



Pension

NEWSLETTER

SPRING 2016 • ACTIVE MEMBERS

New State Pension brings National Insurance changes for LGPS members – Q&A

The letter this newsletter came with explains how the new single-tier flat-rate State Pension replaces the former basic and additional State Pension for anyone who reaches State Pension age after 5 April 2016.

Although this change doesn't make any difference to the Local Government Pension Scheme (LGPS) pension you're building up with us, the end of **contracting out** is an important change you need to know about that affects how much National Insurance you pay.

Why is the State Pension changing?

The government's aim is a simpler, fairer pension system that gives everyone a clearer idea about what pension the state provides and makes pension planning easier.

Who gets the new State Pension?

You'll get the new State Pension if you're

- a man born on or after 6 April 1951, or
- a woman born on or after 6 April 1953

and (normally) have at least 10 qualifying years on your National Insurance record.

Note that if you reached State Pension age **before** 6 April 2016, you got your State Pension under the scheme that was in operation before 6 April 2016 instead.

If you don't know what your State Pension age is, use the calculator at www.gov.uk/state-pension-age to find out.



Why am I paying more National Insurance?

Before April 2016, the State Pension was made up of

- the basic State Pension, and
- the additional State Pension (called the State Second Pension, or SERPS).

The LGPS was **contracted out** of the additional State Pension and as an LGPS member you received a rebate on your National Insurance contributions so didn't build up much, if any, additional State Pension – **you built up pension benefits in the LGPS instead.**

The new State Pension replaces the basic and additional pensions with a single-tier flat-rate pension, ends contracting out and ends the rebate you got on your National Insurance contributions.

How much more will I pay?

The National Insurance rebate was 1.4% of your pay (between certain thresholds). But from 6 April 2016 you'll pay the standard rate of National Insurance. How much more you'll pay depends on your earnings, but here are some examples to give you an idea. Your payslip will show the actual amounts.

These examples are for people over 21.

How much you earn	National Insurance before 6 April 2016	National Insurance from 6 April 2016	How much extra you'll pay
£15,000 per year (£1,250 a month)	£58.66 a month	£69.36 a month	+ £10.70 a month
£27,000 per year (£2,250 a month)	£164.66 a month	£189.36 a month	+ £24.70 a month
£45,000 per year (£3,750 a month)	£307.65 a month	£352.76 a month	+ £45.11 a month

Will my LGPS pension benefits change because of this?

There are no plans to change the benefits the LGPS provides as a result of the introduction of the new State Pension.

I can't afford to pay the extra National Insurance contributions – what can I do?

The new State Pension will only provide a basic level of income in retirement so the LGPS will remain an important part of your retirement planning. Remember, if you pay tax you'll continue to get tax relief on your pension contributions.

But when money's tight, one option is to join the **50/50 section** of the pension scheme. Do this and you pay half your normal contributions in return for building up half your normal pension, while still getting full life cover and ill health cover. This is designed to be a short-term option to help you stay in the scheme while still building up some pension.

See wypf.org.uk for more information, and contact your employer if you want to join the 50/50 section.

Will I qualify for the full new State Pension?

The new State Pension has a minimum qualifying period. If you have no National Insurance contributions record before 6 April 2016 you'll need 35 qualifying years to get the full new State Pension.

If you paid into the LGPS between 6 April 1978 and 5 April 2016 and reach State Pension age after 5 April 2016, the amount of new State Pension you receive will be reduced for this period because you and your employer paid a lower rate of National Insurance. If this applies to you, you're unlikely to get the full amount of the new State Pension

but it will depend on your own National Insurance record and how many qualifying years you have after April 2016.

However, in most cases, the pension you get from the LGPS will be at least as much as you would have received from the State Pension if you hadn't been contracted out. The government calls this the contracted out pension equivalent (COPE) amount and an estimate of this will be on your State Pension statement, including all the contracted-out pension benefits you've built up if you have paid into any other contracted-out pension schemes.

See www.gov.uk/new-state-pension/overview for more about the new State Pension.

Will the new State Pension alone give me enough income in retirement?

The State Pension is intended to be only a part of your retirement income and would, on its own, provide a very basic standard of living in retirement. So the your LGPS pension will continue to be an important part of your retirement planning.

Want more information?

Visit www.gov.uk/yourstatepension

Or, if you're over age 55, request an estimate of your new State Pension at www.gov.uk/state-pension-statement

Watch a video about the new State Pension at www.youtube.com/user/PensionTube



Taxing pension savings

Changes for high earners from 6 April 2016

Lifetime Allowance – the total value of all of the pension savings you can build up by your retirement before having to pay an additional tax charge – will go down from £1.25million to £1million from 6 April 2016.

How might this affect me?

If you expect to have total pension savings worth more than £1million at retirement you might be affected, but there are two new forms of HMRC protections you can use.

- **Fixed Protection 2016** – you retain a Lifetime Allowance of £1.25million, but you'll probably have to stop future pension savings after 5 April 2016.

- **Individual Protection 2016** – you get an individual Lifetime Allowance equal to the value of your rights on 5 April 2016, with a minimum of £1million and a maximum of £1.25million.

You'll be able to apply online from July, but if you're planning to take your pension before July 2016, apply to HMRC for interim protection.

Annual Allowance – the upper limit on how much pension benefit you can build up in any one year without having to pay an additional tax charge – falling to £10,000 from 6 April 2016 for those with income of more than £150,000.

How might this affect me?

If you earn more than £210,000 and have high pension savings in one year, you could pay £13,500 in additional tax because of the fall in annual allowance. If you earn more than £150,000 but less than £210,000 the impact will be less significant, and if you earn less than £110,000 you probably won't be affected by this change.

