

Pension Update

 **LGSS**
Cambridgeshire
Pension Fund

 **lgps**
2014

For members of the Local Government Pension Scheme (LGPS) | **Summer 2015**

As of 2016 the Fund will no longer issue paper benefit statements.

For a number of years you have had online access to your pension record via Member Self Service (MSS). MSS is where you will be able to view your Annual Benefit Statement in 2016.

The statements should be viewable by 31 August each year and we will notify you when your statement is available and how to read it.

MSS also allows you to carry out estimated retirement calculations, view and update your personal details. It is important that if you have not already done so you register on the MSS Login page:

<https://lgssmember.pensionsdetails.co.uk/altairMSSWeb/login>

If you are not online and not able to view your LGPS pension electronically you can opt out of electronic communications by instructing us in writing.

Annual Allowance

The annual allowance (AA) is the amount your pension savings can increase by in Pension Input Periods (PIP) that end in any one tax year before you become liable for a tax charge. In 2014/15 the AA was reduced to £40,000.

In his 8 July 2015 Budget the Chancellor announced changes to the AA for those with incomes of over £150,000; their AA from 2016/17 will reduce by £1 for each £2 of income over that sum with a maximum reduction of £30,000. LGPS PIPs have previously ended 31 March each year, but the changes mean PIPs will be aligned to tax years from 2016/17 and transitional arrangements will be made in relation to the 2015/16 year. Further details, and links, are available on our website.

As before, we will inform you if your LGPS savings in our Fund exceed the AA in a PIP. It is your responsibility to report to HMRC, on your self assessment tax return, any excess across all

pension arrangements you may have and also to determine whether, after taking account of any Carry Forward, you are liable to any AA Tax Charge.

Lifetime Allowance

The lifetime allowance (LTA) is the total value of all the pension benefits you can have, across all tax-registered pension arrangements, without having to pay a tax charge when you draw them upon retirement.

If the value of your pension benefits when you draw them is more than the LTA you will have to pay a tax charge on the excess benefits.

Survivor's pensions from any source, your State Pension and, any other state benefits you may be entitled to are not included when measuring pension benefits for LTA purposes.

The current LTA of £1.25m will be reducing to £1m from April 2016.

LGPS Regulations Update

There have been some recent changes to the LGPS following the introduction of the Local Government Pension Scheme (Amendment) Regulations 2015. Further information can be found on our website but we have provided an overview as follows:

Joining the Scheme – if a member is eligible and elects to join the LGPS the date of joining has changed to the start of the next available pay period - rather than from the date of election.

50/50 Section – if you are in the 50/50 Section and move onto no pay as a result of sickness or child related leave or have been automatically re-enrolled back into the LGPS following opting out, you will be moved back into the Main Section of the scheme from the next pay period.

Buying back lost pension – employers now have the discretion to extend the 30 day time limit which you must elect to buy back lost pension via a Shared Cost Additional Pension Contribution (SCAPC) following an authorised absence.

Opting out of the LGPS – if you opt out of the scheme from 11 April 2015 with an entitlement to a deferred benefit you will no longer be able to join your periods of membership together if you later re-join the scheme.

Reductions in hours due to ill health – an amendment has been made to ensure that if you reduce your contractual hours of work due to ill health this may not always impact on the pay used to work out the lump sum death grant and survivor benefits if you subsequently die in service.

Payments of pension to a child – if you die leaving a young child, the scheme can now make payment to another person on their behalf whilst they are too young to manage their own affairs.

End of Contracting Out from 2016

As an employee paying National Insurance (NI) contributions, you will be contributing towards the Basic State Pension (BSP), payable from your State Pension Age (SPA).

In addition to this some employees also contribute to an additional earnings related pension (known as S2P), however as a member of the LGPS you will have been 'Contracted-Out' of paying towards S2P and therefore have been receiving a rebate on your NI contributions.

April 2016 brings the removal of 'Contracting-Out' for members of schemes such as the LGPS, which means that both employers and scheme members will see a loss of the NI contribution rebate and you will therefore pay the same NI contributions whether a member of the LGPS or not.

Freedom & Choice

You may have heard in the news about recent changes to the way people can access their pensions, known as 'Freedom and Choice'.

These new freedoms only apply to Defined Contribution (DC) Schemes and not Defined Benefit (DB) Schemes such as the LGPS. The only way an LGPS member can access their pension through these freedoms is by transferring to a DC Scheme. If this is something you are considering we strongly recommend that you seek financial advice. If your transfer value is over £30,000 such advice is a regulatory requirement if transferring to a DC scheme under the new rules. Also, if you flexibly access pension benefits this may have an effect on the way your AA is tested. (See page 1).

It is also important, when considering transferring to a DC scheme, to be aware that these new pensions' freedoms have led to a rise in pension scams. We recommend reading the FAQ document on our website or requesting a copy from the Fund. The Pensions Regulator offers guidance on how to avoid 'Pension Scams' at: www.thepensionsregulator.gov.uk

The government has also recently set up a service called 'Pension Wise' which offers free and impartial guidance over the phone or face-to-face. For more information: **Visit** www.pensionwise.gov.uk **or call** 0300 330 1001

Topping up Benefits

If you want to make additional contributions to increase your pension benefits there are two ways to do this in the LGPS. You can make Additional Voluntary Contributions (AVCs) or Additional Pension Contributions (APCs).

How AVCs work





All LGPS funds have an AVC arrangement with an AVC provider. You contribute to an AVC directly from your pay, whilst receiving tax relief on your contributions. You can, depending on HMRC limits, take your AVC as a lump sum, buy an annuity, or potentially provide additional LGPS pension on retirement.

How APCs work

You can pay more in pension contributions to buy up to £6,675 of additional pension. The cost of an APC depends on how much extra pension you wish to buy, the age you start paying the extra contributions and the length of time you pay them for. You can buy extra pension by paying APCs regularly over a period of time, or by paying a one-off lump sum.

For more information on any of the topics covered in this newsletter please visit our website.

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