

October 2016



Pensions Newsletter

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Insight Lunches

Want to learn about the LGPS? Why not attend one of our insight lunches:

Increasing your pension benefits – October 28th at 12pm

An introduction to the LGPS – November 18th at 12pm

Click [here](#) for course outlines. Contact your [HR Business Unit](#) to book a place.

Late Retirements

Pension benefits are increased if they are taken after the following ages:

- For service before 1 April 2014: age 65
- For service on or after 1 April 2014: State Pension Age, or if higher, age 65

Currently pension benefits are uplifted by 0.014%, and the automatic 3/80th lump sum retirement grant (if any) deriving from pre 1 April 2008 membership should be uplifted by 0.007% - for each day retirement is postponed beyond the above ages.

However, following the announcement by the Government that the underlying discount rate should be amended the uplifts will be reduced to 0.01% in respect of pension benefits and to 0.001% in respect of any lump sum benefits - for each day retirement is postponed beyond the above ages.

These changes will apply to retirements/ benefits taken after the 4th January 2017.

Annual Statements and the CARE pension scheme

If you were a member of the pension scheme on the 31st March you should by now have received your Annual Pension Statement. It is worth repeating how the CARE (Career Average Revalued Earnings) part of the LGPS works.

How does the CARE part of the scheme, introduced in 2014, work?

The Local Government Pension Scheme moved from being a Final Salary scheme to a CARE scheme from 1st April 2014. However, it remains;

- a Defined Benefit scheme [as opposed to a defined contribution scheme];
- A funded scheme where the employer has to pay the major part of the cost of the scheme benefits [most public sectors scheme are unfunded];
- Statutory i.e. the benefits are guaranteed.

For each year in the new scheme you build up pension based on your pay in that year.

- Every year you get a pension that is equal to a 49th of your pay added into your pension account

PLUS

- Inflation increases, so your pension keeps up with the cost of living

The cost of living increase applied to Year 1 (2014/15) was 1.2%. However, the Consumer Price Index figure for September 2015, the figure used to determine the revaluation to be applied in the following year was -0.1%. Consequently the Treasury confirmed that this is the revaluation that is to be applied at the end of year 2 (2015/16)

Example

A member has a pensionable pay of £24,500 in year 1 (2014/15) so will accrue 1/49th of that pay towards her pension i.e. £24,500 x 1/49 =£500.00.

If she was a member for the 2 years to 31/3/2016 and in year 2 (2015/16) has pensionable pay of £24,990 taking into account the two inflation (revaluation) figures above her pension would build up as follows:

	Opening Balance	Pensionable Pay	Pension Build Up In Scheme Year	Updated Total Account
Year 1	0	£24,500	£500.00	£506.00
Year 2	£506	£24,900	£508.16	£1013.15

The benefits in the CARE part of the scheme will be added to the Final Salary benefits you accrue in respect of your pre 1st April 2014 membership of the scheme.

Tax Controls on Pensions Savings





As a member of the LGPS you receive tax relief on your contributions as they are deducted from your pay; because of this tax relief HM Revenue and Customs (HMRC) impose two controls on the amount of pension savings you can have before you have to pay extra tax. The two controls are known as the **lifetime allowance** and the **annual allowance**. In our February Newsletter there were details of the changes to these allowances.

If you wish to apply for Individual or Fixed Lifetime Allowance Protection 2016 you can now do so online here – <https://www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance>

Further information can be found here - <https://www.gov.uk/tax-on-your-private-pension>

Contact Details

If you would like more information about any of the items included in this newsletter or about any other aspect of your pension please contact the Pensions Office:

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Guildhall
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 pensions@cityoflondon.gov.uk
 020 7332 1133/3039
 www.yourpension.org.uk/CityofLondon

The Pensions Office is located on the 3rd Floor, North Wing, Guildhall.

Member Website

The Local Government Pensions Committee LGPS member website can be found here - <https://www.lgpsmember.org/>

Our own website should be used to access information and all the forms you need – www.yourpension.org.uk/CityofLondon

Our Newsletters

The City of London's Pensions Service produced this newsletter. This newsletter is not an interpretation of the pension scheme or any other regulations. The relevant regulations will be used to reach a decision in any dispute or disagreement. Information about the scheme is available at www.lgps2014.org or www.yourpension.org.uk/CityofLondon

Previous versions of newsletters in addition to our standard pension forms and guides are also available on our website www.yourpension.org.uk/CityofLondon