



Scheme Member Newsletter – August 2018

Amendments to the LGPS

Changes have been made to the Local Government Pension Scheme (LGPS). These changes came into effect from 14 May 2018 and are summarised below.

Deferred and Active Members changes to pre-April 14 AVC contracts

If you are an active member of the LGPS who is, or was, paying additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014

OR

If you are a deferred member, you were a member of the LGPS on or after 1 April 2014, you paid Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014,

Then you will see some changes in how you can take your AVC plan.

When you take your AVC plan:

If you leave the scheme with a deferred benefit, or if you are already a deferred member, you can now buy additional pension from the LGPS with your AVC plan when you take your benefits from the scheme. Before the change, this option was only available to members who were entitled to immediate payment of their main scheme benefits and their AVC plan when they left the scheme.

Option to defer payment

Where a member takes payment of their main scheme benefits, they are not able to defer payment of their AVCs (except for some flexible retirees). The facility to defer payment of what was a 'pre 2014' AVC has been removed.

If you die before taking your AVC, and a lump sum is to be paid from your AVC plan your pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to your estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.

Active Members - Changes to pre-April 2014 AVC contracts

If you are a member of the LGPS who is paying Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014

Then you may see some changes to the way your AVC contributions are calculated.

If you are currently paying AVCs:

You can now pay up to 100% (rather than 50%) of your pensionable pay – after deductions for contributions to the main LGPS scheme and National Insurance – into your AVC plan.

AVCs will now also be deducted from any pay you receive for voluntary overtime or additional hours that you work (if you pay AVCs as percentage of your salary).



Deferred and Active Members

If you are a deferred or an active member and you started a contract to pay AVCs on or after 1 April 2014 then these rules already apply to you. These recent regulation changes have had no impact on the way that you can receive payment of your AVC. For information about the other ways you can use your AVC plan visit:

<https://www.lgpsmember.org/more/AVCOptions.php>.

High Court judgement removes requirement for co-habiting nomination form

A recent High Court judgement has removed the requirement for members of the Local Government Pension Scheme (LGPS) to nominate their cohabiting partner to receive a survivor's pension in the event of their death.

The outcome of this case effectively removes the requirement for a co-habiting nomination form from regulations and enables a LGPS administering authority to pay a partner's pension, to the partner (who meets the definition of co-habiting partner set out in schedule 1 of the LGPS Regulations 2013) of a deceased member who dies without completing a nomination form.

The conditions that need to be met for an eligible co-habiting partner's survivor's pension to be paid are outlined below:

A member's co-habiting partner can be, of either opposite or same sex, with whom they have not entered into marriage or formed a civil partnership. On the member's death, their partner will be entitled to a co-habiting partner's pension provided that for a continuous period of at least two years immediately prior to the member's death:

- both the member and their co-habiting partner are, and have been, able to marry each other or form a civil partnership with each other, and
- the member and their co-habiting partner have been living together as if they were husband and wife, or civil partners, and
- neither the member or their co-habiting partner have been living with someone else as if you/they were husband and wife or civil partners, and
- either the member's co-habiting partner is financially dependent on the member or they are financially interdependent on each other.

How to increase your pension benefits

Most of us look forward to a happy and comfortable retirement and in order to have that little bit extra during your retirement years you may wish to consider paying extra contributions. As a member of the LGPS you have access to two tax efficient ways of increasing your pension benefits in addition to the benefits you are already building up. These are:

1. Buying Extra Pension in the LGPS - Additional Pension Contributions (APCs)

If you are in the main section of the LGPS you can pay additional contributions to buy up to £6,822 of extra pension. You can choose to pay for the extra pension by spreading the payment of the Additional Pension Contributions (APCs) over a number of complete years or by paying a lump sum.



If you wish to spread the payment, the regular contributions would be deducted from your pay, just like your normal pension contributions. Your normal contributions plus the APCs are deducted before your tax is worked out, so, if you pay tax, you receive tax relief automatically through the payroll. Tax relief is available on all pension contributions up to 100% of your taxable earnings.

If you wish to buy extra pension by paying a one-off lump sum you can do so either via your pay or by making payment directly to your pension fund. If you choose to make payment directly to your pension fund, you will need to arrange tax relief directly with HMRC as the contributions are not being deducted from your pay. You can do this via your self-assessment tax return or by calling or writing to HMRC.

