

Bromley

Pension Update



Spring 2016



THE LONDON BOROUGH
www.bromley.gov.uk

The new State Pension and National Insurance changes

A new single tier, flat rate State Pension is being introduced for people who reach State Pension age on or after 6 April 2016. The new State Pension should help people better understand what they will get so that they can plan for their retirement. It will replace the existing basic and additional State Pension.



As a member of the LGPS you are currently 'contracted out' of the additional State Pension and, if you are under State Pension Age and earn more than £112 a week, therefore receive a rebate on your National Insurance (NI) contributions. This means that most members of the LGPS are currently paying a lower amount of National Insurance contributions. From 6 April 2016 the LGPS will no longer be a 'contracted out' scheme, and you will no longer receive this National Insurance rebate which means you will start to pay a higher amount of National Insurance contributions.

It is important that as a member of the LGPS you understand that if you are eligible for the new State Pension you might not receive the full amount. This is because you have paid a lower amount of National Insurance in previous years.

You will, of course, continue to be entitled to your LGPS benefits. These will continue to be a very important part of your income in retirement, providing an excellent range of benefits including benefits for your loved ones.

This document has been produced to help LGPS members understand what the changes to the State Pension will mean for them.

Why is the State Pension changing?

The Government's aim is to introduce a simpler, fairer system where people have a clearer idea about what pension the state will provide, making it easier to plan their retirement savings.

Who will receive the new State Pension?

You will be able to claim the new State Pension if you are:

- a man born on or after 6 April 1951
- a woman born on or after 6 April 1953

and, normally, have at least 10 years qualifying years on your National Insurance record.

If you reach State Pension age before 6 April 2016 you will get your State Pension under the current scheme instead.

If you do not know what your State Pension age is you can use the State Pension age calculator at <https://www.gov.uk/calculate-state-pension> to find out.

Why will I have to pay more in National Insurance contributions?

The current State Pension is made up of two parts: the basic State Pension and the additional State Pension (the additional State Pension is sometimes called State Second Pension or SERPS).

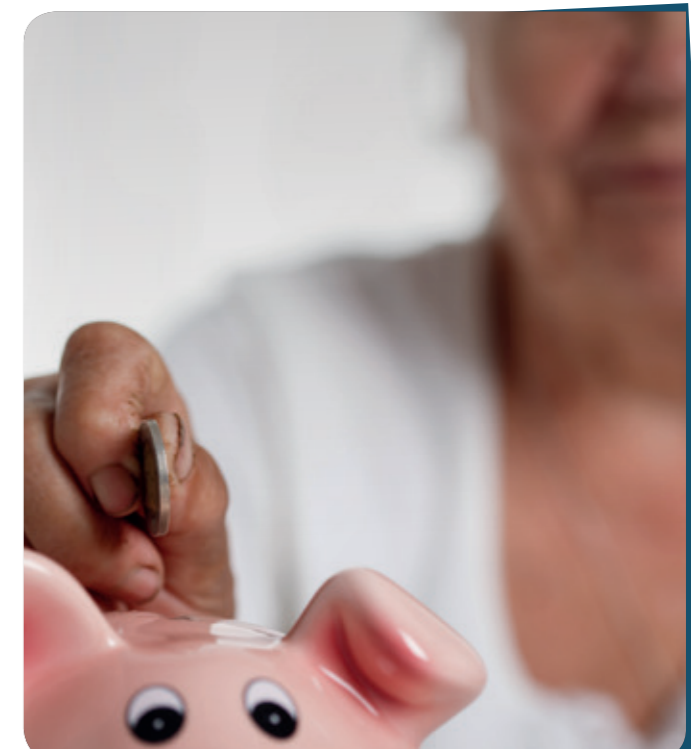
The LGPS is contracted-out of the additional State Pension. This means that during your membership of the LGPS you have been receiving a rebate on your National Insurance contributions and have not been building up additional State Pension. You have been building up pension benefits in the LGPS instead.

