



Pensions Committee

25 June 2014

Report title	2014 Budget and the impact for pensions	
Originating service	Pension Services	
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Report to be/has been considered by		

Recommendations for noting:

1. The Committee is asked to note the contents of the report.

1.0 Purpose

- 1.1 The report outlines the key 2014 Chancellor's budget changes impacting on pension schemes and in particular the Local Government Pension Scheme.

2.0 Background

- 2.1 In the March 2014 Budget the Chancellor announced a number of changes designed to give pension savers of defined contribution schemes greater flexibility over their retirement savings. The changes will form part of a larger reform effective from April 2015.
- 2.2 The changes will also have implications for defined benefit schemes especially public sector defined benefit schemes including the Local Government Pension Scheme.
- 2.3 There were also changes effective immediately from 27 March 2014.

3.0 Changes effective from 27 March 2014.

- 3.1 The current trivial commutation lump sum limit of £18,000 increased to £30,000.
- 3.2 The £2,000 small sums commutation limit that can be taken without considering other registered pension scheme rights in their entirety increase to £10,000.
- 3.3 The Fund will undertake an assessment of the potential scale this will have.

4.0 Changes effective from April 2015

- 4.1 It is proposed that a member of a defined contribution scheme will not be required to take an annuity. They will be able to take all of their pension fund as a cash lump sum. Only 25% of their fund value will be as tax free cash, any balance take in cash form will be taxable at their marginal rate of income tax.
- 4.2 This would have implications for defined benefit schemes as the government recognises that this greater flexibility could lead to more people seeking to transfer from defined benefit schemes to defined contribution schemes.
- 4.3 For public service unfunded defined benefit schemes this could represent a significant cash-flow impact and therefore the Government intends to prevent transfers from defined benefit public service schemes to defined contribution schemes. Although the Local Government Pension Scheme (LGPS) is funded, the Government, in the interest of fairness and consistency may subject the LGPS to a similar ban.

5.0 Financial implications

5.1 The report contains financial information which should be noted.

If the Fund chooses to undertake a trivial commutation exercise in line with the budget changes, this could serve to reduce the pension liability for participating employers and consequently impact on funding levels.

There are also savings that could be made in terms of the reduced administrative costs faced by the Fund and these will be investigated further as part of the cost/benefit analysis.

6.0 Legal implications

6.1 This report contains no direct implications.

7.0 Equalities implications

7.1 This report has no direct implications.

8.0 Environmental implications

8.1 This report has no direct implications.

9.0 Human resources implications

9.1 This report has no direct implications.

10.0 Corporate landlord implications

10.1 This report has no direct implications.

11.1 Schedule of background papers

11.2 There are no associated background papers.