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To: active and deferred
Scheme members

March 2015

Dear Member

ASTON UNIVERSITY PENSION SCHEME (AUPS) AND PENSIONS FLEXIBILITY

The purpose of this letter is to provide you with information about new options that arise from changes that the Government has made to pensions legislation.

You may have seen in the news the Government's announced changes to pension rules for contributors to Defined Contribution (DC) pension arrangements. These changes allow DC contributors, once they reach age 55, to take all of their pension "pots" as a lump sum, rather than the current requirement that they buy an annuity with at least three-quarters of their pot. Anyone choosing this option will normally be able to receive a quarter of their pot tax free (as at present), but the remainder will be taxed as income. The changes come into effect from April 2015.

The Government is setting up "Pension Wise", a free, impartial guidance service for those with DC pots to help them understand the different options which might be open to them and how tax will impact on their choice. The website for "Pension Wise" (https://www.gov.uk/pensionwise) will be available from April 2015.

These changes only apply to DC arrangements and not to Defined Benefit (DB) schemes such as AUPS (except to their money-purchase AVC arrangements). You should therefore be aware that this option will not be available for your AUPS benefits when you retire.

TRANSFERS TO ANOTHER PENSION ARRANGEMENT

After consultation, the Government has decided that it will continue to allow transfers out to be made from DB schemes to DC arrangements. This will allow members of DB schemes to be able to use the new flexibility, should they wish to do so. However, anyone wishing to have such a transfer will be required to provide proof to the transferring DB scheme that they have received "independent advice from an appropriate person" i.e. someone authorised by the Financial Conduct Authority (FCA) to give such advice, if the transfer value is more than £30,000. The Government are still finalising the legislation allowing for these changes, so full details are not yet available.

IMPLICATIONS FOR AUPS MEMBERS

An AUPS deferred member, that is, someone who is no longer contributing to the Scheme and for whom benefits have not yet come into payment, has the option to have a transfer value paid to another tax approved arrangement that is willing and able to accept the payment. The right to a transfer only applies until age 64. Once you reach your 64th birthday you do not have the right to transfer benefits out of AUPS.

Anyone considering transferring benefits out of AUPS to a DC arrangement should seriously consider in full the benefits that they will be giving up. In any event, you will be required (based on information currently available) to take independent financial advice and to provide proof of this to the AUPS trustees, before a transfer will be paid, if the transfer value exceeds £30,000.

AUPS members currently contributing to the money-purchase AVC arrangement with Friends Life will have an additional option at retirement to take all their AVC funds as a lump sum (subject to the appropriate tax deduction). Details of this option will be included with the other options available in any retirement estimates. (Please note that the AVC arrangement is closed to new contributors.)

It is recommended that you seek independent financial advice when considering your options. A directory of independent financial advisers in your area can be found at https://www.unbiased.co.uk/. Independent financial advisers will in many cases charge you a fee for their services, which you will have to pay. Neither the Trustees nor the University are able to provide financial advice on your retirement or transfer options.

PENSION SCAMS

The Pensions Regulator has highlighted an increase in pension scams – companies that entice individuals to have transfer values paid from their existing pension schemes or arrangements. This may involve "promises" to release money before age 55 or to pay greater sums than are allowed. There have also been cases where companies have disappeared with the money transferred to them. If you do decide to choose a new pension provider, you are urged to be careful and make sure that they are legitimate before you transfer and do not be pressured into making a decision. A transfer to a bogus provider may not only result in you losing all of your pension savings, but you could also incur a tax charge of over half the amount of the transfer value – a transfer to a bogus arrangement is considered by HM Revenue & Customs to be an "unauthorised payment" which triggers a 55% tax charge.

Further information about pension scams can be found on the Pensions Regulator's website at:

http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx

Please do not hesitate contact me should you have any questions.

Yours sincerely

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A lifetime's savings lost in a moment.

Pension scams. Don't get stung.