The minimum period of time that you can spread the payment of APCs over is 12 months, and the maximum is the number of years to your normal pension age. Your normal pension age is linked to your State Pension Age (but with a minimum of age 65). If you are a year or less from your normal pension age you can only pay by lump sum. You cannot elect to buy extra pension if you are in the 50/50 section of the LGPS.

Use the find out more buttons to access the online calculator where you can get a quote and print off an application form. The full terms and conditions can also be found in the calculator. <https://www.lgpsmember.org/more/apc/index.php>

2. Additional Voluntary Contributions (AVCs)

When you save AVCs you build up a pot of money which is then used to provide additional benefits to your LGPS benefits. All local government pension funds have an arrangement with an AVC provider (often an insurance company or building society) in which you can invest money. The money is deducted directly from your pay before your tax is calculated so, if you pay tax you receive tax relief automatically. You have your own personal account and you decide how the money in your pot is to be invested.

You can elect to pay an AVC if you are in either the main or 50/50 section of the LGPS.

You can pay up to 100% of your pensionable pay after deductions into an in-house AVC.

You can also pay AVCs to provide extra life cover. Your membership of the LGPS already gives you cover of three times your assumed pensionable pay if you die in service, but you can pay AVCs to increase this and provide additional benefits for your dependants (if the facility your pension fund has set up includes it) if you die in service. Any extra cover you buy will stop when you retire or leave the Council.

If you are interested in paying AVCs you should contact the Pension Team for further information.

Planning for retirement - your State Pension

As a member of the Local Government Pension Scheme (LGPS) you were previously 'contracted out' of the additional State Pension and therefore received a rebate on your National Insurance (NI) contributions. From 6 April 2016 this rebate ceased and the LGPS is no longer 'contracted out'.

You should be aware that, as a member of the LGPS, if you are eligible for the State Pension you might not receive the full amount. This is because as a member of the LGPS you are likely to have paid a lower amount of National Insurance in previous years.



More information about this and the State Pension, including how much state pension you will get and how to increase it, can be found at www.gov.uk/yourstatepension

Check your Annual Allowance online

The Annual Allowance is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge. The HMRC has set up an online Annual Allowance calculator so that a pension scheme member can check:

- how much annual allowance they have used
- if they have an annual allowance charge to pay
- if they have any unused pension annual allowances to carry forward
-

The annual allowance calculator is available on the GOV.UK website at <https://www.tax.service.gov.uk/paac/start>

General information for members about the Annual Allowance and Lifetime Allowance can be found at: <https://www.pensionsadvisoryservice.org.uk/about-pensions/saving-into-a-pension/pensions-and-tax/the-annual-allowance>

HMRC Lifetime Allowance Protection – online member service

Members usually pay tax if their pension pots are worth more than the Lifetime Allowance. The allowance is currently £1.03 million. While the majority of members of the Local Government Pension Scheme will be unaffected, those members that are may be able to apply for protections and an online facility to register for Fixed Protection 2016 and Individual Protection 2016 is now open for individuals to access.

A summary of the various HMRC Lifetime Allowance protections, along with links to the online registration site and details of the information required to register can be found at: <https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance>

The option to apply for Individual Protection 2014 (which is available for anyone whose total benefits as at 5 April 2014 had a HMRC value in excess of £1.5m) must also be registered via the new online service (accessible through the above link). The issue of pension tax is potentially a significant one for individual members and, following some of the changes made by Government, does not exclusively affect the highest earners.

Your data - General Data Protection Regulations (GDPR)

The General Data Protection Regulation (GDPR) is a new set of European Union regulations that came into force on 25 May 2018. It has been introduced to change how organisations process and handle data, with the key aim of giving greater protection and rights to individuals.

The Lewisham Pension Team already has procedures in place which comply with similar data protection principles under the Data Protection Act 1998. The new regulations will reinforce these existing requirements, and members are unlikely to notice a change in the service they receive us.

Pension Liberation Fraud

Recent news reports have highlighted an increasing number of fraudulent pension liberation schemes. Companies are singling out savers like you and claiming that they can help you



cash in your pension early. If you agree to this you could face a tax bill of more than half your pension savings.

