



# NestEgg

A newsletter for members of the Local Government Pension Scheme participating in the Staffordshire Pension Fund

## Welcome

In this latest edition of Nest Egg our newsletter for Active Members of the Staffordshire Pension Fund, we have taken this opportunity to recap on a number of issues that have caused our membership confusion or concern since the introduction of the new 2014 Scheme, in April last year.

With the desire for greater governance within Pension Schemes in general, we have also included an article on the creation of a new Pension Board for the Staffordshire Fund. We are looking for a person with the relevant knowledge to put themselves forward for this voluntary position. The Fund has a long history of strong governance and takes its responsibilities to fund members, employers and other stakeholders very seriously, but the Government, requires this new level of governance to be put in place.

If you require any further clarification on any aspect of the Local Government Pension Scheme (LGPS), please feel free to contact the Pension Team.

*J. Caiazzo*

**Janet Caiazzo**  
Pensions Manager

## CONTENTS

- 2 Pension Boards for the Local Government Pension Scheme
- 3 Aggregation
- 4 Freedom of choice
- 5 Reform of the state pension system
- 6-7 Opting out of the pensions scheme
- 8 Buying back lost pension
- 9 Flexible retirement (55-75)
- 10 The 85 Year Rule
- 11 Member Self Service
- 12 Contact us

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# Pension Boards for the Local Government Pension Scheme

**Staffordshire County Council is seeking expressions of interest from Scheme members to sit on the new Pensions Board, which will be formed from 1 April 2015, to represent Scheme members.**

## Background

The Public Service Pensions (PSP) Act 2013 included several provisions relating to better governance and improved accountability of all the various public sector pension schemes.

From 1 April 2015 Staffordshire County Council has to set up a Pension Board to ensure that as the Scheme Manager for the Local Government Pension Scheme (LGPS) it executes its duties and responsibilities in the following areas:

- Securing compliance with the LGPS regulations, the Pensions Regulator's Code of Practice and any other legislation relating to the governance and administration of the LGPS;

- Ensuring the effective and efficient governance and administration of the LGPS for the Staffordshire Pension Fund.

Board membership is voluntary and restricted to a maximum of seven voting members, two of which will

be representatives of the Scheme membership. The County Council has decided that one of these seats will be occupied by a nominated trade union representative and the other will be sought from the membership of the Staffordshire Pension Fund.

## Next Steps

If you feel that you have the aptitude, time and capacity to learn about the LGPS, are a contributing Scheme member and are interested in this new role please contact us for an informal chat or email us using the details provided below to register your interest.

A financial, professional or administrative background would be considered an advantage but not essential. Full training will be given to all selected members of the Board to undertake this role. It is anticipated that the Board will meet for a minimum of four times a year plus additional time would be needed for preparation reading and training sessions.

The closing date for registering your interest is 31 March 2015

[Pensions.representative@staffordshire.gov.uk](mailto:Pensions.representative@staffordshire.gov.uk)

**Larry Pugh** 01785 276512

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# Aggregation

If you re-join the LGPS and have either a frozen refund or a deferred benefit from a previous period of LGPS service, either with Staffordshire or another LGPS fund, your benefits may be joined together. This joining together (or aggregation) will work differently depending on how long ago you were last in the LGPS and the benefit you have in the LGPS.

Since the launch of the new LGPS in April 2014, there has been a lack of guidance from central government about how to deal with the joining of records.

As soon as further clarification is received, any outstanding cases will be dealt with. In the meantime we apologise for the delay in providing members with the information they require.



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# Freedom of choice

In the 2014 Budget the Chancellor announced a change to the way people can take their pensions. Currently individuals who contribute to their own pension pots (known as defined contribution arrangements) have to take part of their pension pot as an annual pension (an annuity) and some tax free cash depending on the Scheme or policy rules. From April 2015, individuals aged over 55 with defined contribution pension savings, will be able to draw these savings as a cash amount but the amount available will be subject to income tax depending upon personal circumstances.

## **But how does this affect you as a member of the Local Government Pension Scheme (LGPS)?**

The LGPS is not a defined contribution Scheme. The options for those individuals age 55 or over who are members of LGPS are; to choose to retire on a voluntary basis with immediate access to pension benefits or transfer the pension benefits to an alternative pension arrangement.

## **Retiring at Age 55 from LGPS**

Benefits are paid in the form of an annual pension only or a combination of a tax free lump sum payment plus annual pension. The amount of tax free lump sum is limited by rules imposed on the Scheme by HM Revenue and

Customs (HMRC). Pension benefits can only be paid after leaving employment.

## **Transferring Pension Benefits to an Alternative Arrangement**

Subject to member election, the LGPS will be able to continue transferring pension benefits to alternative providers after 1 April 2015 as at present where an individual opts-out of the Scheme or leaves employment. New legislation imposes a requirement on the LGPS member to take independent financial advice from approved Financial Advisors before proceeding with any transfer of benefits from the LGPS. This would be at the members own cost and would need to be evidenced to the Pension Fund before any transfer to another provider can take place. Taking professional financial advice has been made mandatory as this will help to ensure that individuals are not subject to potentially fraudulent activity or inappropriate advice.

