

November 2014



# Pensions Newsletter



LGPS 2014 is the new pension scheme introduced from April 2014. It is fundamentally different to the previous LGPS and a dedicated website has been set up for members to help explain the changes - [www.lgps2014.org](http://www.lgps2014.org)

Some of the topics covered by the website are:

- [How will the new scheme affect me?](#)
- [What will the new scheme cost me?](#)
- [When can I take my pension?](#)
- [How do I buy extra or lost pension?](#)
- [Contribution flexibility – can I pay less?](#)
- [Are the benefits I built up in the LGPS before April 2014 protected?](#)

Previous newsletters have covered the changes to the LGPS in more detail. You can access these on our website - [www.yourpension.org.uk/CityofLondon/In-the-Scheme/News.aspx](http://www.yourpension.org.uk/CityofLondon/In-the-Scheme/News.aspx)

## Pensions Flexibility 2015

In the Budget the Chancellor announced a number of changes being made from April 2015 which will give individuals greater flexibility to access “defined contribution” pension savings from age 55. One of the main changes is that individuals will be able to take the whole of their pension fund as a lump sum instead of having to buy an annuity with part of it, as is the case currently.

This change does not affect your LGPS benefits as the LGPS is not a defined contribution (Money Purchase) pension scheme. The LGPS is a defined benefit scheme which means your pension is linked to your salary and how long you have been paying into the scheme.

However, the changes may allow those with Additional Voluntary Contribution (AVC) arrangements further options in the future and we will keep you informed of any changes as they occur.

### Pension Scams

An increasing number of companies are targeting savers with pension scams claiming that they can help them take their pension cash early. Individuals may be targeted through websites, mass texting or through cold calls.

LGPS members should be wary about giving any information in response to these approaches and of being talked into transferring their pension benefits to other pension arrangements before reaching retirement age.

The Pensions Regulator provides further information about the dangers of pension scams – click [here](#) to access this.

## Changes to the 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**; the government has reduced both of these allowances from April 2014.

Most scheme members will not be affected by these allowances, however, if you are a high earner or have built up a lot of LGPS membership you may exceed these limits. You may also need to consider your position if you are paying a significant amount of additional contributions to an AVC or to buy additional pension or added years within the LGPS itself.

**Lifetime Allowance-** is the total value of all the pension benefits you can have without having to pay a tax charge when you draw them. If the value of your pension benefits when you draw them is more than the lifetime allowance you will have to pay tax on the excess benefits.

The lifetime allowance has reduced **from £1.5 million to £1.25 million** from April 2014. Despite this reduction most people will not be affected by the lifetime allowance charge, however, if you have already built up pension savings of more than £1.25 million you can apply for **Individual Protection 2014** to help reduce or mitigate your lifetime allowance tax charge.

### Individual Protection (IP2014)

Individual Protection will protect your lifetime allowance to the value of your pension rights on 5 April 2014 (up to a maximum of £1.5 million).

To apply for IP2014 your pension rights must be valued at more than £1.25 million on 5 April 2014 and you must not have primary protection. IP2014 is available even if your pension savings on 5 April 2014 have a value of more than £1.5 million.

If you successfully apply for IP2014 you will be given a protected lifetime allowance equal to the value of your pension savings on 5 April 2014 subject to a maximum of £1.5 million.

To apply for IP2014 you will need to complete the application form which is now available on the HMRC website by clicking [here](#). Your form must be received by HMRC before 6 April 2017.

**Annual Allowance** - this is the amount by which the value of your pension benefits may increase in any one year without you having to pay a tax charge. For the LGPS, the pension saving year runs from 1 April to 31 March. From April 2014 the limit has reduced **from £50,000 to £40,000**.

Therefore, from 2014 if your pension savings increase by more than £40,000 in any year you may have to pay extra tax. However, you are allowed to carry forward any unused allowance from the previous three years to reduce or mitigate any tax charge payable.

The amount of annual allowance you have used in the year 2013/14 was detailed on your annual benefit statement.

Further information can be found at [www.hmrc.gov.uk/pensionschemes/understanding-aa.htm](http://www.hmrc.gov.uk/pensionschemes/understanding-aa.htm)

## Governance of the LGPS – Pension Boards

The Public Service Pensions Act 2013 requires that pension boards be established for public service pension schemes

The aim of the pension boards is “to raise the standard of management and administration of public sector pension schemes and to achieve an effective representation of employer and employee interests in that process”.

For the LGPS this means that there will be a pension board at both a national and local level.

The National Scheme Advisory Board has been in place in a shadow capacity since the summer of 2013. From April 2015, the City of London is required to have a local Pension Board whose role will be to oversee and support the administering authority to:

- Secure compliance with the LGPS Regulations, any other legislation relating to the governance and administration of the Scheme; and any requirements imposed by the Pensions Regulator in relation to the Scheme.
- To ensure the effective and efficient governance and administration of the Scheme.

The draft provisions require that the Board is made up of an equal number of employer and member (employee) representatives. It also allows for other members of the Board to be appointed but they cannot exceed the number of employer/employee representatives.

Although the Pensions Board must be in place by 1<sup>st</sup> April 2015 it may be populated at a later date. Future Newsletters will provide updates on progress of the implementation of the Board.

## 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 Service:

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 [www.yourpension.org.uk/CityofLondon](http://www.yourpension.org.uk/CityofLondon)

The Pensions Office is located on the 3<sup>rd</sup> Floor North Wing.

## 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](http://www.lgps2014.org) or [www.yourpension.org.uk/CityofLondon](http://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](http://www.yourpension.org.uk/CityofLondon)