From 6 April 2016 the new State Pension will replace the existing basic and additional State Pensions with a single tier, flat rate State Pension. This will end contracting-out of the additional State Pension and so the rebate on scheme members' National Insurance contributions will cease.

How much more in National Insurance contributions will I have to pay?

The current National Insurance rebate is 1.4% of pay between certain thresholds. From 6 April 2016 you will no longer receive this rebate and will pay the standard rate of National Insurance.

To find out how much more in National Insurance contributions you will be paying from 6 April 2016 you can use the contributions calculator <http://lgps2014.org/contcalc/>. This calculates the National Insurance rebate you are currently receiving; from 6 April 2016 this rebate will no longer be applicable.



Will the benefits provided by the LGPS change because of this?

There are no plans to change the benefits the LGPS provides as a result of the introduction of the new State Pension.

I cannot afford to pay the extra National Insurance contributions. What can I do?

The new State Pension will only provide a very basic level of income in retirement meaning that the LGPS will remain an important part of your retirement planning. Remember that you will continue to get tax relief on your pension contributions, as your contributions are deducted from your pay before you pay tax.

You have flexibility to pay less in pension contributions, with the option to pay half your normal contributions in return for building up half your normal pension (although you still retain full life cover and ill health cover). This is known as the 50/50 section of the scheme and is designed to help members stay in the scheme, building up valuable pension benefits, during times of financial hardship.

The 50/50 section is designed to be a short-term option and your employer is required to re-enrol you back into the main section of the scheme every three years. This will be carried out in line with your employer's automatic re-enrolment date.

A 50/50 option form is available from your employer. Further information about the 50/50 section is available at <http://lgps2014.org/>

Will I qualify for the full amount of the new State Pension?

The new State Pension will be based on your National Insurance contributions record and a new minimum qualifying period will be introduced. People with no National Insurance contributions record before 6 April 2016 will need 35 qualifying years to get the full amount of new State Pension. If you have paid into the LGPS between 6 April 1978 and 5 April

2016 and attain State Pension age on or after 6 April 2016 the amount of new State Pension you receive will be reduced, in respect of this period, to reflect the fact that you and your employer have paid a lower rate of National Insurance (due to the LGPS being contracted-out of the current additional State Pension). If this applies to you, you are unlikely to receive the full amount of the new State Pension, however, this will depend on your individual National Insurance record and how many qualifying years you have after April 2016.

The Government has confirmed that the full amount of new State Pension will be no less than £155.65 a week.

For further information about the calculation of the new State Pension and for a definition of a qualifying year please refer to <https://www.gov.uk/new-state-pension/overview>

Will the new State Pension provide sufficient income in retirement?

The State Pension is intended to be only a part of your retirement income and will provide a very basic standard of living in retirement. It is important that you plan for your retirement, taking into account that:

- people are generally living longer so you're likely to spend more time in retirement
- you may want to retire before your State Pension age
- if you were a member of the LGPS prior to 6 April 2016 you may not qualify for the full amount of the new State Pension

The LGPS will continue to be an important part of your retirement planning. For information about the benefits provided by the LGPS please visit:

Where do I find out more information?

More information about the new State Pension can be found at www.gov.uk/yourstatepension

If you are over age 55 you can request an estimate of the State Pension you will receive under the new system at www.gov.uk/state-pension-statement

A video about the new State Pension can be viewed here - <https://www.youtube.com/user/PensionTube>



The 50/50 Section

If you are deterred from joining or remaining in the Local Government Pension Scheme because of the cost of paying the contributions, you may like to know that the Scheme now allows members to elect to contribute 50% of the normal rate of contribution, and receive 50% of the pension benefit. This means that the pension will accrue at the rate of 1/98th of pensionable pay, instead of 1/49th, for the period that the election is in force.

Regardless of which Section you are in you get full life assurance cover, full ill health cover and full survivor benefits in the event of your death.

