

PENSIONS FOCUS

for Retired Members

SPRING 2005 – ISSUE 4



Pensions Increase

Financial Position

Spouses Benefits



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As promised in the last edition of **Pensions Focus for Retired Members** I have brought forward the issue of your newsletter to bring you advanced information on the pension increase prior to the actual payment of that increase. In addition and in response to comments from retired members, I have included an item dealing with the financial position of the Fund.



A 'Reminders' page has been included and this contains information from previous newsletters which we feel needs to be repeated in each successive edition. For many of you the information on that page may be superfluous but for others it may be a timely reminder to do something about an important event or circumstance that is due to take place or has already occurred.

Providing **Pensions Focus** gives us a chance to keep you up to date with what is happening with your pension here at the North Yorkshire Pension Fund and I will only be too pleased to receive comment on current and suggested future content.



John Moore

Treasurer to the North Yorkshire Pension Fund

Pensions Increase - 3.1% this year

Every year the government issues a legal document called a Pension Increase (Review) Order. The Order informs public sector pension schemes including the North Yorkshire Pension Fund of increases that should be applied to pension benefits. The increase is based on the rise in the cost of living in the year up to last September and this year it is 3.1%.

The increase is to be paid from 11 April this year and your pension will therefore be increased if you are over the age of 55 or you retired on the grounds of ill health. You will also get the increase if your pension is a spouse's or a children's pension.

How is the increase to your pension worked out?

Pension Increase is calculated on the annual pension in payment at the end of March 2004 less any Guaranteed Minimum Pension (GMP) notified to you by the Department of Work and Pensions (DWP). It is not calculated on the figure on your P60 as this amount represents the actual pension paid to you during the financial year April 2003 to March 2004.

cont ...

Pensions Increase - 3.1% this year (cont)

GMP and pensions increase

The increase on your GMP* will be paid by the DWP as an addition to your State retirement pension and applies to those pensions which arose as a result of employment between 6th April 1978 and 5th April 1997.

If the North Yorkshire Pension Fund has not been notified by the DWP of the amount of your GMP, the increase will be calculated using an estimated value with any under or overpayment adjusted later.

* The DWP refers to GMP as 'Contracted Out Deduction' (COD).

Payment and despatch of payslips

The increase will be paid with your April pension payment and a payslip will be sent to you at the end of April showing the increase for the period 11th to 30th April. Another payslip will be sent to you at the end of May to show your increased pension for a full month and should be retained as a record of your normal monthly pension payment. You will not be sent a payslip in any of the months which follow, unless your net pension has changed by more than £1 from the previous month or you have had a change in your address, banking or tax details. If you pay tax, you may notice a 10 pence or 22 pence difference in the net pension you receive because tax calculations are based on the pension paid over the tax year to date rather than on individual monthly payments.

If your pension began on or before 27th April 2004 your pension increase is 3.1%. If your pension began after this date a smaller, pro-rata, increase will apply as shown in the table opposite.

Are you over State Retirement Age?

If you are, and you are entitled to any State Retirement Benefits, your increase may be split between your State Retirement Benefits and your NYPF pension.

Don't worry, you do get your increase in full, part on your State Retirement Benefits and part on your NYPF pension.

If your pension began between...	Your increase this year will be...
27th April 2004 to 26th May 2004	2.84%
27th May 2004 to 26th June 2004	2.58%
27th June 2004 to 26th July 2004	2.33%
27th July 2004 to 26th August 2004	2.07%
27th August 2004 to 26th September 2004	1.81%
27th September 2004 to 26th October 2004	1.55%
27th October 2004 to 26th November 2004	1.29%
27th November 2004 to 26th December 2004	1.03%
27th December 2004 to 26th January 2005	0.78%
27th January 2005 to 26th February 2005	0.52%
27th February 2005 to 26th March 2005	0.26%

P60s and self assessment tax returns

Your P60 will be sent to you by the 31st May. The P60 is a certificate of pension paid and tax deducted for the tax year April 2004 to March 2005. If you do receive a self assessment tax return, please note that you should enter the Pay and Tax Deducted as indicated on your P60. You will then need to deduct the Tax Deducted from Pay to arrive at the net amount paid. These three amounts all need to be entered on the self assessment tax return.

