

# Pension Update



FOR MEMBERS OF THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) | **JANUARY 2016**

## We're going digital!



### ▶ Have you registered to view your pension online?

By registering you will be able to see how your LGPS benefits are building up, estimate your pension benefits due at retirement, update your personal details and view your annual benefit statement.

### ▶ How to register...

To register to view your own pension information, simply visit: [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk) and click 'Register' under 'My Pension Online'.

### We have been developing our electronic communications, with the aim that in 2016, we go paperless!

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

It is our intention that Annual Benefit Statements and newsletters will be available electronically on our website and through “my pension online”. As we put these plans in place and we will keep you updated on progress.

If you don't have online access and still want to receive paper copies of the information we provide, you just need to write to let us know. Our address is on the back page of this newsletter. Please include your name and National Insurance number in your letter.

If you have previously let us know that you want to receive paper-based information then you don't need to write to us again.

To register we must hold an email address for you on record. If you haven't already provided us with your email address you should email [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk) from the address you want to register, confirming your name and National Insurance number. Once we have your email address we will be able to provide you with the latest pensions news.

## Your Annual Benefit Statement - have you checked yours?

### A Career Average Revalued Earnings Scheme (CARE) provides a yearly build-up of pension and we are asking members to check their Annual Benefit Statement carefully.

At the end of August 2015 we issued you with an Annual Benefit Statement, if you were an active member of the Scheme on the 31 March 2015. You may have noticed that this statement looked different from previous years'. This is because it was the first statement since the LGPS changed to a CARE scheme on 1 April 2014.

#### Final Salary Vs. CARE

In the previous Final Salary Scheme your pay in the last 365 days before you left the Scheme would determine the pension you would receive upon retirement. However, in a CARE scheme your pension is set by the pay you receive each year you are a member and then added together to form your total CARE pension.

As a result of the introduction of a CARE scheme it is more important than ever that your employer provides accurate pay information and that you check your ABS each year.

SALARY ADVICE	
BASIC PAY	23624.00
PENSIONABLE PAY	23624.00
POST / SACRIFICE	23624.00
ACTING PAY	23624.00
ALLOWANCES	23624.00

BASIC PAY	23624.00
PENSIONABLE PAY	23624.00
POST / SACRIFICE	22206.56
ACTING PAY	0.00
ALLOWANCES	1963.00

## FAQs

### What do I need to help me check my statement?

When you get your statement you should check all personal information in the statement is correct, and most importantly, that the pay supplied by your employer is accurate. To do this you will need access to your payslips from April to March for the year you are checking.

### I have two pay figures on my Annual Benefit Statement. Do I need to check them both?

Yes, you should check both. The pay used to calculate your LGPS benefits, is known as your pensionable pay which is also the pay from which contributions to the scheme are deducted. Not all the payments you receive from your employer are pensionable and when the LGPS changed on the 1 April 2014, a new definition of pensionable pay was introduced. This change means that the LGPS uses two definitions of pensionable pay to calculate the different parts of your pension benefits. The two definitions are known as the 2008 Final Salary definition and the 2014 CARE definition.

### What is the difference between the 2008 and 2014 definitions of pensionable pay?

The 2014 CARE definition of pensionable pay now includes non-contractual (as well as contractual) overtime and also includes any additional hours worked. These payments (except for contractual overtime) are not included in the 2008 Final Salary definition of pensionable pay.

### How do I check the pay figures on my statement?

If your pay is the same amount each month, or you work full time and haven't received any additional payments or pay awards throughout the year, then the pay on your statement should be the total gross on the cumulative figure on your March payslip. This will be the same for both CARE and Final Salary pensionable pay.

If your pay changes each month; you work part time, have received a pay award or have had any breaks in service, or periods of no pay, throughout the year, you will need to check with your payroll department as to how they have calculated your pay as it may not be clear from your payslips. If any of the above circumstances do apply to you, here are some points to consider when checking your pay:

### Do you work part time?

If so, your contributions to and benefits from the 2014 CARE Scheme will be based on your actual pensionable pay. This means that your 2014 CARE pensionable pay will not be converted into the full-time equivalent like your 2008 Final Salary pensionable pay is.

