

October 2014

# Your Pension

Welcome to the 2014 edition of **Your Pension**, our annual newsletter to keep you up to date with what's happening in the Cheshire Pension Fund and the Local Government Pension Scheme (LGPS).

You will hopefully be aware from previous newsletters or from visiting our website [www.cheshirepensionfund.org](http://www.cheshirepensionfund.org) that this year has seen significant changes to the LGPS.

From 1st April 2014 the LGPS moved from being a final salary scheme to a Career Average Revalued Earnings (CARE) scheme.

This year's annual benefit statement only shows the pension you have earned up to 31st March 2014, so any CARE pension you have built up in the new scheme will not be shown on this year's statement.

A summary of the main changes and how the new scheme works have been provided for you in this

Newsletter. We hope you enjoy reading the newsletter, but if you have any comments or suggestions on how we can improve it please get in touch using any of the methods in the Contact Details on page 6.

## Topics included in this Edition

- |                                  |                              |
|----------------------------------|------------------------------|
| 1 Introduction                   | 5 New pensions system        |
| 2 LGPS 2014                      | 5 Fund details - at a glance |
| 3 2008 & 2014 scheme comparisons | 6 Beware of pension fraud    |
| 4 Increasing your benefits       | 6 Further advice             |
| 5 Change in death grant payments | 6 Contact details            |
| 5 Website                        |                              |

The pension you have built up before 1st April 2014 is fully protected, and will still be linked to your final salary when you retire.



## LGPS 2014

From 1st April 2014 the LGPS became a **Career Average Revalued Earnings (CARE)** scheme. Your pension will build up differently from this date onwards.

### Contribution Rates

In the new scheme the contribution rates (including those for part time members) are based on your actual annual pay and not your full time equivalent pay.

You will pay pension contributions on any overtime or additional hours that you work; this means that you will build up extra pension benefits if you work overtime.

Your Pensionable Pay	You Pay
Up to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
More than £150,000	12.5%

The pay bands will be increased in April every year to keep pace with inflation.

### How does the new scheme work?

#### 1 You pay contributions on what you earn

See the table on the right to find out how much you will pay.

#### 2 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.

#### 3 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.

### Simple example

Let's say you earn **£16,000 in one year**. What's your pension for that year?

- On £16,000 you would pay 5.8% contributions – or **£77.33 each month**. If you pay tax, you will get tax relief on this amount.
- Your pension for that year will be £16,000 divided by 49 – that's **£326.53 each year for life** once you have retired. This is inflation proofed for life.



## 2008 and 2014 LGPS Scheme Comparisons

Old and New Compared	Old Scheme LGPS 2008	New Scheme LGPS 2014
How much of my yearly pay do I get as a pension?	1/60th	1/49th
What pay counts towards my pension?	Your pay – excluding overtime and non-pensionable additional hours	Your pay – including non-contractual overtime and additional hours if you're part-time
How does my pension maintain its value over the years I'm paying in?	It's based on your final salary	It's inflation proofed each year (using the Consumer Price Index CPI)
Can I reduce my contributions?	No	Yes – you can pay 50% contributions to get 50% pension
How long do I have to be in the scheme before I'm entitled to a pension?	Three months	Two years
What death grant is paid if I die 'in service'?	A lump sum of three times your pensionable pay	A lump sum of three times your pensionable pay
What's my normal pension age?	65	Your state pension age (minimum 65)
Can I trade pension for lump sum?	Trade £1 of pension and get £12 lump sum	Trade £1 of pension and get £12 lump sum
How is my pension enhanced if I retire because of ill health?	<ul style="list-style-type: none"> <li>• Enhancement to normal pension age, or</li> <li>• 25% enhancement to normal pension age, or</li> <li>• Temporary payment of pension for up to three years</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancement to normal pension age, or</li> <li>• 25% enhancement to normal pension age, or</li> <li>• Temporary payment of pension for up to three years</li> </ul>
What's my pension increased by once in payment?	CPI (Retail Price Index for pre- 2011 increases)	CPI
How much of my yearly pay would my dependants get as a pension?	1/160th for adults and 1/320th for children	1/160th for adults and 1/320th for children

## The 50/50 option

The 50/50 option enables scheme members to pay half your usual rate of contributions for up to a period of three years. But in return you only build up half your usual pension.

You still retain the full value of death benefits and ill health cover.

If you move to the 50/50 section, you can opt back in to the main section at any time.

Please contact your employer for more information.

## The Normal Retirement Age is changing

The normal age at which you can retire without your pension benefits being reduced is age 65 or your state pension age if this is later.

If you want to know your state pension age or the potential value of your state pension please visit [www.gov.uk/calculate-state-pension](http://www.gov.uk/calculate-state-pension).



# Increasing your Pension Benefits

Did you know that in the LGPS there are two ways to increase your benefits? **Additional Voluntary Contributions** and **Additional Pension Contributions**.

## Additional Voluntary Contributions (AVCs)

You can pay AVCs to the Fund's nominated AVC providers to make extra saving towards your retirement.

- Pay up to 100% of your pensionable pay
- Contributions attract tax relief
- AVCs are invested separately
- Choose to take up to 25% of your AVC pot as a tax free lump sum when you retire.
- Choose to buy an annuity (pension) from the provider, Cheshire Pension Fund or another insurance company, bank or building society.

## Additional Pension Contributions (APCs)

APC contracts can be taken out to purchase a set amount of pension, up to a limit of **£6,500**.

**This can be done in three ways:**

.....  
**1 A regular fixed payment through payroll**  
 .....

.....  
**2 A one off lump sum payment made through payroll**  
 .....

.....  
**3 A one off lump sum payment made directly to the Pension Fund.**  
 .....

