University of Reading

University of Reading Pension Scheme

Changes to the Charge Cap

In March last year, the Department for Work & Pensions (DWP) published its paper 'Better Workplace Pensions: Further measures for savers'. This paper set out a number of ways to ensure that defined contribution pension plans, like the University of Reading Pension Scheme (URPS), are well run for members like you.

One of the most important announcements was the introduction of a maximum limit (or 'cap') on the charges that you pay. The cap is set at 0.75% a year on the value of your Account and applies to:

- pension schemes that are qualifying schemes for automatic enrolment (ie includes URPS); and
- the funds that make up the 'default' investment under the scheme.

What are the charges?

Each investment fund has an Annual Management Charge (AMC) which is a fixed percentage applied to that fund. The AMC represents the percentage BlackRock (who invests the funds for URPS) will deduct from the fund's value each year. The AMC includes the cost of managing the investments of the fund, the costs of administration and other services such as maintaining a record of your savings and calculating the fund value each day.

What is changing?

One of the funds, the DC Diversified Growth Plus, has an AMC above the cap so it will be replaced with the DC Diversified Growth Fund which has a lower AMC and thus does not exceed the cap.

Fund Name	Current AMC	New AMC
BlackRock DC Diversified Growth Plus	1.17%	N/A (fund not included)
BlackRock DC Diversified Growth	N/A (fund not included)	0.65%

This change will take place from Monday 6 April 2015 and all investments in the DC Diversified Growth Plus will be moved to the DC Diversified Growth fund from that date.

What do you need to do?

You do not need to do anything, it will all be done automatically by BlackRock. The scheme will be in "freeze" from Monday 23 March to the 3 April and during this time you will not be able to access your online account to make any changes to your investments.

If you have any queries on this, please contact the BlackRock pensions helpline on 0845 601 7721 or email at blackrock.pensionsuk@blackrock.com.

25 March 2015

Pension Freedoms

As well as the changes to the charge cap (and thus funds available for investment under URPS), there are some other changes which come into effect from 6 April 2015 and these are concerned with the options available to you on retirement.

For anyone who retired before 6 April 2015, at least 75% of the pension pot (retirement account) has to be taken as income in the form of a pension for life (an annuity) unless the “triviality” rules are met (these usually apply where the amount in your account is small) and the whole amount could be taken as cash.

From 6 April 2015, as you may well have noticed in the media, the range of options increases, giving people more freedom and choice about what they do with their pension pots.

Buying a pension no longer compulsory

Firstly, you no longer have to take part of your retirement account and use it to buy an annuity. Although this option is still available, and will suit people who want a guaranteed income, it is no longer compulsory. Instead, you can choose to take the whole of your pension pot as a cash sum. One quarter of the cash sum will be free of tax but the remaining three quarters will be added to your income for the tax year and will then be subject to tax at your marginal rate. This means that by taking the cash sum into account, you may end up paying higher rate tax even if you normally only pay basic rate. So if you are interested in this option, make sure you are aware of the tax implications before making a final decision.

Secondly, you could choose to transfer your retirement account out of URPS into an arrangement that allows you to take “income drawdown”. This type of arrangement allows you to draw down some of your total pot as and when you want it. A total of one quarter would still be free of tax and the remainder would be taxable but you should note that this type of arrangement is usually only available if you have a fairly sizeable retirement account (for example, around £50,000). This option is not available from URPS itself and to take advantage of this way of drawing your pension savings, you would have to transfer your pot out of URPS into an appropriate type of arrangement.

Pension Wise - free guidance on your approach to retirement

A new free and impartial government service that helps you understand your new pension options is now available. Pension Wise won’t recommend any products or tell you what to do with your retirement savings. It will provide you with lots of information and help you through the 6 steps you need to take to turn your pension pot into income for your retirement.

You will be able to speak with an impartial guidance specialist on the phone or face to face. To find out more, go to the Pension Wise website and click on “Learn about appointments”. Here you will find out how to prepare for your appointment and the number to call to book.

Pension Wise can be found at **www.pensionwise.gov.uk**.