

Pension Update

Members Newsletter Autumn 2014



Brought to you by

This newsletter has been sent with your Annual Benefit Statement. If you have any queries about your statement or anything in this newsletter, please don't hesitate to contact the Pensions Team.

As we have discussed in previous editions in the lead up to the introduction of LGPS 2014, the Scheme has undergone some radical changes with future benefits being based on a career average related pay basis rather than the final salary as before.

The pension scheme regulations required the Pensions Team to provide an illustration of the potential retirement benefits members would receive on attaining their normal retirement age and the benefit statements you received in the past reflected this. The move to LGPS 2014 has, however, meant that this is not possible on the statement you have received today. This statement will show the benefits you have accrued up to 31 March 2014. It is simply not possible to provide that illustration because of the changes made to the Scheme and you have yet to accrue an entitlement under LGPS 2014.

As before, if you are approaching your retirement age within the next twelve months then contact the pensions office a month or two before you retire and we will gladly provide an estimate of your entitlement.

Moving forward to 2015, how do we expect your new statement to look? The statement will have to illustrate your pre-LGPS 2014 entitlement based on your final pay provided by your employer, together with a statement of the LGPS 2014 entitlement you have 'banked' at 31 March 2015. We are expecting guidance to be issued which will detail what all pension authorities in England and Wales are required to include in future statements.

Want to know more about the new scheme? Here are some highlights.....

A Career Average Revalued Earnings (CARE) scheme

From 1 April 2014 your pension builds up using the salary for each year you are a member rather than your final salary

The rate your pension builds up has increased

1/49th of your pay is added to your pension account every year (previously it was 1/60th)

Increased flexibility around when you can retire

Your normal pension age is now the same as your State Pension Age (minimum of 65). But you can now take your pension from age 55 to 75, with reductions if paid before your normal pension age or increases if paid after

Continued cover in the event of death or ill health

You'll still get the same valuable life cover and ill health protection in the new scheme

Tax free cash

The option to take a tax free lump sum when you retire continues in the new scheme

Protection

All your benefits built up in the pension scheme before 1 April 2014 are protected and your pension earned before April 2014 will still be based on your final salary

Average contribution rate remains the same

Contributions for most people will stay the same. But those on higher salaries may pay more, while some part-time staff may pay less.

Option to pay in less

The 50/50 option means you can now pay half the contributions to get half the normal pension

Want to see how a CARE pension works? Why not try the modeller on our website.



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Latest Pension News

On 14 May 2014, the Pensions Bill 2013-14 was approved by Royal Assent and became the Pensions Act 2014.

The full government announcement can be read at www.gov.uk The main provisions are as follows:

State Pension reform

The provision to roll out the single-tier State Pension to replace the current basic State Pension and additional State Pension with a flat-rate pension that is set above the basic level of means-tested support for people who reach State Pension age on or after 6 April 2016.

Bringing forward the increase in the State Pension age to 67

This change will mean that the State Pension age will gradually rise from 66 to 67 between 2026 and 2028. And a review framework to provide a regular review of the State Pension age, based around the principle that people should spend a given proportion of their lives receiving a State Pension.

Increased governance in workplace pension schemes

The government are introducing minimum governance and administration standards in all workplace schemes. In our Fund we have had a Pensions Committee for many years and, in line with the Act an additional Pension Board will be introduced from April 2015. More details of the roles within the new board will be known in the coming months.

More flexibility in pensions?

You may have read or heard in the media that the Government will be allowing members of defined contribution (DC) plans more flexibility over their pension pot.

From April 2015 members of DC arrangements will be able to draw freely from their funds subject to payment of marginal rate tax on the excess of the tax free commencement lump sum.

How will this affect members of defined benefit (DB) pension schemes like the Local Government Pension Scheme?

Initially, there was no affect but the Government has now announced plans to allow members of DB schemes (including the LGPS) to transfer their pension to a DC arrangement and then have access to drawing down the funds available. This option will not be available to members of the non-funded public service pension schemes.

