

# Pension Update



FOR MEMBERS OF THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) | **SUMMER 2018**

## ➤ New data protection regulations come into force

The General Data Protection Regulation (GDPR) is a new set of regulations which came into force on 25 May 2018. Within the UK these regulations make up part of the new Data Protection Act 2018. GDPR changes how businesses process and handle data. The main aim is to simplify data privacy laws, while giving greater protection and rights to individuals.

### How does GDPR affect me?

To look after your pension benefits, your pension fund holds certain information about you, including the following:

- Contact details, including your name, address, phone number and email address
- Identifying details, including your date of birth and National Insurance number
- Information about your benefits in the fund, including length of service and salary
- Other information to do with your membership of the fund, which helps us to calculate or pay benefits, for example your bank account details.

We get some of this personal information direct from you. We may also get information from your employer (for example, information about your salary) and from other sources, including public databases. We use this personal information to manage the fund, to calculate pension benefits for you (and any beneficiaries when you die) and to keep to our legal obligations.

As a member of the LGPS you are unlikely to notice any changes with the introduction of GDPR. This is because your pension fund already had procedures in place, under the previous Data Protection Act. The introduction of GDPR simply means that the current requirements on data protection are reinforced.

Your pension fund must issue a privacy notice setting out why it holds certain information, the reason for processing the information and how long it will keep it for. The notice also includes further information about your rights.

To find out more about GDPR and how your pension fund uses your information, visit your fund's website [www.staffspf.org.uk/Governance/GDPR.aspx](http://www.staffspf.org.uk/Governance/GDPR.aspx)

## ➤ Increases to the State Pension age

Based on the recommendations of an independent review of the State Pension age, the Government's new timetable proposes that the State Pension age will increase to 68 between 2037 and 2039. This is earlier than the current legislation, which proposed a rise between 2044 and 2046. The change will affect everyone born between 6 April 1970 and 5 April 1978. No-one born on or before 5 April 1970 will see a change to their State Pension age.

As the normal pension age (NPA) within the LGPS is now linked to State Pension age, this will change the NPA of members born between those dates. Visit the Department for Work and Pensions website for more information on the State Pension age review and to read the full report visit:

[www.gov.uk/state-pension-age](http://www.gov.uk/state-pension-age)



## ➤ Exit payments – legislation update

In 2016 the Government announced proposals to standardise and limit severance or exit payments in the public sector. The main proposals were as follows:

- **A £95,000\* cap on exit payments** – A proposed limit on the total value of payments made when ending a public-sector worker's employment. This includes the cost of employer-funded early retirement, for example an immediate pension payable on redundancy from age 55.  
\*reduced in accordance with earnings.
- **Retrieving payments following re-employment to the public sector within 12 months of leaving for those earning £80,000 or above (and associated reforms)** – If someone who earns £80,000 or more leaves their employment, and returns to the public sector within 12 months, they would have to pay back some or all of their total exit payment.

A recent update from the Ministry of Housing, Communities and Local Government has confirmed that although they still plan to go ahead with the reforms, no exact timetable has been given. A fresh consultation about the reforms is scheduled to take place. They have stated that the reforms could still come into force during 2018.

We will tell you about any future updates.

## ➤ Pensions tax limits

There are two types of pension growth taxation limits that you need to be aware of – the annual allowance and the lifetime allowance. You can find more information about pensions tax on your fund's website or by visiting the Government website, GOV.UK.

### Annual allowance

The annual allowance is the amount by which the value of your pension savings can increase in any one year, without you having to pay a tax charge. The period over which your pension growth is measured is known as the 'pension input period' (PIP). If the value of your pension benefits grows by more than the limit, you may have to pay a tax charge on the extra amount. However, three years' 'unused' annual allowance can be used to offset the tax charge. The annual allowance amount for 2017/2018 was £40,000 and has stayed the same for 2018/2019.

If your pension savings in the LGPS are more than or close to the annual allowance limit for the previous tax year, we will send you a pensions savings statement by 5 October. If you go over the annual allowance limit, the statement will tell you your options relating to the tax charge.

### Lifetime allowance

Your lifetime allowance is the overall limit on the amount of pension savings you can build up over your working life without having to pay a tax charge. To work out the percentage of the lifetime allowance limit you have reached so far, multiply your annual pension by 20, add in any automatic lump sums or additional voluntary contributions (AVCs), then divide by the lifetime allowance limit and multiply by 100.

The lifetime allowance limit for 2017/2018 was £1 million and was increased for the 2018/2019 tax year to £1,030,000.

## ➤ Are your nominated beneficiaries up to date?

As an active member of the LGPS, a death grant lump sum of three times your pay may be payable to your beneficiaries if you die. It is important to check your death grant nominations regularly, particularly if your personal circumstances change. If you would like to update your nominations (the details of who you want to receive the lump sum), please fill in the expression of wish form on your pension fund's website. If you are registered for the fund's online system you can also update your death grant nominations online by signing in to your pension account.

