Pension Update

Cheshire Pension Fund

lgps 2014

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

Welcome to the 2015 edition of your annual newsletter to keep you up to date with what's happening in the Cheshire Pension Fund and the Local Government Pension Scheme (LGPS).

How does the LGPS 2014 scheme work?

You pay contributions on what you earn: Your contribution rate depends on how much you are paid but it's currently between 5.5% and 12.5% of your pensionable pay.

You build up 1/49th of your pay as a pension every year: Every 31 March a pension amount equal to 1/49th of the pay you paid contributions on in the past year is added to your pension account.

Your pension is inflation proofed for life: Once each year's pension is added to your pension account, it is inflation proofed for the rest of your life.

Not everything has changed
Many of the features of the old Scheme have been carried forward into LGPS 2014.

- The LGPS will remain a guaranteed Scheme where benefits are defined and you build up a portion of your pay each year for when you retire
- You will still get life cover if you die in service or within a short time of retiring as well as pensions for your partner, young family and dependants
- Ill health cover is payable at any age should you be unable to work, as long as you meet the Scheme requirements
- You will continue to receive tax relief
- You can still give up some of your pension to get a tax free cash lump sum when you draw your benefits

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:

50/50 Section: If you are in the 50/50 Section and move onto no pay as a result of child related leave, you will be moved back into the Main Section of the scheme from the next pay period. That means you will build up main scheme benefits during this time - even though you aren't paying into the Scheme.

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 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: Any reduction to your contractual hours will be ignored if, in the opinion of a Independent Registered Medical Practitioner, the reduction was as a result of the condition that caused or contributed to an ill health retirement or death.

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.

Topping up Benefits

There are two ways to make additional contributions and increase your pension benefits - 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 or buy an annuity on retirement.

How APCs work
You can pay more in pension contributions to buy up to £6,675 per annum 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 for them.

You can buy extra pension by paying APCs regularly over a period of time, or by paying a one-off lump sum.

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 Annual Allowance is tested.

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 request a copy from the Fund. The Pensions Regulator also 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

Annual Allowance

The annual allowance is the amount your pension savings can increase by each year before you become liable for a tax charge. In 2014/15 the Annual Allowance was reduced to £40,000.

The annual allowance will not affect most members because the value of their pension savings will not increase by that much.

However, you might be affected if you are a very high earner, a long serving member who receives a significant pay increase or make substantial additional contributions (such as APCs or AVCs).

We will automatically write to you if your LGPS pension savings with Cheshire Pension Fund (CPF) exceed the annual allowance limit in any year.

If your total pension savings are greater than the annual allowance, you may have to pay a tax charge. This depends on whether you have any unused allowances from previous years that you are able to carry forward.

If you have used up all your allowances and have a tax charge to pay, you may be able to ask CPF to pay the charge on your behalf and in turn we will reduce your benefits. This is known as the scheme pays facility

End of Contracting Out from 2016

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

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 mean 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.

Further information on this subject can be found on our factsheet at: www.cheshirepensionfund.org/wp-content/uploads/2015/08/Reform-of-the-State-Pension.pdf

For more information on any of the topics covered in this newsletter contact the Fund using the details below.

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