

# Connections

## » Updates on the AA Pension Scheme

**W**elcome to this, the fifth edition of 'Connections'.

I would like to take this opportunity to introduce myself to you as your new Head of Pensions.

I passionately believe in the need for people to save for their later years and here at the AA we have every opportunity to do just that through the AA Pension Scheme of which you are a member.

Most of the information we provide to members is made available via our Scheme website at **www.AApensions.com** in an effort to try and keep the pension scheme running costs as low as possible. Do please take a look at the Scheme website from time to time to see what's new.

I hope you find something of interest in this magazine. Please let me have any comments on the Pension Scheme or this magazine by emailing [mike.sullivan@theaa.com](mailto:mike.sullivan@theaa.com).

**Mike Sullivan**  
Head of Pensions



## Summary Funding Statement

Keeping you up to date on the financial health of the Scheme is a responsibility that the Trustee takes very seriously. Each year a Summary Funding Statement is produced which gives you important information about the Scheme's financial position. The Trustee hopes that this information will give you the peace of mind that comes from knowing your Scheme benefits are being well looked after.



The 2013 Summary Funding Statement can be found on the My Library page of the secure area of the Scheme website at [www.AApensions.com](http://www.AApensions.com). If you need help accessing this area, please contact Aon Hewitt using the details overleaf.

The 2014 Summary Funding Statement will be available to view online in Spring 2015. We recommend you take the time to read the Statement when it becomes available as it includes important information about the security of your Scheme benefits.

## Reduced Annual and Lifetime Allowances

**There has been a lot of coverage in the news lately about changes to pensions and it is often difficult to understand which changes affect you as a member of the Scheme.**

One change that you should be aware of, particularly if you are paying Additional Voluntary Contributions (AVCs), is the reduction to the Annual Allowance and Lifetime Allowance (LTA).

As a quick reminder, the Annual Allowance and LTA are limits on the amount of pension you can build up without having to pay an additional tax charge.

On 6 April 2014 the Annual Allowance reduced from £50,000 to £40,000 and the LTA reduced from £1.5 million to £1.25 million. This means that more members may have pension savings that exceed the Annual Allowance and LTA so it is important that you understand how your pension benefits are affected. You can find out how much of the Annual Allowance you used in the last Scheme year by looking at your online Benefit Statement.

Further information can be found on the News page of our Scheme website at [www.AApensions.com](http://www.AApensions.com).

## Budget proposals to Defined Contribution (DC) schemes

**The Chancellor, George Osborne, surprised the pensions industry in his budget speech in March 2014 with proposals of significant changes to the way members of DC schemes will be able to use their pot of money when they reach retirement.**

DC schemes are where members build up a pot of money over their working life. They usually use this pot to buy an annuity at retirement which is a means of receiving a regular pension payment. The Government was concerned that the general cost of annuities meant people were not getting the best value from their pension savings. As a result, instead of having to buy annuities, individuals will be able to take cash out of their DC pension savings as and when they want after the age of 55.

As you may know, the AA Pension Scheme is a Defined Benefit (DB) scheme, not a DC scheme. So a lot of the changes won't apply to you directly. However, there are some issues that you will need to consider when planning for your retirement. Further information on this can be found on our Scheme website at **[www.AApensions.com](http://www.AApensions.com)**.

The Trustee of the Scheme will need to take some time to fully digest the Government's announcement to see whether they need to take any action on behalf of members. Any decisions made by the Trustee will be communicated to you as soon as possible.

## Pension liberation



**The Pensions Regulator has increased its focus on improving awareness of pension liberation with a re-launch of its campaign and a re-brand as 'pension scams'. With new flexibilities for DC scheme members available from April 2015 the Regulator is concerned that this could drive up the number of pension scams.**

Since this campaign began, tactics used by scammers have evolved and can now include in-home visits from 'introducers', claims about 'legal loopholes' and the use of unusual investments like overseas property, storage units or biofuels. These are all used by scammers to make targets believe they are being offered a legitimate pension transfer.

The Regulator has asked pension trustees to help promote awareness of pension scams to their members. A new leaflet and booklet is available to help members understand the risks they face when considering a transfer of their pension savings.

*A link to the new leaflet and booklet, along with the steps you should take if you think you are being targeted by a pension scam can be found on the News page of our Scheme website at **[www.AApensions.com](http://www.AApensions.com)**.*

## Notice of Trustee resolution to preserve existing powers

**The Trustee has decided to exercise its powers to pass a resolution under section 251(3) of the Pensions Act 2004.**

Section 251(3) is a technical section of pension legislation which requires trustees to pass a resolution if they want to keep existing powers to make payments back to their scheme's sponsoring employer. To pass this resolution for the Scheme, the Trustee has to give members at least three months' notice. This wording represents the required notification.

The resolution will take effect from 17 March 2015. The Trustee does not want to expand the circumstances in which payments can be made to the Company – only to preserve the status quo, which it believes is a reasonable thing to do. The circumstances in which a payment can be made to the Company are strictly limited by the Scheme's Rules and pension legislation.

*This notification is for information purposes only – you do not need to take any action.*

## Changes to the State Pension from April 2016

**A new flat-rate (single-tier) State Pension is being introduced from 6 April 2016, replacing the current basic and additional pensions. This is with the aim of making the State Pension system fairer and less complicated.**

The full flat-rate State Pension will be no less than £148.40 per week but the actual amount will be set in Autumn 2015. To be entitled to the full amount you will need to have paid National Insurance (NI) contributions for 35 years. The amount you receive will be reduced if:

- You have paid NI contributions for between 10 and 35 years. You will receive a proportion based on the number of years paid. (Note: You will need to have paid NI contributions for a minimum of 10 years to qualify for any State Pension).

And/or

- You are contracted-out or have previously been contracted-out.

For more information on the new flat-rate (single-tier) State Pension, what this means for you and contact details if you want to know how much State Pension you will get, please visit the News page on the Scheme website at [www.AApensions.com](http://www.AApensions.com).

## Contact us

If you have any questions about your Scheme pension, please contact the AA Pensions team at Aon Hewitt.



Write to:  
**AA Pensions team**  
**Aon Hewitt**  
**PO Box 196**  
**Huddersfield**  
**HD8 1EG**

AA pensions Helpline: **0845 850 6406**  
Email: **AA.pensions@aonhewitt.co.uk**  
**www.AApensions.com**