Financial Position and the Triennial Valuation

The 2004 Triennial Valuation has now been completed and the Actuary has signed off the final Valuation Report and Certificate.

The reports show the current financial health of the Fund and arising from this assessment, the Actuary has calculated the contribution rate payable by each employer.

The Valuation results show that the solvency of the Fund at 31 March 2004 was 59.4%, compared to 79.5% at the 2001 Valuation. This drop in funding level can be attributed to a combination of poor stock market returns on the assets over the past 3 years and increases in the life expectancy assumptions used by the Actuary to calculate the value of liabilities. This funding deficit will not however affect the security of your pension - it is an issue your former employer will have to address.

The Pension Fund Committee has agreed to the proposed Employer contribution rates required by the Actuary to recover this deficit over the next 30 years. The deficit recovery period has been increased to 30 years from 15 years at the 2001 Valuation. The cost of deficit recovery can therefore be spread over a longer period thus minimising the impact on local authority employers and subsequently the Council Tax payer in accordance with ODPM guidance.

Meanwhile, the investment performance of the Fund overall, as well as individual managers, is constantly monitored. A report on performance, is presented to each quarterly meeting of the Pension Fund Committee.

The following is a summary of the assets held in the Fund as at 31 December 2004, analysed by main asset category:-

	£m	% of Fund
UK Equities (ie shares)	343.7	40.5
European Equities	120.9	14.2
North American Equities	108.7	12.8
All other countries Equities	84.2	9.9
Emerging Equities	5.7	0.7
Fixed Interest/Bonds	153.1	18.0
Cash & Short Term Assets	<u>32.8</u>	<u>3.9</u>
Total Assets	<u>849.1</u>	<u>100.0</u>

The top 10 share holdings, and their percentage of the Fund as at 31 December 2004 are as follows:-

	Market Value £000	Percentage of Value of Fund %
1. Vodafone Group PLC	22,456	2.7
2. BP PLC	16,597	2.0
3. Royal Bank of Scotland Group PLC	14,948	1.8
4. HSBC Holdings PLC	14,020	1.7
5. GlaxoSmithkline PLC	13,326	1.6
6. Barclays	11,204	1.3
7. Shell Transport & Trading	8,205	1.0
8. HBOS	7,773	0.9
9. BHP Billiton	4,269	0.5
10. Carnival PLC	<u>4,096</u>	<u>0.5</u>
Total	<u>116,894</u>	<u>14.0</u>

The fund managers have performed reasonably well over the last year. The 12 month performance return to 31 December 2004 is 10.4% which exactly matches the Benchmark figure for the same period.

Funding Strategy Statement (FSS)

Following a period of consultation with employers, this document has recently been approved by the Pension Fund Committee and is now available on the Pension Fund website

Spouses Benefits and Other Changes in Circumstances

We have been asked a number of questions relating to the pension administration processes involved in the provision of spouses benefits in the event of the death of a retired member and/or other changes in circumstances. We have therefore endeavoured to set out the processes below indicating the information we require to fulfil our obligation to you or your spouse.

In the event of the death of a retired member in receipt of a pension from the North Yorkshire Pension Fund, in the first instance the Pensions Section require notification of the death as soon as possible to ensure that pension payments are stopped. This can either be by a telephone call from a member of the deceased member's family, or a friend, or in writing from the person dealing with the deceased member's estate enclosing a copy of the death certificate. The North Yorkshire County Council Payroll Section, which is responsible for making pension payments on our behalf, will then finalise the pay record and write an acknowledgement to the relevant person.

Where there is a surviving spouse, initial notification by telephone will be sufficient as a letter and application form for spouse's benefits will be sent direct to the spouse, or via a personal representative if preferred. This should then be completed and signed by the spouse at their earliest convenience and returned to the Pensions Section with the requested certificates. Payment of the benefits due will then be calculated and paid.

Upon the death of a spouse of a retired member, again the Pensions Section requires written confirmation of the death and a copy of the death certificate.