### Have you had any periods of reduced or no pay?

If you have had any periods of reduced pay as a result of sickness/ injury or ordinary child related leave, your 2014 CARE pensionable pay will include periods of assumed pensionable pay (APP) which is calculated by your employer.

### Have you been on secondment or had any periods of acting up?

If you have received any additional payments for periods of acting up or secondment, these will count as additional payments. You should check that these payments have been included in your 2014 CARE pensionable pay.

### Have you paid extra contributions?

If you have paid extra contributions throughout the year either to increase your pension via Additional Pension Contributions (APC's) or to cover any periods of lost pension because of absence, then you will need to check that your statement shows this.

### What should you do if you think the pay on your ABS is wrong?

Contact your employer as soon as possible. If you are still not satisfied, you have the right of appeal.

# LGPS Protections: Are you covered?



In recent years, the LGPS has seen significant changes to its legislation. Some of the changes included protection for certain members who were in the scheme at the time of the change. Some of the main protections are listed below but remember to always contact the Pension's Team before making any decisions about your benefits.

## Normal Pension Age (NPA)

Any pension built up before 1 April 2014 has a protected NPA, which is age 65. If you retire and draw all of your pension at your protected NPA, your pension built up in the scheme before 1 April 2014 will be paid in full.

If you choose to take your pension before your protected NPA the pension you have built up before 1 April 2014 will normally be reduced taking into account how many years early it is being paid. The benefits you build up under the CARE Scheme from April 2014 have a NPA linked to your State Pension Age (SPA) (but with a minimum age of 65). All pension benefits built up pre and post 2014 have to be drawn at the same time (except in the case of Flexible Retirement).

## Reduction in pay

If you joined the LGPS before 31 March 2014 you will have membership in the Final Salary Scheme and your benefits, in respect of pre April 14 service, will be based on your Final Salary at leaving. If you have a pay cut - for example because of a pay and grading exercise - there are some protections which continue to apply from the Final Salary Scheme.

## To ensure your benefits are calculated using the best possible pay you can:

- Choose to have your benefits calculated on the best year's pay in the last three years
- Choose to have your benefits based on the best 3 year average in the last 10 years, if you have received a pay cut from your employer.\*

**\*This option is a request under regulation 10 of the LGPS regulations 2008. For this regulation to apply your employer must have caused your pay to be reduced or restricted, in one employment, and you must request this from your employer no longer than one month prior to your leaving the scheme. Please ensure you keep any paper work relating to the pay cut, in case you are required to produce details in the future.**

## Underpin

From 1 April 2014, if you were nearing retirement we will ensure that you will get a pension at least equal to that which you would have received in the Scheme had it not changed. This protection is known as the underpin.

## The underpin applies to you if you were:

- paying into the Scheme on 31 March 2012 and,
- you were within 10 years of your NPA on 1 April 2012,
- you haven't had a disqualifying break in service of more than 5 years,
- you've not drawn any benefits in the LGPS before NPA and
- you leave with an immediate entitlement to benefits.

The underpin will not apply if you opt out of the scheme before your protected NPA (65) or before the scheme changed, and may not apply if you voluntarily draw benefits at a time when you would have required employer consent to do so under the pre 1 April 2014 scheme (normally pre age 60). If you are covered by the underpin, the Pensions Team will carry out the underpin check when you retire.

## Rule of 85

The rule of 85 protects some or all of your benefits from early payment reduction. To have rule of 85 protection you must have been a member of the LGPS on 30 September 2006 and if your age at the date when you draw your pension plus your scheme membership (each in whole years) must add up to 85 years or more.

The only occasion where the protection does not automatically apply is if you choose to voluntarily draw your pension at or after age 55 and before age 60.

