

Deferred

Members Newsletter Summer 2016

For more information visit the Local Government Pension Scheme Members website: www.lgpsmember.org

Welcome to the 2016 edition of the newsletter for deferred members of the Local Government Pension Scheme (LGPS).

This newsletter was produced jointly with other LGPS Funds. You should contact your Pension Fund directly if you wish to change your personal details or need further information.

🔍 Frequently Asked Questions

Why haven't the benefits shown on my statement increased from last year?

This year, public sector pensions will not receive any increase. This is because the Consumer Price Index (CPI) for the year to September, which determines the changes to pensions for the following April, was a negative figure. In the majority of cases, this means the figure shown on your statement will be identical to last year because Pensions Increase cannot be negative. However, if part of your deferred benefit was built up after 1 April 2014, this proportion of your pension will be adjusted by the Treasury Order 2015, which is applied each 1 April.

Can I take my benefits early?

You can take your benefits

before your Normal Pension Age (NPA) but your benefits are likely to be reduced for early payment. The earliest age when you can take your benefits depends on the regulations in place when you left the Scheme. If you left the Scheme before 1 April 2014 the earliest age you can receive payment of your benefits without your employer's consent is age 60. Payment between age 55 and 60 can only happen with the agreement of your former employer. If you left after 1 April 2014 the earliest age you can access your benefits without your employer's consent is age 55. The early payment reduction applied depends on how early you take payment before your NPA.

Any early payment reduction is based on how many years and days before your NPA you retire. The early payment reductions affect both your

pension and lump sum and are applied when you make the choice to start receiving your benefits. For further information on these reductions please refer to your Fund's website.

If, however, you are still in Local Government employment, remember you may not be able to claim payment of your deferred benefits until that employment has ended. Always check with your Fund.

What happens if I die before receiving payment of my deferred benefit?

Under the Scheme rules there will be a death grant payable. If you left the LGPS before 1 April 2008, any death grant that may be payable would be the value of your deferred lump sum retirement grant; if you left after 1 April 2008 the potential death grant would be 5 times the annual deferred pension. In either case the value of benefits is increased in line with inflation to the date of your death.

If you are still contributing to the LGPS in another employment any death grant that may be due is the greater of either the death in service grant or the deferred pension death grant.

If you have completed an expression of wish/nomination form for payment of death grant then your wishes will be taken into consideration but the final decision is at the discretion of the Pension Fund. If you haven't completed a form or wish to change your nomination please visit the Fund's website.

What if I left my job after the change in regulations from 1 April 2014?

Your benefit statement will show the current combined value of your Career Average Revalued Earnings (CARE) pension and your Final Salary pension, and where appropriate, any lump sum retirement grant.

Can I transfer my benefits out before drawing them?

You can transfer your benefits to another provider **so long as you are not still contributing to, or in receipt of, a pension from the LGPS and you are not within 12 months of your NPA.**

If you request a transfer out of the LGPS you will be provided with a Cash Equivalent Transfer Value (CETV). If the total transfer value of all LGPS benefits is greater than £30,000 the rules state that you must take Independent Financial Advice from a Financial Conduct Authority approved Financial Advisor.

Upon requesting a transfer you will be asked to sign a declaration confirming

whether you have any other LGPS benefit entitlement. If you have more than one deferred benefit it would be necessary for you to transfer out all LGPS deferred benefits held or the transfer cannot proceed.



Pensions Tax Changes

In the summer 2015 Budget some announcements were made which could impact the tax paid by members of the LGPS. There are two tax measures: the Annual Allowance (AA) and the Lifetime Allowance (LTA).

Lifetime Allowance

The LTA is the total value of all pension benefits an individual can draw over their lifetime before incurring a tax charge. The reduction in the LTA from £1.25m to £1m is effective from 6 April 2016.

There will be two transitional protections introduced alongside the reduction for members with pension savings close to or exceeding £1m.

They are:

- Fixed Protection 2016
- Individual Protection 2016

If you need to apply for these new protections you can do so by using a new on-line self-service system which will be available from July 2016.

Annual Allowance

The Annual Allowance is the amount your pension savings can increase in any one year without there being a tax charge payable.

The standard AA is currently set at £40,000 a year. From April 2016 a taper will come into force limiting the AA amount for some members.

How will the taper work?

Broadly, anyone whose adjusted annual income, including their own and their employer's pension contributions, is more than £150,000 will be affected by the taper. But anyone whose threshold annual income (income less pension contributions) is £110,000 or less will not be subject to the taper regardless of their adjusted income.

The taper will reduce the AA limit by £1 for every £2 of income received over £150,000, down to a minimum AA limit of £10,000. Any pension savings made in excess of an individual's personalised AA limit will be subject to a tax charge at the individual's marginal income tax rate. The facility to carry forward up to three years' allowance will remain in force.

