

## **ALACE INDIVIDUAL PENSIONS CALCULATIONS AND FINANCIAL PLANNING ADVISORY SERVICES** **(July 2017)**

### **1. INTRODUCTION**

- 1.1 Given the increasing complexity of pensions and related taxation legislation, the high value of these benefits in total terms to many ALACE members, and the importance of long term financial planning to help secure maximum future benefits, ALACE is now offering its members a range of services. The details of these services are outlined below (see sections 2, 3 and 4). **Some attract significant fees but the potential savings and benefits that members may achieve, by understanding better the different options available to them, can be very considerable, often running to several tens of thousands of pounds or, in some cases, six figure sums.**
- 1.2 Most people do not think about their pensions until they are only a few years from retirement. It is important, however, to consider using these services well before then as actions taken in advance of retirement can often have significant financial benefit when you do come to retire.
- 1.3 The first service (see Section 2 below) is provided **free** to ALACE members as part of the services covered by their annual subscription fee to ALACE. It involves contacting one of the two ALACE Consultants, Cheryl Miller or Pete Morris, who specialise in Pension matters (or, in their joint absence, Roger Morris, who is knowledgeable about LGPS and Returning Officer pension benefits). Neither Cheryl nor Pete (nor Roger) are accredited pension experts or financial advisers (Cheryl is a former County Council Chief Executive and Pete is a former Director of the Greater Manchester Pension Fund) but both are knowledgeable in relation to LGPS pension matters. Cheryl and Pete can look at your personal pension position, take you through the issues you need to consider and help you to request appropriate information from, or put the most useful questions to, the real pension experts – which are your LGPS pension fund or the “**Individual Pensions Calculation Service**” provided to ALACE members by **Hymans Robertson** (Hymans); or, on financial and taxation matters, to the “Financial Planning Service”, which is provided by **Close Brothers Asset Management Limited** (Close).
- 1.4 Whether you choose to access any of these services is entirely a matter for your own discretion, as is what you choose to do with the information or advice you receive. **ALACE and the ALACE consultants accept no liability whatsoever for any action you may take as a consequence of accessing these services.**

## **1. SERVICE PROVIDED BY ALACE CONSULTANTS**

2.1 Cheryl Miller can be contacted at [cherylmiller@hotmail.co.uk](mailto:cherylmiller@hotmail.co.uk) or on 01892 539650 or 07852 931451. Pete Morris can be contacted at [p.morris1957@hotmail.com](mailto:p.morris1957@hotmail.com) or on 0161 339 6601 or 07720 267477. (In their joint absence Roger Morris can be contacted at [rm@rjbmorris.net](mailto:rm@rjbmorris.net) or on 01327 831196 or 07860 733992.)

2.2 Once you have made contact with Cheryl or Pete they will arrange a time and date to have a discussion with you on the 'phone. It is usually helpful if, before 'phoning them, you:-

i) have had a look at the advice already on the confidential Members' section of the ALACE website – [alace.org.uk](http://alace.org.uk) – particularly the “Pensions: Frequently Asked Questions (FAQs)” document and its Annexes on the Lifetime Allowance (LTA) and the Annual Allowance (AA). These may answer your questions or they may help you formulate the issues you want to raise with Cheryl or Pete;

ii) have your latest pensions Annual Benefits Statement (ABS) from your LGPS pension fund to hand; and,

iii) if you also have other sources of pension benefits besides the LGPS (other than the State pension) e.g. Returning Officer (RO) benefits, Additional Voluntary Contributions (AVCs) and the like, pensions from previous employers outside of local government, private pensions etc., that you have details of those benefits also available. This is because these benefits are also relevant to the LTA and AA. (It is also important to remember that the rules governing RO benefits are very different from those relating to standard LGPS benefits.)

2.3 Cheryl or Pete will then discuss your position and concerns with you. They may need you to get hold of some further information, especially if you have other potential sources of pension besides the LGPS (e.g. Additional Voluntary Contributions (AVCs), pensions from previous employers, private pensions etc.) or certificates etc. from HMRC giving you special protection in relation to the Lifetime Allowance. They will probably ask you to send them this information electronically.