'Pension loans' or cash incentives are being used alongside misleading information to entice savers as the number of pension scams increases. This activity is known as 'pension liberation fraud' and it's on the increase in the UK. In most cases, promises of early cash before age 55 from your current scheme will be bogus and are likely to result in serious tax consequences. Tax charges of over half the value of your pension could fall on you for taking an 'unauthorised payment' from your pension fund in this way. In addition, fees deducted from your pension for the transfer are unlikely to be recovered. Such fees tend to be very high and could be 20% or more of your pension savings in some cases. Most of the time, people targeted by pension fraudsters or scammers are not informed of the potential tax consequences involved.

If you require any more information on Pension Liberation Fraud see https://www.pensionsadvisoryservice.org.uk/content/publications-files/uploads/members_detailed_booklet_7_page.pdf

Find my lost Pension

If you have lost track of previous pensions the Pension Advisory Service site has help and advice: <https://www.pensionsadvisoryservice.org.uk/pension-problems/making-a-complaint/common-concerns/lost-pensions>

National Insurance Database – Privacy Notice

A data sharing project with other LGPS pension funds in England, Wales and Scotland has been undertaken in order to comply with legal requirements contained in the LGPS's governing regulations. Provisions contained in the LGPS Regulations 2013 mean that, if a member of the LGPS dies, 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 right death benefits can be calculated and paid to the deceased member's dependants.

Death Grant Nomination

If you were to die in service a death grant equivalent to 3 years of your salary is payable. It is at the discretion of the pension team who receives that death grant, so completing a nomination form which we keep on your record, helps us to act according to your wishes.

Have you completed a nomination form? Does the nomination that we hold on your record have your current wishes?

If you wish to complete a nomination or refresh your nomination the form is available here: <http://www.lewishampensions.org/media/2028/2008deathgrantexpfowishes.pdf>

Your pension questions answered...

I have previous pension pots held elsewhere - can I transfer these into my Lewisham Pension?

Under the LGPS regulations you have 12 months from your date of joining to request that we investigate a transfer of previous pension rights.



How long can I remain in the LGPS?

You can continue to remain a member of the pension scheme for as long as you are employed up to age 75.

Can I continue to pay contributions on my full-time equivalent pay if I work part-time?

No. You can only pay contributions on the actual pay you receive. There are ways in which you can increase your pension benefits by paying additional contributions but these would be deducted from your part-time pay (see more information in this newsletter).

What happens to my pension if I am off sick?

If you are on sick leave the amount of pension you build up won't be affected. When you are in receipt of full sick pay your pension builds up as normal using the pensionable pay you receive. If you have a period of reduced contractual pay or no pay due to sickness or injury then your pension is worked out using an average of your usual pensionable pay (before the reduction in pay took place). This cover means that the pension you build up won't be affected. You will only pay contributions on the pay that you receive.

Can I still continue to contribute to the LGPS if I leave my employment?

No, unfortunately once you have left your employment you are not able to continue contributing to the LGPS. However if you become reemployed with another employer who participates in the LGPS then you will automatically be entered into the pension scheme under your new employment.

Can I claim a tax-free lump sum at retirement?

If you have built up membership within the LGPS before 1 April 2008 you will be entitled to an automatic tax-free lump sum at retirement based on your pre 1 April 2008 membership. If you joined the LGPS from 1 April 2008 you will have no automatic tax-free lump sum. However at retirement you will be given the option to exchange some of your annual pension into tax-free cash. For every £1 of annual pension you give up, you buy £12 of tax-free cash. You will be provided with the option to convert annual pension into tax-free cash at retirement.

Do I have to leave my employment in order to claim my pension?

In order to release a pension, the LGPS regulations state that you have to either cease your contract of employment or flexibly retire (with your employer's consent).

How long do I have to be a member of the LGPS before I qualify for a pension?

Once you have been a member of the LGPS for two years you will be entitled to a pension benefit payable in retirement. Once in payment your pension will be payable for the rest of your life.

Lewisham Pensions Website

More information on pensions, including the latest fund reports and investment strategy, along with details on how to contact the pensions team can be found on our website: <http://www.lewishampensions.org>