The Government realises that there is a potential risk of members exchanging a pension (an income for life) for a one off lump sum and they are looking to introduce a system whereby anyone transferring from a DB to DC arrangement must have first received independent financial advice. The Government will also be

looking to introduce further safeguards specific to members of the LGPS.

It is expected that the majority of individuals will not give up their pension for life and that this greater flexibility will appeal to people who have debts to clear, no dependants or have a reduced life expectancy. We will let you know how this develops.

Thinking of retiring?

The Pensions Team want to ensure your move into retirement goes smoothly and your benefits are paid promptly.

Here is an overview of the process so you know what to expect when nearing retirement.

1. You inform your employer of your intended retirement date.
2. The Pensions Team are notified of your retirement date by your employer once your pay has been calculated and your employer can confirm your final payments.
3. The Pensions Team provide a calculation of your benefits payable including your tax free cash options. Forms will also be provided so you can let us know your bank details.
4. Once your forms have been completed they should be returned along with, if we have requested, your birth or marriage certificate – please note photocopies of these documents cannot be accepted.
5. A retirement letter is sent confirming the lump sum payment has been paid into your bank account. A final letter is sent confirming your payroll number, date of your 1st pension payment and how to access your payslip online.

Remember - pensions are paid on the 29th of each month, or on the last banking day before this if it falls on a weekend or Bank Holiday.

Pension scams. Don't get stung.

**A lifetime's savings
lost in a moment.**



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ActionFraud
We Report Fraud & Protect Your Money

THE PENSIONS
ADVISORY SERVICE

Check
the facts
before you
make an
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Pension scams are on the increase. You may have already been targeted. The scammers have a variety of tricks to catch you out.

The scammers may even pretend that the Government has asked them to contact you. What they won't tell you is that you'll probably never see your pension pot again. Don't be fooled by their promises.

Check the facts before you make an irreversible decision. They may:

- Claim that you can access your pension pot before age 55
- Approach you out of the blue over the phone, via text message or in person door-to-door
- Entice you with upfront cash
- Offer a free 'pension review' or try to lure you in with so-called 'one-off' investment opportunities.

What to do if you think you're being targeted:

- Never be rushed or pressured into making a decision
- Before you sign anything, call The Pensions Advisory Service on 0300 123 1047
- If you have already accepted an offer, call Action Fraud on 0300 123 2040

Visit:

**www.pension-scams.com
to find out more.**

Thinking about topping up your benefits?

If you want to make additional pension savings to increase your pension benefits there are two ways to do so. These are Additional Pension Contributions (APCs) and Additional Voluntary Contributions (AVCs).

Additional Pension Contributions (APCs)

You can buy extra pension by paying APCs regularly over a period of time, or you can buy extra pension by paying in a one-off lump sum. The maximum amount of additional pension you can buy is £6,500 (this figure will increase each year in line with the cost of living).

The amount it costs depends on how much extra pension you want to buy, the age you start paying the extra contributions and the length of time you want to pay them for.

To find out how much you can increase your LGPS pension by paying Additional Pension Contributions (APCs).

Additional Voluntary Contributions (AVCs)



If you wish to find out more about our in-house AVC scheme you should contact the Prudential directly. The Prudential AVC website for members of the Local Government Pension Scheme (LGPS) has been updated and redesigned.

The new look site can be found here:

www.pru.co.uk/localgov

Please use it to help you understand how AVCs could benefit you in retirement.

The new look website includes:

- Short video clips of retired members who've benefited from AVCs
- Example case studies
- The first of our animated video guides: 'What is an AVC?'
- Modelling tools and ideas to help members maximise their benefits at retirement
- Access to our upgraded self service area where existing members can manage their AVC plan

You can also call the UK based Retirement Specialist Team on: 0800 012 1378 and quote 'Main Insert' if you would like to discuss AVCs on the telephone.

An online calculator is available to show how much it would cost you to buy extra pension, to view the calculator visit: www.lgps2014.org

If you want to buy extra pension or cover lost pension as a result of an absence, you can print off an application form via www.lgps2014.org