On some occasions a retired member will die within five years of retiring. This being the case, there will be a death grant of the balance of five years worth of pension payable to the estate, or the surviving spouse. It is possible to nominate a person (or persons) to receive this death grant by completing a death grant nomination form which can be obtained from the Pensions Section or from our web site at www.northyorks.gov.uk/pensionfund.

PLEASE NOTE, A DEATH GRANT IS ONLY PAYABLE IF THE RETIRED MEMBER DIES WITHIN FIVE YEARS OF RETIRING. If you do complete a nomination form then it is very

important that it is kept up to date, and a new one should be completed should the address of your nominee change or you divorce and/or re-marry and wish to change the name of the nominated person/ persons.

Furthermore, if a retired member divorces and/or re-marries after retirement then, again, it is important that the Pensions Section is advised in writing as soon as possible enclosing the relevant certificates confirming the change in marital status. Our records will then be updated. Should a spouse of a retired member re-marry, then their spouse's pension would continue to be paid but, again, the Pensions Section would require written confirmation of the change.

Any further enquires on this subject should be directed to Julie Sayer on (01609) 532690 or Peter Hymer on (01609) 532691.

Retired Member Organisation

The Northallerton Area Retired Local Government Officers Social Club was formed a number of years ago to provide coach trips, theatre trips and other social functions for members and for guests where possible.

Anyone interested in joining or would like further information should contact:

Dennis Parnaby
72 Thirsk Road
Northallerton
DL6 1PL
Tel. 01609 773405

Retired Members Comments and Questions



We were pleased to receive a letter from the Secretary to the Craven branch of the Unison Retired Members section as follows:

'Can I congratulate the County Council on its Pension Focus for Retired Members.

It is gratifying to know that our Pension Fund is being managed well by the Committee and its Fund Managers, especially when you read in the press and media of company's failing to honour its pension promises to its employees when they retire.

What better advert for anyone joining the employment of the 57 local authorities within North Yorkshire for them to know that the pension benefits within the LGPS remain intact.

Once again "Well done" and keep up the good work.'

Our thanks to Mr Tom Foster for his letter which we appreciate and indeed we do intend to keep up the good work. Mr Foster also asked that we include an article on Spouses' benefits or other changes in personal circumstances. Reference information on this topic can be found on page 4.

Mr Jack Wakefield asked for further information with regard to the solvency of Pension Funds including:

Where the re-valuation of the fund shows a deficiency, do the local authorities within the Fund provide deficiency contributions to make good the shortfall?

Does the Government prescribe a minimum percentage solvency figure?

Is there some national average target, based on the experience of all local government pension funds?

Were there periods, at the time of high interest rates, when no deficiency contributions were called for?

We have published the substance of our reply below which I hope is useful information for all our retired members.

All local authority pension schemes are subject to a Triennial Valuation, the most recent Valuation being 31 March 2004. As part of the Valuation, the Actuary will assess the solvency of the Fund in terms of surplus/deficit of assets in comparison to the total liabilities. For the North Yorkshire Pension Fund, the latest Valuation will show the Fund to be in deficit. It would be unfeasible to expect employing bodies to meet this deficit in one go and so the Actuary incorporates a deficit contribution rate into the overall employers contribution rate based upon a fixed deficit recovery period.

In the past a target solvency of below 100% was permitted, however in the 1992 Valuation this was corrected back to 100%. At that time the Fund solvency was first reported below 100% (91%) and the concept of deficit recovery contributions was introduced.

The Local Government Pension Scheme is not subject to the legislation regarding the Minimum Funding Requirement. The solvency of all local authority pension schemes is monitored but this in itself does not lead to a national average target.

The Government does prescribe the 100% funding target and all Pension Funds are required to publish an investment strategy as part of their Statement of Investment Principles and Funding Strategy Statement. This Strategy must clearly explain how the solvency of the Fund will be improved/maintained.

The results of the Valuation and the Funding Strategy Statement must be published before 31 March 2005. They will appear on our web site at www.northyorks.gov.uk/pensionfund in addition to being summarised in the next edition of Pensions Focus.