If you would not satisfy the rule of 85 before you are 65, then all your benefits would be reduced if withdrawn before your NPA. The reduction will be based on how many years before your NPA (age 65 for pension built up to April 2014 and before your SPA for pension built up from April 2014) you draw your benefits.

If you will be age 60 or over by 31 March 2016 and choose to draw your pension between age 60 and your NPA, then the benefits you build up to 31 March 2016 will not be reduced.

But, if you qualify for the full rule of 85 protection to 31 March 2016 and you decide not to retire until after 31 March 2016, any benefits accrued on and from 1 April 2016 will be reduced if you retire before your SPA.

## How your personal information is used

Shropshire Council is the Administering Authority for the Shropshire County Pension Fund and is registered with the Information Commissioner's Office as a Data Controller.

Your information is kept for the sole purpose of administering your pension. Your personal details are retained to establish any future entitlement to benefits. The Fund may pass certain details to a third party, where the third party is carrying out an administrative function of the Fund, or where we are legally obliged to do so.

To protect your personal information held electronically, Shropshire Council is registered under the Data Protection Act 1998. This allows you to check your details held by the Fund. If you wish to apply to access your data you should contact the Information Governance Team at Shropshire Council.

### For details ring:

01743 252774 or 01743 252179

### Email:

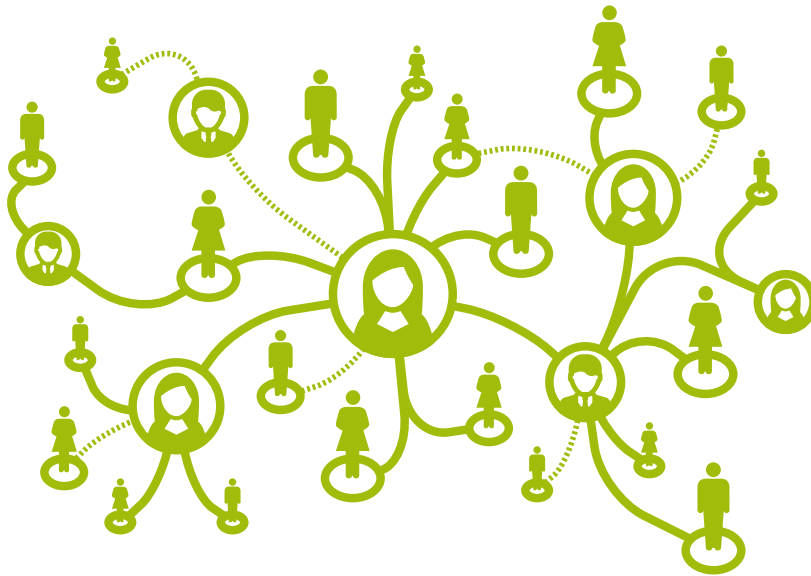
information.governance@shropshire.gov.uk

### Or visit the website at:

www.shropshire.gov.uk/  
access-to-information

The Fund's Actuary, Mercer, also acts as joint data controller with the Fund and have published information on how it handles your personal details on their website: <http://goo.gl/NZoU96>

## The Fund is also taking part in the National Insurance Database. Here's how it affects you:



### What is the LGPS National Insurance Database?

Shropshire County Pension Fund will be participating in a data sharing exercise with other LGPS pension funds in England, Wales and Scotland. This is to help comply with legal requirements contained in the LGPS's 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 are paid out.

As the LGPS is locally administered, each pension fund has its own membership records and it can be difficult to tell if an individual has other LGPS records and if so where these 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 pension fund where that member's record is held.

### Who hosts the Database?

The Database is hosted at the South Yorkshire Pensions Authority, an LGPS pension fund.

### 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.

**CONTINUED** ➤

# The summer budget and the LGPS

Continued...

## 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 LGPS pension 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 pension 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 the LGPS's membership.

## How long will this data sharing be undertaken for?

For as long as:

- the relevant regulatory requirements remain, and
- 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 partly 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 the Pensions Team.