A person cannot elect for the 50/50 Section before the employment has commenced, before being enrolled automatically by their employer, or before opting in. Members can elect to move from the Main Section to the 50/50 Section and back again as many times as they wish. A member in the 50/50 Section always has the right to elect to rejoin the Main Section following the beginning of the next pay period after their election.

If you have more than one job you can elect for the 50/50 Section in one, some or all your jobs.

If you choose to move to the 50/50 Section any extra pension contributions or additional voluntary contributions (AVCs) would continue to be payable in full (not at half rate). The only exception to this is that any additional pension contributions (APCs) you are paying to purchase extra pension would have to cease (unless those APCs are to purchase pension 'lost' during a period of authorised unpaid leave or absence or during a period of unpaid additional maternity, paternity or adoption leave).

The 50/50 Section is designed to be a **short-term** option for when times are tough financially. Because of this your employer is required to put you back into the main section of the LGPS approximately three years from the date they first have to comply with the automatic enrolment provisions of the Pensions Act 2008 (and approximately every three years thereafter). Your employer will move you back into the Main Section of the scheme at that time irrespective of when your election to join the 50/50 Section took place (even if, for example, you had only elected for 50/50 the previous month). Your employer will tell you when this is about to happen. If you wish to continue in the 50/50 Section at that point you would need to make another election to remain in the 50/50 Section.

Your employer cannot ask you or force you to join the 50/50 Section. If, however, you wish to do so, you can do this by completing and returning an Election to change from Main Section to '50/50' Section Form which is available from the Pensions Team.



Tax Changes

The Lifetime Allowance

The lifetime allowance is the total value of all pension benefits you can have without triggering an excess benefits tax charge.

The lifetime allowance covers any pension benefits you may have in all tax-registered pension arrangements – not just the LGPS.

The lifetime allowance for 2011/12 was £1.8 million and reduced to £1.5 million for 2012/13. It remained at £1.5 million for 2013/14, for 2014/15 and 2015/16 is £1.25 million and for 2016/17 will be reduced to £1 million.

If the value of your pension benefits when you draw them is more than the lifetime allowance or more than any protections you may have, you will have to pay a tax charge on the excess benefits.

The lifetime allowance tax charge is:

- 55% of any amount you take from your pension savings as a lump sum that is over the lifetime allowance, and
- 25% of any amount you take from your pension savings as pension income that is over the lifetime allowance.

You may apply for **Individual Protection 2014 (IP14)** if your pension benefits were valued above £1.25 million as at 5 April 2014. If your application is successful, you will be entitled to a protected lifetime allowance equal to value of your benefits as at 5 April 2014 up to a maximum of £1.5 million. You have until 5 April 2017 to apply for IP14. You can find more information about how to do this at <https://www.gov.uk/tax-on-your-private-pension/>

There will also be two new lifetime allowance protection regimes available to protect pension savings when the lifetime allowance reduces to £1 million from 6 April 2016. You will be able to apply for fixed protection 2016 and individual protection 2016 by using a new on-line self-service system which will be available from July 2016.



The Annual Allowance

This is the amount by which your pension benefits may increase in any one year without having to pay a tax charge.

In the LGPS, the period used to assess this, known as the 'pension input period (PIP)' runs from 1 April to 31 March.

The annual allowance for tax years 2008/09 to 2013/14 was £50,000.00 and for 2014/15 and 2015/16 it is £40,000.00.

Most people will **not** be affected as their pension benefits will not increase by more than £40,000, and if it does, they are able to utilise any unused allowance from the previous three years.

Additional Pension Contributions

There may be times when you may need to consider adding to your pension in the LGPS. This could be because you joined later in your career or have had a career break and want to buy extra pension or maybe you have lost pension due to an unpaid absence.

Paying Additional Pension Contributions (APC) either regularly over a number of complete years or as a one-off lump sum will allow you to add extra pension or make up for lost pension. The maximum amount of annual pension you can buy using an APC is £6,675. This figure will increase each year in line with the cost of living. Buying lost pension is important if you have pre-1st April 2014 membership and wish to protect your benefits in a number of different circumstances.