If you think you might be affected by this change, you should contact HMRC by telephoning (0300 200 3300) or by visiting www.gov.uk

➤ Launch of the LGPS National Insurance Database

All LGPS Pension Funds will be participating in a data sharing exercise across England, Wales and Scotland. This is to help comply with legal requirements contained in the LGPS Regulations.

If a member of the LGPS dies with an entitlement to a death grant, it is necessary for the scheme's administrators to know if the individual also had other periods of LGPS membership elsewhere in the country so that the correct death benefits can be paid out.

As the LGPS is locally administered, each Fund has its own membership records and it can be difficult to tell if an individual has other LGPS membership, and if so, where these records are held. To comply with the requirements set out above, a National Insurance Database has been developed that will enable Funds to check if their members have LGPS pensions records in other Pension Funds.

What data is shared?

For each member of the LGPS, the Database holds a short entry containing:

- The individual's National Insurance number,
- A number to denote the individual's membership status,
- The last calendar year that the membership status changed, and
- A four digit number confirming the LGPS Fund where that member's record is held.

Who hosts the Database?

The Database is hosted at the South Yorkshire Pensions Authority, an LGPS Fund administering authority.

How will the data held on the Database be processed?

The data held on the Database will be processed in accordance with the Data Protection Act 1998 and other relevant legislation.

Are there any other purposes that the Database will be used for?

An extract of the membership information contained in the Database will periodically be shared with the Department for Work and Pensions (DWP) so that the LGPS can join the Tell Us Once service. Tell Us Once is a service offered in most parts of the country when an individual registers a death. When the LGPS joins Tell Us Once and the death of an LGPS member is registered, the DWP systems will ensure that the relevant LGPS Fund is informed of the death, meaning that the member's records can be processed quickly and simply.

Who is the data shared with?

Other LGPS Funds. These are all public bodies named in legislation as administering authorities of the LGPS. For the Tell Us Once service, an extract of the Database containing individuals' NI numbers will be securely shared with DWP every month so that they may maintain an up-to-date record of LGPS membership.

How long will this data sharing be undertaken for?

For as long as:

- i. the relevant regulatory requirements remain, and
- ii. the LGPS participates in the Tell Us Once service.

In the event that neither of the above apply, the data sharing will cease to be undertaken.

Can I opt out of this data sharing?

No. As this data sharing is being undertaken to comply with a legal requirement, it is not possible for scheme members to opt out of the data sharing.

What if I have any queries?

To find out more about this data sharing or if you have any questions, please contact your Pension Fund.

Going Digital

To help the environment and reduce the amount of paper we use, we are looking to go digital in the way in which we communicate with you about your pension, with the aim of going paperless in the near future.

This means the majority of our communication with you will be by electronic methods – through our website, e-mail and member self serve (the online self-service facility where you can view your pension details).

If you don't have online access, you will still be able to opt to receive paper copies of the information we provide.

Several Pension Funds have collaborated to produce this newsletter and it is important to make it clear that not every Fund is at the same stage of introducing electronic communication.

We will be in touch in the future with further details of how to do this.

➤ Re-employment and Exit Payments

The Government, under the Small Business Enterprise and Employment Bill, has established rules requiring high earning public sector employees who leave their employment to repay some, or all, of any exit payment that they have received if they re-join the public sector within a year. Exit payments are payments made to an employee or office holder by their employer on leaving the organisation and include the value of paying a pension benefit early. An example of this would be an employee retiring on redundancy grounds and who receives a redundancy payment.

The core elements of the Bill are as follows:

- to require high earning public sector employees or office holders to repay exit payments should they return to the public sector within 12 months on a proportional basis
- a high earner would be defined as any individual earning above £100,000 a year; below this threshold a taper would apply, down to a second earnings threshold of £80,000.

➤ The End of Contracting Out

If you are still contributing to the LGPS or if you re-join the scheme in the future it is important that you are aware of a fundamental change from 6 April 2016.

If you pay National Insurance contributions you will have been contributing towards the Basic State Pension. However, if you are currently or have been in the past a member of the LGPS, you will have been 'contracted out' of the additional State Pension (known as SERPS or State Second Pension (S2P)) and have been receiving, or have previously received, a rebate for this part of your National Insurance contributions.

The Government has introduced a new 'single-tier' State Pension for people who reach State Pension Age on or after 6 April 2016. This replaces the existing basic and additional State Pension, which will end all contracting out.

This means from 6 April 2016, as the LGPS is no longer contracted out, current LGPS members will see a rise in National Insurance contributions as they will no longer receive the National Insurance rebate.

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More information about the new State Pension is available at www.gov.uk