

# Pension Update

Cambridgeshire  
Pension Fund



For members of the Local Government Pension Scheme (LGPS) | **Summer 2019**

## ➤ Welcome

### Welcome to the summer 2019 newsletter for active members of the Local Government Pension Scheme (LGPS).

The pension benefits you've built up in the LGPS, from 1 April 2014, increased by 3% in 2018/2019. The increase is worked out in line with the relevant Consumer Price Index (CPI). You can see this increase in the CARE account information on your annual benefit statement.

Please check that all your personal information on your statement is correct. Most importantly, check that the pay information supplied by your employer is accurate. The LGPS has been a career average revalued earnings (CARE) scheme since 1 April 2014. In a CARE scheme, your pension is worked out by using the pay you receive each year you're a member and then added together to form your total CARE pension. This means the 2018/2019 pay shown on your statement affects how your pension builds up.

If you have any questions about the pay used in your statement, you should contact your employer as they provide this information.

## ➤ Thinking of retiring early?



### If you choose to retire before your normal pension age (NPA), your benefits will normally be reduced to take into account that your pension will be paid for longer.

How much your benefits are reduced by depends on how early you take them. The minimum age that you can take your pension is currently 55.

The reduction for taking your pension early is based on the length of time (in years and days) that you retire early. The earlier you retire, the bigger the reduction.

The current percentage reductions for retirements up to 13 years early are shown in the table opposite. Where the number of years is not exact, we adjust the percentages. Benefits built up before 1 April 2014 have a different NPA, which for most people is age 65. You should always ask for a formal quotation of your benefits from your fund before deciding to retire early.

If they choose to, your employer can agree to ignore any reduction that should be applied to your benefits. This is up to them, as it usually involves a cost. You can ask them what their policy is on this.

You can reduce or avoid any reductions by delaying payment until a later date. Your benefits will not be reduced if they are paid at your NPA, but you can delay payment until after that age and, at that point, they will be increased for late payment. However, you must begin to take your pension before your 75th birthday.

Number of years paid early	Pension reduction	Lump-sum reduction (for membership to 31 March 2008)
0	0%	0%
1	5.1%	2.3%
2	9.9%	4.6%
3	14.3%	6.9%
4	18.4%	9.1%
5	22.2%	11.2%
6	25.7%	13.3%
7	29.0%	15.3%
8	32.1%	17.3%
9	35.0%	19.2%
10	37.7%	21.1%
11	41.6%	Does not apply
12	44.0%	Does not apply
13	46.3%	Does not apply

## ➤ Review of late-retirement factors

**Your LGPS benefits depend on the regulations and guidance in force at the time you take them.** This means your annual benefit statement and any retirement quotes you may receive are estimates, based on the regulations in place at the time. On behalf of the Ministry of Housing, Communities and Local Government (MHCLG), the Government Actuary's Department (GAD) reviews the guidance we must use when working out your LGPS benefits.

Following a government consultation MHCLG have released new factors and guidance which change the way increases in LGPS benefits are worked out if you retire 'late', i.e. after:

- i. age 65 for pre 1 April 2014 final salary linked benefits, and/or
- ii. Normal Pension Age (NPA) for post 31 March 2014 CARE pension.

The new factors, issued on 1 July 2019 and due to take effect on 1 September 2019, improve the rate of increase applied to an annual pension if your retirement is more than two years 'late', but only for periods of 'lateness' falling after 31 August 2019.

You can find more information in the GAD note at [lgpslibrary.org](https://lgpslibrary.org)

## ➤ Contributions rates from 1 April 2019

**Your LGPS contribution rate depends on how much you are paid.** When you join the scheme, and every April afterwards, your employer will decide your contribution rate, based on one of nine contribution bands (see the table below). If your pay changes during the year, your employer may decide to review your contribution rate.

Under the scheme rules, the contribution bands are adjusted each year in line with inflation. The updated contribution bands for the 2019/2020 scheme year are set out in the table. The bands apply from 1 April 2019.