If you wish to purchase additional or lost pension, please refer to the modeller to calculate the costs.

<http://www.lgps2014.org/content/how-do-i-buy-extra-or-lost-pension>

If you wish to proceed with your application, please complete and print the appropriate application form at the above link and return it to the Pension Team: the address can be found at the end of this newsletter.



Pension Key Performance Standards

Liberata UK Ltd manage the general administration of the Local Government Pension Scheme for the London Borough of Bromley. Performance standards are used to monitor and improve performance. Performance is reported regularly to the Council and is published annually for the information of Scheme members.

Liberata's commitment to Scheme members is:

As administrators of the Bromley Fund, we aim to provide you with good quality service and to communicate effectively. Liberata aim to:

- **Respond to e-mails and written enquiries within 10 working days of receipt**
537 pieces of correspondence responded to in the last year, of which 99.81% were within the performance standard (99.50% in 2013/14)
- **Process each stage of a transfer of pension rights (to or from the Fund) within 10 days of receiving the required information**
93.68% of 95 transfer-in quotations (98.25% in 2013/14) and 92% of 89 transfer-out quotations (96.54% in 2013/14) issued within the performance standard
- **Process retirement grants (lump sums) within 10 working days of retirement, provided that Liberata have all the necessary information**
99.00% of 221 retirement grants paid within the performance standard (98.25% in 2013/14)
- **Issue a benefit statement annually to all active and deferred members**
Statements issued to all active and deferred members in September
- **Advise pensioners in April of the annual increase to their local government pension**
Pensions increase letters issued to all pensioners in April

National Fraud Initiative

The London Borough of Bromley is required by law to protect the public funds it administers. It may share information provided to it with other bodies responsible for auditing or administering public funds, in order to prevent and detect fraud.

Data matching involves comparing computer records held by one body against other computer records held by the same or another body to see how far they match. This is usually personal information. Computerised data matching allows potentially fraudulent payments to be identified. Where a match is found it may indicate that there is an inconsistency which requires further investigation. No assumption can be made as to whether there is fraud, error or other explanation until an investigation is carried out.



For further information on the Cabinet Office's legal powers and the reasons that it matches particular information, see <http://www.audit-commission.gov.uk/fairprocessing>.

Other Data Sharing

London Borough of Bromley participates in a data sharing project with other LGPS pension funds in England, Wales and Scotland. This is 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.

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 where these are held. To comply with the requirements set out above, a national Database, hosted at the South Yorkshire Pensions Authority, 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 contains 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.

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.

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.

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 a) the relevant regulatory requirements remain, and b) 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.

The Bromley Pension Fund

Bromley's Pension Fund is administered by the London Borough of Bromley's Pensions Investment Sub-Committee, whose primary role is to oversee the investment of the Fund and monitor its financial position.

Following an investment strategy review in 2012, new Fund managers were appointed in both 2012/13 and in 2013/14 and the Fund now employs five investment managers: Baillie Gifford, Blackrock,

Fidelity, MFS and Standard Life. They are responsible for managing investment portfolios comprising Global Equities (c.70% of total Fund), fixed income (c.20%) and Diversified Growth Funds (c.10% of total Fund). Further appointments are likely to be made in 2015/16

The net assets of Bromley's Pension Fund totalled £745m as at 31st March 2015 and comprised:

UK Equities (quoted) £32m
Overseas Equities (quoted) £362m
Pooled Investments £344m
Cash/other £7m

Income and Expenditure for the year ended 31st March 2015

Income	Expenditure
Employer contributions £24.9m	Pensions £24.5m
Employee contributions £6.1m	Lump sum benefits £4.5m
Transfer Values received £2.9m	Transfer Values paid £3.3m
Investment income £6.9m	Administration £0.7m
Net gain on investments £111.8m	Fund management expenses £2.5m

Pension Regulations require an actuarial valuation of the Fund's assets and liabilities every three years to ensure that the Fund is able to meet all its present and future commitments.