2.4 They will then do some research and rough calculations to identify the issues specific to you and the questions you need to raise with your pension fund or any additional information you need to acquire. They will probably then have another 'phone conversation with you and follow this up with a detailed note explaining in writing the issues you need to consider, the possible choices facing you, the questions you need to put to your pension fund(s) and any subsequent action you may need to take e.g. applying to HMRC for Lifetime Allowance protections or contacting experts such as Hymans or Close.

2.5 The sort of issues on which Cheryl and Pete can help you include - what will my pension(s) be when I retire; what will be the effect on my pension of me retiring early either compulsorily or voluntarily; do, or when will, I qualify for the 85 year rule protections; how much tax will I need to pay on my pension and lump sum; can I reduce my tax liabilities for example by applying for Lifetime Allowance protection or by commuting some of my pension into a larger tax free lump sum; will I be facing Annual Allowance charges and is there anything I can do to reduce these; should I consider leaving the LGPS, or moving to the

50:50 option, before I retire; should I be considering early retirement; should I be purchasing AVCs; and other related questions?

**2.6 Cheryl and Pete will not be able to give you definitive nor accurate advice on such matters – what they will be able to do is some rough (and unreliable) calculations which help them to say what accurate information and estimates you need to request from your pension fund.**

2.7 Pension funds are usually happy to provide accurate information and estimates for free provided you ask them the right questions. If your pension fund cannot, or will not, help then Cheryl and Pete can, for a fee payable by you to ALACE (see Section 3 below) ask Hymans to do the calculations for you. Most ALACE members do not need to go to Hymans. Once you have got accurate information and estimates Cheryl and Pete can then put you in touch with Close (see Section 4 below) who will be able to give you independent professional financial advice on many of the questions outlined in paragraph 2.5 above, as well as on other personal financial issues besides pensions.

2.8 If you had to go to the market to get the sort of support Cheryl and Pete can offer it would probably cost you several thousands of pounds. That support can often help you save tens of thousands of pounds or more – so good value for money from your ALACE subscription fee.

## **2. INDIVIDUAL PENSIONS CALCULATIONS SERVICE**

3.1 As indicated in paragraph 2.7 above, most LGPS pension funds are happy to answer detailed queries for free from their members about an individual member's own personal pension position.

3.2 All LGPS pension funds should provide their members with a personal “**Annual Benefits Statement**” (ABS) each year although the type of information in the ABS can vary from pension fund to pension fund. All should give you information on the current level of your annual pension and tax free lump sum. Most will also give you an estimate of what they will be when you reach your Normal Pension Age (NPA), which for most people is 66 or 67, on the basis of some assumptions such as your pensionable pay not increasing before you retire. Some will also tell you how much of the current standard Lifetime Allowance you have already used up. If you have exceeded the Annual Allowance in any one financial year the pension fund has to tell you this by October of the following financial year.

3.3 Remember, however, that your LGPS pension fund can only tell you the position in relation to your LGPS pension (and sometimes any Returning Officer benefits and any AVCs you may have purchased from their AVC providers). In looking at the Lifetime Allowance and the Annual Allowance you do, however, also have to take into account any other sources of potential pension other than the LGPS (though not including the State Pension).

3.4 If you require more detailed information than that provided in your standard ABS, some funding authorities may also be prepared to provide you, on request, with more detailed personal calculations and information, including about your related taxation position.

They may do this for free or they may charge you. The funding authority itself may have to pay the fund's actuarial advisers for such calculations. The costs, depending on the complexity of your situation, could run into several thousands of pounds and some pension funds may ask you to pay these costs.

