered office: Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom. Registered in England No 3981512.



# The Work of the Actuaries

Alison Hamilton FFA, Barnett Waddingham LLP



Westminster City Hall  
64 Victoria Street  
London SW1E 6QP  
020 7641 2000  
[westminster.gov.uk](http://westminster.gov.uk)

# Agenda

## Outlook for 2016 valuation

- How is it looking so far?

## Current LGPS issues

- Benchmarking
- Budget announcements

## Current issues - Outlook for 2016 Valuations

## Where were we? - Funding levels at 2013

	Published
LGPS Average	80%
Westminster	74%
Range	56% to 101%

But a bit apples and pears – see later!



Current issues - Outlook for 2016 Valuations

## Where have we got to ? – Whole Fund

**Current funding level around 78%**

- Good investment returns achieved to date
- Even allowing for recent market price movements

**But lower returns expected in future**

- General reduction in expected returns
- Liability valuation higher than expected

**Deficit in cash terms similar to 2013**

- 2013 funding plan on track

Current issues - Benchmarking

## How do we compare Funds?

### Concerns over “scheme data” and comparisons

- Why can't actuaries all use same assumptions?
- How do we compare Funds?

### What is the purpose of comparing?

- Spot the “good funds” / “bad funds” ?
- Sustainability / affordability of the whole LGPS ?
- Should determine how we compare

### Funds are different though

- Different investment strategies
- Different demographics – mortality etc.
- Different risk appetites / time horizons
- Different funding plans / funding objectives

Current issues - Benchmarking

## Conclusions

### **We suggested a sensible longer term approach**

- GAD costing model (but with local demographics)?
- Numbers readily available at each valuation from Fund actuary
- Consistent with unfunded schemes
- Looks like the basis that will be used

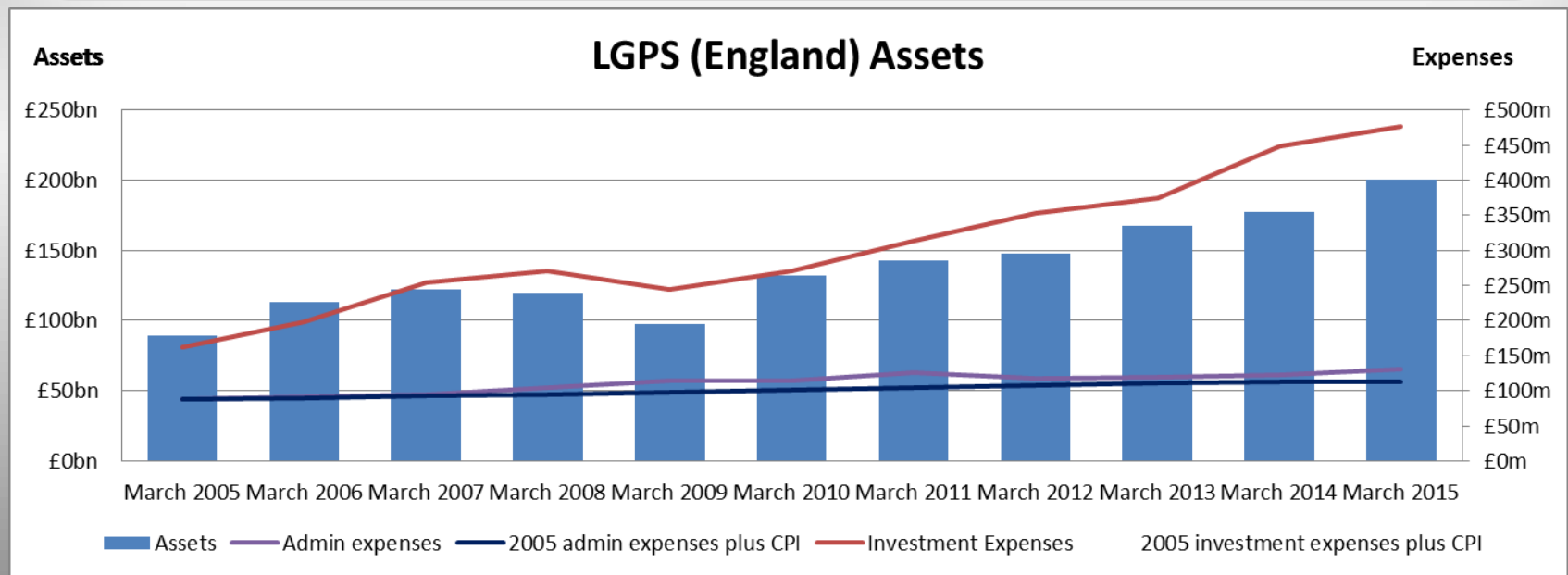
### **But be careful what you wish for**

