Pensions Newsletter

For deferred members of the Local Government Pension Scheme (LGPS)

Contents

Pensions Increase 2018

The Government confirmed an annual increase to pensions this year of 3.0%. This is the equivalent of the Consumer Prices Index (CPI) for the 12 months ending September 2017. The increase was applied to deferred pensions with effect from 9 April 2018.

If your pension was awarded part way through the year, it has been increased by a proportion of the full amount in the first year and will increase by the full rate from next year.

Making your wishes known – the Expression of Wish Form

The Council has absolute discretion over who receives any lump sum death grant that becomes payable in the event of your death. However it is important to let us know your wishes by completing an expression of wish form.

If you have not already completed one or wish to make a change, please download a new form from our webpage and send the completed form to our address on page 8.

You can name anyone you like from your family and friends or even charitable organisations. It is then unlikely that the death grant lump sum will be subject to inheritance tax.

Lump Sum if you die?

If you left the LGPS on or after 1 April 2008: a lump sum of 5 times your deferred annual pension will be payable.

If you left the LGPS before 1 April 2008: a lump sum of 3 times your deferred annual pension will be payable.

However, if you left with deferred benefits and die before receiving them and you are also an active member of the LGPS when you die, only the higher of the deferred benefit death grant and the death in service death grant will be paid.

General Data Protection Regulation (GDPR)

You will probably have received numerous communications from organisations about GDPR and data privacy. GDPR is a new set of European Union (EU) regulations which came into force on 25 May 2018. It changes how organisations process and handle data, with the key aim of giving greater protection and rights to individuals.

The Government has confirmed that the UK's decision to leave the European Union will not alter this.

Previously in the UK the Data Protection Act 1998 set out how your personal information could be used by companies, government and other organisations. The GDPR replaces the Data Protection Act 1998. A new Data Protection Act 2018 contains additional personal data provisions complementing GDPR.

Under GDPR, there are new and extended rights for individuals in relation to the personal data an organisation holds about them, for example, an extended right to access and a new right of data portability.

In addition, organisations have an obligation for better data management and a new regime of fines will be introduced for use when an organisation is found to be in breach of the GDPR. You can obtain further information about these rights from the Information Commissioner's Office at: www.ico.org.uk

A Question and Answer factsheet on GDPR is available on our webpage: www.wandsworth.gov.uk/pensions

The Administering Authority for your pension fund has published its privacy notice in line with the new requirements, setting out, why certain data is held; the reason for processing the data; who it shares the data with and how long the data will be retained. Within the notice, members are also provided with additional information about their rights under the legislation. The privacy notice is available on our website, along with, links to privacy notices for us (the Pensions Shared Service) and the other Administering Authorities in our Partnership.

We will also issue all scheme employers with a Memorandum of Understanding, which confirms the joint roles and responsibilities with regards to the sharing of information that enables us to provide an efficient and effective service to our scheme members and stakeholders.

The processing of data in the National Fraud Initiative (NFI) data matching exercise is carried out with statutory authority under the Local Audit and Accountability Act 2014. It does not require the consent of the individuals concerned under the Data Protection Act 2018 or the GDPR. See the article on page 8 regarding the next NFI matching exercise.

Any Changes?

Please remember to let us know of any change to your name, address or marital status as quickly as possible.

Amendments to the Local Government Pension Scheme (LGPS)

LGPS (Amendment) Regulations 2018

Amendments have been made to the LGPS Regulations 2013, effective from 14 May 2018. In the main these are technical amendments to ensure the regulations deliver the policy intention. There is, however, a significant change for scheme members who left the scheme under earlier regulations which allows them to draw their benefits from age 55 without requiring their former employer's consent.

When can you take your deferred pension?

If you left the LGPS on or after 1 April 1998

Your deferred pension benefits are normally payable in full at your Normal Pension Age (NPA). You were notified of this date in your initial deferred pension benefits letter. You do not have to take your deferred pension benefits at your NPA, you can take them at any time between the ages of 55 and 75; they can also be paid unreduced from any age if you suffer permanent ill health.