## ➤ Thinking of reducing your pension contributions?

Did you know that since 1 April 2014 there have been two sections in the LGPS – the main section and the 50/50 section? In the main section, you pay normal contributions and get your normal pension build-up (that is, 1/49th of your pensionable pay). However, in the 50/50 section you pay half your normal contributions and build up half your normal pension during the period you are in that section (that is, 1/98th of your pensionable pay). If you move to the 50/50 section, you'll still benefit from full ill-health protection and life cover, and your dependents benefits would not be affected if you die.

The 50/50 section is designed to be a short-term option for when times are tough financially. This means that you can save money while still building up valuable pension benefits. If your current financial situation is causing you to consider opting out of the LGPS, why not take a look at the 50/50 section? The 50/50 section of the scheme is flexible, which means you can switch between the 50/50 section and the main section as your circumstances change.

## ➤ High Court Ruling Cohabiting Partners



From 1 April 2008, the LGPS allowed survivor's pensions to be paid to cohabiting partners, as long as they had been 'nominated' by the Scheme member. Under a High Court ruling, referred to as *Elmes v Essex*, it is no longer necessary for us to have received a nomination form in order to pay a survivor's pension.

This ruling is likely to affect members who died before 1 April 2014, but did not complete a nomination form before their death. Now it is possible to pay a survivor's pension to the eligible cohabiting partner of such members.

This is already the case for LGPS members who died after 1 April 2014, as the change to the LGPS rules removed this requirement for a nomination to be made.

If your cohabiting partner left the LGPS between 1 April 2008 and 31 March 2014, and you have not received a survivor's pension, you may be affected by this ruling. If you are not directly affected, it may be that you know someone who is. In either case please contact your fund for more information.

## ➤ New law to ban pension cold calls

On 20 August 2017, government ministers announced new proposals to crack down on cold-callers targeting pension benefits which in turn can lead to pension scams.

There are two major changes:

1. The first is an official ban on cold calls, text messages and emails that target private pensions.
2. The second change will stop people from transferring their private pension pots to companies that are not investing money, sometimes referred to as 'dormant' companies.

Legislation is yet to go through parliament, but it is thought that this law may come into force in 2018. The Pensions Regulator website has some useful advice on how to keep yourself safe from scams targeting your pension. For more information visit: [www.thepensionsregulator.gov.uk](http://www.thepensionsregulator.gov.uk)

If you are worried that you may have fallen victim to a scam, call The Pensions Advisory Service on 0300 123 1047 for free help and advice; or visit their website at [www.pensionadvisoryservice.org.uk](http://www.pensionadvisoryservice.org.uk)



## ➤ Changes to pre- April 2014 AVC contracts

If you are a 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, you will see some changes to the way your AVCs are calculated and how you can take your AVC plan.

If you are currently paying AVCs:

- you can now pay up to 100% (rather than 50%) of your pensionable pay into your AVC plan.
- AVCs will now also be deducted from any voluntary overtime you work (if you pay AVCs as percentage of your salary).

When you take your AVC plan:

- if you leave the scheme with a deferred benefit 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 took immediate payment of their main scheme benefits and their AVC plan when they left the scheme.

- when you take your main scheme benefits you will no longer be able to leave your AVC invested and take it later.
- 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.

For information about the other ways you can use your AVC plan see the national LGPS website: [www.lgpsmember.org/more/AVCOptions.php](http://www.lgpsmember.org/more/AVCOptions.php)



## ➤ Expansion of the underpin

The way your pension is calculated in the LGPS changed from 1 April 2014. If you were a member of the LGPS before 1 April 2014 any benefits built up to 31 March 2014 are protected as final salary benefits and will normally be calculated using your membership to 31 March 2014 and your final year's pay.

An additional protection was put in place for members who were active members of the LGPS on 31 March 2012 and who were within 10 years of age 65 at 1 April 2012. Subject to certain conditions, these members will get a pension at least equal to that which they would have received had the scheme not changed on 1 April 2014. This protection is known as the underpin.

This underpin protection has now been extended to also apply to people who were active members of a different public service pension scheme on 31 March 2012 and who were within 10 years of age 65 on 1 April 2012; if these people join the LGPS and transfer their pension benefits from the other public service pension scheme into the new LGPS scheme and part or all of that transfer buys final salary benefits in the LGPS, subject to certain conditions, the underpin will apply.

This change takes effect from 1 April 2014.

More information on the underpin is available on the national LGPS website: [www.lgpsmember.org/more/underpin.php](http://www.lgpsmember.org/more/underpin.php)

### Contacting the Pensions Team

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