- 3.5 If your pension fund cannot, or will not, provide you with the pension calculations and estimates you need then the ALACE Consultants can, at your request, ask Hymans Robertson (Hymans), for an upfront fee payable by you, to do these calculations for you.
- 3.6 Hymans was founded in 1921 specifically to provide advice on the Local Government Pension Scheme (LGPS) and currently provides actuarial and benefit advice to about half of the nearly 100 existing LGPS funds. They have been enormously helpful to ALACE in the past providing both excellent expert speakers at ALACE Pensions Seminars and useful general advice particularly on taxation matters. The latter is then circulated to ALACE members and/or put on ALACE's website.
- 3.7 If you find that you cannot access all the information you require beyond that in your ABS, or if you prefer not to do this through your pension funding authority, or if you are concerned that the information you have received from your pension fund may not be entirely correct, you can approach ALACE through Ian Miller, Honorary Secretary, at [alacehonsec@yahoo.co.uk](mailto:alacehonsec@yahoo.co.uk) or on 07515 190917, or direct to ALACE Consultants Cheryl Miller or Pete Morris (contact details in paragraph 2.1 above). Cheryl or Pete will, on your behalf, ask Hymans for an estimate of the cost of doing the calculations you require. Costs will vary depending on the complexity of the calculations required. For some ALACE members calculations in relation to some 20 different options may need to be done. In such cases the cost could be of the order of £5000 (plus VAT). In more straightforward cases the cost may be nearer £1000 (plus VAT).
- 3.8 Before providing an estimate Hymans will require you to get some basic information from your pension funding authority. (Your authority does not have to be a client of Hymans for you to be able to use this service from Hymans.)
- 3.9 Once Hymans has calculated the potential fee the ALACE Consultant will pass this estimate to you. You will then need to confirm or otherwise whether you wish to proceed. If you do wish to proceed, **you will need to pay the estimated fee to ALACE at that stage.** Hymans will then do the calculations and these will then be passed by the ALACE Consultant to you when completed.
- 3.10 Hymans normally insist that all communications with them have to be through the ALACE consultant but, if there are queries relating to the calculations, they may be willing to speak to you directly.
- 3.11 Provided the queries are straightforward, and do not require further work to be done, there will be no additional fee.
- 3.12 When the work has been completed and the final invoice has been received by ALACE from Hymans it will be paid by ALACE. If the final invoice for the work done for you exceeds the original estimate you were given you will need to pay the difference to ALACE so that the Hymans' invoice can be paid promptly. If it is less than the original

estimate, ALACE will refund the difference to you. Hymans are very clear that they only provide **information not advice.**

3.13 Hymans will only provide the calculations on the strict understanding that, first, they are confidential to them, ALACE and you; and, second, that neither the calculations, nor details of Hymans' fees, will be shared with any "third parties". Such third parties do not, however, include your own pension authority or your Independent Financial Adviser (IFA) if you choose to consult one. If the IFA needs clarification from Hymans about the calculations someone from Hymans will be happy to speak to them.

#### **4. FINANCIAL PLANNING SERVICE**

4.1 This service is supplied by Close Brothers Asset Management Ltd (Close). Close is part of the Close Brothers Group which has been operating since 1878. It has worked with a wide variety of public sector organisations including many local authorities, the Foreign and Commonwealth Office, the Home Office and most of the UK's Police and Fire Authorities.

4.2 As with the Pension Calculations Service outlined in Section 3 above, you are advised to access as much information and accurate calculations as you can about your personal pension position from your own LGPS funding authority (and any other pension providers you may have) or from Hymans before accessing this service. Close will need your detailed pension calculations, especially where these are complex and there are many options open to you, if they are to be able to offer you the best possible financial advice. If you do not have such information when you approach Close, and Close have to contact your pension provider(s) on your behalf, there will be an additional fee from Close for them having to do so.

4.3 If you wish to access this service you should again approach Ian Miller, the ALACE Honorary Secretary, or ALACE Consultants Cheryl Miller or Pete Morris direct. (Contacts details are in paragraphs 3.7 and 2.1 above). Cheryl and Pete will give you the contact details for ALACE's experts at **Close Brothers Asset Management Limited** (Close) and will let Close know that they may be hearing from you. It is then entirely at your own risk and discretion whether you contact Close and whether you eventually decide to commission Close as your financial adviser.

4.4 Once you contact Close the appropriate expert at Close (who have a number of experts who cover different parts of the country) will arrange to have a detailed discussion with you on the 'phone. It may be necessary for you to get some additional information together before the detailed discussion can take place.

4.5 During the telephone discussion the Close financial manager will discuss your retirement/lifetime goals with you, review your position, conduct a comprehensive review of all your assets and liabilities (covering not just pension issues but such matters as mortgages, savings, investments, inheritance tax etc.), and explain the sort of services Close can offer. This detailed phone call discussion will be **free**.