**In the Summer 2015 Budget some announcements were made which could potentially impact the tax paid by an individual in the LGPS. There are two tax measures that could affect LGPS members; the Annual Allowance (AA) and the Lifetime Allowance (LTA).**

## Annual Allowance (AA)

The AA is currently set at £40,000 a year and is the maximum pension savings an individual can make, in any one year, before incurring a tax charge. 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 annual income (excluding the value of any 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.

## Change in Pension Input Period

For testing against the AA, benefits are valued over the 'pension input period' (PIP). The LGPS PIP is from 1 April to 31 March. The budget announced that all pension schemes will be required to align their PIPs with the tax year. All current PIPs will end on the 8 July 2015 (the day of the Summer Budget) and a new PIP will run from 9 July 2015 to 5 April 2016.

## Lifetime Allowance (LTA)

The LTA will reduce from £1.25m to £1m from 6 April 2016 and is the limit on total pension arrangements an individual can draw over their lifetime before incurring a tax charge. 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

You will be able to apply for these new protections by using a new on-line self-service system which will be available from July 2016. The new self-service system is still being developed by HMRC and we will provide updates when this is available. See the Funds website for more information.

**If you think you might be affected by the changes brought about by the budget, you should contact HMRC.**

## Contacting HMRC:

**Telephone:** 0300 200 3300

**Write:** HM Revenue and Customs, BX19 1AS. United Kingdom

# Considering topping up your retirement benefits?



## Employers' discretion policies

### Here's what you need to know...

You may have some spare cash and want to pay more into your pension or you may want to cover 'lost pension' as a result of a period of unpaid absence such as child related leave.

Paying Additional Pension Contributions (APCs) either regularly from your salary or as a lump sum (subject to minimum limits) will allow you to top up your pension and/or make up the lost pension from a period of absence. Further information on how to make APCs including links to a calculator can be found on our website.

If you decide to cover 'lost pension' after a period of authorised absence, which resulted in reduced or no pay, and you make this election within 30 days of returning to work, your employer covers two thirds of the cost. This is called Shared Cost

Additional Pension Contributions (SCAPCs). In the case of lost Pension due to an unauthorised absence, for example, industrial action, your employer will not contribute towards the cost. For cases such as sickness absence your contributions are deemed as being paid.

**You can also pay Additional Voluntary Contributions (AVCs) with our in-house AVC provider, Prudential, who can be contacted on:**  
0800 032 6674

**Or by visiting:**  
[www.pru.co.uk/rz/localgov/england-wales/](http://www.pru.co.uk/rz/localgov/england-wales/)

### Thinking of flexible or early retirement? Don't forget to check your employer's policy!

Under the LGPS Regulations, each Scheme employer must create, publish and keep under review a discretions policy outlining certain pension discretions they can exercise in relation to their employees. These discretions cover decisions such as, in what circumstances to agree flexible retirement or when to agree a request to increase benefits.

**Want to know what your employer's policy is? Contact your employer or check out our website as we have published all the policies we have received.**

[www.shropshirecountypensionfund.co.uk/paying-in/employers-discretions-policies/](http://www.shropshirecountypensionfund.co.uk/paying-in/employers-discretions-policies/)

# Pre-retirement courses



## Other News

**The Shropshire County Pension Fund receives requests each year from members for information regarding their pension benefits, particularly when planning for retirement.**

We are therefore supporting pre-retirement courses run by a company called Affinity Connect, to assist scheme members in preparing for the changes which take place at retirement. The one day courses provide a comprehensive range of practical information that address the issues and concerns you may have.

### **Who should attend?**

Anyone considering leaving employment on normal, early or ill-health retirement, or taking flexible retirement, within the next year or two.

### **Aim**

To encourage a positive and realistic approach to retirement and to help you decide when you would like to retire.