- FRS17 objective was consistency of measurement...
- Look what it did to private sector pension provision

## Current issues - 2015 Budget

# LGPS – 2015 Budget

- LGPS costs £600m a year (or that's the bills it pays)
  - Its only 0.3% of assets but it's a big political number
- 2015 Budget
  - Invest more cheaply.... but don't break it.....
  - Pool assets



Current issues - 2015 Budget

## Pooling assets

### Off the agenda – for now?

- Fund mergers
- Mandatory passive investment

### Pool investments

- Still local asset allocation decisions
- But no local manager selection

### Still lots of unknowns

- 100% pooled?
- Number of pools - 5?
- Target amount of savings
- Pooling models
- Timeframes – will not be quick!

Current issues - 2015 Budget

# Pooling asset models

## Regional pools?

- Geographical split

## Asset class pools?

- Big equity bucket, bond bucket etc.

## Like minded Funds?

- Similar investment strategies

## Employer pools?

- e.g. academies

## Mutual LGPS investment companies?

- Use internal resource

## All or some of the above?

## Lots of work going on

- One LGPS voice required!

Current issues - 2015 Budget

## 2015 Budget – annual allowance

### Annual allowance

- “Real” increase in pension pot
- Was £40k for 2015/16

### Now £80k for period to 8 July 2015

- Balance of £80k (max £40k) from 9 July 2015
- Slightly higher than before

### To be measured over tax years rather than scheme years

- So.....

Current issues - 2015 Budget

## 2015 Budget – annual allowance

### From 6 April 2016 onwards

- Will be less than £40k for high earners

### If taxable earnings less than £110k

- Still £40k

### If earning £150k+ (including “employer” pensions contributions)

- £40k reduced by 50p for each £1 over £150k
- But no lower than £10k

### Still some wrinkles to iron out

- Some fun to be had around £110k

### BW annual allowance calculator updated



Current issues - 2015 Budget

## Public Sector Exit Cap

**HMT concern over “exit costs”**

- Cost of making people redundant

**Proposal to cap costs at £95k**

- To include early retirement “strain costs”

**Likely to impact on long serving middle managers**

- Not just chief officers

**Could lead to more under 55 redundancies**

- A slightly greyer workforce

**End of unreduced pensions on redundancy over 55?**

- Or some form of reduction?



# Making additional voluntary contributions to my pension pot

Frank Meaden, Aegon

Westminster City Hall  
64 Victoria Street  
London SW1E 6QP  
020 7641 2000  
[westminster.gov.uk](http://westminster.gov.uk)

# Important information

I'm Frank Meaden from Aegon (a brand name of Scottish Equitable plc).

Westminster City Council have an Additional Voluntary Contribution (AVC) Scheme with Aegon and I'm here today to explain how this works in practice

I'm not allowed to give you advice. If you need this, you should get professional financial advice which you may need to pay for

If you don't have a financial adviser, you can visit [www.unbiased.co.uk](http://www.unbiased.co.uk) to find one in your area.



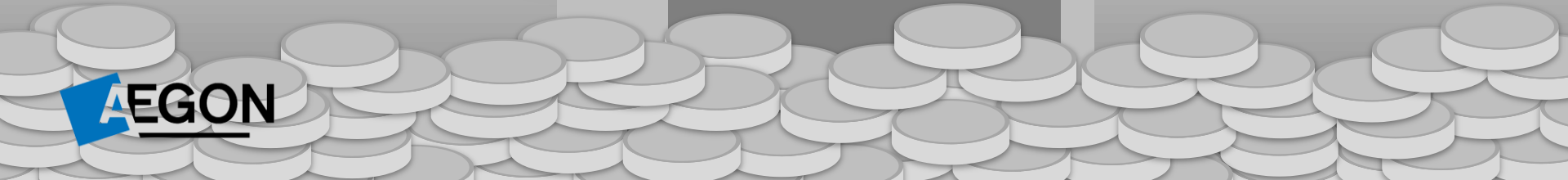
# Today's Agenda

How it Works

Your investment options

Taking your pension benefits

Next Steps



# How it works

## AVC

Additional

Voluntary

Contribution

An AVC is a savings plan set up alongside the Local Government Scheme to help you save for your retirement

Contributions are invested to build up a pot of money in addition to the benefits you've built up in your main scheme

The maximum you can contribute to the AVC scheme is 50% of your gross salary



# Tax Advantages



Tax relief on your personal contributions



Pension fund investment returns are largely tax free



25% fund tax free at retirement



Your  
Investment  
options

You can access a range of funds specifically selected for you and your colleagues

You are able to invest in a range of funds specifically selected for their low cost and wide range of investment risk.