4.6 One of the services Close can offer is to draw up for you (jointly with your partner/spouse if you wish) a personal financial portfolio/plan that aims to meet your retirement goals, tailored according to 3 retirement life stages i.e. preparing for, at, and post-retirement. This personal financial portfolio/plan will contain recommendations against a core set of retirement products, solutions and investments. If you decide you want Close to draw up a

personal financial portfolio/plan for you on these lines, there will be a charge of £1,250 (plus VAT) for this service to be paid directly to Close (not through ALACE). Your dedicated financial planner will then draw up a draft personal financial portfolio for you and arrange to meet up with you (and your partner/spouse if you wish), at a location of your choice (e.g. at your home or office), for a face-to-face review of the draft financial portfolio/plan. The plan will then be modified in the light of that discussion.

4.7 If, following this work, you decide that you wish formally to commission Close to be your Independent Financial Adviser (IFA) the initial £1,250 fee (plus VAT) for drawing up the personal financial portfolio/plan will be deducted from any subsequent management fees from Close (see paragraphs 4.9 and 4.10 below)

4.8 As your IFA, Close will provide:-

- a dedicated financial planner and an administrator – the client’s (your) team
- the financial planner will be responsible for implementing and actively managing your personal financial portfolio/plan holding at least annual reviews with you (or whenever a significant financial event takes place e.g. you retire or inherit or win a large amount of money or property, or the law in relation to investments etc. changes significantly) for as long as you require
- access to advisers specialising in complex financial products tailored to your age group, to include LGPS pension provision for a complete end-to-end experience
- access to a personalised secure website with your own financial plan, tools and research, and full consolidation, valuation and reporting on all assets (independent of Close).

4.9 Close will charge the following **initial fee** for investing capital on your behalf :-

£0 - £250,000	3%
Next £250,000 - £500,000	2%
Next £500,000 - £1,000,000	1%
£1,000,000+	by negotiation

The £1,250 (plus VAT) fee paid for drawing up your financial portfolio/plan will be deducted from this initial fee

4.10 There will then be **ongoing annual charges** as follows: -

**Annual Management Fee** (typically 0.75% but will depend on your attitude to risk) and **Platform Fee** for Investment Portfolio (**0.25%**)

**Annual Advice Fee (if required)**

£0 – £250,000	1.00%
Next £250,000 - £500,000	0.75%
Next £500,000+	0.50%

4.11 You will not be committed to advice fees for any particular duration of time and you can ‘turn off’ the advice fee with written confirmation at any time. The advice fee would then be removed from the next working month. You cannot, however, opt in and out of advice fees on a yearly basis.

4.12 A couple of examples are given below for the costs to ALACE members who invest £100,000 and £500,000 respectively:-

Example – ALACE member who invests £100,000, would pay an initial fee of 3% (£3,000) and would incur annual ongoing costs of circa 2% (£2,000) per annum.

Example - ALACE member who invests £500,000, would pay an initial fee of 2.5% (£12,500) and the ongoing cost would drop from 2% to circa 1.875% (£9,375) per annum

4.13 With the caveat that investments can always go down as well as up, the normal expectation would be that any return on investments made on your behalf by Close would significantly exceed these charges but that cannot, of course, be guaranteed.

**4.14 ALACE is not recommending, and will not recommend, any specific IFA service and it is not doing so in this case. It is simply making Members aware that this service is available. Any approach to any IFA, including to this service, is entirely at your own discretion and risk. ALACE does not accept any liability for any advice that you accept and follow.**

4.15 It is also important to bear in mind that **no IFA can guarantee that the products they recommend will make money, there is always the risk that investments will lose money.** They can, though, advise on the degree of risk attached to different types of financial products. Complaints about the service provided by the IFA company can be made to the Financial Services Ombudsman and to the Financial Conduct Authority (FCA) if their clients believe that they have been wilfully misled or misinformed by the company.

4.16 You may also like to consider approaching IFAs other than Close before deciding whether or not formally to commission Close. Other IFAs may offer different advice and this might help you to ask more informed questions of the different IFAs. IFAs should now be very transparent about the various fees they charge but, if they are not, then pursue this so that you can make comparisons with Close's charges. We believe Close's charges to be very competitive. Many tens of ALACE members have used this service in the past and ALACE has received no complaints from any of them about the service they have received.