**If you are interested in attending the Fund has organised the pre-retirement courses on the following dates:**

### **Tuesday 19th January 2016**

The Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

### **Monday 14th March 2016**

The Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

### **Monday 18th April 2016**

Addenbrooke House, Ironmaster's Way, Telford, TF3 4NT

**Places are limited therefore it is essential you book a place if you wish to attend. Partners are welcome.**

**To book a place email: [bookings@affinityconnect.org](mailto:bookings@affinityconnect.org)  
Or phone: 01275 461 970  
(select option 1)**

### **Exit payment cap – more regulations changes ahead?**

The Government has confirmed that it plans to introduce a cap to exit payments made to employees of public sector bodies as part of the Enterprise Bill. The proposed cap of £95k would cover the total value of exit payments (before tax) made by an employer and will cover all forms of exit payments including additional paid leave, the strain cost of early payment of pension and redundancy payments. It is proposed to exclude any payments in respect of death or ill health retirements. The introduction of the cap will potentially have a major impact for some individuals in the LGPS, as there is a statutory requirement for employers to pay immediate and unreduced benefits, as a result of redundancy to members over the age of 55. At the time of going to press the Fund is still waiting on further information from the Government as to how this will be implemented. Further information will be published on our website once it is known.

# Automatic Enrolment – will you be affected?



**The Department for Work and Pensions (DWP) has successfully introduced Automatic Enrolment to workplace pensions for large and medium-sized employers, who account for around 20 million workers, according to a report from the National Audit Office.**

The Government continues to face significant challenges, however, as a further 1.8 million smaller employers are required to enrol their eligible jobholders by 2018.

You may have seen in newspapers and in adverts the 'workie'. This campaign is part of DWP's drive to promote the responsibility employers have to offer a workplace pension.

For local authority pension funds many larger employers (County and District Councils) will be re-enrolling their employees to the Local Government Pension Scheme (LGPS) or if they delayed the introduction of Automatic Enrolment, enrolling them for the first time.

For many existing members of the LGPS you probably won't notice a difference but for some members you may. Here are some examples:

### **"I am currently contributing to the 50 / 50 scheme"**

Your employer will notify you that from the re-enrolment staging date you will be enrolled back to the main scheme and that you have the option to continue or rejoin the 50 / 50 scheme by completing another election form.

### **"I have more than one employment and have chosen not to pay into the LGPS in some of these posts"**

Your employer will notify you that from the re-enrolment staging date you will be enrolled in to the LGPS in the posts in which you have previously chosen not to pay contributions. If you do not want to contribute in these posts you can again opt out by completing the necessary form(s).

If you have any questions concerning Automatic Enrolment and how it affects you, please contact your employer who is responsible for ensuring it takes place.

# The Removal of Contracting Out

From April 2016, the government is removing the National Insurance (NI) contribution rebate for all contracted out pension schemes like the Local Government Pension Scheme (LGPS). This means that the LGPS will no longer after that date be a Contracted-Out Scheme.

### **What does this mean for LGPS members?**

Members who pay NI contributions will be contributing towards the Basic State Pension but are contracted out of the additional State Pension known as SERPS or State Second Pension (S2P). Currently, LGPS members receive a rebate for this part of NI contributions. However from April 2016, all current LGPS members will no longer receive this rebate and will see a rise in NI contributions of around 1.4% from this date. The government is also introducing a new single tier State Pension from April 2016.

### **Contracted-out Pension Equivalent**

From November 2015, the Department of Work and Pensions (DWP) are including a Contracted-out Pension Equivalent (COPE) amount within State Pension statements. This is to help people, who have been contracted-out, understand why they may not be entitled to the full amount of the Single Tier State Pension.

As an LGPS member who will be contracted-out until April 2016, you will receive a pension through the LGPS. Please note your pension from the LGPS may be more or less than the COPE amount shown on the statement. The COPE will be based on all periods of contracted out service but if you have been a member of more than one contracted out scheme your state will not show a breakdown.

**For more information see our website for FAQs.**

## Contacting the Pensions Team

- 01743 252130
- pensions@shropshire.gov.uk
- www.shropshirecountypensionfund.co.uk
- Shropshire County Pension Fund, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