If you choose to take your deferred benefits before your NPA your benefits will normally be reduced to take account of their early payment and the fact that your pension will be paid for longer. How much your deferred benefits are reduced by depends on how early you take them. The reduction is calculated in accordance with guidance issued by the Government which can change from time to time. Here is a link to the early retirement reductions table: https://www.lgpsmember.org/more/reductions.php

Your former employer might agree to waive any reduction, however, this is discretionary and each scheme employer must have a policy on this.

If you left the LGPS before 1 April 1998

Your deferred pension benefits are normally payable in full at your Normal Retirement Date (NRD). You were notified of this date in your initial deferred pension benefits letter.
You do not have an option to defer payment of your benefits beyond your NRD i.e. you have to take payment of your benefits at that date if they are not already in payment. The only exception to this is if you are still employed in local government employment as your deferred benefit cannot be paid if you are still in local government employment. You also have the option of taking your deferred pension benefit early at age 55 and it can be paid from any age if you suffer permanent ill health.

You can choose to take early payment of your deferred benefits at age 55. You do not need your former employer's consent to take your benefit at age 55, but **if you want to take payment from age 55 you must make an election to so within 3 months of reaching your 55th birthday**. If you do not take early payment of your deferred benefit at age 55 you will have to wait until your NRD to take them - you cannot choose to take payment of your benefits at any other date unless your employer agrees to early payment on compassionate grounds or the benefits are paid early on the grounds of permanent ill health.

If you choose to take your deferred benefits at age 55 your benefits will normally be reduced to take account of their early payment and the fact that your pension will be paid for longer. The reduction is calculated in accordance with guidance issued by the Government which can change from time to time.

When can you take your deferred pension benefits?

Here's a flowchart for those approaching or over age 55 that illustrates whether you are able to take immediate payment of your deferred pension benefits:

Was your award of deferred benefits (i.e. your last day of service) on or after **1 April 1998**?

YES → You are a **post 98 member** and therefore entitled to payment of deferred benefits from any date on or after your 55th birthday up to the eve of your 75th birthday (provided you have ceased the employment from which your benefits were derived).

NO ↓

So you are a **pre April 1998** leaver.

Are you **approaching** age 55 <u>and</u> have you left <u>all</u> local government employment?

YES → You are entitled to payment of deferred benefits payable at a reduced rate at **(not after)** age 55 as you are below your Normal Retirement Date (NRD).

NO ↓

Is your prospective retirement potentially on ill health or compassionate grounds?

YES → You may be entitled to payment of unreduced deferred benefits whether or not you are in local government (LG) employment. You must ask your employer for its decision.

NO ↓

You are therefore in the remaining category of deferred member:

- You left before April 1998; and either
  - You are still in LG employment; or
  - You are aged between age 55 and your NRD; and
- You are not retiring on ill health or compassionate grounds.

Your retirement benefits are due to be paid when either your LG employment ends (as long as you claim your benefits within 3 months of leaving that employment) or reaching your NRD – whichever is later.

We will contact you around 3 months before your NRD with your claim forms.

Amendments to the Local Government Pension Scheme (LGPS) - continued

Early payment of deferred benefits for leavers before 1 April 1998

The Ministry for Housing, Communities and Local Government (MHCLG), who make the scheme rules for the LGPS, have confirmed their intention to permit members who left the LGPS before 1 April 1998 to also be able to take early payment of their deferred benefits from age 55 (rather than only allowing payment at age 55 or NRD), without their former employer's consent. This option is already available to people who left the LGPS on or after 1 April 1998. We will update you when we have further news on this.

Early payment of deferred benefits for pension credit members

If you were awarded a share of your ex-spouse's LGPS pension as part of a divorce settlement and you are a pension credit member in the LGPS, you can now elect to take payment of these benefits from age 55 regardless of when the pension sharing order took effect. Before the change, if the pension sharing order took effect before 1 April 2014 or your ex-spouse left the LGPS before 1 April 2014 you could only choose to take early payment from age 60.

Changes to pre- April 2014 AVC contracts

If you were a member of the LGPS on or after 1 April 2014 and you paid Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before 1 April 2014, you will see some changes in how you can take your AVC plan.