Contributions made under method **1** or **2** will automatically attract tax relief however you will have to claim tax relief directly from HMRC under method **3**.

The additional pension purchased will be payable with your other benefits and is linked to your Normal Pension Age. If they are paid earlier they will be reduced to take account of early payment. APCs do not increase the benefits that would be paid to your spouse.

To get more information about paying APCs and AVCs, please ask us by using the Reply Form enclosed, or by visiting our website and completing the online request form at [www.cheshirepensionfund.org](http://www.cheshirepensionfund.org).

## New early retirement option

**You can now choose to retire and take your pension from age 55, without your employer's consent, however there may be a reduction in your pension benefits if you take this option.**

If you are entitled to protections allowing you to receive unreduced benefits at age 60 this will not automatically apply if you choose to retire between the ages of 55 and 60. The table below shows the reductions that could apply for taking your pension early.

### Reductions that could apply for taking your pension early

Number of Years Early	0	1	2	3	4	5	6	7	8	9	10	11	12	13
Men's Retirement Pension	0%	6%	11%	16%	20%	25%	29%	32%	36%	39%	42%	45%	48%	52%
Women's Retirement Pension	0%	5%	11%	15%	20%	24%	27%	31%	34%	37%	40%	44%	47%	50%
Lump Sum	0%	3%	6%	8%	11%	14%	16%	19%	21%	23%	26%	26%	26%	26%

**Example:** if you are male and your State Pension Age is 68 and you are thinking of retiring at age 55 you will be retiring 13 years earlier than your Normal Retirement Age. Your annual pension would be reduced by 52% on retirement and your lump sum would be reduced by 26%.



## Change in death grant payments

There is a change to how death grants are paid in respect of current members who also have either a deferred benefit or are in receipt of a pension from the Cheshire Pension Fund or with any other LGPS Fund (in England or Wales).

Under the new regulations your nominee(s) will **only** be entitled to the greater of the deferred or current death grant.

The death grant is still a very important part of your pension package, so please make sure you keep yours up to date. See the **Death Grant Expression of Wish Form** (on the reverse of your ABS reply form).

## New Pensions system

The Cheshire Pension Fund are currently embarking on an exciting major project to implement a new administration system.

This system will further improve the way we work and will provide our members with the ability to view, change and calculate their own pension records online.

We are not expecting any disruption to our normal delivery of service while the new system is being brought in. However, if any delays are experienced we would be grateful if you could bear with us during this time. You can rest assured that we will contact you as quickly as we can to answer your queries.

## Website

The Cheshire Pension Fund website can be found at [www.cheshirepensionfund.org](http://www.cheshirepensionfund.org). The site is a comprehensive source of all the information you will need to know about the LGPS and how CARE works.

### The site also has a number of enhanced features:

- Mobile version for easy access via smartphones and tablets
- Email alert subscription
- Dedicated news feeds
- Online forms
- Online calculators/Modellers

## Fund Details – at a glance

As at 31 March 2014 Cheshire West and Chester Council administered the Cheshire Pension Fund on behalf of **177 employers** with active members who were contributing into the Fund.

### Membership profile of the Fund

Active members	31,461
Deferred members	24,160
Pensioner members	24,319
	<hr/> 79,940

Every three years the Pension Fund is subject to a formal valuation by the Fund actuary. At the last valuation on 31st March 2013 the Funding position was:

	31 March 2013
Liabilities	£3.982bn
Fund assets	£3.275bn
Deficit	(£707m)
Funding level	82.2%

The fund invests in a diverse range of assets including equities, bonds, property and hedge funds. All Fund assets are managed externally by 14 investment managers.

**Please note:** your pension benefits are underwritten by the government and are not directly affected by the current funding level.

If you want to read more about the Cheshire Pension Fund we have produced a comprehensive annual report for the financial year 2013/14 and this is available on our website [www.cheshirepensionfund.org](http://www.cheshirepensionfund.org)

## Further Advice

Although we can provide information, the Fund is not authorised to provide advice on Scheme rules, increasing your benefits, pension saving and personal tax allowances. If you do need advice you should seek independent financial advice. The websites and telephone numbers below may help you:

### IFA Promotion

[www.unbiased.co.uk](http://www.unbiased.co.uk)

### The Pensions Service

[www.gov.uk](http://www.gov.uk) 0845 60 60 265

### The Pensions Regulator

[www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk) 0845 600 0707

### The Money Advice Service

[www.moneyadvice.org.uk](http://www.moneyadvice.org.uk) 0300 500 5000

## Contact Details

[www.cheshirepensionfund.org](http://www.cheshirepensionfund.org) 01244 976000

[pensions@cheshirewestandchester.gov.uk](mailto:pensions@cheshirewestandchester.gov.uk) @cpf\_lgps

Cheshire Pension Fund, Cheshire West and Chester Council,  
HQ, Nicholas Street, Chester CH1 2NP

If you need to visit the Fund office, please contact us via any of the methods above and we will gladly accommodate your request.

When contacting us, please be prepared to quote your **National Insurance Number in all cases**.

Please note that in order to protect your personal data and benefits, we cannot accept changes to personal details over the telephone.

The information in this Newsletter can also be provided in large print, audio CD or Braille format. Please contact the Cheshire Pension Fund if you require any assistance.



## Beware of pension fraud

- Pension scams are on the increase in the UK.
- One-off pension investments, pension loans or upfront cash are being used to entice savers.
- For most people the offers will be bogus and you will probably lose most, if not all, of your savings.
- You may also receive tax charges of over half the value of your pension
- Check the facts before you make an irreversible decision. A lifetime's savings can be lost in a moment.

Further details can be found at:  
[www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx](http://www.thepensionsregulator.gov.uk/individuals/dangers-of-pension-scams.aspx)