Note that unused annual allowance from the previous three tax years can

sometimes be carried forward.

Pension Input Periods – to put these changes into place, the government has had to make some changes to the Annual Allowance in the 2015/16 year. The time your pension saving is measured over for testing against the Annual Allowance will end on 5 April each year instead of 31 March.

So for 2015/16 the year will be split into two parts, each with different allowance limits.

How might this affect me?

You won't lose out from the change in input period.

We have more on this subject at www.wypf.org.uk/allowances

Consider taking independent financial advice too.

WYPF annual meeting 2015

We held our 2015 annual meeting on last November in Wakefield. Two hundred members joined us for our comprehensive yearly analysis of the fund's investment and administration performance over the year.

Councillor Andrew Thornton (chair of WYPF) chaired the meeting, and delegates heard presentations from director Rodney Barton and fund investment advisers Noel Mills and Mark Stevens. Our guest speaker was from West Yorkshire Police Authority.

Answers to audience questions are available at www.wypf.org.uk/meeting

Project POOL

At the Conservative Party conference in October 2015, chancellor George Osborne called for a merger of the assets of the 89 Local Government Pension Scheme funds in England and Wales into six wealth funds, each containing at least £25billion. Administering authorities like ours had until 19 February 2016 to come up with their proposals for this.

West Yorkshire Pension Fund is part of the **Northern Powerhouse** pool, covering Greater Manchester Pension Fund, Merseyside and West Yorkshire funds with a pool of around £40billion. Lincolnshire Pension Fund is part of the **Border to Coast** pool that covers East Riding, Cumbria and Lincolnshire.

Other proposed schemes include

- a £35bn pool of eight schemes across the Midlands
- the ACCESS group of eight central, eastern and southern counties
- a common investment vehicle being developed by the London boroughs
- a South West pool, one covering Welsh LGPS funds, and

The government wants the new pools in place by April 2018.

You can read more on our submission at www.wypf.org.uk/pool

CARE pensions down by 0.1% in 2016

Pension you build up in the career average (CARE) scheme after 1 April 2014 is **revalued** every April, which means it's increased (or decreased) in line with the Treasury Department's Revaluation Order, set by the Consumer Price Index (CPI) for the September before the increase date. CPI was **minus 0.1%** in September 2015.

A negative revaluation figure means that the CARE pension you've built up since 1 April 2014 will be **reduced** this year by 0.1%. You'll see the effect of this on your next pension statement.

This only applies to the CARE part of your pension. If you also have final-salary pension from membership before April 2014 they're not affected by this at all.

LGPS National Insurance Database – privacy notice

West Yorkshire and Lincolnshire Pension Funds comply with legal requirements by taking part in a data-sharing project with other UK LGPS pension funds.

When LGPS members die, we need to know if they have LGPS pensions elsewhere in the country so their dependants get the right benefits. Because the LGPS is run by many different UK pension funds, we need this national database to check for pensions in other pension funds.

What data is shared?

- Your National Insurance number
- Your membership status
- The last calendar year your membership status changed, and
- A four digit reference number for the pension fund that holds your record.

Where is the database kept?

The South Yorkshire Pensions Authority hosts the database.

How will the data on the database be processed?

In line with the Data Protection Act 1998 and other relevant legislation.

Who is data shared with?

It's shared with other LGPS pension funds and LGPS administering authorities.

Information in the database will also be shared from time to time with the Department for Work and Pensions (DWP) so that the LGPS can join the **Tell Us Once** service that makes sure an LGPS member's own pension fund is told when their death is registered. Their records can then be processed more quickly and accurately.

How long will the data be shared?

For as long as

- the relevant regulatory requirements remain, and
- the LGPS takes part in **Tell Us Once**.

Can I opt out of data sharing?

No. Data sharing is partly to comply with a legal requirement so you can't opt out.

What I have further questions?

If you have any questions about this, please contact us.

NEWS in BRIEF

Your pension online soon

You'll soon be able to sign up to

- look at your pension record online whenever you like
- make changes to the personal information we hold about you, and
- request information about your pension
- securely access pension statements
- read newsletters online instead of getting them through the post.

We think this will be a popular new service so keep an eye out for more information soon on how to get your online account.

2016 pension statement

We'll produce these between 1 May and 31 August. If you don't get yours by 31 August, please contact your employer.

When you do receive your statement, please check that what's on it is right. You have seven years to dispute anything on the statement after which your pension record can't be changed.

New retirement workshops

We're making a new service available to our members with **Affinity Connect**, a retirement specialist. It's a series of free workshops designed to raise awareness of key issues you will need to consider and decisions you will need to make as you approach retirement.

It'll be especially useful to you if you're thinking of retiring in the next couple of years, but also if you're not yet sure when you want to retire.

If you think this might be useful, have a look at www.wyphf.org.uk/active-events where you'll find dates and times.

Products and marketing

We work with **Club Together**, an affinity group providing members with great deals from UK product and service providers. They research and review travel, financial, future planning or lifestyle products that may be of interest, and send members a free magazine twice a year with deals you can access online too. Your data's shared only with Club Together. We have strict legal agreements about how they use your data. The companies they are not given your personal details – Club Together mail all information on their behalf. You may also get information direct from us for other products and services.

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Or call in person to our offices at:

- **Aldermanbury House, 4 Godwin Street, Bradford BD1 2ST** weekdays 8.45am to 4.30pm.
- **County Offices, Newland, Lincoln, LN1 1YL** weekdays 8.00am to 5.15pm (4.45pm on Fridays). Ask for the pensions team at reception.

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