



Pensions Newsletter Summer 2018

Welcome to City of London Pensions Newsletter Summer 2018.

There has recently been an amendment to the scheme regulations effective from 14 May 2018, the main points of which I have included in this newsletter. However, for the most part it has been a quiet year for the LGPS. I'm sure all scheme members welcome a period of stability, with very little change or addition to the scheme regulations and, therefore, very little change to how your pension benefits are calculated.

There has, however, been some change within the City of London Pensions Office with one or two team members leaving or retiring, including the former pension manager Charlie Partridge. Of course, that means we have had new members of the team start and that includes me, Matt Mott, your new Pensions Manager.

Employee Contribution Bands

The contribution bands are adjusted each year in line with inflation and below are the new bands that apply from April 2018.

The rate at which scheme members are paying contributions are also reviewed each September, however, if you think your rate of contribution is incorrect please email us at pensionsoffice@cityoflondon.gov.uk

| Contribution table 2018/19 | | | |
|----------------------------|--|---------------------------------------|---------------|
| Band | Actual pensionable pay for an employment | Contribution rate for that employment | |
| | | Main section | 50/50 section |
| 1 | Up to £14,100 | 5.5% | 2.75% |
| 2 | £14,101 to £22,000 | 5.8% | 2.9% |
| 3 | £22,001 to £35,700 | 6.5% | 3.25% |
| 4 | £35,701 to £45,200 | 6.8% | 3.4% |
| 5 | £45,201 to £63,100 | 8.5% | 4.25% |
| 6 | £63,101 to £89,400 | 9.9% | 4.95% |
| 7 | £89,401 to £105,200 | 10.5% | 5.25% |
| 8 | £105,201 to £157,800 | 11.4% | 5.7% |
| 9 | £157,801 or more | 12.5% | 6.25% |



Inflation and your CARE pension from 1 April 2014

The value of your CARE pension built up since 1 April 2014 changes by inflation on **1 April** each year. The inflation applied for 2018 is **3%** and will be included in your annual benefit statement in 2019 .

The 2018 Annual Benefit Statement will be distributed at the end of August and the values shown on the statement include the 1% inflationary increase applied from 1 April 2017.

The LGPS and HMRC Limits

Annual Allowance (AA)

This is the amount by which your pension can grow before you may have to pay additional tax. The limit is currently **£40,000** but if you earn over **£150,000** the limit may be reduced to a minimum of **£10,000**.

We will write to all scheme members who we think may be affected by 5 October 2018.

There are, however, certain types of income that the Fund will not know about but could affect your AA. For example, income from other employments and income from property rental.

If you do not receive a saving statement in October and you are concerned you may have exceeded the limit please email us at Pensions@cityoflondon.gov.uk

Lifetime Allowance (LTA)

This is the capital value of all your pension benefits and if you exceed the LTA limit you may be liable to additional tax when you retire (unless you have applied to HMRC to protect a previously higher limit).

Last autumn the Chancellor announced with affect from April 2018 the LTA limit will increase each year by Consumer Price Index (CPI).

The limit for 2018/19 has been set at **£1,030,000**.

Generally speaking, only people with higher levels of pay and long periods of pensionable service are usually affected.

The value of your LGPS benefits for LTA purposes is:

- Annual pension at retirement multiplied by 20, plus
- Lump sum at retirement

Regulation Amendments 2018

Additional Voluntary Contribution (AVC) Contracts

If you are a member of the LGPS who is, or was, paying Additional Voluntary Contributions (AVCs) and the contract to pay those AVCs started before **1 April 2014**, you will see some changes to the way you can take your AVC plan.



If you are currently paying AVCs:

- you can now pay up to 100% (rather than 50%) of your pensionable pay into your AVC plan.
- AVCs will now also be deducted from any voluntary overtime you work (if you pay AVCs as percentage of your salary).

When you take your AVC plan:

- if you leave the scheme with a deferred benefit 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.

For information about the other ways you can use your AVC plan see the national LGPS website - www.lgpsmember.org/more/AVCOptions.php

The Protection known as The Underpin has been expanded

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

An additional protection was put in place for scheme 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 scheme 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 individuals who were active members of a different public service pension scheme (e.g. Civil Service Pension Scheme) on 31 March 2012 and who were within 10 years of age 65 on 1 April 2012; if these individuals join the LGPS and transfer their pension benefits from the other public service pension schemes into the LGPS scheme and part or all of that transfer buys final salary benefits in the LGPS the underpin will apply.

This change is being backdated to take effect from 1 April 2014.



General Data Protection Regulation (GDPR)

GDPR is legislation for data protection that is came into force with effect from 25 May 2018 and replaces the Data Protection Act 1998.

As a scheme member you will not notice any change to the way the Fund administers the scheme for you, however, we must let you know how we use, store and retain your personal data.

Part of that communication is the Privacy Notice. This is a statutory requirement placed upon all data controllers and processors, like the pension fund, and explains why we need your data, what we do with it and who (advisors & suppliers) we share that data with.

There are two versions available a full Privacy Notice and a summary Privacy Notice, both of which can be found on our website www.yourpension.org.uk/cityoflondon Please take the time to read at least one of them.

