

7th January 2017

All Members Newsletter

# Rush To Cash In Pensions?

It seems that the new Administrator of the Bank's Pension Schemes is getting the kind of bad reputation that Equiniti took years to acquire through under investment in the business.

Members who are considering cashing in their final salary pensions, and we understand the numbers asking for transfer valuation quotes has increased significantly over the last few months, are being told they must wait up to 6 weeks to get the pensions opt out form. One member wrote to the Administrator saying:

"I called today to request the opt out forms and was told that these may take six weeks to be with me and then there would be a further period to make the transfer. I cannot accept that this time frame is "treating the customer fairly " and my union representative has suggested that I put in writing how I feel and would ask that you send the appropriate forms without further delay."

The form was received after the email was sent but given the fact that pension valuations are only valid for 3 months anyway, such unnecessary delays could cause members to be financially worse off.

## Why The Rush?

The delay in sending out forms is due to the fact that an increasing number of staff are asking for cash equivalent transfer value quotes (CETV) having read about cash transfer values hitting record highs levels.

Final salary transfers are available to what are known as 'deferred scheme members', those staff who have either left the Bank or left one of the Bank's final salary pension schemes. Whilst the vast majority of deferred members will have left the Bank, there is an increasing number of active staff who are moving from one of the final salary pension schemes to the 'Your Tomorrow' money purchase pension scheme especially since the 0% pension cap was introduced. For the overwhelming majority of active staff, it's in their best interests to remain in a final salary scheme.

It seems that attractive cash equivalent transfer values are now being offered by many pension schemes - up to 50 times the projected pension income - and new pension freedoms are causing scheme members to look at this issue. The Financial Times recently quoted Baroness Altman, the former Pensions Minister, who cashed in two of her pensions. She said "The sums were attractive to me and it was hard to imagine the offers going any higher". The Financial Times' chief economic commentator, Martin Wolf, said "At current ultra low interest rates, the transfer value of a defined-benefit pension has become significantly overvalued. It seems sensible to take advantage of that fact. I have done so. Could that be the wrong decision? Yes. But I would have to live to 100 and the pre-tax return on investments would have to be zero. If the latter were to be true, capitalism would truly be dead". The increase in values has been driven by low yields on government bonds. When those fall the cost of paying for future pension promises rises. So the cash offered today for future pensions has also risen.

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**In the vast majority of cases it's still in the individual's best interest to stay in their pension scheme. Those who take the cash give up the security of an index-linked guaranteed pension. Under the Government's regulations members are required to take independent financial advice. We would urge those members who are considering seriously taking advantage of the transfer values to take proper advice with a reputable IFA and consider all the issues carefully before they consider giving up their gold-plated pension.**

## **Annus Horribilis**

Just before the Christmas break the Bank announced details of the 2016 Annual Bonus Plan. The exact details of the Group bonus pot will be announced with the results on 22nd February.

Given the Bank's share price performance over

the last 12 months', the slow down in profits and Antonio Horta-Osorio's annus horribilis, don't be surprised if the Bank's spinmeisters, hoping to take the moral high ground, don't leak to the press that the CEO's annual bonus is being reduced significantly. Any other member of staff would have the same reduction applied to their annual bonus for the same level of under performance.

**One issue which many members have picked up on is the fact that for Grade D to G staff, Line Managers have been given more discretion in determining bonuses. In fact, it's possible for two members of staff to be given bonus awards of 7% and 20% respectively despite the fact they got the same rating. That instinctively feels wrong. We will return to this issue in a further Newsletter.**

**Mark V Brown**  
General Secretary

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