When you take your AVC plan: you can now buy additional pension from the LGPS with your AVC plan when you take your benefits from the scheme. Before the change, this option was only available to members who took immediate payment of their main scheme benefits and their AVC plan when they left the scheme.

When you take your main scheme benefits you will no longer be able to leave your AVC invested and take it later.

If you die before taking your AVC and a lump sum is to be paid from your AVC plan, your pension fund now has absolute discretion over who to pay that sum to (rather than it having to be paid to your estate). If the lump sum is paid at the discretion of the pension fund it does not form part of the estate and will not be subject to inheritance tax.

Expansion of the underpin

The way your pension is calculated in the LGPS changed from 1 April 2014. If you were a member of the LGPS before 1 April 2014 any benefits built up to 31 March 2014 are protected as final salary benefits and will normally be calculated using your membership to 31 March 2014 and your final year's pay.

An additional protection was put in place for members who were active members of the LGPS on 31 March 2012 and who were within 10 years of age 65 at 1 April 2012. Subject to certain conditions, these members will get a pension at least equal to that which they would have received had the scheme not changed on 1 April 2014. This protection is known as the underpin**.**

This underpin protection has now been extended to also apply to people who were active members of a different public service pension scheme on 31 March 2012 and who were within 10 years of age 65 on 1 April 2012; if these people join the LGPS and transfer their pension benefits from the other public service pension scheme into the new LGPS scheme and part or all of that transfer buys final salary benefits in the LGPS, subject to certain conditions, the underpin will apply. This change takes effect from 1 April 2014. More information on the underpin is available on the national LGPS website - www.lgpsmember.org/more/underpin.php

Transferring your LGPS pension to another pension scheme

If you join another pension scheme, you may wish to consider transferring your LGPS benefits to it.

An option to transfer (other than in respect of AVCs) must be made at least 12 months before your Normal Pension Age (NPA).

If a transfer payment is made, you will not be entitled to any further benefits from the LGPS for yourself, your spouse, civil partner, eligible cohabiting partner or eligible children.

What to consider?

If you are considering whether to transfer benefits, make sure you have full information about the two pension arrangements i.e. details of what your benefits are worth in the LGPS and details of what your benefits would be worth in the new pension scheme, if you decide to transfer them.

Transfers to public sector schemes usually provide benefits that are broadly equivalent to those in the LGPS, under what are known as Club transfer rules, provided you apply for the transfer within 12 months of joining your new pension scheme and have not had a break in membership of more than 5 years between leaving the LGPS and joining the new public service pension scheme.

However, transferring your pension rights is not always an easy decision to make and you may, therefore, wish to seek the help of an independent financial adviser before making a decision.

You can only transfer benefits from the LGPS if you have left the scheme and you have not already drawn benefits from the LGPS. Also, if you hold more than one deferred benefit in the LGPS in England and Wales (either in the same or separate LGPS pension funds), you will be required to transfer all or none of the benefits you hold. It is not possible to transfer one deferred benefit whilst retaining another deferred benefit in the LGPS.

Transferring to a Defined Contribution pension scheme

If you decide to transfer the value of your LGPS defined benefits to a Defined Contribution pension scheme you will be obliged by law to obtain appropriate independent advice, at your own cost, from an authorised independent adviser, who is registered with the Financial Conduct Authority (FCA). You must prove that this advice has been taken before any payment of a transfer can be made from the LGPS to a Defined Contribution pension scheme offering flexible benefits.

The only exception to this rule is if the total value of all your LGPS benefits across all LGPS Pension Funds is £30,000 or less then you are not legally required to take advice. However, given the impact on your LGPS benefits, you are recommended to take such advice regardless of the legal requirement.

To help people understand their retirement choices, the government has introduced a free and impartial service called Pension Wise. This help is available to members online, over the phone or face to face.

More information about Pension Wise and the choices that members taking flexible benefits from a DC scheme have can be found at: **www.pensionwise.gov.uk**

Protect yourself against pension scams

Pension scams, where people may be tricked into handing over their pension pots by scammers, are on the increase. Many of the offers to release a pension early seem very convincing, starting with offers of excellent returns.

However, once you have transferred your money into a scam, it is too late. You could end up losing all your pensions savings and in some cases face a tax bill of up to 55% of the value of the pension pot.

