

Questions and Answers from the HGPS Annual Newsletter (dispatched in June 2016)

Annual General Meeting (AGM)

The trustees were asked by some members for further clarification of the decision to discontinue the AGM. Having given careful consideration to this ongoing practice and whether it is a good and proper use of scheme funds, the key facts that have led them to the conclusion that the AGM should be discontinued were:

- Less than 3% of the membership typically attend.
- The total costs of running it were typically in excess of £1,000 *per member attending*.
- There are other ways to communicate with the wider membership that are far more cost-effective.
- The trustees have a clear duty to ensure the scheme is efficiently run especially as all costs serve to increase the funding deficit.

Whilst the trustees understand that the AGM is popular amongst regular attendees, the above facts have led to the clear conclusion that it is not the most efficient way to communicate with members. It should also be noted that it is very unusual for pension schemes to host AGMs when there are much more efficient methods of communication available. The trustees have gone to some lengths to develop alternative means e.g. the newsletter and upgraded website and look forward to developing these further over time.

Four members have questioned the decision and the Trustee-Directors have taken the opportunity to revisit the issue. They have reached the same conclusion but have decided to keep the matter open so that they can respond to circumstances going forward. If it becomes apparent that there are particular issues that members would like to discuss they will consider if a meeting in some form is worthwhile.

Trustee-Director David Bridges – Term of Office

Some members had queried the project which was referred to in the communication, in relation to David Bridges' extension of term of office. David Bridges' term of office has been extended as he has been involved in a project to develop the Scheme's journey plan in conjunction with the employers. This is ongoing and it was felt that changing the trustee appointment part way through would cause difficulties.

Capita Involvement

There was a question raised in relation to Capita's involvement with the Scheme and whether they were looking to manage the fund. Capita Employee Benefits provide Administration services to the Scheme from their Whitstable office and Accountancy services to the Scheme from their Sheffield office. Since the removal of Northern Trust as Custodian from 31 December 2015, Capita have been responsible for the Trustee Bank Account but are under strict instruction from the Trustee Board. They do not manage the fund nor is there any intention that they will.

Scheme Factors

In the Annual Newsletter, members were informed that the Trustee Board had agreed to increase the commutation factors which are used to calculate tax free cash at retirement by 15%. It was also noted that changes had been agreed to early retirement, augmentation and transfer value factors in order to ensure they remained in line with the assumptions used in the Actuarial Valuation as at 31 December 2014. We received some queries from members asking for details of exactly what these changes would mean. We have therefore provided the following details by way of examples:

Early Retirement Factors

If a member decided to retire before the normal retirement age of 60, an early retirement factor would be used to reduce benefits. Below is a list of factors before and after the review:

Age	Before	After
53	0.70	0.71
54	0.73	0.75
55	0.77	0.78
56	0.81	0.82
57	0.85	0.86
58	0.90	0.90
59	0.95	0.95
60	1.00	1.00

As evident from the above, if a member retires early he/she will receive a higher pension with the new factors than with the old ones. For example, before the review, if a member wanted to retire at 53 benefits would be multiplied by 0.70. This has now increased to 0.71, which would give a higher pension.

Scheme Factors (continued)

Commutation Factor

The Commutation Factor is used to calculate the tax free cash amount and also the reduced pension. In respect of calculating the reduced pension, the Commutation Factor is how much tax free cash a member would get for every £1 of pension given up. Below is a list of Commutation Factors before and after the review:

Age	Before	After
53	16.93	21.00
54	16.61	20.50
55	16.29	20.00
56	15.97	19.50
57	15.64	18.90
58	15.31	18.40
59	14.97	17.90
60	14.64	17.30

As evident from the above, the Commutation Factors have been increased. This means that members get more tax free cash for every £1 of pension given up. For example, at age 53, before the review £1 could be exchanged for £16.93 of tax free cash. Since the factor review, this has now increased to £21.00.

The Importance of Employers Support

One member raised, in relation to the inclusion of the importance of employers' support, that there was no reference in the communication to the fact that at one time BT borrowed money from *their* pension fund to support the Company. The HGPS Trustees do not know if this happened or not. The point being made in the communication from the HGPS perspective is the fact the employers have to put more money into HGPS as and when necessary – what BT may or may not have done in relation to its own scheme is not relevant to this point. We would also add that legislation would prevent any loans being made to any of the HGPS employers from the assets of HGPS.

The Trustee wish to thank all members for their responses to the Annual Newsletter and hope that the above information has been useful. However, should you have any queries regarding any points raised, please contact the Scheme Secretary via the following:



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