The most recent full valuation as at 31st March 2013 found that the value of the Fund's assets represented 82% of the value of its liabilities, down slightly from 84% in 2010. That valuation set employer contribution rates for the following three years aimed at increasing the fund's solvency level to 100% over a period of 15 years. The next full valuation (as at 31st March 2016) will take place during 2016/17 and will set employer contribution rates for the three years commencing on 1st April 2017.



Death Grant Expression of Wish Forms

From the moment you join the Scheme until you leave or retire, and sometimes even beyond, you have valuable life cover in the form of a lump sum death grant. As an 'active' contributing member, if you die whilst paying into the Fund, we will pay out a death grant equal to three times your final years' pay.

Although the amount of death grant is governed by the Scheme rules, the Council has absolute discretion in deciding on who to pay any death grant to. The Council may pay the money in one sum or split it among a number of beneficiaries. The LGPS allows you to nominate one or more beneficiaries to whom you would like any death grant to be paid. You can do this by completing and returning an Expression of Wish Form which is sent out with the Annual Benefit Statements each year or can be downloaded from www.bromley.gov.uk/lgps. The Council will normally follow your wishes, but may not do so if your circumstances have changed since you completed the form, for instance if your marital status has changed, or the person you have nominated has died. It is therefore extremely important that you keep your nomination up to date

Pensions On-line

You can now access your own pension records online, through Altair Member Self Service (MSS). This service allows you to view your record, and carry out your own pension benefits calculations, such as:

- deferred benefits
- pension predictions
- lump sum commutation options
- redundancy estimates

You also have the option of updating your Expression of Wish record (by downloading and submitting a signed Form) and personal details such as change of address or name. This service is available 24 hours a day, 365 days a year.

You will need to obtain an activation key to access the Altair Member Self Service function, which you can request by accessing <https://bromleypensionsonline.bromley.gov.uk> and then the activation key and details of how to use MSS will be sent direct to you.

NOTHING IN THIS NEWSLETTER CAN
OVERRIDE THE PROVISIONS OF THE
LOCAL GOVERNMENT PENSION SCHEME
REGULATIONS OR RELATED LEGISLATION

Enquiries and Complaints

If you are not sure which benefits you are entitled to, or if you have a question concerning your benefits, please contact the Liberata Pensions Team. They will try to deal with your query as quickly and efficiently as possible, and it may be possible to arrange a meeting in order to resolve any issues.

In case you are dissatisfied with the way the Council or your employer has interpreted or applied the pension Regulations, then in order to protect your interests the Council is required under the Scheme Regulations to set up a two-stage appeal procedure. Full details of this can be obtained from the Liberata Pensions Team.

Their full address and telephone details are shown below. In addition to the internal dispute processes you also have access to a number of external advisors or regulators who are there to assist you with any issues you may have relating to your pension.

Further details of these organisations are given below.

Liberata UK Ltd
P O Box 1598, Croydon, Surrey CR0 0ZW

Telephone 020 8603 3429
E-mail pensions@bromley.gov.uk
Website www.liberata.com

Large Print Version Available

The text of this newsletter is available in a large print format from Liberata Pensions on 020 8603 3429.

Further information about the Scheme is available on www.lgps.org.uk

Useful Contacts

London Borough of Bromley
Chief Executive's Department
Civic Centre
Stockwell Close
Bromley
BR1 3UH

Telephone 020 8464 3333
Website www.bromley.gov.uk

Pension Tracing Service

This is a tracing service for ex-members of schemes with pension entitlements, who have lost touch with their previous employers.

The Pension Service

Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA

Telephone 0345 600 2537

The Pensions Advisory Service (TPAS)

This service is available to assist members with any difficulties that they cannot resolve with their pension schemes.

11 Belgrave Road
London
SW1V 1RB

Telephone 0345 601 2923

Website www.pensionsadvisoryservice.org.uk

For the Pensions Ombudsman

The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the Scheme, or matters of fact or law.

Telephone 020 7630 2200 at the TPAS address above
Website www.pensions-ombudsman.org.uk

