Pension Update

Staffordshire Pension Fund
Local Government Pension Scheme

lgps
for you, for now, for the future

FOR MEMBERS OF THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) | **APRIL 2017**

What will my Pension Contributions be from April 2017?

Staffordshire Pension Fund have received confirmation of the revised contribution bands that will be deducted for employees from April 2017. They have been revised by 1%. This is in line with inflation.

BAND	ACTUAL PENSIONABLE PAY FOR AN EMPLOYMENT	MAIN SECTION	50/50 SECTION
1	Up to £13,700	5.5%	2.75%
2	£13,701 to £21,400	5.8%	2.9%
3	£21,401 to £34,700	6.5%	3.25%
4	£34,701 to £43,900	6.8%	3.4%
5	£43,901 to £61,300	8.5%	4.25%
6	£61,301 to £86,800	9.9%	4.95%
7	£86,801 to £102,200	10.5%	5.25%
8	£102,201 to £153,300	11.4%	5.7%
9	£153,301 or more	12.5%	6.25%

As you will be aware since the 1 April 2014 there are now two Sections of the LGPS - the MAIN and 50/50 Sections. Members in the MAIN Section of the LGPS pay their normal monthly contribution rate and accrue the normal pension build up (i.e. a 49th of pensionable pay). Under the 50/50 Section a member can elect to pay half their normal contribution rate to receive back half of the pension that they would otherwise have built up (i.e a 98th of pensionable pay).

LGPS Pooling Update

Staffordshire Pension Fund is working with nine other LGPS Funds to pool investments to significantly reduce costs while maintaining overall investment performance. To find out the latest updates on the LGPS pooling project visit the Fund's website.

'My Pension Online'- Are you registered yet?

Did you know that you can view your LGPS pension benefits online? The secure members' area, called 'My Pension Online'. This Self Service Calculator allows you to:

- Update personal details
- Check pay details are correct
- Calculate retirement benefits

To register, visit the Fund's website. You will need your email address and your National Insurance number.

Ask the Pensions Team

Some of the frequently asked questions received by the Pensions Team can be found here:

Q. My marital status has just changed. How can I update my pension record?
A. In order to update your pension record with a new marital status, we need to see a copy of the documentation confirming the change such as your marriage or civil partnership certificate, or your decree absolute in cases of divorce.

Q. Can I retire early and receive payment of my pension?
A. Your LGPS pension is payable in full and without reduction from your Normal Pension Age which is linked to your State Pension Age (but with a minimum of age 65). However, you can choose to retire and draw your pension at any time from age 55, provided you have been in the Scheme for a minimum of 2 years – this is known as the vesting period. If you choose to take your pension before your Normal Pension Age it will normally be reduced, as it's being paid early. The amount of reduction you receive depends on how early you retire.

Q. I have just retired, when can I expect payment of my benefits?
A. In order to calculate your pension benefits we require information to be provided by your employer. Such as your pay, leave date and reason for leaving. This ensures we correctly calculate your benefits. We cannot make payment of your benefits until we receive the required information from your employer and you cannot receive payment of your benefits until your employment has ended.

If you are paid overtime or you are due to receive any pay in arrears from your employer, then sometimes the information is received after you have left employment.

Once your employer has provided the information we require, we will calculate your retirement benefits and inform you of your retirement options such as giving up pension to receive a tax free lump sum.

Your pension will be paid monthly in arrears, normally on the last day of each calendar month. However,if the last day of the month falls on a weekend or Bank Holiday payment will be made on the Friday before.

Q. How do the contributions I pay into the LGPS each month relate to the pension I build up?
A. The LGPS is a statutory, funded pension scheme and as such it is very secure because its benefits are defined and set out in law. Being a defined benefit scheme means how much you get doesn't depend on investments, instead it is based on your salary and how long you are a member of the Scheme.

The contributions you pay into the LGPS provide membership of the Scheme but do not cover the full cost of providing your benefits, as your employer pays the balance after taking into account investment returns. Every three years, an independent actuary calculates how much your employer should contribute to the Scheme.

Your employer determines your contribution rate based on your pay and range between 5.5% and 12.5%, as set by the regulations. If you are a tax payer you will receive tax relief on your contributions.