For those members where the value of the transfer payment is less than £30,000 there is no requirement to take financial advice but it is strongly recommended that professional advice is sought, as prior knowledge of the amount of commission and tax charges should be understood in advance of taking any action to transfer benefits from the LGPS.

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# Reform of the state pension system

**Those of you who keep a keen eye on the news will already be aware of the reforms to the State Pension that will start to take place next year. This will see the introduction of a new larger single tier-state pension and the removal of contracting-out from April 2016.**

## What is contracting-out?

As an employee, if you are paying National Insurance contributions, you will be contributing towards the Basic State Pension (BSP), payable from your State Pension Age (SPA)\*. Some employees though, also contribute to an earnings related pension top up to their BSP by paying more National Insurance Contributions. This additional pension is known as S2P. Whilst you have been a member of the Local Government Pension Scheme (LGPS) you will have been paying a lower percentage of National Insurance contributions because you have been contracted out of the earnings related part of the State Pension (S2P). For periods of contracted out employment you have paid National Insurance Contributions towards your BSP but have not built up any rights to the additional pension (S2P).

## What happens when contracting out ceases?

The removal of contracting out means that both employers and Scheme members will see an increase to the level of national insurance contribution paid from 6 April 2016 onwards. For Scheme members, the increase to their national insurance contribution will be about 1.4% (currently on earnings that fall between £5,564 and £40,040). Employees retiring after 6th April 2016 will receive a single state pension ranging from £110.15 to a potential £148.40 per week depending upon your National Insurance contributions record. National insurance contributions paid from 6 April 2016 onwards will start counting towards the new level of maximum pension.

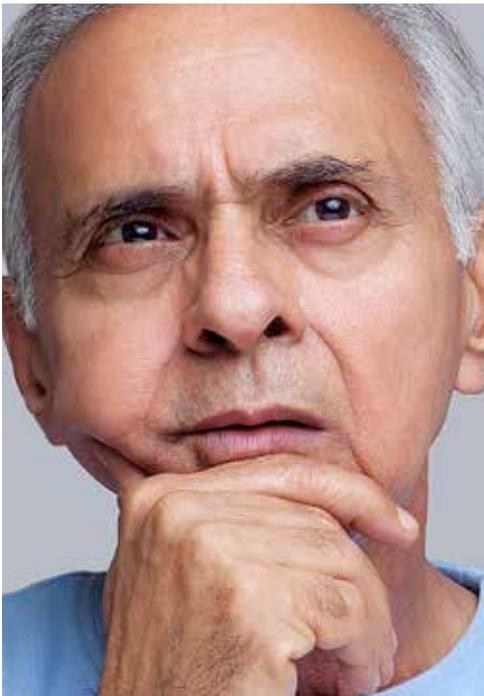
As everyone's circumstances are different, there is no simple way of describing how this reform will affect individuals. Instead, if you would like more information about how the reform will affect you, the gov.uk web site has a useful guide to the new State Pension that will provide many of the answers to questions raised. The guide can be accessed using the web address below.

\* <https://www.gov.uk/new-state-pension/overview>

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# Opting Out of the Pension Scheme?

If you have been thinking of opting out of the pension scheme for whatever reason. It's worth spending a few minutes reading this article to find out what you would be giving up.



It costs less than you might think to be in the LGPS. If you pay tax and National Insurance you get tax relief on your contributions and you currently pay less National Insurance. Please see the article on [Reform of the state pension system](#).

The LGPS is one of the best occupational pension schemes in the UK and as a member you enjoy all the benefits listed below

- A guaranteed index-linked pension, payable for life.
- You can take a tax free lump sum when you retire.
- Lump-sum death grant of three times your pay if you die, paid to the people you choose.
- Pension for your husband, wife, civil partner or your cohabiting partner.
- Pension if you become too ill to work.
- Early retirement if you're age 55 or over and made redundant.
- Options to help further improve your benefits, should you elect to pay extra.

In addition you could consider the 50/50 option instead. This option allows you to pay half your current contribution rate and build up half the pension. However, you retain full death grant cover. If you have more than one employment you can elect for the 50/50 option in one, some or all your employments.

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The 50/50 section is designed to be a short-term option. Because of this 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. Your employer will tell you when this is if you're in the 50/50 section of the Scheme. If you wish to continue in the 50/50 section at that point you would need to make another election.

Contributing to the LGPS is one way to protect yourself against financial worries in old age. Whatever your position, you need to think about your options now. We all need to make choices at different times during our lives, and our choices can have a real effect on our future. So it's worth investing some time now to make sure you make the best choice for you.



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# Buying Back **Lost Pension**

**If you have been on unpaid maternity/paternity/adoption or authorized unpaid leave you have not been accruing benefits in the pension scheme and as a result the amount in your pension pot will be affected.**

## **How do I pay for the lost pension?**

Since 1 April 2014, you have the option to pay Additional Pension Contributions (APCs) to cover any 'lost' pension. When you return to work if you decide you wish to buy back the lost pension you will need to contact your employers payroll and ask for the amount of your lost pay during your period of unpaid absence.

