

---

**This bulletin from the Staffordshire Pension Fund, focuses on current issues that you should be aware of relating to the Local Government Pension Scheme (LGPS)**

---

Issue September 2019

## Pensions Savings Certificates – Annual Allowance (AA)

Towards the end of September, we will be issuing Pension Savings Certificates to those members who have exceeded (or are close to) the HM Revenue and Customs Annual Allowance (AA) for the tax year 2018 /19.

The AA is the amount by which the value of a member's pension may increase in any year without having to pay a tax charge. The limit for the tax year 2018/19 is £40,000.

Most members will not be affected by the AA tax charge because the value of their pension saving will not increase in a year by more than £40,000, or if it does, they are likely to have unused allowance from previous years that can be carried forward.

Typically, those members affected by the AA (circa 400) will fall into one of two categories:

- Members who exceeded the AA for the tax year 2018/19 but have been able to carry forward unused allowance from previous years. As a result, these members will not be subject to a tax charge.
- Members who exceeded the AA for the tax year 2018 /19, but who have insufficient carry forward allowance from previous years. As a result, they are subject to a tax charge\*

\*If the AA tax charge is more than £2,000, the member may elect for the Staffordshire Pension Fund to pay all or some of the tax charge. The tax charge will then be recovered from the members pension benefits, payable at some point in the future.



- The communication to those members affected will include the following information: Detailed breakdown of their personal AA calculation; and
- Explanatory Notes, setting out the different member options available and the steps they must take to inform the HM Revenue and Customs.

More information on the Annual Allowance can be found by following the link below to the Staffordshire Pension Fund's website.

<https://www.staffspf.org.uk/Members/Active-Members/Tax-limits-and-your-pension.aspx>

### **LGPS – Employer Data Retention Policy**

So that the Fund can fulfil its legal obligations in relation to data (as well as paying the correct benefits to current and former employees of each individual Employer and their beneficiaries), individual Employers are required to adopt certain minimum data retention periods.

To assist Employers, we have been working nationally, with other LGPS Funds and legal advisors Squire Patton Boggs, to produce a template Personal Data Retention Policy for Employers.

The template for the Personal Data Retention Policy sets out the Fund's expectation of Employers in relation to the retention of personal data that is required by the Fund. The template will need to be tailored by Employers before incorporation into their existing Personal Data Retention Policy.

You can obtain more detailed information about the Employer's Data Retention requirements and obtain an example template copy of an Employer Data Retention Policy by following the link below

<https://www.staffspf.org.uk/Employers/Latest-News/Latest-News.aspx>



## Annual Benefit Statements (ABS)

The Fund recently issued the Annual Benefit Statements (ABS) to members of the LGPS. Whilst the Fund has a dedicated helpline to manage member enquires, members are also being advised to contact their Employers should they have any queries regarding pay/salary details shown in their ABS.

As expected, following the issue of the ABS, together with the continued validation of members records, this has increased the number of pensions enquires that need to be resolved by Employers so that the members receive the correct pension information.

We would therefore be grateful if Employers could respond to outstanding queries at the earliest opportunity. This will enable us to update the member's pension record and issue them with an updated ABS.

**Also, this month, we thought it would be beneficial to revisit a few areas on which we frequently receive questions from our Employers.**

## Flexible Retirement

Under the Regulations and subject to the Employers' consent, once an Employee reaches age 55, they may remain in employment and draw their retirement benefits. However, there are certain conditions that must be met:

- The Employer must agree to the release of the pension; and
- The Employee must reduce either their hours and/or their grade. The specific reduction required is not set out in the Regulations, but instead must be determined by the Employer, who must specify the requirements within their published flexible retirement policy.

Most Employees take flexible retirement before their normal retirement age, so the benefits to be paid will be actuarially reduced. The Employer has the option of waiving this reduction, but this would result in a 'strain cost'.

It is advisable for Employers to obtain an estimate of benefits from the Staffordshire Pension Fund to determine any 'strain cost' that would be payable by the Employer before flexible retirement is agreed.

*Employers should make sure that they have a policy in place to cover flexible retirement. Under the LGPS Regulations the Fund is unable to process flexible retirements where no Employer policy is in place.*



## Employer Policy on Flexible Retirement

The Employer's policy on Flexible Retirement should set out:

- whether they allow Flexible Retirement under regulation 30(6) of the 2013 Regulations;
- whether to waive any actuarial reduction that would apply if the member is flexibly retiring before their Normal Pension Age; and
- **whether to permit the member to choose to draw all, part or none of the pension benefits they have built up after 1 April 2008** (benefits built up before 1 April 2008 must be taken on Flexible Retirement in accordance with Regulation 11(3)(a) of the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014).

Any changes to your Flexible Retirement Policy should be communicated to staff and a copy of any revised documentation sent to Staffordshire Pension Fund.

### Remember: Who is an Eligible Employee/Scheme Member?

Employers must identify which of their Employees are eligible to be members of the LGPS. Eligible Employees must be under the age of 75.

#### Automatic Entry

- New Employees with a contract of employment lasting 3 months or more
- Includes casual staff with a mutual obligation to work

#### Must opt to join

- Employees with a fixed contract of less than 3 months
- Employees with a contract of no mutual obligation

Automatic entry Employees must be informed on appointment that their post entitles them to membership of the LGPS, unless they choose to opt out of the scheme. Payroll should be informed to collect contributions from the date of employment.

Opt to join Employees should be provided with the relevant information. If they opt to join, the Starter Form (APT1) must be completed and returned as soon as possible to the Fund, so that a starters letter can be issued. It is the Employer's responsibility to ensure that this is done. If you use i-connect, we will be informed of any new starters via this electronic data transfer system.

**If you require any further information or clarification, please do not hesitate to contact Martin Griffiths, Communication Officer**  
**[martin.griffiths@staffordshire.gov.uk](mailto:martin.griffiths@staffordshire.gov.uk)**  
**01785 276070**