The LGPS offers a wide range of benefits in addition to the pension paid to you, such as life cover in the event of your death and survivors pensions. In some circumstances your pension can be paid early if you become ill or if your employer makes you redundant.

Q. How can I find out what my pension will be at in the future?
A. If you haven't done so already you can sign up to the Self Service Calculator which means you can access your pension record securely via our website. Once registered you can use the online benefit projector to calculate your pension benefits in the future.

Does my CARE pension always increase?
A. The pension that you build up after the 1 April 2014 is based on your career average revalued earnings (CARE) rather than final salary. Every year your CARE pension is revalued in line with an order issued by HM Treasury. Treasury orders are currently based on the Consumer Price Index (CPI) which is a Government indicator of price inflation. The revaluation is based on the level of CPI in the September before the April revaluation.

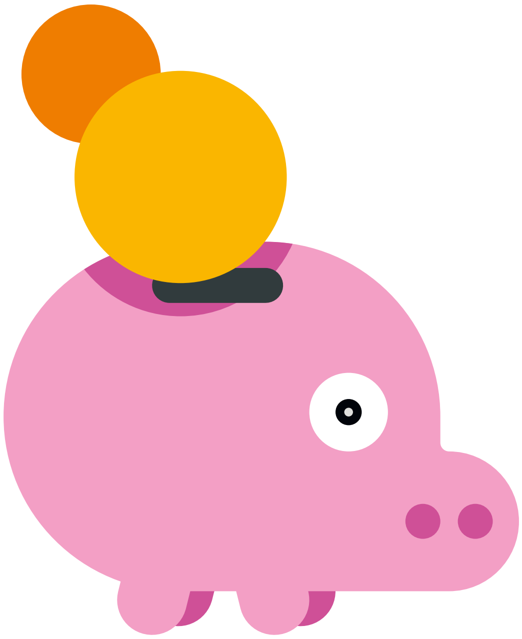
You're not guaranteed to have an increase every year as it will depend on whether there's been a rise or a fall in price inflation. If there's a fall in price inflation, HM Treasury can issue an order that means we must apply negative revaluation for that year.

Since the CARE scheme was introduced, the treasury order for April 2015 was 1.2% CPI and for April 2016 was -0.1% CPI. This means the value in your pension account has seen a 1.2% growth last year, and a reduction of -0.1% for this year.

Please note that in your next Annual Benefit Statement that will be issued in late summer 2017, which shows the value of your benefits up until the end of March 2017, you will therefore see a negative figure in the field illustrating the adjustment to your CARE pension which represents the fall in price inflation at 1 April 2016 (-0.1%)

This doesn't affect the benefits that you've built up before 1 April 2014.

Topping up your State Pension



There are two schemes available to top up your State Pension. Which one to use depends on whether or not you have reached State Pension Age (SPA).

Class 3 Voluntary National Insurance Contributions
If you have not yet reached SPA but are worried that you might not have enough NI contributions to qualify for the State Pension (or to get the maximum amount), you can make Class 3 National Insurance contributions. This may be of interest to former public sector workers who have:

- Retired, and
- Not yet reached SPA (or have reached their SPA since 6 April 2016).

If this applies to you then you will have your state pension based on the new 'flat rate' system, but as you have been a member of the LGPS, which up until 6 April 2016 was a a contracted-out scheme, you may find that you have a 'contracted-out deduction' applied to your state pension when you reach SPA. These contributions are voluntary and allow you to fill gaps in your National Insurance record to improve your basic State Pension entitlement.

State Pension Top Up Scheme
If you have already reached SPA you can increase your State Pension with the top up scheme.

You must be entitled to the State Pension and have reached SPA before 6 April 2016 to be eligible for the scheme. The scheme allows you to increase your State Pension by between £1 and £25 per week if you are either:

- A man born before 6 April 1951
- A woman born before 6 April 1953

You'll need to make a lump sum contribution before 5 April 2017.

