

CYNGOR SIR POWYS COUNTY COUNCIL

**Pensions and Investment Committee
11th July 2014**

REPORT BY: Strategic Director of Resources

SUBJECT: 2014 Budget

REPORT FOR: Information

- 1 Some of the most significant proposals to reform defined contribution pensions in years were announced as part of the Budget on 19th March 2014. Whilst many of these changes do not apply to the LGPS, there are some changes that will apply and others that will impact indirectly.
- 2 The Chancellor announced an increase in the trivial commutations limit from £18,000 to £30,000 and an increase to the small pot payments limit from £2,000 to £10,000. These increases took effect from 27th March 2014 and impact on all schemes including the LGPS.
- 3 An indirect impact is that the new flexibilities to be afforded holders of defined contribution arrangements from April 2015 could result in increased exits from defined benefit schemes such as the LGPS. Many individuals may be attracted to the flexibility of income drawdown and decide to opt out of defined benefit schemes and transfer out in order to take advantage of the new provisions. The potential danger in cashflow and funding terms to public service pension schemes of a mass exodus to defined contributions has been recognised. The Government will consult later on this year on whether or not transfers from public service pension schemes (including the LGPS) to defined contribution schemes should be stopped.
- 4 As part of Budget 2014 it was also announced that the Government will legislate to give HMRC 'broader powers' to tackle issues of 'pensions liberation', particularly in relation to the registration and de-registering of schemes. In addition new financial penalties were announced of up to £3,000 where false information has been provided to HMRC.
- 5 Committee are asked to note the contents of this report.

Recommendation:		Reason for Recommendation:	
<ul style="list-style-type: none"> • To note the contents of the report. 		As per report	
Person(s) To Action Decision:			
Date By When Decision To Be Actioned:			

Relevant Policy (ies):	N/A		
Within Policy:	N/A	Within Budget:	N/A
Contact Officer Name:	Tel:	Fax:	Email:
Joe Rollin	08708 510264	01597 826290	joe.rollin@powys.gov.uk

Relevant Portfolio Member(s):	Councillor Dai Davies
Relevant Local Member(s):	