If you're thinking about opting out of the scheme, you may want to consider moving into the 50/50 section of the scheme instead. The 50/50 section allows you to pay half your normal contributions and build up half your normal pension during that time. This may be useful if your circumstances change as it allows you to stay in the scheme, building up valuable pension benefits. Your life and ill-health cover are not affected and stay the same while you are in the 50/50 section.

## ➤ Exit-payment cap – latest news

**In the summer of 2015, the government released proposals for a public-sector exit-payment cap and we have been keeping you informed on how this proposal has progressed.**

On 10 April 2019, a further consultation was announced. This closed on 3 July. At the time of writing, the government are considering responses to the consultation and looking at whether changes are needed to bring the exit-payment cap into force.

### What is the exit-payment cap?

The cap limits exit payments made to employees of public-sector employers. The suggested cap of £95,000 would cover the total value of exit payments (before tax) made by an employer.

The proposal for the cap includes any early retirement or 'strain' costs which may apply if a pension is paid early. The proposals also suggest that redundancy payments and any other compensation or severance payments (for example pay instead of notice, enhanced employer compensation lump-sum payments and so on) are included in the cap.

The cap will apply to a wide range of public-sector employers, but not all.

### Will this affect me?

The cap will only apply to you, as a scheme member, if the total of your exit payments is more than the £95,000 limit. Where this is the case, the value of these payments must be reduced to equal £95,000. At the moment, the LGPS regulations would need to be changed for this cap to apply. We will publish more information on our website once we have it.

LGPS contribution table 2019/2020

Contribution band	Actual pensionable pay for employment	Contribution rate for that employment	
		Main section	50/50 section
1	Up to £14,400	5.5%	2.75%
2	£14,401 to £22,500	5.8%	2.9%
3	£22,501 to £36,500	6.5%	3.25%
4	£36,501 to £46,200	6.8%	3.4%
5	£46,201 to £64,600	8.5%	4.25%
6	£64,601 to £91,500	9.9%	4.95%
7	£91,501 to £107,700	10.5%	5.25%
8	£107,701 to £161,500	11.4%	5.7%
9	£161,501 or more	12.5%	6.25%

## ➤ Changes to survivor benefits for same-sex husbands, wives and civil partners

**A change to the scheme rules means that survivors' benefits paid to a same-sex husband, wife or civil partner are now equal to those paid to the widow of a husband of the opposite sex.**

### **Why has the change been made?**

The change has been made as a result of a Supreme Court judgment (Walker v Innospec) which found that Mr Walker's husband was entitled to the same benefits that would have been paid if Mr Walker had died and left a widow in an opposite-sex marriage.

### **When does the change take effect from?**

The change is backdated to the date that civil partnerships and same-sex marriages were introduced. This is 5 December 2005 for civil partnerships and 13 March 2014 for same-sex marriages.

This means that if a member of the LGPS has died leaving a surviving civil partner or a same-sex husband or wife, the survivor's pension will need to be reviewed and any extra amounts paid, if this applies.

The change will automatically be taken into account in survivors' benefits paid to civil partners and same-sex husbands and wives in the future.

## ➤ Are your nominated beneficiaries up to date?

**A death grant lump sum of up to three times your pay may be due to your loved ones if you die.** As an active contributor to the LGPS, you should regularly review and update your death grant nominations if necessary. If your personal circumstances change, or you'd like to tell us about new nominees (the people you want to receive the lump sum), please visit our website and fill in an expression of wish form.

## ➤ Consultation news

**The Ministry of Housing, Communities and Local Government has published a consultation on draft regulations to introduce Fair Deal proposals into the LGPS.**

The proposed amendments to the LGPS Regulations 2013 would, in most cases, give transferred staff the right to stay as members of the LGPS. This is a change to current guidance, which includes the option to move staff to a 'broadly comparable' pension scheme. If agreed, some of the proposals would offer more protection for pensions than currently applies. To read the full consultation, visit the [www.gov.uk](http://www.gov.uk) website. The consultation closed on 4 April 2019 and we will keep you up to date on the outcome.