There is a State Pension top up calculator to find out how much you'll need to pay available at:
www.gov.uk/state-pension-topup

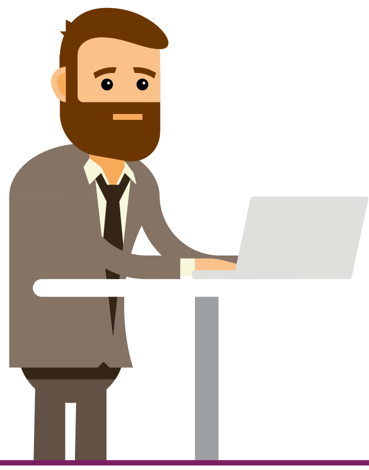
State Pension Age independent review

Under the Pensions Act 2014, the Government must undertake an independent review of the State Pension Age (SPA) each parliament. The independent review for the current Parliament has produced an interim report of its findings prior to its final report which is due to be published in 2017. The final report will make recommendations to Government on possible changes to the SPA.

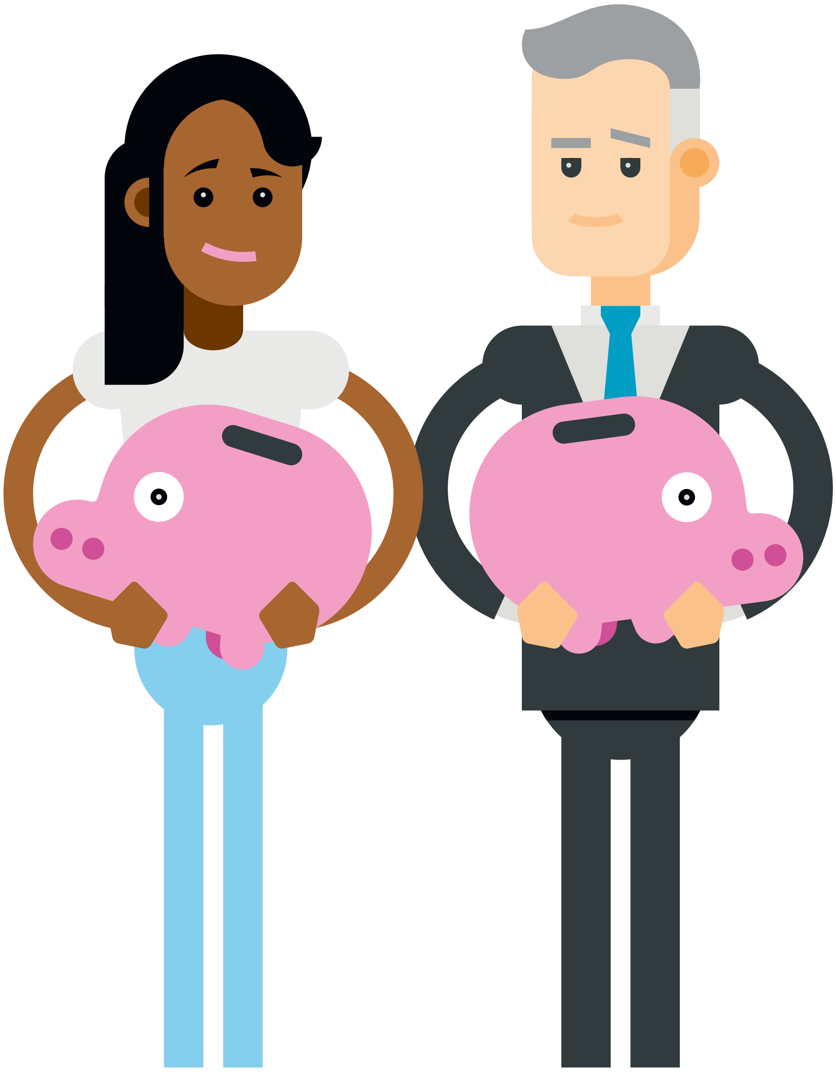
The interim report contains a number of questions on which the Government is seeking views and evidence. The consultation period closed on 31st December 2016. Further information will be provided once known.

New LGPS national website

The national LGPS website is the website to visit for general information about your Pension Scheme. You can visit the site at: www.lgpsmember.org



Pension taxation limits



There are two types of pension taxation that you need to be aware of, the annual allowance and the lifetime allowance. We have covered the limits in previous newsletters and you can find information on your Fund's website.