How to spot the warning signs

Scammers don’t care whether you’re an inexperienced investor or have never put your money anywhere other than a bank.

They will try to flatter, tempt and pressure you into transferring your pension fund into, for example, an investment with guaranteed returns.

Once the transfer has gone through, it is usually too late. Remember, the only people who benefit from scams are the scammers themselves.

Here are some of the most common tactics used by pension scammers to get a hold of your pension savings:

- A cold call, text message, website pop-up or someone coming to your door offering you a ‘free pension review’, ‘one-off investment opportunity’ or ‘legal loophole’.
- Convincing marketing materials that promise you returns of over, say, 8% on your investment.
- Paperwork delivered to your door by courier that requires immediate signature.
- A proposal to put your money in a single investment. In most circumstances, financial advisers will suggest diversification of assets.
- They may claim that you can access your pension before age 55.
- Transferring your money overseas.

What is a pension scam?

Pension scams can be given a number of labels including: free pension review, one-off investment opportunity, legal loophole, pension loans, early pension release, pension selling, cashing in your pension and pension liberation.

How to scamproof yourself

- Stop. Think about it. A genuine adviser will never rush you into a decision.
- Make sure the adviser is registered by the Financial Conduct Authority at **www.fca.org.uk/register**
- Look at the FCA’s Scamsmart warning list at **www.fca.org.uk/scamsmart** – this will tell you the names of investment schemes that are currently known scams.
- If you are approaching 55 or about to retire, Pension Wise can tell you more about what you can do with your retirement pot. Visit the website at **www.pensionwise.gov.uk**
- Before you sign anything, call The Pensions Advisory Service on 0300 123 1047 for information and advice about pension scams.
- If you’ve already signed the papers and you are concerned that it may have been a scam, raise the alarm by calling Action on Fraud on 0300 123 2040 immediately.

National Fraud Initiative (NFI)

This article is for information only – you are not required to take any action. Your Council participates in an exercise to promote the proper spending of public money. Councils are required by law to protect the public funds they administer. This means that Councils may share information provided to them with other bodies responsible for auditing or administering public funds in order to prevent and detect fraud.

We assist in this initiative by providing details of pensions so that they can be compared with information provided by other public bodies to ensure that no pensions are being paid to pensioners who are deceased or who are no longer entitled to them and also with Housing Benefit records to ensure that occupational pension income is being declared. We may also share details of deferred pension benefits.

These exercises help to ensure the best use of public funds. The NFI is highly successful at what it does, matching an extensive range of data from almost 1,300 organisations from across the UK to help prevent and detect fraud. Over the years it has enabled participants to identify fraud and overpayments totalling in excess of £1.39 billion.

Councils follow the Code of Data Matching Practice which helps ensure compliance with the law and respect for legitimate privacy concerns whilst identifying those involved in fraudulent activities. If you would like further information about NFI please visit www.gov.uk/government/collections/national-fraud-initiative

Contact Us

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 Shared Service on **020 8871 8036.**

Or write to: **Pensions Shared Service, PO Box 72351, London SW18 9LQ**

Or email: **pensions@wandsworth.gov.uk** When emailing us please include your name, your 'personal number' (the number from your payslips) and whether your employment was with Camden, Merton, Richmond, Waltham Forest or Wandsworth

Or visit the Pensions Shared Service. Our office is open from 9am to 5pm from Monday to Friday. We are located in Room 57a on the ground floor of Wandsworth Town Hall. The Council has a controlled access system in the Town Hall. If you visit us you will need to report to the reception desk in the Marble Hall. For accessibility information please see www.wandsworth.gov.uk/location

Disclaimer

This Newsletter has been prepared based on the Pensions Shared Service's understanding of the current legislation governing the Local Government Pension Scheme and associated overriding legislation. We make every attempt to ensure the accuracy and reliability of the information in our Newsletters, however, this information is intended for general use and cannot cover every personal circumstance. It represents the views of the Pensions Shared Service and should not be treated as a complete and authoritative statement of the law.

In the event of any dispute over your pension benefits, the appropriate legislation will prevail as this Newsletter does not confer any contractual or statutory rights and is provided for information purposes only.