## ➤ New law to ban pension cold calls

**A long-awaited ban on pensions cold-calling came into force on 9 January 2019.** (Cold-calling is when a company phones you to try to market their services, without you having asked them to.)

The ban was first announced in November 2016 and is now law. Companies who break the rules can be fined up to £500,000.

### **How does the ban work?**

The ban applies to all pensions cold calls, unless both of the following apply.

- The caller is authorised by the Financial Conduct Authority or is the trustee or manager of an occupational or personal pension scheme.
- The person receiving the call agrees to calls or already knows the caller.

Calls about your pension in any other situation are illegal and may even be a scam.

### **What do I do if I receive a call?**

If you receive an unwanted call from an unknown caller about your pension, please don't give out any personal information. Gather as much information as possible and report it to the Information Commissioner's Office. Visit their website on [www.ico.org.uk](http://www.ico.org.uk) or call their helpline on 0303 123 1113.

If you think you've received a genuine call from your pension scheme but are unsure, hang up the phone, look up the company's phone number and call back on a different phone line.

## ➤ Cyber security – how we look after your personal information

### We take the security of your information very seriously.

Most pension records are held electronically, and many pension scheme members can now access their own pension records online. The Data Protection Act 2018, along with guidance from The Pensions Regulator, sets out rules that pension funds must follow to make sure that they have good cyber security (protection for computers and communications networks).

We work closely with our suppliers to make sure the systems that hold your personal information are protected. We have procedures in place to check that processes and people are kept up to date. We also regularly and thoroughly test systems to make sure that they stay secure and that the risk of a security incident is reduced. We make sure that our suppliers have certificates which prove they meet the expected cyber-security standards and that the certificates are kept up to date.



### Contacting the Pensions Team

- ☎ 01604 366537
- @ pensions@northamptonshire.gov.uk
- 🌐 <http://pensions.cambridgeshire.gov.uk>
- ✉ LGSS Pensions  
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Angel Street  
Northampton NN1 1ED

## ➤ Electronic communications

You may have noticed that you've been receiving more emails from us and less post. Sending information about your pension electronically has many benefits.

- It's more environmentally friendly as it uses fewer resources, for example it's paper-free and no printing or distribution is needed.
- With one click we can take you straight to useful information on our website.
- We can update you on important changes to your pension more quickly.
- We can store all of your pension documents in one handy place on our members' hub, saving you valuable filing space at home.

Whether you want general information about the pension scheme or want to view your own pension account, you can find it all online at a time that suits you.

You can:

- see the current value of your pension;
- use our benefits projector to see how much your pension could be in the future;
- update your personal details;
- access any documents you've asked us for in one handy place;
- transfer funds from previous pension schemes; and
- nominate beneficiaries (people you want to benefit from your pension if you die).

Check out your pension today at [pensions.cambridgeshire.gov.uk](http://pensions.cambridgeshire.gov.uk)

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For you, for now, for the future

## ➤ Do you want to pay more towards your pension?

### If you would like to have that little bit extra during your retirement you might want to think about paying extra contributions to increase your pension benefits.

The LGPS offers the following two tax-efficient ways for you to pay more.

#### Buy extra pension in the LGPS by paying additional pension contributions (APCs).

If you are in the main section of the LGPS you can pay additional pension contributions to buy up to £7,026 of extra pension. You can pay a one-off lump sum or spread the cost by paying the contributions over a number of years. There is a calculator for working out the cost of buying extra pension at:

[www.lgpsmember.org/more/apc/index.php](http://www.lgpsmember.org/more/apc/index.php)

#### Build up an extra pot of money by paying additional voluntary contributions (AVCs)

You can pay additional voluntary contributions to your pension fund's AVC provider, Prudential, to build up a pot of money which you can use to provide extra benefits when you retire. You have your own AVC account and can decide how the money in your pot is invested. When you retire you can choose how to use your AVC pot, for example, you can take it as tax-free cash or can buy an annuity.

When APCs or AVCs are deducted through your pay, they are deducted before your tax is worked out so you receive tax relief automatically through the payroll.

**There is more information and guides to both APCs and AVCs on the pension fund website in the 'Managing my pension' section.**