Annual Allowance

The annual allowance is the amount the value of your pension savings may increase in any one year without having to pay a tax charge. The 'pension input period' (PIP) is the period over which your pension growth is measured. If the value of pension benefits grows by more than the limit, then the excess amount may become subject to a tax charge. However, the three years "unused" annual allowance can be used to offset the tax charge.

The last four years annual allowance amounts are shown in the table below:

YEAR	ANNUAL ALLOWANCE LIMIT
2013/14	£50,000
2014/15	£40,000
2015/16	£80,000 (but split pre and post the date of the 8 July 2015 due to the budget – limit is £40,000 per period, but with a maximum carry over of £40,000
2016/17	£40,000 but with tapering to £10,000 for some people (this is explained below)

How is pension's growth calculated?

The increase in the value of your pension savings each year is calculated by working out the value of your benefits immediately before the start of the PIP, increasing the value by inflation and then comparing it with the value of your benefits at the end of the PIP.

From 6 April 2016, PIPs for all pension schemes are aligned with the tax year – 6 April to 5 April. Prior to 2016/17 the PIP for the LGPS was 1 April to 31 March, except for the year 2015/16 when special transitional rules applied.

In the Local Government Pension Scheme (LGPS) the value of your pension benefits is calculated by multiplying the amount of your annual pension by 16 and adding any lump sum you are automatically entitled to from the pension scheme, plus any Additional Voluntary Contributions (AVC's) you or your employer have paid during the year.

If the difference in the value of pension benefits at the end of the PIP less the value of your pension benefits immediately before the start of PIP (adjusted for inflation), is more than the annual allowance limit, you may be liable to pay a tax charge.

Each year you will be sent a pensions savings statement if your pension savings in this Fund exceeds or comes close to the annual allowance limit for that year. The statement is based on the information the Fund holds on your pension record at the time of the

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calculation. If you breach the annual allowance the statement will provide the options you have in dealing with the tax charge.

From 6 April 2016 the annual allowance was reduced for those individuals who have income over certain levels. Broadly affecting those whose:

- "threshold income" is above £110,000 and,
- "adjusted income" is above £150,000

Threshold income is broadly defined as total earnings, less what you pay in pension contributions.

Adjusted income is broadly threshold income plus the value that your pension grows by over the year. If you satisfy both points the annual allowance will be reduced by £1 for every £2 that the adjusted income exceeds £150,000. However, the maximum reduction that can apply to the annual allowance is £30,000 leaving an annual allowance of £10,000.

HMRC provide information to help you:
www.tax.service.gov.uk/paac

If you have pension benefits elsewhere, you will also need to take these into consideration. It is your personal responsibility to pay the correct amount of tax.

Lifetime Allowance

This is the overall limit on the amount of pension savings you can have during your working life without incurring a tax charge. To calculate your lifetime allowance percentage, multiply your annual pension by 20, adding in any lump sum and Additional Voluntary Contributions (AVCs), then divide the total of that by the lifetime allowance limit x 100.

On the 6 April 2016 the lifetime allowance reduced from £1.25 million to £1 million.

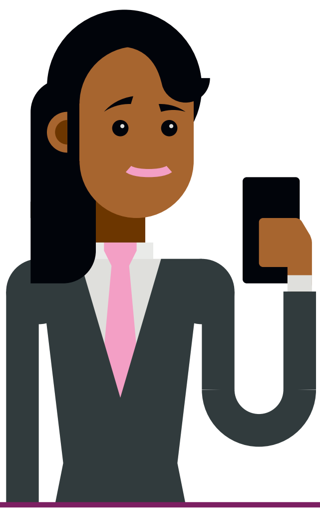
If you had pension savings in excess of £1 million on the 5 April 2016 you may apply for Individual Protection 2016. This will provide you with a lifetime allowance equal to the value of your pension benefits on that date instead of £1 million. It is not possible to protect pension benefits of more than £1.25 million in this way so if your pension benefits were over £1.25 million on the 5 April 2016 your Individual Protection is capped at £1.25 million. Individual Protection still provides for future pension accrual so you can remain in the pension scheme.

It is also worth noting if you had pension savings in excess of £1.25 million when the lifetime allowance was last reduced in April 2014, you still have until the 31 March 2017 to apply for previous protections with HMRC.