To find out which funds you can invest in, speak to Sarah Hay.

Details of the funds, including investment strategy, risk ratings, and past performance can be found at [aegon.co.uk/funds](http://aegon.co.uk/funds), then select the 'other' option.







What happens when you retire



# Taking your benefits

You must take the benefits from your AVC scheme at the same time as your main benefits

25% of the value of the AVC fund is available as a tax free cash lump sum

Balance normally used to purchase additional pension from the LGPS

Alternatively there is the potential to take up to 100%\* of the AVC fund as a tax free cash lump sum allowing the Local Government scheme to provide your retirement income

The amount of tax free cash you are entitled to depends on your individual circumstances

# Next Steps

Request the joining form from Sarah Hay

[shay@westminster.gov.uk](mailto:shay@westminster.gov.uk)

Complete and return

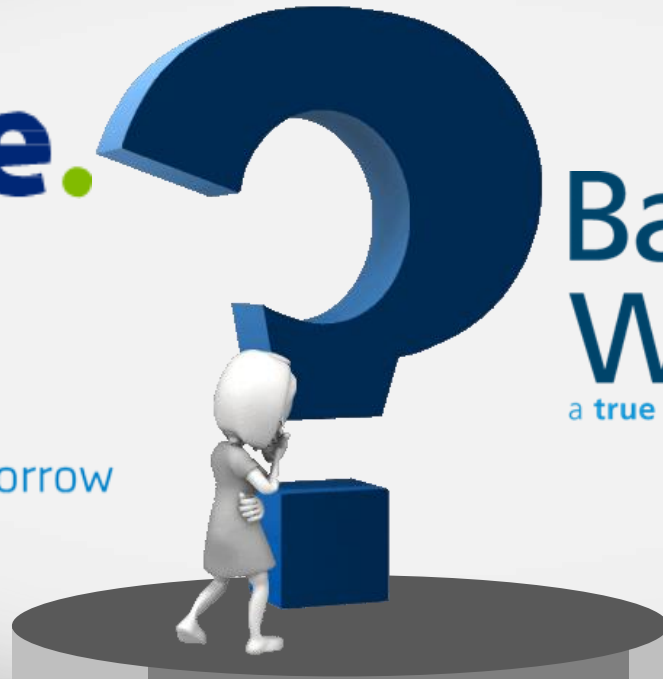
Keep on top of your retirement  
preparation in the long term



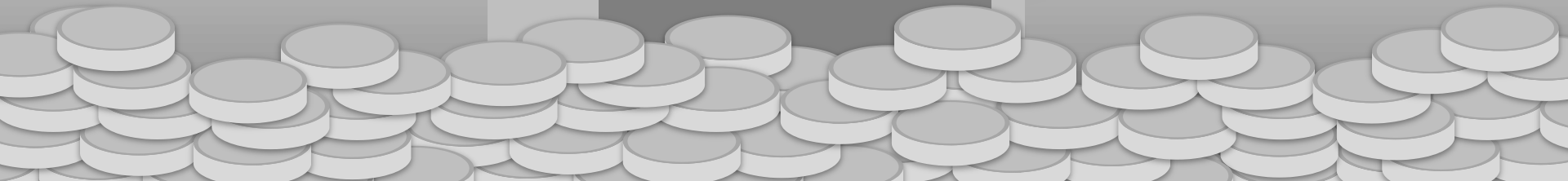
# Questions - Deloitte; Barnett Waddingham; Aegon

**Deloitte.**

**AEGON**  
Transform Tomorrow



**Barnett  
Waddingham**  
a true partnership approach





# Chairman's Closing Remarks

Councillor Suhail Rahuja

Westminster City Hall  
64 Victoria Street  
London SW1E 6QP  
020 7641 2000  
[westminster.gov.uk](http://westminster.gov.uk)