Once you know the amount of lost pay you will need to go to the following website that has a self-service modeller that will enable you to determine the cost of the APC and make an application to repay the contributions:  
<https://apc.lgps2014.org/>

If you elect to buy back all of your lost pension within 30 days of returning to work then the cost of the contract will be split, with your employer paying 2/3rds leaving 1/3rd for you to pay. However if your election is received after 30 days of returning to work, or if

you elect to purchase some, but not all, of the lost pension you must fund 100% of the APC contract yourself.

All APC contributions made as a deduction from your salary will receive tax relief on the contributions. If you make a lump sum cheque payment you will need to contact HMRC in order to request the tax relief.

If you choose to purchase only part of the lost pension it will be deemed as buying extra pension rather than buying back lost pension.

The website address to find more information is <http://www.staffspf.org.uk> if you click on **active members/forms/improving benefits** you will see a form called **APC Application - lost pension**. You will need to complete this form and send it to us so we can then process your application. If you wish to pay over a period of more than 12 months a medical form is also required. This can also be found on the website.

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# Flexible Retirement (Age 55 - 75)

**Flexible Retirement:** *Payment of your pension, and carry on working*

Any member of the Staffordshire Pension Fund, can elect to retire voluntarily from their employment and draw their benefits on reaching age 55. **This however, is not the same as Flexible Retirement.**

Flexible retirement allows you to **receive payment of your pension and carry on working and earning in your continuing employment.** You will receive payment of your benefits accrued up to the date of Flexible Retirement.

To qualify for Flexible Retirement you must:

- Be 55 or over.
- Obtain your employers consent.
- Have a reduction in your pay grade or contractual hours.

Flexible retirement is a great way to ease into retirement gradually and also allows you a better work life balance. You can remain a member of the Scheme and continue to build up further pension benefits.

If you take flexible retirement before your Normal Pension Age (NPA) your benefits may be reduced as they are being paid early, however your employer does have the option to waive any reductions that may apply. This will incur a cost to your employer to account for the unreduced benefits. Flexible retirement taken from NPA onwards would normally allow payment of your pension unreduced.

If Flexible retirement is something that you are interested in please contact your employer in the first instance. Each employer is required to have a policy about flexible retirement.



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# The 85 Year Rule

The Rule of 85 was removed from the Local Government Pension Scheme (LGPS) with effect from 1st October 2006 and does not apply to anyone who joined the Scheme after that date. For those who built up pension benefits before 30th September 2006 there are varying levels of protection that apply. For further details you can log onto the link provided below:

## What is the Rule of 85?

The Rule of 85 is used to work out whether or not a member's pension benefits (retirement pension and retirement grant) will be reduced if a member retires before their Normal Pension Age. It is not used to decide when a member can retire or as a reason for leaving.

When a member retires under certain circumstances, where the sum of their age plus the calendar length of their membership of the Scheme (both in whole years) is equal to or greater than 85, then all or part of their pension will be unreduced.

If you retire voluntarily between age 55-60, a reduction to your benefits will be applied. The level of this reduction is dependent on your age and service. Further information can be found via the link below:

<http://www.staffspf.org.uk/Members/Active-Members/Pension-Scheme-Information/Ruleof85Protections.pdf>

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# Member Self Service

## What is Member Self Service?

Member self service enables you to view personal and financial information about your pension securely. To access use the following link from our website:

<http://www.staffspf.org.uk/Calculator/Self-Service-Calculator.aspx>

## What can the online system do?

Our secure system now allows you to:

- View and update personal details and changes of address.
- Find out how much you will receive on retirement using the benefit calculator.
- Calculate the amount of additional lump sum you can take on retirement.
- View your service history, including any service which has been transferred.

## What do I do if I am a new user?

To use the system you must apply for an activation key. After you apply, it will be posted to your home address. If you have not received a Benefit Statement in the last 12 months or you have moved since the last correspondence from us, please send a signed letter giving your current address and advise us that you wish to use the online calculator to Pension Services, Wedgwood Building, Tipping Street, Stafford ST16 2DH. We will confirm the change as soon as possible and you can then apply for an activation key. Please allow up to 10 working days for the key to be sent following your request, although this will hopefully be sooner. In very busy periods this timescale may increase.

If you have more than one active and/or deferred record in our Scheme you will receive a separate key for each record.



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# Contact us...

by writing to: Pension Services Section,  
Staffordshire County Council,  
Wedgwood Building,  
Tipping Street,  
Stafford ST16 2DH

or by telephoning: 01785 278222

or by fax: 01785 276489

or by e-mailing: [pensions.enquiries@staffordshire.gov.uk](mailto:pensions.enquiries@staffordshire.gov.uk)

We also have a website at: [www.staffspf.org.uk](http://www.staffspf.org.uk)



If you would like this information in large print, Braille, audio tape/disc, British Sign Language or any other language, please ring 01785 278222.

The articles in this newsletter are a condensation and generalisation of the relevant legislation. Nothing contained in this newsletter overrides the provisions of the Local Government Pension Scheme Regulations and other pensions legislation.