For further information on lifetime allowance including applying for any protection visit HMRCs website:
www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

This newsletter provides an overview of the rules governing taxation of pension savings. It is your personal responsibility to pay the correct amount of tax. The Fund is not able to provide financial advice. If you are unsure about the best course of action, you should contact HMRC using the details below. You may need to take independent financial advice in order to ensure you understand your tax position.

Contacting HMRC:
Telephone: 0300 200 3300
Write: HM Revenue and Customs - Pension Schemes Services, Ferrers House, Castle Meadow Road, Nottingham, NG2 1BB



The LGPS – Implications of the EU referendum

The following statement below was issued by the Department for Communities and Local Government following the decision made in June 2016 for Britain to leave the European Union:

"The vast majority of EU legislation which impacts either directly or indirectly on the LGPS such as the Institutions for Occupational Retirement Provision (IORPs) is already written into UK legislation. Accordingly the scheme will need to continue to comply with such legislation until such time as Britain leaves the EU after which it would of course be the prerogative of a future UK government to seek to repeal some or all of this legislation subject to the terms of any new trade arrangements made with the EU.

With regard to UK government policy and legislative plans for the LGPS the situation is 'no change'. Regulatory changes, policy objectives and the timescales for implementing them remain as they were before the vote."

As the statement confirms there will be no change to the LGPS following the decision to leave the European Union.

Any impact on the Fund's investments caused by the decision for the UK to leave the European Union will be monitored by the Pensions Committee.

Changes to Late Retirement Pension Increases

The Department for Communities and Local Government (DCLG) have announced that the way pensions will be increased, for those retiring after their normal retirement age, has changed for pension benefits that become payable from 4th January 2017 and will affect the whole of the increase they would be due.

Further details of the changes to the Late Retirement increases can be found in the 'Late Retirement Actuarial Guidance' from the Government Actuarial Department.

How does this effect active members?

DATE PENSION BECOMES PAYABLE (DAY AFTER LAST DAY OF EMPLOYMENT)	MEMBERSHIP BEFORE 1 APRIL 2014	MEMBERSHIP AFTER 31 MARCH 2014	LUMP SUM IN RESPECT OF PRE 1 APRIL 2008 MEMBERSHIP
Pension payable before & including 3 January 2017	0.014% each day from 65 years to date of retirement	0.014% each day from the later of either 65 yrs or SPA to date of retirement	0.007% each day from 65yrs to date of retirement
Pension payable 4 January or after	0.010% each day from 65 to date of retirement	0.010% each day from the later of either 65 yrs or SPA to date of retirement	0.001% each day from 65yrs to date of retirement

Valuation

A Valuation of the Fund is undertaken to ensure that the Fund's assets are sufficient to meet the Fund's liabilities.

The Valuation analyses scheme membership by type, assesses the Fund's financial position, sets out the assumptions for future inflation and investment returns and then provides a schedule of the contribution rates for each of the Fund's employing bodies. The Valuation happens every three years.

Staffordshire Pension Fund's Actuary, Hymans Robertson, carries out the Valuation and reports their findings in the actuarial report. Hymans have been working on the data for the 2016 report. The valuation reports for 2013 and 2010 can be found on the Pension Fund website, and once released, the 2016 actuarial report will also be uploaded to the website.

The Funding Strategy Statement

The Fund has a document called the Funding Strategy Statement (FSS) which spells out how it calculates employer contributions in different circumstances and for different types of organisation. This is revised at each actuarial valuation, and the Fund entered into a period of consultation with regard to its proposed changes to this document with all employers.

Sections 1 and 2 of the FSS provide a helpful plain English description of the background to the Fund, the Valuation and the FSS. This may be particularly helpful if you are not accustomed to dealing with pension funding matters.

This document can be found at:
www.staffspf.org.uk/Finance-and-Investments/Funding-Strategy-Statement/Funding-Strategy-Statement.aspx

Fund Report and Accounts

The latest Pension Fund Annual Report and Accounts are available to read in PDF format on our website at:
www.staffspf.org.uk/Finance-and-Investments/Annual-Reports-and-Accounts/Reports-and-Accounts.aspx

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