



meeting	PENSIONS ADMINISTRATION SUB COMMITTEE	
date	24th OCTOBER 2005	agenda item number

REPORT OF THE DIRECTOR OF RESOURCES

RETIREMENT ANNUITY SERVICE

1. Purpose

- 1.1 To inform the Pensions Administration Sub-Committee of the retirement annuity service provided by Hargreaves Lansdown, to retiring members of the LGPS, of options on the open market when purchasing an annuity.

2. Background

- 2.1 As part of the Local Government Pensions Scheme, a scheme member has the opportunity to top up their pension by making an additional voluntary contribution via an in-house approved Pension Provider. There are currently 2491 scheme members who make additional voluntary contributions in this way. This form of top up gives scheme members additional choices at the point of retirement. At present when a scheme member retires, their additional voluntary contribution is normally converted into an annuity, which then pays a regular income for life. The Annuity Provider undertakes to pay a regular income in exchange for the pension fund. It is therefore important for a retiring member to choose their options carefully as once the annuity is set up, the basis of the annuity is fixed and can not be changed.
- 2.3 A retiring member who has been making additional voluntary contributions prior to 13 November 2001, could if they so wish purchase an annuity or service credits (added years) to add to their pension. A retiring member who commenced paying after this date can only purchase an annuity.
- 2.4 Annuities are provided by insurance companies such as Prudential, Scottish Widows, Standard Life, Norwich Union and Legal & General. Different insurance companies offer different annuity rates and these change frequently. This could mean that at any time, some companies could be more competitive than others.
- 2.5 The Pensions Office was approached in July 2005 by Hargreaves Lansdown in regard to the retirement annuity service that they provide. Subsequently, the company's Head of Corporate Annuities met with the

Head of Employee Services and the Pensions Manager on 18 August 2005 to discuss the details of the service provided.

- 2.6 Hargreaves Lansdown has designed a quick and simple service for the Local Government Pension Scheme, to enable members to access some of the most competitive retirement incomes. This can be achieved without generating additional cost or administration to either the LGPS or the retiring member. The service will help retiring members make informed choices without personal advice or hard sell.
- 2.4 The company currently provides this service to many organisations including The South Yorkshire Pensions Authority, Lothian Pension Fund, and the West Midlands Pension Fund.
- 2.5 As stated above the service is provided free of cost and with no charge to the retiring member or the scheme from Hargreaves Lansdown. The company will receive a commission from the Annuity Provider in the region of 1% to 2% of the fund value. This remuneration is only received when a case is completed. Therefore a retiring member can receive as many annuity quotations as they wish effectively free of charge.

3. Process

- 3.1 The actual detailed process of notification of this service to retiring members will need to be agreed with the company. It will either simply be the Nottinghamshire Pensions Office providing details of the retiring member to Hargreaves Lansdown, who in turn will write to the member with the current market options, or the Pensions Office will write directly to the retiring member as they would do normally and include information about the service provided by the company.

4. Recommendation

- 4.1 That the Pensions Administration Sub-Committee recommends to the Pensions Committee to approve Hargreaves Lansdown to provide the retirement annuity service to retiring members of the LGPS scheme.

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Personnel Implications

None.

Equal Opportunities Implications

None.

Crime and Disorder Implications

None.