Our thanks to Mr Wakefield for his questions and kind acknowledgement to our reply.

Retired Members Comments and Questions (cont)



An email from Mr Harold Smith expressed his thanks for the receipt of the previous issue of Pensions Focus and indicated the following:

'My pension arrives correctly into my bank account at the end of each month without hassle on my part so my verdict is that your service is excellent and I am well satisfied. Perhaps a little sorry the remittance slip is largely dispensed with but I reconstruct one assuming the small differences are due to PAYE tax and as long as my resulting calculations agrees with the annual P60 I foresee no problem. I welcome the assurance that one will be sent in April and perhaps May, when I suppose the change will usually exceed £1 anyway.'

Whilst it is true to say we don't always get it right it is nonetheless pleasing to hear from a satisfied customer – thank you Mr Smith.

We have been asked by Mr Lampen to include some detail about the ethical policy as it applies to this Fund.

The view of the Pension Fund Committee is that the main objective of the fund managers is to maximise the returns upon the Fund's investments. Anything that restricts their capacity to do this would not be in the best interests of the Pension Fund members.

This does not mean that 'Socially Responsible Investing' is ignored. There is a strong correlation between companies that take a responsible attitude towards social issues and those that produce consistently sound financial results. The North Yorkshire Pension Fund takes an active role in all those companies in which it has an interest by always exercising voting rights.

Our Statement of Investment Principles (SIP), last approved on the 29th April 2004, explains our approach to Social, Environmental and Ethical issues. It includes a statement confirming our commitment to corporate social responsibility but outlines the overriding obligation to the members to act in their best financial interests. (The SIP is published on the NYPF web site at www.northyorks.gov.uk/pensionfund.)

We hope this goes some way to covering Mr Lampen's inquiry and is also helpful to other readers.

Unison - Contact Details

North Yorkshire Retired Members' Sections

Scarborough Branch - Contact: John Wainwright – tel. 01723 354183

Harrogate Branch - Contact: Ken Pullan – tel. 01423 863237

Hambleton & Richmondshire Branch - Contact: Sheila Crosby – tel. 01642 700815

Selby Branch - Contact: Sheila Crosby (on behalf of the Selby Retired Members Secretary) – tel. 01642 700815

York Branch - Contact: Herbert Hamilton-Smith – tel. 01904 791964

The current life membership fee is £15.

City of York Retired Members' Sections

Contact: Mary Shaw - tel. 01904 652846

Craven Retired Members' Sections

Contact: Tom Foster - tel. 01524 858657

Anyone wishing to find out more about the activities and/or join the Retired Members Organisation should get in touch with the relevant secretary.

State Pension

If you are under State Pension Age, the age when you qualify for the State Retirement Pension, you can get a forecast of how much your state pension is likely to be when you get to State Pension Age

All you have to do is get a form BR19 from your local Social Security office, fill it in and send it off to the Retirement Pensions Forecasting & Advice Unit, Pensions and Overseas Benefits Directorate, Tyneview Park, Newcastle Upon Tyne, NE99 1BA.

If your State Retirement Pension will not be as big as it could be, your forecast will tell you what 'Class 3 voluntary National Insurance contributions' you could pay to top it up.

Working Again ?

If your pension was awarded on your own retirement it may need to be adjusted if you get another job with either a local authority or another employer who uses the Local Government Pension Scheme.

The adjustments normally last for the period of time you have the new job. But if you were awarded compensation for early retirement the first time you retired the adjustments may be permanent.

The rules are complicated, so the best advice we can give you is to get in touch with us if you get another job.

Pension Advices

We only send you a pension advice when your net pension goes up or down by £1 or more from the previous month.

You will receive a pension advice in both April so you can see the changes the annual increase has made to your pension.

When your pension settles down to a regular monthly amount we'll start to send you an advice only when your net pension goes up or down by £1 or more again.

For the majority of retired members the pension will be in the bank on the last working day of every month. Certain retired members will continue to receive their payments on the 6th of each month unless this falls on a weekend.

Visit the North Yorkshire Pension Fund website ...

www.northyorks.gov.uk/pensionfund/